

Delivering strong growth and building scale

Full year results for the year ended 31st December 2015

Revenue growth across all parts of the business

- Total external revenue up 15% at £2,972m (2014: £2,590m)
- 6% growth in Net Advertising Revenue to £1,719m (2014: £1,629m)
- Online, Pay & Interactive up 23% to £188m (2014: £153m)
- Total ITV Studios revenue up 33% to £1,237m (2014: £933m)
- 25% growth in Non-NAR to £1,664m (2014: £1,327m)

Sixth consecutive year of double digit profit growth

- Adjusted EBITA up 18% to £865m (2014: £730m)
- Broadcast & Online adjusted EBITA up 16% to £659m (2014: £568m)
- Studios adjusted EBITA up 27% to £206m (2014: £162m)
- Adjusted PBT up 18% to £843m (2014: £712m)
- Adjusted EPS up 20% to 16.5p (2014: 13.8p)

Strong cash flows funding investment and increased shareholder returns

- International content business strengthened by further acquisitions including Talpa Media, Twofour Group and Mammoth Screen
- Given our strong performance the Board is proposing a final dividend of 4.1p, giving a full year dividend of 6.0p per share, ahead of our previous guidance
- Reflecting ITV's strong cash generation and the Board's confidence in the business, it is also proposing a 10.0p special dividend, equivalent to £400m

Positive outlook for 2016

- Expect another good year in 2016 with continued revenue growth across both businesses
- Over the full year we expect to outperform the television advertising market
- Euros football will impact phasing of ITV Family NAR, with Q1 flat while Q2 should be positive
- Online, Pay & Interactive will again deliver double-digit revenue growth
- ITV Studios will deliver double-digit revenue and profit growth, driven primarily by recent acquisitions
- We continue to see opportunities to invest across the business, organically and through acquisitions

Adam Crozier, ITV plc Chief Executive, said:

"ITV delivered another strong year as we continue to grow and strengthen the business in the UK and internationally. Revenues were up 15% to just under £3bn and for the sixth consecutive year we achieved double digit profit growth, as adjusted EBITA grew 18% to £865m, with all parts of the business performing well.

Our Broadcast and Online business remains strong with advertising revenue up 6% and Online, Pay & Interactive up 23%. While our Family Share of Viewing was down 3% for 2015 we have started this year well with SOV on our main channel up 5% and ITV Family SOV up 2%. We have a strong programme slate for 2016, with 50 hours more drama as well as major rugby and football tournaments. ITV uniquely delivers the mass audiences demanded by advertisers. Continuing to deliver this scale and reach, as well as further strengthening our onscreen performance, remains a key focus for the company and particularly for the new creative leadership in the Broadcast business.

ITV Studios continues to perform strongly both organically and from our recent acquisitions, particularly Talpa. Through our ongoing investment ITV Studios has become a global production business with total revenue up 33% to £1.2bn and with 53% of revenues now coming from outside the UK.

We have a very strong international pipeline of new and returning drama including Victoria, Tutankhamun, Houdini and Doyle, Cold Feet, Poldark, Shetland, Aquarius, Endeavour and Vera as well as entertainment formats The Voice, The Voice Kids, Dance Dance Dance, I'm a Celebrity... Get Me Out Of Here!, The Chase, Hell's Kitchen and Saturday Night Takeaway. ITVS has already secured a higher proportion of 2016 revenue at this point in the year than in previous years and our good drama slate gives us confidence into 2017.

We'll continue to build scale and to capitalise on the strong demand for high quality content that travels, with a particular focus on investing in creative talent and scripted projects, and working with more channels and platforms in the UK and internationally.

In November we launched the ITV Hub, which is now the digital home for all our channels and services both live and on demand, with live viewing at centre stage. The Hub, which is available on 27 platforms, marks a major step forward in the quality, innovation and ease of use of ITV's online service and has had a really encouraging start. Online demand for our content is growing strongly with people spending 42% more time watching ITV online in 2015 than the previous year. Overall, our Online, Pay & Interactive business is rapidly growing and profitable and is on track to deliver double-digit revenue growth again in 2016.

We will continue to build our expertise in digital media to drive closer engagement with online audiences, develop more targeted and innovative advertising with new initiatives including AdSync+ and ITV AdVentures, and maximise our ability to monetise our content online as well as on pay channels.

For this year we anticipate that the phasing of our television advertising will be very different to 2015 due to the timing of major sporting events. We expect ITV NAR to be flat in Q1, marginally behind the market, against 12% growth in Q1 last year. Q2, which will benefit from the Euros, should be positive. For the full year we again expect to outperform our estimate of the TV ad market.

ITV's strong performance in 2015 builds on the consistently good results we have delivered since we launched our strategy six years ago. Given these results the Board has proposed a final dividend of 4.1p bringing the full year dividend to 6.0p, up 28%, which is ahead of previous guidance.

As we look to 2016 and beyond we see further significant opportunities for growth across the company organically and through acquisitions and partnerships. Reflecting ITV's ongoing strength and confidence for future growth the Board is proposing a £400m special dividend, equivalent to 10.0p per share. Our strong cash generation and robust financial position gives us the flexibility to invest in growing the business while at the same time delivering returns to our shareholders."

Full year results

Twelve months to 31 December – on an adjusted basis	2015 £m	2014 £m	Change £m	Change %
Broadcast & Online revenue	2,146	2,023	123	6
ITV Studios revenue	1,237	933	304	33
Total revenue	3,383	2,956	427	14
Internal supply	(411)	(366)	(45)	(12)
Group external revenue	2,972	2,590	382	15
Broadcast & Online EBITA	659	568	91	16
ITV Studios EBITA	206	162	44	27
EBITA	865	730	135	18
Group EBITA margin	29%	28%	–	–
Profit before tax	843	712	131	18
EPS	16.5p	13.8p	2.7p	20
Ordinary dividend per share	6.0p	4.7p	1.3p	28
Special dividend per share	10.0p	6.25p	–	–

Management look at adjusted results as they reflect the way the business is managed and measured on a day-to-day basis. Adjusted EBITA is before exceptional items and includes the benefit of production tax credits ('adjusted EBITA'). Adjusted profit before tax and EPS primarily remove the effect of amortisation of intangible assets acquired through business combinations and acquisition related costs. A full reconciliation between the adjusted and statutory results is provided in the financial review.

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

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

Statutory EPS grew 7% to 12.4p (2014: 11.6p), which is at a slower rate than adjusted EPS primarily because operating exceptional items of £109 million were significantly higher than in 2014. This is as a result of the treatment of employment linked consideration for our acquisitions, primarily for Talpa, which is included within statutory EPS, but excluded from adjusted EPS as in our view these costs are part of capital consideration.

Financial performance

We delivered another strong performance in 2015, with revenue growth across the group as we continue to strengthen the business creatively, commercially and financially. Group external revenues increased 15% to £2,972 million (2014: £2,590 million), reflecting 6% growth in NAR to £1,719 million (2014: £1,629 million) and over £300 million increase in non-NAR to £1,664 million (2014: £1,327 million), up 25%. Broadcast & Online revenues grew 6% to £2,146 million (2014: £2,023 million) and ITV Studios total revenues grew 33% to £1,237 million (2014: £933 million).

Together with our continued focus on cash and costs we delivered another year of double digit profit growth with total adjusted EBITA up 18% to £865 million (2014: £730 million), corresponding to an improved adjusted EBITA margin of 29% (2014: 28%). Adjusted EPS in the year increased 20% to 16.5p (2014: 13.8p) and statutory EPS increased 7% to 12.4p (2014: 11.6p).

The business remains highly cash generative and profit to cash conversion was 91%, even after increased investment in our scripted business. Free cash flow was up 18% to £562 million. We ended the year with net debt of £319 million (2014: net cash £41 million) after acquisitions of £406 million (net of cash acquired) including Talpa Media, dividend payments of £459 million and pension deficit contributions of £90 million. At 31st December our reported net debt to adjusted EBITDA was 0.4x.

Reflecting ITV's strong performance in 2015 and in line with its policy, the Board has proposed a final dividend of 4.1p. This equates to a full year dividend of 6.0p, up 28%, which is well ahead of earnings growth.

Broadcast & Online

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

There was continued good growth across all the major advertising categories and as expected the phasing of UK television advertising was different in 2015 reflecting the timing of major sporting events. Over the full year we increased our estimated share of broadcast to 46.1% (2014: 45.9%) as we once again outperformed our estimate of the UK television advertising market. It is becoming increasingly difficult to measure the pure spot advertising market as all broadcasters use different definitions, which may include additional sources of revenue such as sponsorship and VOD in their estimates of television advertising.

ITV Family SOV declined 3% in 2015. This reflects a 4% decline in the ITV main channel SOV which was impacted by more competition from the launch of new digital channels in the year, some of our shows not performing as well as we had expected and the relatively strong performance of the BBC. Going forward we remain focused on strengthening our viewing performance and continuing to deliver mass audiences.

Online, Pay & Interactive revenue continued to show strong growth, up 23% to £188 million (2014: £153 million) reflecting further growth in both our online advertising and pay businesses. In November we successfully launched the ITV Hub, the new digital home for our online services, which has had a very encouraging start. Audience demand for VOD continues to grow strongly which helped drive a 14% increase in long form video requests and 42% increase in consumption. There remains strong demand for online advertising which helped drive significant growth in Online revenue. We continue to develop our pay services with Pay revenue benefitting from a full twelve months of revenue from ITV Encore and strong demand for ITV video on demand services.

Schedule costs were up 3% predominantly due to the full year costs of ITVBe and ITV Encore. We maintain a tight control on costs and aim to continue to deliver savings to mitigate inflationary pressure.

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

On 29th February 2016, ITV completed its acquisition of 100% of UTV Ltd, which owns the television assets of UTV Plc, for £100 million. This will further strengthen ITV's free to air business and enable it to run a more efficient network.

ITV Studios

ITV Studios total revenue grew strongly in 2015, exceeding £1 billion for the first time as we continue to build scale in creative content markets and strengthen our international portfolio of programmes that return and travel. ITV Studios is becoming increasingly international with 53% of ITV Studios total revenue in the year generated outside the UK (2014: 47%).

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

Studios UK revenue was up 19% to £547 million (2014: £459 million) reflecting 13% growth in internal revenue and 39% growth in external revenue. Organic revenue was up 5%.

ITV America grew strongly in 2015, with revenue up 36% to £320 million (2014: £235 million) as we benefitted from good organic growth, up 15% driven by the delivery of our three US dramas, Best Time Ever and two series of Hell's Kitchen USA, as well as the first full year of Leftfield Entertainment, acquired in May 2014.

Studios Rest of World (RoW) also showed strong growth, up 124% to £213 million (2014: £95 million), with organic revenue up 4%. We have benefitted from Talpa Media which we acquired on 30 April 2015, significantly strengthening our position as a leading international producer.

Global Entertainment revenue increased 9% in the year to £157 million (2014: £144 million). Revenue growth was supported by our strong programme slate including new titles Poldark and Schitt's Creek, as well as US drama Aquarius and the launch of Thunderbirds Are Go!

Overall, we have delivered many creative successes in the year, including two of our US dramas – Aquarius and The Good Witch – being recommissioned. Due to the nature of our business, not all our programmes will return for another series in 2016 but we have a strong portfolio of programmes and formats to distribute internationally and we will continue to invest in our creative pipeline to build upon this.

Reflecting the strong revenue growth across ITV Studios, adjusted EBITA increased 27% to £206 million (2014: £162 million).

Acquisitions

We made a number of acquisitions in 2015. In April we completed the acquisition of Talpa Media in the Netherlands, the creator of worldwide entertainment formats, including The Voice, The Voice Kids, I Love My Country, Dating In The Dark and Dance Dance Dance. We paid an initial cash consideration of €500 million (£362 million) for 100% of Talpa's fully diluted share capital with further payments dependent on Talpa's future performance as well as John de Mol's continued commitment to the business during this time. The total maximum consideration, including the initial payment, is €1.1 billion which is contingent on Talpa continuing to deliver significant profit growth to 2022.

In the UK we made a number of smaller acquisitions. In May we acquired the remaining 75% of Mammoth Screen, one of the UK's leading scripted production companies, whose successful slate of high end drama includes Poldark, Endeavour and the forthcoming Victoria. In June we completed the acquisition of Boom Supervisory Limited, the holding company of UK based Twofour Group which produces factual entertainment and drama programmes. Also in June we acquired a new label, Cats on the Roof Media which owns a number of creative labels focused on developing entertainment and scripted comedy programmes.

In December Brent Montgomery, the founder of Leftfield, became CEO of ITV America and in order to facilitate the integration of Leftfield within the US business we acquired the outstanding 20% which we did not own.

The cash cost of all of these acquisitions was £406 million (net of cash acquired).

EPS

Adjusted profit before tax, after financing costs, was up 18% at £843 million (2014: £712 million). The total adjusted tax charge for 2015 was £177 million (2014: £151 million), corresponding to an effective tax rate on adjusted PBT of 21% (2014: 21%) which is broadly in line with the standard UK corporation tax rate of 20.25% (2014: 21.5%).

Overall, adjusted profit after tax was up 19% at £666 million (2014: £561 million). After non-controlling interests of £7 million (2014: £7 million), adjusted basic earnings per share was 16.5p (2014: 13.8p), up 20%.

Statutory EPS is adjusted to reflect the underlying performance of the business providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Adjustments include: all operating and non-operating exceptional items primarily acquisition-related costs such as employment linked consideration and professional fees for due diligence; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including formats and customer contracts; net financing cost adjustments; and tax adjustments relating to these items. Amortisation of intangible assets that are required to run our business, including software licences, is not adjusted for. The most significant adjustment relates to the treatment of employment linked consideration for Talpa.

Balance sheet and cash flow

ITV remains highly cash generative reflecting our continued focus on cash and costs. In the period we generated £788 million (2014: £665 million) of cash from adjusted EBITA of £865 million (2014: £730 million), which equates to a strong profit to cash ratio of 91%. This ratio has remained the same despite our increased investment in scripted content and demonstrates our continued disciplined approach.

After payments for interest, tax and pension funding, our free cash flow also remained strong in the period, up 18% to £562 million (2014: £478 million). Overall, after dividends, acquisitions and debt repayments we ended the year with net debt of £319 million, compared to net debt of £540 million at 30 June 2015 and £41 million net cash at 31 December 2014.

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

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

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

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

Dividend per share

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

The Board is also proposing a 10.0p special dividend, worth just over £400 million, which comes after a year of significant investment and reflects ITV's strong cash generation and the Board's confidence in the business. Adjusted for this special distribution ITV's pro forma leverage would be 0.8x reported net debt to EBITDA, which provides flexibility to continue to invest in the business for further growth.

Pension

The aggregate IAS 19 deficit of the defined benefit scheme at 31 December 2015 was £176 million (31 December 2014: £346 million). The reduction reflects lower pension liabilities as a result of rising bond yields over the year, deficit funding contributions of £90 million and the difference between the actual inflation experienced in the period compared to the expected rate. Pensions continue to be paid from the Scheme based on actual requirements.

The last actuarial valuation was undertaken in 2014. On the basis adopted by the Trustee, the combined deficits as at 1 January 2014 amounted to £540 million.

Following completion of the actuarial valuations, the Group has agreed to make deficit funding contributions in order to eliminate the deficits in each section. From 2016 ITV will pay deficit funding contributions of around £80 million, a £10 million reduction on 2015. Going forward these payments will be paid more evenly throughout the year.

2016 full year planning assumptions (including UTV)

- Total network programme budget is expected to be around £1,050 million, weighted to the first half due to the timing of sport, including the Euro Football Championship
- Adjusted interest is expected to be around £25 million, reflecting a full year of the €600 million Eurobond
- Adjusted effective tax rate is expected to be similar to 2015
- Capex is expected to be £50 to £55 million
- Profit to cash conversion is expected to be around 85-90%, reflecting our continued strong cash generation and investment in scripted content
- Total pension deficit funding will be £80 million and will be paid more evenly over the year
- Ordinary dividend will move in line with our cover policy of 2 to 2.5x adjusted EPS
- The translation impact of foreign exchange if rates stay as they currently are, could be £50 million more revenue and £9 million more profit
- Exceptional items are expected to be around £110 million in 2016, again as a result of the treatment of employment linked consideration for our acquisitions which is included within statutory EPS, but excluded from adjusted EPS as in our view it is part of capital consideration

Outlook

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

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

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

Overall, we see clear opportunities for investment in all parts of the business, and because of our strong financial position and cash conversion, we are confident in delivering both continued growth and shareholder returns.

Notes to editors

1. Unless otherwise stated, all financial figures refer to the 12 month period ended 31 December 2015, with growth compared to the same period in 2014.

2. Group external revenue

Twelve months to 31 December	2015 £m	2014 £m	Change £m	Change %
ITV Family NAR	1,719	1,629	90	6
Non-NAR revenue	1,664	1,327	337	25
Internal Supply	(411)	(366)	45	12
Group external revenue	2,972	2,590	382	15

3. ITV Family NAR is expected to be flat in Q1, marginally behind the market, against 12% growth in Q1 last year. Q2, which will benefit from the Euros, should be positive. January was down 1%, February down 4%, March up around 5% and April down around 5%. This revenue is pure NAR, excluding the benefit of sponsorship and online revenue. From March 2016, ITV Family NAR includes advertising revenue from the UTV Channel 3 licence. For the full year we again expect to outperform our estimate of the TV advertising market.

4. Broadcast & Online performance indicators

Twelve months to 31 December	2015	2014	Change %
ITV Family SOV	21.2	22.0	(3)
ITV SOV	15.0	15.6	(4)
ITV Family SOCI	34.9	36.2	(4)
ITV SOCI	24.0	25.0	(4)
ITV adult impacts	210bn	220bn	(4)
Total long form video requests (all platforms)	828m	726m	14

SOV data based on BARB/AdvantEdge data and Share of Commercial Impacts (SOCi) data based on BARB/DDS data. SOV data is for individuals and SOCI data is for adults. ITV Family includes: ITV, ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels.

% change is calculated on unrounded SOV and SOCI figures. Total long form video requests across all platforms are based on data from ComScore Digital Analytix, Virgin, BT, iTunes, Amazon Prime Instant Video, Netflix, Sky and Hoptedia and include simulcast.

5. The 2015 final and special dividend will be paid on 27 May 2016. The ex-dividend date is 28 April 2016 and the record date is 29 April 2016.

6. This announcement contains certain statements that are or may be forward looking with respect to the financial condition, results or operations and business of ITV. By their nature forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur 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) a major deterioration in the current outlook for UK advertising and consumer demand, (ii) significant change in regulation or legislation, (iii) failure to identify and obtain, or significant loss of, optimal programme rights, and (iv) the loss or failure of transmission facilities or core systems and (v) a significant change in demand for global content.

Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. The Group accepts no obligation to revise publicly or update these forward looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

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Chief Executive's Review

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

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

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

ITV today is a demonstrably better business creatively, commercially and financially. We've made significant progress in reducing our dependence on UK spot advertising and in growing new revenue streams. In 2015, 49% of ITV's total revenues came from sources other than traditional spot advertising.

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

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

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

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



maximising

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



growing

grow an international content business



building

build a global pay and distribution business

ITV delivers another strong performance

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

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

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

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

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

Against the backdrop of a rapidly changing media environment, our Broadcast business has performed consistently well over the last few years and has generated significant profit and cash, supported by our strong programme schedule, tight cost control and a sustained recovery in the UK advertising market.

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

Continued strong advertising growth

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

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

Focus on strengthening viewing performance

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

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

Responsive to a dynamic environment

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

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

Broadcast markets differ internationally and therefore there cannot necessarily be a direct read across. However, what is common to all markets is that at the heart of a successful Broadcast business is owning and exploiting the rights to high-quality, 'must have' content. That is why growing an international content business remains central to our strategy as an integrated producer broadcaster.

Chief Executive's Review

Grow international content business

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

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

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

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

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

Building a global pay and distribution business

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

Capitalising on growing demand for video on demand

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

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

Further developing pay opportunities

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

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

Expanding our global distribution network

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

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

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

Confident of delivering further good growth in 2016 and beyond

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

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

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

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

Strategic Priority 1

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

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

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

Continued strong advertising growth driven by our unique offering

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

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

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

Maximising the value of our airtime

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

Ongoing focus on strengthening viewing performance

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

However, we enjoyed many real successes in the year – we broadcast the most watched entertainment show in Britain's Got Talent, the most watched soap in Coronation Street, the most watched drama in Downton Abbey and the most watched sporting event with England vs. Wales during the Rugby World Cup. Our daytime schedule improved, including Good Morning Britain, and we also launched a number of new entertainment shows including Mission Survive, Ninja Warrior UK and You're Back in the Room, as well as driving significant audiences with our returning brands, I'm A Celebrity... Get Me Out Of Here!, Britain's Got Talent and The X Factor. Our drama schedule, which included Code of a Killer, Safe House, Downton Abbey, Home Fires, Unforgotten and the second series of Broadchurch, continued to deliver large-scale audiences.

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

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

Remaining responsive to a changing media environment

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

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

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

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

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

2016 and beyond

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

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

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

Strategic Priority 2

Grow international content business

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

Growing global demand for content

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

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

Building scale in creative markets

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

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

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

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

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

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

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

Investing in content with international appeal

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

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

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

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

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

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

2016 and beyond

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

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

Strategic Priority 3

Build a global pay and distribution business

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

Capitalising on growing demand for VOD through the ITV Hub

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

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

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

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

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

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

Further developing our pay offering in the UK and internationally

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

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

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

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

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

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

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

Expanding our global distribution network

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

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

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

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

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

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

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

2016 and beyond

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

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

Performance Dashboard

Demonstrating continued progress against our strategic priorities.

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

2015 performance

- ITV NAR growth of 6%, ahead of our estimate of the TV advertising market
- Share of broadcast up to 46.1% in 2015 (2014: 45.9%)
- ITV Family SOV down 3%
- ITV delivered 98% of commercial audiences over five million and 93% of audiences over three million
- Delivered most watched entertainment drama, soap and sporting event
- ITV2 and ITV3 largest digital channels in the UK
- Innovative sponsorship and brand extension partnerships with advertisers
- Launched AdSync+, a partnership with RadiumOne to amplify the reach of our TV advertising
- Dynamic advertising now served to ITV simulcast content on PC and iOS
- Significant digital engagement with 100 million votes across our big entertainment shows and 40 million paid competition entries

Focus for 2016

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

Key Performance Indicators

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

2 Grow international content business

2015 performance

- Good growth across ITV Studios with 8% organic and 33% including the acquisitions
- ITV Studios' share of ITV main channel output at 60%
- 46% growth in Off-ITV production revenue in the UK
- Continued investment in creative pipeline with over 7,000 hours of original content produced and delivered
- Completed three acquisitions including Talpa Media, our biggest acquisition to date
- 53% of ITV Studios revenue generated outside the UK
- Top indie producer across Europe and the US
- Delivered three US scripted series in the year, two of which have been recommissioned

Focus for 2016

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

Key Performance Indicators

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

3 Build a global pay and distribution business

2015 performance

- Successful launch of the ITV Hub
- Long-form video requests up 14%, consumption up 42%
- 21 million downloads of app and 13 million registered users
- Launched new original programming on ITV Encore
- New pay deal with Virgin and others including Amazon TVOD and TalkTalk
- Cirkus and ITV Choice now launched in four countries
- Launched many YouTube channels across our programme brands focusing on short-form content, which has driven very significant views
- A leading European distributor of content, with Aquarius, Mr Selfridge, Poldark and Hell's Kitchen USA all sold to over 100 countries
- Six formats sold to three or more countries

Focus for 2016

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

Key Performance Indicators

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

Key Performance Indicators across all three priorities

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

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

Financial and Performance Review

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

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

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

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

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

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

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

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

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

The key adjustments are to reflect production tax credits in EBITA before exceptional items ('adjusted EBITA') and remove the effect of certain items from adjusted profit before tax and EPS. These include all operating and non-operating exceptional items primarily acquisition-related costs such as: employment linked consideration and professional fees for due diligence; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including formats and customer contracts; net financing cost adjustments; and tax adjustments relating to these items. A full reconciliation between our adjusted and statutory results is provided on page 29.

Broadcast & Online

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

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

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

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

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

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

Financial and Performance Review

Online, Pay & Interactive revenue continued to show strong growth, up 23% to £188 million (2014: £153 million) reflecting further growth in both our online advertising and pay businesses. In November we successfully launched the ITV Hub, the new digital home for our online services, which has had a very encouraging start. Audience demand for VOD continues to grow strongly which helped drive a 14% increase in long-form video requests and 42% increase in consumption. There remains strong demand for online advertising which helped drive significant growth in online revenue. We continue to develop our pay services with Pay revenue benefitting from a full twelve months of revenue from ITV Encore and strong demand for ITV video on demand services. Interactive revenue was up in the year with daytime competitions performing well. Voting on our programme apps increased exponentially as we introduced a free voting strategy. X Factor delivered 24 million votes and I'm A Celebrity... Get Me Out Of Here! delivered total votes of over 56 million.

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

Other commercial income was up 3% to £175 million (2014: £171 million), reflecting growth in sponsorship for the Rugby World Cup and brand extensions through a number of innovative solutions including Land Rover and SSE for the Rugby World Cup and Aunt Bessie's for I'm A Celebrity... Get Me Out Of Here! Other commercial income also includes revenue from media sales, which relates to commission earned by ITV on sales of airtime for the non-consolidated licensees, as well as minority revenue from these licensees for ITV content. As expected, performance across both revenue streams was largely unchanged.

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

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

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

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

ITV Studios

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

* Includes the benefit of production tax credits.

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

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

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

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

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

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

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

Reflecting the strong revenue growth across ITV Studios, adjusted EBITA increased 27% to £206 million (2014: £162 million). The adjusted EBITA margin remains unchanged at 17% even after significant investment in scripted content. In 2015 we invested £163 million in scripted content, up £60 million. We are financing our larger-scale scripted projects through our strong underlying cashflows. The production cost is partly funded by the initial sale of the series to a broadcaster, while the deficit is recovered through distribution revenue from selling the finished product globally to other broadcasters and platforms. We balance our financial exposure through our portfolio approach, with successful international dramas offsetting the risk that we will not recover the full deficit on every show.

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

Financial and Performance Review

Acquisitions

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

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

We generally structure our deals with earnouts or with put and call options in place for the remainder of the equity, capping the maximum consideration payable. By basing a significant part of the consideration on future performance in this way, not only can we lock in creative talent and ensure our incentives are aligned, but we also reduce our risk by only paying for the actual, not expected, performance delivered over time. The majority of earnouts or put and call options are dependent on the seller remaining within the business. Where consideration paid or contingent consideration payable in the future is employment linked, it is treated as an expense in our statutory results rather than as capital. All consideration of this type is excluded from adjusted profit after tax and adjusted EPS as, in our view, these items are part of capital consideration.

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

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

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

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

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

Acquisitions – 2012 to 2015 (undiscounted)

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

1. Including the initial cash consideration and excluding working capital adjustments. All future payments are performance related.

2. The amounts have been updated to reflect the accelerated buyout of the remaining 20% of Leftfield.

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

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

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

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

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

Net financing costs

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

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

Financial and Performance Review

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

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

Profit before tax

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

Profit before tax (PBT)

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

* In respect of intangible assets arising from business combinations.

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

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

Exceptional items

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

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

Tax

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

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

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

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

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

EPS

Overall, adjusted profit after tax was up 19% at £666 million (2014: £561 million). After non-controlling interests of £7 million (2014: £7 million), adjusted basic earnings per share was 16.5p (2014: 13.8p), up 20%. The weighted average number of shares was broadly in line at 4,006 million (2014: 4,002 million). Diluted adjusted EPS in 2015 was 16.3p (2014: 13.7p) reflecting a weighted average diluted number of shares of 4,035 million (2014: 4,040 million).

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

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

* £23 million adjustment relates to production tax credits.

Financial and Performance Review

Dividend per share

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

The Board is also proposing a 10.0p special dividend, worth just over £400 million, which comes after a year of significant investment at ITV and reflects ITV's strong cash generation and the Board's confidence in the business. Adjusted for this special distribution ITV's pro forma leverage would be 0.8x reported net debt to adjusted EBITDA, which provides flexibility to continue to invest in the business for further growth.

Cash generation

Profit to cash conversion

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

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

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

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

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

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

Free cash flow

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

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

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

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

Funding and liquidity

Debt structure and liquidity

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

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

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

Leverage

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

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

Financial and Performance Review

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

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

Financing

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

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

Ratings

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

Foreign exchange

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

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

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

Pensions

IAS 19

The aggregate IAS 19 deficit of the defined benefit scheme at 31 December 2015 was £176 million (31 December 2014: £346 million). The reduction reflects lower pension liabilities as a result of rising bond yields over the year, deficit funding contributions of £90 million and the difference between the actual inflation experienced in the period compared to the expected rate. Pensions continue to be paid from the Scheme based on actual requirements.

Actuarial valuation

The last actuarial valuation was undertaken in 2014. On the bases adopted by the Trustee, the combined deficits as at 1 January 2014 amounted to £540 million.

Deficit funding contributions

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

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

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

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

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

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

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

Ian Griffiths

Group Finance Director

Financial Statements

In this section



The financial statements have been presented in a style that attempts to make them less complex and more relevant to shareholders. We have grouped the note disclosures into five sections: 'Basis of Preparation', 'Results for the Year', 'Operating Assets and Liabilities', 'Capital Structure and Financing Costs' and 'Other Notes'. Each section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used. The purpose of this format is to provide readers with a clearer understanding of what drives financial performance of the Group. The aim of the text in boxes is to provide commentary on each section, or note, in plain English.

Keeping it simple



Notes to the financial statements provide information required by statute, accounting standards or Listing Rules to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the Annual Report and the financial statements.

Contents

Primary Statements	35
Consolidated Income Statement	35
Consolidated Statement of Comprehensive Income	36
Consolidated Statement of Financial Position	37
Consolidated Statement of Changes in Equity	38
Consolidated Statement of Cash Flows	40
Section 1: Basis of Preparation	41
Section 2: Results for the Year	44
2.1 Profit before tax	44
2.2 Exceptional items	49
2.3 Taxation	50
2.4 Earnings per share	53
Section 3: Operating Assets and Liabilities	55
3.1 Working capital	55
3.2 Property, plant and equipment	59
3.3 Intangible assets	61
3.4 Acquisitions	66
3.5 Investments	69
3.6 Provisions	69
3.7 Pensions	71
Section 4: Capital Structure and Financing Costs	78
4.1 Net cash/(debt)	78
4.2 Borrowings and finance leases	80
4.3 Managing market risks: derivative financial instruments	82
4.4 Net financing costs	86
4.5 Fair value hierarchy	87
4.6 Equity	89
4.7 Share-based compensation	90
Section 5: Other Notes	92
5.1 Related party transactions	92
5.2 Contingent liabilities	93
5.3 Subsequent events	93
5.4 Subsidiaries except from audit	94
ITV plc Company Financial Statements	95
Notes to the ITV plc Company Financial Statements	97

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position

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

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

Ian Griffiths
Group Finance Director

Consolidated Statement of Changes in Equity

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

(a) Movements reported in merger and other reserves include a put option for the acquisition of non-controlling interests.

		Attributable to equity shareholders of the parent company								
	Note	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2014		403	174	248	7	4	22	858	31	889
Total comprehensive income for the year										
Profit		–	–	–	–	–	466	466	7	473
Other comprehensive income/(cost)										
Revaluation of available for sale financial assets		–	–	–	–	3	–	3	–	3
Net loss on cash flow hedges		–	–	–	(4)	–	–	(4)	–	(4)
Exchange differences on translation of foreign operations (net of hedging)		–	–	–	22	–	–	22	–	22
Remeasurement gains on defined benefit pension schemes	3.7	–	–	–	–	–	24	24	–	24
Income tax charge on other comprehensive income	2.3	–	–	–	–	–	(3)	(3)	–	(3)
Total other comprehensive income		–	–	–	18	3	21	42	–	42
Total comprehensive income for the year		–	–	–	18	3	487	508	7	515
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(313)	(313)	(8)	(321)
Movements due to share-based compensation	4.7	–	–	–	–	–	14	14	–	14
Purchase of own shares via employees' benefit trust	4.7	–	–	–	–	–	(33)	(33)	–	(33)
Total contributions by and distributions to owners		–	–	–	–	–	(332)	(332)	(8)	(340)
Total transactions with owners		–	–	–	–	–	(332)	(332)	(8)	(340)
Changes in non-controlling interests ^(a)	3.4	–	–	(20)	–	–	–	(20)	20	–
Balance at 31 December 2014	4.6	403	174	228	25	7	177	1,014	50	1,064

(a) Movements reported in merger and other reserves include a put option for the acquisition of non-controlling interests.

Consolidated Statement of Cash Flows

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

Notes to the Financial Statements

Section 1: Basis of Preparation

In this section



This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also shows new EU endorsed accounting standards, amendments and interpretations, and whether they are effective in 2015 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

The financial statements consolidate those of ITV plc ('the Company') and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities. The Company is domiciled in the United Kingdom.

As required by European Union law (IAS Regulation EC 1606/2002) the Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'), and approved by the Directors.

The financial statements are principally prepared on the basis of historical cost. Where other bases are applied these are identified in the relevant accounting policy.

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101).

The financial information in this preliminary announcement represents non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The auditors have reported on the statutory accounts for the year ended 31 December 2015. Their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors 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. These accounts will be sent to the Registrar of Companies following the Company's Annual General Meeting. A separate dissemination announcement in accordance with the Disclosure and Transparency Rules (DTR) 6.3 will be made when the annual report and audited financial statements are available on the Group's website.

Going concern

At 31 December 2015 the Group was in a net debt position. The Group's strong balance sheet and continued generation of significant free cash flows has enabled further acquisitions as well as the payment of a special dividend. The Group has also sought to gain further efficiencies in the balance sheet and maintain the flexibility to invest in the business by issuing a new Eurobond (see section 4 for details on capital structure and financing).

The Group continues to review forecasts of the television advertising market to determine the impact on ITV's liquidity position. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current funding.

The Group also continues to focus on development of the non-advertising business, and evaluates the impact of further investment in acquisitions against the strategy and cash headroom of the business.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least twelve months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Subsidiaries, joint ventures, associates and available for sale investments

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity in order to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

A joint venture is a joint arrangement in which the Group holds an interest under a contractual arrangement where the Group and one or more other parties undertake an economic activity that is subject to joint control. The Group accounts for its interests in joint ventures using the equity method. Under the equity method the investment in the entity is stated as one line item at cost plus the investor's share of retained post-acquisition profits and other changes in net assets.

Notes to the Financial Statements

Section 1: Basis of Preparation

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in, but not control or jointly control, the financial and operating decisions of an entity. These investments are also accounted for using the equity method.

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

Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with IAS 39 Financial Instruments:

- Loans and receivables – separately disclosed as cash and cash equivalents (excluding gilts over which unfunded pension commitments have a charge) and trade and other receivables
- Available for sale financial assets – measured at fair value through other comprehensive income. Includes gilts over which unfunded pension commitments have a charge
- Financial assets/liabilities at fair value through profit or loss – separately disclosed as derivative financial instruments in assets/liabilities and included in non-current other payables (contingent consideration) and
- Financial liabilities measured at amortised cost – separately disclosed as borrowings and trade and other payables

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and derecognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when the contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits with a maturity of less than or equal to three months from the date of acquisition, cash held to meet certain finance lease commitments and gilts in respect of which a charging deed was executed on the unfunded pension commitments of four former Granada executives. The carrying value of cash and cash equivalents is considered to approximate fair value.

Foreign currencies

The primary economic environment in which the Group operates is the UK and therefore the consolidated financial statements are presented in pounds sterling (£).

Where Group companies based in the UK transact in foreign currencies, these transactions are translated into pounds sterling at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into pounds sterling at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in the income statement.

Hedge accounting is implemented on certain foreign currency firm commitments, which allows for the effective portion of any foreign exchange gains or losses to be recognised in other comprehensive income (note 4.3).

Where a forward currency contract is used to manage foreign exchange risk and hedge accounting is not applied, any movement in currency is taken to the income statement.

Non-monetary assets and liabilities measured at historical cost are translated into pounds sterling at the exchange rate on the date of the transaction.

The assets and liabilities of Group companies outside of the UK are translated into pounds sterling at the year end exchange rate. The revenue and expenses of these companies are translated into pounds sterling

at the average monthly exchange rate during the year. Where differences arise between these rates, they are recognised in the translation reserve within other comprehensive income.

Exchange differences arising on the translation of the Group's interests in joint ventures and associates are recognised in the translation reserve within other comprehensive income.

On disposal of a subsidiary outside the UK or an interest in a joint venture or an associate, the related translation reserve is released to the income statement as part of the gain or loss on disposal.

Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

- Revenue recognition (note 2.1)
- Business combinations (note 3.3 and note 3.4)
- Allocation of goodwill and assets to CGUs and impairment of assets (note 3.3)

In addition to the above, the areas involving the most sensitive estimates and assumptions that are significant to the financial statements are set out below and in more detail in the related notes:

- Defined benefit pension schemes, including the related longevity swap (note 3.7)
- Taxation (note 2.3)

New or amended EU endorsed accounting standards

The table below represents new or amended EU endorsed accounting standards relevant to the Group's results that are effective in 2015:

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

The Directors also considered the impact on the Group of other new and revised accounting standards, interpretations or amendments that are currently endorsed but not yet effective. There are none that are effective for periods beginning on or after 1 January 2015 that are expected to have a significant impact on the Group's results.

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

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

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

Notes to the Financial Statements

Section 2: Results for the Year

In this section



This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, exceptional items, taxation and earnings per share.

2.1 Profit before tax

Keeping it simple



This section analyses the Group's profit before tax by reference to the activities performed by the Group and an analysis of key operating costs.

Earnings before interest, tax, amortisation (EBITA) and before exceptional items remains the Group's key profit indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group. This section therefore also shows each division's contribution to total revenue and EBITA.

Accounting policies

Revenue recognition

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

Revenue from the sale of products is recognised when the Group has transferred both the significant risks and rewards of ownership and control of the products sold, and the amount of revenue can be measured reliably. Revenue recognition criteria for the Group's key classes of revenue are recognised on the following bases:

Applicable segment	Class of revenue	Recognition criteria
Broadcast & Online	Advertising (NAR), Video on Demand (VOD)	on transmission, as audience targets are met
Broadcast & Online	Sponsorship	across period of transmission of the sponsored programme or series
Broadcast & Online	Pay	over the term of the contract or accrued in the month for the expected revenue per subscriber or download and trued up on receipt of third-party reports showing revenue share calculation (showing subscribers or number of downloads)
Broadcast & Online	Participation (Interactive & Brand Extensions)	as the service is provided or event occurs
Studios	Programme production	on delivery of episode and acceptance by the customer
Studios	Programme distribution rights	when the contract is signed and content is available for exploitation
Studios	Format and licences	at the point in time when the license is transferred and the customer is able to use and benefit from the licence
Studios	Digital: Archive	on delivery of content (one-off) or over the contract period in a manner that reflects the flow of content delivered (top-up)

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

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

Segmental information

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

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

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

	Broadcast & Online 2014 £m	ITV Studios* 2014 £m	Consolidated 2014 £m
Total segment revenue	2,023	933	2,956
Intersegment revenue	–	(366)	(366)
Revenue from external customers	2,023	567	2,590
EBITA before exceptional items	568	162	730
Share of losses of joint ventures and associated undertakings	–	–	–

* Revenue of £389 million (2014: £255 million) was generated in the US during the year, and represented £314 million (2014: £297 million) of non-current assets at year end.

Intersegment revenue, which is carried out on arm's length terms, is generated from the supply of ITV Studios programmes to Broadcast & Online for transmission primarily on ITV. This revenue stream is a measure which forms part of the Group's strategic priority of building a strong international content business, as by producing and retaining rights to the broadcast shows the Group benefits further from subsequent international content and format sales.

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

Broadcast & Online

The Group operates the largest commercial family of channels in the UK and delivers content through traditional television broadcasting. In addition to linear broadcast, the Group delivers its content on multiple platforms including the ITV Hub, pay platforms, or through direct content deals. Content, that is commissioned and scheduled by this segment, is funded primarily by television advertising, where revenue is generated from the sale of audiences for advertising airtime and sponsorship.

Notes to the Financial Statements

Section 2: Results for the Year

Other sources of revenue are from: online advertising, HD digital channels on pay platforms (e.g. Sky and Virgin), SDN revenue (which generates licence sales for DTT Multiplex A), and participation revenue (which includes interactive sales from competitions) and ITV Choice in other countries.

ITV Studios

ITV Studios is the Group's international content business, creating and producing programmes and formats that return and travel, namely drama, entertainment and factual entertainment.

ITV Studios UK is the largest commercial producer in the UK and produces programming for the Group's own channels, accounting for 60% of ITV main channel spend on commissioned programming. Programming is also sold to other UK broadcasters such as the BBC, Channel 4 and Sky.

ITV America is the largest unscripted independent producer of content in the US and is growing its scripted presence by increasing investment in high profile dramas straight to series.

ITV Studios also operates in five other international locations being Australia, Germany, France, Netherlands (primarily Talpa) and the Nordics, where content is produced for local broadcasters. This content is either locally created IP or formats that have been created elsewhere by ITV, primarily in the UK.

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

EBITA before exceptional items

The Directors assess the performance of the reportable segments based on a measure of EBITA before exceptional items. The Directors use this measurement basis as it excludes the effect of non-recurring income and expenditure. Amortisation and share of profit/(losses) of joint ventures and associates are also excluded to reflect more accurately how the business is managed and measured on a day-to-day basis. Net financing costs and tax are not allocated to segments as the funding, cash and tax management of the Group are activities carried out by the central treasury and tax functions.

A reconciliation from EBITA before exceptional items to profit before tax is provided as follows:

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

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

There are two media buying agencies (2014: two) acting on behalf of a number of customers that represent the Group's major customers. These agencies are the only customers which individually represent over 10% of the Group's revenue. Revenue of approximately £576 million (2014: £571 million) and £339 million (2014: £312 million) was derived from these customers. This revenue is attributable to the Broadcast & Online segment.

Cash generated from operations

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

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

Operating costs

Staff costs

Staff costs before exceptional items can be analysed as follows:

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

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

The number of full-time equivalent employees ('FTEE') (excluding short-term contractors and freelancers who are predominantly allocated to the cost of productions), calculated on a weighted average basis, during the year was:

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

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

Details of Directors' emoluments, share options, pension entitlements and long-term incentive scheme interests are set out in the Remuneration Report. Listed Directors' gains on share options for 2015 are set out in the ITV plc entity financial statements.

Depreciation

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

Notes to the Financial Statements

Section 2: Results for the Year

Operating leases

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

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

2014	Transponders	Property	Total
Within one year	38	13	51
Later than one year and not later than five years	123	33	156
Later than five years	158	16	174
	319	62	381

The Group's operating leases relate to transponder assets, offices and studio properties. The Group holds transmission supply agreements that require the use of specific transponder assets for a period of up to ten years with payments increasing over time, limited by specific RPI caps. These supply agreements are classified as operating leases, in accordance with the Group's policy on leases detailed in note 3.2.

Property leases run for terms ranging from five to twenty years, depending on the expected operational use of the site. Leases may include break clauses or options to renew (options to renew are not included in the commitments table). Lease payments are generally subject to market review every five years to reflect market rentals, but because of the uncertainty over the amount of any future changes, such changes have not been reflected in the table above. None of the lease agreements include contingent rentals.

The total future minimum sublease payments expected to be received under non-cancellable subleases at the year end are £1 million (2014: £2 million).

The total operating lease expenditure recognised during the year was £51 million (2014: £49 million) and total sublease payments received were £2 million (2014: £1 million).

Audit fees

The Group engages KPMG LLP ('KPMG') on assignments additional to their statutory audit duties where their expertise and experience with the Group are important.

Fees paid to KPMG and its associates during the year are set out below:

	2015 £m	2014 £m
For the audit of the Group's annual accounts	0.6	0.6
For the audit of subsidiaries of the Group	0.4	0.2
Audit-related assurance services	0.2	0.2
Total audit and audit-related assurance services	1.2	1.0
Taxation compliance services	–	0.2
Taxation advisory services	0.1	0.2
Other assurance services	0.3	0.2
Total non-audit Services	0.4	0.6
Total fees paid to KPMG	1.6	1.6

There were no fees payable in 2015 or 2014 to KPMG and associates for the auditing of accounts of any associate of the Group, internal audit services, services relating to corporate finance transactions entered into or proposed to be entered into, by or on behalf of the Group or any of its associates.

Fees paid to KPMG for audit and other services to the Company are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis.

2.2 Exceptional items

Keeping it simple



Exceptional items are excluded from management's assessment of profit because by their size or nature they could distort the Group's underlying quality of earnings. They are typically gains or losses arising from events that are not considered part of the core operations of the business (e.g. costs relating to capital transactions, such as professional fees on acquisitions). These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

Accounting policies

Exceptional items as described above are disclosed on the face of the income statement.

Subsequent revisions of estimates for items initially recognised as exceptional are recorded as exceptional items in the year that the revision is made. Gains or losses on disposal of non-core assets are also considered exceptional due to their nature and impact on the Group's underlying quality of earnings.

Exceptional items

Operating and non-operating exceptional items are analysed as follows:

(Charge)/credit	Ref.	2015 £m	2014 £m
Operating exceptional items:			
Acquisition-related expenses	A	(88)	(6)
Reorganisation and restructuring costs	B	(13)	(6)
Legal related costs	E	(8)	–
Total net operating exceptional items		(109)	(12)
Non-operating exceptional items:			
Gain on sale of non-current assets	C	5	4
Gain on sale and impairment of subsidiaries and investments	D	1	1
Total non-operating exceptional items		6	5
Total exceptional items before tax		(103)	(7)
Tax on exceptional items		8	2
Total exceptional items net of tax		(95)	(5)

A – Acquisition-related expenses

Acquisition-related expenses of £88 million includes £78 million (2014: £3 million) relating to performance-based, employment linked costs to former owners mainly in relation to Talpa Media, and professional fees (mainly financial and legal due diligence) incurred on the acquisitions completed during the year of £10 million (2014: £3 million). See note 3.4 for further details on acquisitions.

B – Reorganisation and restructuring costs

In 2015 £13 million (2014: £6 million) of costs were incurred as a result of a Group-wide initiative to significantly reduce the ongoing cost base, primarily comprised of restructuring of the US business, redundancy and excess space provisions.

C – Gain on sale of non-current assets

In 2015 a £5 million gain on sale of non-current assets arose primarily as a result of the sale of a freehold property and related assets in Manchester. The 2014 gain of £4 million arose as a result of the sale of a freehold property in Cardiff.

D – Gain on sale and impairment of subsidiaries and investments

The gain of £1 million (2014: £1 million) relates to a historical disposal.

E – Legal related costs

£8 million (2014: £nil) provision for anticipated costs of settling a legal dispute.

Notes to the Financial Statements

Section 2: Results for the Year

2.3 Taxation

Keeping it simple



This section sets out the Group's tax accounting policies, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the income statement), a reconciliation of profit before tax to the tax charge for the period and the movements in deferred tax assets and liabilities.

Accounting policies

The tax charge for the period is recognised in the income statement, the statement of comprehensive income and directly in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax. The calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be fully determined until a resolution has been reached by the relevant tax authority.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment in respect of previous years.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which require judgement. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets, therefore, involves judgement regarding the timing and level of future taxable income.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Taxation – Income statement

The total taxation charge in the income statement is analysed as follows:

	2015 £m	2014 £m
Current tax:		
Current tax charge before exceptional items	(125)	(118)
Current tax credit/(charge) on exceptional items	6	(2)
	(119)	(120)
Adjustments to prior periods	9	(6)
	(110)	(126)
Deferred tax:		
Origination and reversal of temporary differences	(20)	(9)
Deferred tax credit on exceptional items	2	–
Impact of change in the statutory tax rate	(2)	–
	(20)	(9)
Adjustments to prior periods	(9)	3
	(29)	(6)
Total taxation charge in the income statement	(139)	(132)

In order to understand how, in the income statement, a tax charge of £139 million (2014: £132 million) arises on a profit before tax of £641 million (2014: £605 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2015 £m	2014 £m
Profit before tax	641	605
Notional taxation charge at UK corporation tax rate of 20.25% (2014: 21.5%) on profit before tax	(130)	(130)
Non-taxable income/non-deductible expenses	(23)	2
Adjustments to prior periods	–	(3)
Impact of overseas tax rates	(7)	(1)
Impact of changes in tax rates	(2)	–
Production tax credits	23	–
Total taxation charge in the income statement	(139)	(132)

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

Adjustments to prior periods primarily arise where an outcome is obtained on certain tax matters which differs from expectations held when the related provision was made. Where the outcome is more favourable than the provision made, the difference is released, lowering the current year tax charge. Where the outcome is less favourable than our provision, an additional charge to current year tax will occur.

The impact of overseas tax rates reflects the fact that some of our profits are earned in territories other than the UK, and taxed at rates different to the UK corporation tax rate.

On 26 October 2015, the UK corporation tax rate was substantively enacted to fall to 19% from 1 April 2017 and 18% from 1 April 2020. The carrying value of UK temporary differences at the balance sheet date has been adjusted accordingly. This has given rise to a charge of £1 million (2014: £nil million) of which £2 million is recognised as a charge in the income statement and £1m as a credit in other comprehensive income.

Production tax credits are incentives provided to creative industries such as UK High-End Television (HETV) tax relief. The ability to access these tax credits is fundamental when assessing the viability of investment decisions in the production of high-end drama. Under IFRS certain production tax credits are reported within the total taxation charge in the income statement, however ITV considers them to be working capital in nature, and excludes them from its adjusted tax charge, including them instead within Adjusted EBITA.

Notes to the Financial Statements

Section 2: Results for the Year

The effective tax rate is the tax charge on the face of the income statement expressed as a percentage of the profit before tax. In the years ended 31 December 2015 and 31 December 2014, the effective tax rate is comparable to the standard rate of UK corporation tax. As explained in the Financial and Performance Review, the Group uses an adjusted tax rate to show how tax impacts total adjusted earnings in a way that is more aligned with the Group's cash tax position.

Taxation – Other comprehensive income and equity

As analysed in the table below, a deferred tax charge of £19 million on actuarial movements on pensions has been recognised in other comprehensive income. A deferred tax charge of £2 million has been recognised in equity in respect of share based payments.

A current tax credit of £7 million has also been recognised in equity in relation to share based payments.

Taxation – Statement of financial position

The table below outlines the deferred tax assets/(liabilities) that are recognised in the statement of financial position, together with their movements in the year:

	At 1 January 2015 £m	Recognised in the income statement £m	Recognised in OCI and equity £m	Business acquisitions £m	At 31 December 2015 £m
Property, plant and equipment	(1)	1	–	–	–
Intangible assets	(15)	(10)	–	(76)	(101)
Programme rights	1	–	–	–	1
Pension scheme deficits	36	(16)	(19)	–	1
Tax losses	7	(3)	–	–	4
Share-based compensation	14	(1)	(2)	–	11
Other temporary differences	1	–	–	4	5
	43	(29)	(21)	(72)	(79)

	At 1 January 2014* £m	Recognised in the income statement* £m	Recognised in OCI and equity £m	Business acquisitions £m	At 31 December 2014* £m
Property, plant and equipment	(6)	5	–	–	(1)
Intangible assets	(13)	(2)	–	–	(15)
Programme rights	1	–	–	–	1
Pension scheme deficits	56	(16)	(4)	–	36
Tax losses	2	5	–	–	7
Share-based compensation	13	–	1	–	14
Other temporary differences	(1)	2	–	–	1
	52	(6)	(3)	–	43

* The prior year movements on deferred tax relating to overseas businesses have been reallocated to the relevant temporary difference categories.

At 31 December 2015, total deferred tax assets are £22 million (2014: £55 million) and total deferred tax liabilities are £101 million (2014: £12 million). After netting off balances within countries, there is a net deferred tax liability of £79m (2014: net deferred tax asset of £43 million) recognised in the Consolidated Statement of Financial Position.

The deferred tax balance relates to:

- property, plant and equipment temporary differences arising on assets qualifying for tax depreciation
- temporary differences on intangible assets arising on business combinations
- programme rights – temporary differences on intercompany profits on stock
- pension scheme deficit temporary differences on the IAS 19 pension deficit and additional contributions resulting from funding through the SDN and LTVC pension partnerships (not recognised as contributions under IAS 19)
- temporary differences arising from the timing of the use of tax losses
- share-based compensation temporary differences on share schemes and
- other temporary differences on provisions and other items

The deferred tax balance associated with the pension deficit has been adjusted to reflect the current tax benefit obtained in the current year following the employer contributions of £102 million to the Group's defined benefit pension scheme. The adjustment in other comprehensive income to the deferred tax balance primarily relates to the actuarial gains recognised in the period.

A deferred tax asset of £399 million (2014: £444 million) in respect of capital losses of £2,215 million (2014: £2,221 million) has not been recognised due to uncertainties as to whether a capital gain will arise in the appropriate form and relevant territory against which such losses could be utilised. For the same reasons, deferred tax assets in respect of overseas losses of £15 million (2014: £14 million) that time expire between 2017 and 2026 have not been recognised.

2.4 Earnings per share

Keeping it simple



Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the Group profit for the year attributable to equity shareholders of £495 million (2014: £466 million) divided by 4,006 million (2014: 4,002 million) being the weighted average number of shares in issue during the year.

Diluted EPS reflects any commitments made by the Group to issue shares in the future and so it includes the impact of share options.

Adjusted EPS is presented in order to show the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. Adjusted EPS reflects the impact of operating and non-operating exceptional items on Basic EPS. Other items excluded from Adjusted EPS include amortisation and impairment of intangible assets acquired through business combinations; net financing cost adjustments and the tax adjustments relating to these items. Each of these adjustments are explained in detail in the section below.

The calculation of Basic EPS and Adjusted EPS, together with the diluted impact on each, is set out below:

Earnings per share 2015

Ref.	Basic £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc	495	495
Weighted average number of ordinary shares in issue – million	4,006	4,006
Dilution due to share options	–	29
Total weighted average number of ordinary shares in issue – million	4,006	4,035
Earnings per ordinary share	12.4p	12.3p

Adjusted profit for the year removes the effect of exceptional items, as described in the 'Keeping it simple' box above. Further detail on the composition of each adjustment is cross-referenced in the following notes.

Notes to the Financial Statements

Section 2: Results for the Year

Adjusted earnings per share 2015

	Ref.	Adjusted £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		495	495
Exceptional items (net of tax)	A	95	95
Profit for the year before exceptional items		590	590
Amortisation and impairment of acquired intangible assets	B	54	54
Adjustments to net financing costs	C	15	15
Adjusted profit		659	659
Total weighted average number of ordinary shares in issue – million		4,006	4,035
Adjusted earnings per ordinary share		16.5p	16.3p

Earnings per share 2014

	Ref.	Basic £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		466	466
Weighted average number of ordinary shares in issue – million		4,002	4,002
Dilution due to share options		–	38
Total weighted average number of ordinary shares in issue – million		4,002	4,040
Earnings per ordinary share		11.6p	11.5p

Adjusted earnings per share 2014

	Ref.	Adjusted £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		466	466
Exceptional items	A	5	5
Profit for the year before exceptional items		471	471
Amortisation and impairment of acquired intangible assets	B	44	44
Adjustments to net financing costs	C	34	34
Other tax adjustments	B	5	5
Adjusted profit		554	554
Total weighted average number of ordinary shares in issue – million		4,002	4,040
Adjusted earnings per ordinary share		13.8p	13.7p

Details of the adjustments to earnings are as follows:

A. Refer to Note 2.2 for the detailed composition of after tax impact of exceptional items (both operating and non operating) of £95 million (2014: £5 million).

B. Amortisation and impairment of acquired intangible assets of £58 million (2014: £44 million) is excluded from adjusted profit. It is calculated as total amortisation and impairment of £67 million (2014: £67 million), less amortisation of software licences and development of £9 million (2014: £11 million). A related tax credit of £13 million (2014: £12 million) is also excluded in arriving at the net amount, which is further adjusted to recognise the £9 million cash tax benefit arising from goodwill on US acquisitions, which for tax purposes is amortised over a 15 year period (2014: £5 million shown within other tax adjustments).

C. Gross adjustments of £18 million (2014: £44 million) have been made to net financing costs and relate to mark-to-market movements on derivative instruments, losses on buybacks and imputed pension interest charges (see note 4.4 for details). This is reduced by a tax credit of £3 million (2014: £10 million) to give a net adjustment of £15 million (2014: £34 million).

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

In this section



This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. On the following pages there are notes covering working capital, non-current assets and liabilities, acquisitions and disposals, provisions and pensions.

Liabilities relating to the Group's financing activities are addressed in Section 4. Deferred tax assets and liabilities are shown in note 2.3.

3.1 Working capital

Keeping it simple



Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as distribution rights, programme rights and production costs, trade and other receivables and trade and other payables.

Careful management of working capital ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

Working capital is a driver of the profit to cash conversion, a key performance indicator for the Group. The Group's target profit to cash ratio on a rolling three year basis is at least 90%. For those subsidiaries acquired during the year, working capital at the date of acquisition is excluded from the profit to cash calculation so that only subsequent working capital movements in the period owned by ITV are reflected in this metric.

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

3.1.1 Distribution rights

Accounting policies

Distribution rights are programme rights the Group buys from producers to derive future revenue, principally through licensing to broadcasters. These are classified as non-current assets as these rights are used to derive long-term economic benefit for the Group.

Distribution rights are recognised initially at cost and charged through operating costs in the income statement over a maximum five year period that is dependent on either cumulative sales and programme genre, or based on forecast future sales. Advances paid for the acquisition of distribution rights are disclosed as distribution rights as soon as they are contracted. These advances are not expensed until the programme is available for distribution. Up to that point they are assessed annually for impairment through the reassessment of the future sales expected to be earned from that title.

The net book value of distribution rights at the year end are as follows:

	2015 £m	2014 £m
Distribution rights	29	13

The movement during the year comprises additions of £43 million (2014: £21 million) and amounts charged to the income statement of £27 million (2014: £18 million).

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

3.1.2 Programme rights and other inventory

Accounting policies

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

Programme rights and production costs not yet written off are included in the statement of financial position at the lower of cost and net realisable value.

Broadcast programme rights

Acquired programme rights (which include films), and sports rights, are purchased for the primary purpose of broadcasting on the ITV network. These are recognised within current assets as payments are made or when the rights are ready for broadcast. The Group generally expenses these rights through operating costs over a number of transmissions reflecting the pattern and value in which the right is consumed.

Commissions, which primarily comprise programmes purchased based on editorial specification and over which the Group has some control, are recognised in current assets as payments are made and are generally expensed to operating costs in full on first transmission. Where a commission is repeated, incremental costs associated with the broadcast are included in operating costs.

In assessing net realisable value for acquired and commissioned rights, the net realisable value assessment is based on estimated airtime value, with consideration given to whether the number of transmissions purchased can be efficiently played out over the licence period.

Studios production costs

Production inventory comprises the costs incurred by ITV Studios in producing a programme, where the programme is part way through the production process and not yet available for delivery to a broadcaster. They are recognised within current assets at the production cost incurred, and are expensed in operating costs on delivery of episodes.

Also included here are dramas that have been commissioned straight to series. Although more expensive than producing a pilot, this method attracts high profile talent to the production and raises the profile of the series to support its distribution. The production cost is partly funded by the commissioning network licence fee, the remaining production deficit is recovered by future distribution sales, and once the production is complete any remaining deficit is classified as a Distribution Right.

In assessing net realisable value for programmes in production, judgement is required when considering the contracted sales price and estimated costs to complete.

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

	2015 £m	2014 £m
Broadcast		
Acquired programme rights	111	101
Commissions	61	57
Sports rights	30	40
ITV Studios		
Production costs	171	169
	373	367

3.1.3 Programme commitments

These are operating commitments in respect of programming entered into in the ordinary course of business with programme suppliers, sports organisations and film distributors in respect of rights to broadcast on the ITV network. Commitments in respect of these purchases, which are not reflected in the statement of financial position, are due for payment as follows:

	2015 £m	2014 £m
Within one year	451	464
Later than one year and not more than five years	633	462
More than five years	141	58
	1,225	984

3.1.4 Trade and other receivables

Accounting policies

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost). Where payments are not due for more than one year, they are shown in the financial statements at their net present value to reflect the economic cost of delayed payment. The Group provides goods and services to substantially all its customers on credit terms.

Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. These estimates include such factors as historical experience, the current state of the UK and overseas economies and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Group will not be able to collect all amounts due.

The carrying value of trade receivables is considered to approximate fair value.

Trade and other receivables can be analysed as follows:

	2015 £m	2014 £m
Due within one year:		
Trade receivables	328	271
Other receivables	37	27
Prepaid employment linked consideration (see note 3.4)	55	–
Prepayments and accrued income	111	87
	531	385
Due after more than one year:		
Trade receivables	8	7
Prepaid employment linked consideration (see note 3.4)	18	–
Other receivables	7	17
Total trade and other receivables	564	409

Prepaid employment linked consideration totalling £73 million relates to the acquisition of Talpa Media (see note 3.4 for details). This represents the portion of the initial consideration that is recoverable from the seller in the event he leaves within the initial two years following acquisition and is amortised over that period.

£336 million (2014: £278 million) of total trade receivables that are not impaired are aged as follows:

	2015 £m	2014 £m
Current	308	263
Up to 30 days overdue	17	7
Between 30 and 90 days overdue	8	4
Over 90 days overdue	3	4
	336	278

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

The balance above is stated net of a provision of £5 million (2014: £7 million) for impairment of trade receivables. Of the provision total, £4 million relates to balances overdue by more than 90 days (2014: £3 million) and £1 million relates to current balances (2014: £4 million).

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

	2015 £m	2014 £m
At 1 January	7	7
Charged during the year	3	2
Receivables written off during the year as uncollectable (utilisation of provision)	–	–
Unused amounts reversed	(5)	(2)
At 31 December	5	7

3.1.5 Trade and other payables due within one year

Accounting policies

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of current and non-current trade payables is considered to approximate fair value. Trade and other payables due within one year can be analysed as follows:

	2015 £m	2014 £m
Trade payables	65	49
VAT and social security	71	68
Other payables	177	159
Accruals	289	250
Deferred income	184	173
	786	699

3.1.6 Trade payables due after more than one year

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

	2015 £m	2014 £m
Trade payables	48	27

This primarily relates to film creditors for which payment is due after more than one year.

3.1.7 Working capital management

Cash and working capital management continues to be a key focus. During the year the cash outflow from working capital was £59 million (2014: outflow of £69 million) derived as follows:

	2015 £m	2014 £m
Decrease/(increase) in programme rights and other inventory and distribution rights	4	(39)
(Increase)/decrease in receivables	(21)	18
Decrease in payables	(42)	(48)
Working capital outflow	(59)	(69)

The working capital outflow for the year excludes the impact of balances acquired on the acquisition of subsidiaries during the year (see note 3.4).

3.2 Property, plant and equipment

Keeping it simple



The following section shows the physical assets used by the Group to operate the business, generating revenues and profits. These assets include office buildings and studios, as well as equipment used in broadcast transmission, programme production and support activities.

The cost of these assets is the amount initially paid for them. A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years the Group expects the asset to be used (useful economic life). If there has been a technological change or decline in business performance the Directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value an additional one-off impairment charge is made against profit.

This section also explains the accounting policies followed by ITV and the specific estimates made in arriving at the net book value of these assets.

Accounting policies

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that were revalued to fair value prior to 1 January 2004 (the date of transition to IFRS) are measured on the basis of deemed cost, being the revalued amount less depreciation up to the date of transition.

Leases

Finance leases are those which transfer substantially all the risks and rewards of ownership to the lessee. Certain service contracts involve the use of specific assets (e.g. transmission equipment) and therefore contain an embedded lease.

Determining whether a lease is a finance lease requires judgement as to whether substantially all of the risks and benefits of ownership have been transferred to the Group. Estimates used by management in making this assessment include the useful economic life of assets, the fair value of the asset and the discount rate applied to the total payments required under the lease. Assets held under such leases are included within property, plant and equipment and depreciated on a straight-line basis over their estimated useful lives.

Outstanding finance lease obligations, which comprise the principal plus accrued interest, are included within borrowings. The finance element of the agreements is charged to the income statement over the term of the lease on an effective interest basis.

All other leases are operating leases, the rentals on which are charged to the income statement on a straight-line basis over the lease term (see note 2.1 for further details of operating lease commitments).

Depreciation

Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis over their estimated useful lives. The annual depreciation charge is sensitive to the estimated useful life of each asset and the expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Asset class	Depreciation policy
Freehold land	not depreciated
Freehold buildings	up to 60 years
Leasehold improvements	shorter of residual lease term or estimated useful life
Vehicles, equipment and fittings*	3 to 20 years

* Equipment includes studio production and technology assets.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

Impairment of assets

Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business performance.

Property, plant and equipment

Property, plant and equipment can be analysed as follows:

	Freehold land and buildings	Improvements to leasehold land and buildings		Vehicles, equipment and fittings		Total
	£m	Long £m	Short £m	Owned £m	Finance leases £m	£m
Cost						
At 1 January 2014	137	69	17	221	16	460
Additions	–	–	–	26	–	26
Reclassification of property fittings	–	(2)	–	2	–	–
Disposals and retirements	(17)	–	–	(12)	–	(29)
At 31 December 2014	120	67	17	237	16	457
Additions	–	–	1	37	–	38
Disposals and retirements	(31)	(1)	–	(10)	–	(42)
At 31 December 2015	89	66	18	264	16	453
Depreciation						
At 1 January 2014	23	11	15	138	14	201
Charge for the year	1	2	–	24	–	27
Disposals and retirements	(7)	–	–	(12)	–	(19)
At 31 December 2014	17	13	15	150	14	209
Charge for the year	1	2	–	24	–	27
Disposals and retirements	(12)	(1)	–	(9)	–	(22)
At 31 December 2015	6	14	15	165	14	214
Net book value						
At 31 December 2015	83	52	3	99	2	239
At 31 December 2014	103	54	2	87	2	248

Additions in the year includes £6 million (2014: £5 million) relating to assets owned by subsidiaries acquired during the year.

Included within property, plant and equipment are assets in the course of construction of £16 million (2014: £10 million).

During the year, the Group disposed of the Quay Street site and related assets in Manchester for £23 million, representing a gain on sale of £5 million. In 2014, the Group sold a freehold property in Cardiff for proceeds of £15 million, representing a gain on sale of £5 million. In 2013 the Group acquired the freehold for the London Television Centre for £58 million, although the Directors' view is that fair value of the property would be significantly higher.

Capital commitments

There are £2 million of capital commitments at 31 December 2015 (2014: £2 million).

3.3 Intangible assets

Keeping it simple



The following section shows the non-physical assets used by the Group to generate revenue and profits.

These assets include formats and brands, customer contracts and relationships, contractual arrangements, licences, software development, film libraries and goodwill. The cost of these assets is the amount that the Group has paid or, where there has been a business combination, the fair value of the specific intangible assets that could be sold separately or which arise from legal rights. In the case of goodwill, its cost is the amount the Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. The value of goodwill is 'intangible' value that comes from, for example, a uniquely strong market position and the outstanding productivity of its employees.

The value of intangible assets, with the exception of goodwill, reduces over the number of years the Group expects to use the asset, the useful economic life, via an annual amortisation charge to the income statement. Where there has been a technological change or decline in business performance the Directors review the value of assets, including goodwill, to ensure they have not fallen below their amortised value. Should an asset's value fall below its amortised value an additional one-off impairment charge is made against profit.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

Accounting policies

Goodwill

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. The goodwill recognised by the Group has all arisen as a result of business combinations. Goodwill is stated at its recoverable amount being cost less any accumulated impairment losses and is allocated to the business to which it relates.

Due to changes in accounting standards goodwill has been calculated using three different methods depending on the date the relevant business was purchased.

Method 1: All business combinations that have occurred since 1 January 2009 were accounted for using the acquisition method. Under this method, goodwill is measured as the fair value of the consideration transferred (including the recognition of any part of the business not yet owned (non-controlling interests)), less the fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. Any contingent consideration expected to be transferred in the future will be recognised at fair value at the acquisition date and recognised within other payables. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with changes in fair value recognised in the income statement. The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount rate.

Where less than 100% of a subsidiary is acquired, and call and put options are granted over the remaining interest, a non-controlling interest is initially recognised in equity at fair value, which is established based on the value of the put option. A call option is recognised as a derivative financial instrument, carried at fair value. The put option is recognised as a liability within other payables, carried at the present value of the put option exercise price, and a corresponding charge is included in merger and other reserves. Any subsequent remeasurement of the put option liability is recognised within finance income or cost.

Subsequent adjustments to the fair value of net assets acquired can only be made within 12 months of the acquisition date, and only if fair values were determined provisionally at an earlier reporting date. These adjustments are accounted for from the date of acquisition.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

Acquisitions of non-controlling interests are accounted for as transactions with owners and therefore no goodwill is recognised as a result of such transactions. Transaction costs incurred in connection with those business combinations, such as legal fees, due diligence fees and other professional fees, are expensed as incurred.

Method 2: All business combinations that occurred between 1 January 2004 and 31 December 2008 were accounted for using the purchase method in accordance with IFRS 3 Business Combinations (2004). Goodwill on those combinations represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired and did not include the value of the non-controlling interest. Transaction costs incurred in connection with those business combinations, such as legal fees, due diligence fees and other professional fees, were included in the cost of acquisition.

Method 3: For business combinations prior to 1 January 2004, goodwill is included at its deemed cost, which represents the amount recorded under UK GAAP at that time less accumulated amortisation up to 31 December 2003. The classification and accounting treatment of business combinations occurring prior to 1 January 2004, the date of transition to IFRS, has not been reconsidered as permitted under IFRS 1.

Other intangible assets

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

Within ITV there are two types of other intangible assets: those assets directly purchased by the Group for day-to-day operational purposes (such as software licences and development) and intangible assets identified as part of an acquisition of a business.

Intangible assets acquired directly by the Group are stated at cost less accumulated amortisation. Those separately identified intangible assets acquired as part of an acquisition or business combination are shown at fair value at the date of acquisition less accumulated amortisation.

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

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

Class of intangible asset	Valuation method	Amortisation method	Estimated useful life
Formats and brands	Applying a royalty rate to the expected future revenue over the life of the brand.	Straight-line	8 to 14 years
Customer contracts and relationships	Expected future cash flows from those contracts and relationships existing at the date of acquisition are estimated. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.	Straight-line or reducing balance as appropriate	up to 6 years for customer contracts 5 to 10 years for customer relationships
Contractual arrangements	Expected future cash flows from those contracts existing at the date of acquisition are estimated. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.	Straight-line	up to 10 years depending on the contract terms
Licences	Start-up basis of expected future cash flows existing at the date of acquisition. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.	Straight-line	11 to 17 years depending on term of licence
Libraries and other	Initially at cost and subsequently at cost less accumulated amortisation.	Sum of digits or straight line as appropriate	up to 20 years
Software licences and development	Initially at cost and subsequently at cost less accumulated amortisation.	Straight-line	1 to 5 years

Determining the fair value of intangible assets arising on acquisition requires judgement. The Directors make estimates regarding the timing and amount of future cash flows derived from exploiting the assets being acquired. The Directors then estimate an appropriate discount rate to apply to the forecast cash flows. Such estimates are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates, operating costs and the expected useful lives of assets. Judgements are also made regarding whether, and for how long, licences will be renewed; this drives our amortisation policy for those assets.

The Directors estimate the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the assets or businesses being acquired.

Amortisation

Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Indefinite life assets, such as goodwill, are not amortised but are tested for impairment at each year end.

Impairment

Goodwill is not subject to amortisation and is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

Other intangible assets are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried in the statement of financial position is less than its recoverable amount.

Determining whether the carrying amount of intangible assets has any indication of impairment requires judgement. Any impairment is recognised in the income statement.

An impairment test is performed by assessing the recoverable amount of each asset, or for goodwill, the cash-generating unit (or group of cash-generating units) related to the goodwill. Total assets (which includes goodwill) are grouped at the lowest levels for which there are separately identifiable cash flows ('cash-generating unit' or 'CGU').

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is based on the present value of the future cash flows expected to arise from the asset.

The Group applies cautious assumptions for impairment testing. Estimates are used in deriving these cash flows and the discount rate. Such estimates reflect current market assessments of the risks specific to the asset and the time value of money. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. If different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements.

Impairment losses in respect of goodwill are not reversed. In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

Intangible assets

Intangible assets can be analysed as follows:

	Goodwill £m	Formats and brands £m	Customer contracts and relationships £m	Contractual arrangements £m	Licences £m	Libraries and other £m	Software licences and development	Total £m
Cost								
At 1 January 2014	3,467	179	352	10	121	81	78	4,288
Additions	146	21	30	–	–	16	11	224
Foreign exchange	14	1	3	–	–	–	–	18
At 31 December 2014	3,627	201	385	10	121	97	89	4,530
Additions	102	273	23	–	–	1	15	414
Foreign exchange	15	7	3	–	–	1	–	26
At 31 December 2015	3,744	481	411	10	121	99	104	4,970
Amortisation and impairment								
At 1 January 2014	2,654	159	326	2	83	50	60	3,334
Charge for the year	–	18	21	3	7	7	11	67
At 31 December 2014	2,654	177	347	5	90	57	71	3,401
Charge for the year	–	27	17	2	4	8	9	67
Foreign exchange	–	1	1	–	–	–	–	2
At 31 December 2015	2,654	205	365	7	94	65	80	3,470
Net book value								
At 31 December 2015	1,090	276	46	3	27	34	24	1,500
At 31 December 2014	973	24	38	5	31	40	18	1,129

All intangible asset additions in the year, excluding software, are due to the acquisition of four production companies, as detailed in note 3.4 (2014: three production companies acquired).

Goodwill impairment tests

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

	2015 £m	2014 £m
Broadcast & Online	342	342
SDN	76	76
ITV Studios	672	555
	1,090	973

There has been no impairment charge for any CGU during the year (2014: £nil).

When assessing impairment, the recoverable amount of each CGU is based on value in use calculations. These calculations require the use of estimates, specifically: pre-tax cash flow projections; long-term growth rates; and a pre-tax market discount rate.

Cash flow projections are based on the Group's current five year plan. Beyond the five year plan these projections are extrapolated using an estimated long-term growth rate of 2% (2014: 2%). The growth rate used is consistent with the long-term average growth rates for both the industry and the country in which they are located and is appropriate because these are long-term businesses.

The discount rate has been revised for each CGU to reflect the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt. There is currently no reasonably possible change in discount rate that would reduce the headroom in any CGU to zero.

Broadcast & Online

The goodwill in this CGU arose as a result of the acquisition of broadcasting businesses since 1999, the largest of which was the merger of Carlton and Granada in 2004 to form ITV plc, which was treated as an acquisition of Carlton for accounting purposes.

The main assumptions on which the forecast cash flow projections for this CGU are based include: the share of the television advertising market; share of commercial impacts; programme and other costs; and the pre-tax market discount rate.

The key assumption in assessing the recoverable amount of Broadcast & Online goodwill is the size of the television advertising market. In forming its assumptions about the television advertising market, the Group has used a combination of long-term trends, industry forecasts and in-house estimates, which place greater emphasis on recent experience. No impairment was identified. Also as part of the impairment review, a sensitivity of up to -15% was applied to 2016, again with no impairment identified. The Directors believe that currently no reasonably possible change in these assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 9.7% (2014: 10.6%) has been used in discounting the projected cash flows.

SDN

Goodwill was recognised when the Group acquired SDN (the licence operator for DTT Multiplex A) in 2005. It represented the wider strategic benefits of the acquisition specific to the Group, principally the enhanced ability to promote Freeview as a platform, business relationships with the channels which are on Multiplex A and additional capacity available from 2010.

The main assumptions on which the forecast cash flows are based are: income to be earned from medium-term contracts; the market price of available multiplex video streams in the period up to and beyond digital switchover; and the pre-tax market discount rate. These assumptions have been determined by using a combination of current contract terms, recent market transactions and in-house estimates of video stream availability and pricing. No impairment was identified.

As part of the impairment review sensitivity was applied to the main assumptions with no impairment identified (2016: -5% growth, 2017: -10% growth). The Directors believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 11.5% (2014: 12.6%) has been used in discounting the projected cash flows.

ITV Studios

The goodwill for ITV Studios has arisen as a result of the acquisition of production businesses since 1999. Significant balances were created from the acquisition by Granada of United News and Media's production businesses in 2000 and the merger of Granada and Carlton in 2004 to form ITV plc. ITV Studios goodwill also includes all of the goodwill arising from recent acquisitions in 2012 to 2015, with the largest acquisition addition to goodwill being Leftfield in 2014, followed by Talpa and Twofour in 2015.

The key assumptions on which the forecast cash flows were based include revenue (including international revenue and the ITV Studios share of ITV output, growth in commissions and hours produced), margin growth and the pre-tax market discount rate. These assumptions have been determined by using a combination of extrapolation of historical trends within the business, industry estimates and in-house estimates of growth rates in all markets. No impairment was identified.

As part of the impairment review sensitivity was applied to the main assumptions with no impairment identified (2016: -5% growth, 2017: -10% growth). The Directors believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 10.1% (2014: 11.7%) has been used in discounting the projected cash flows.

Following the acquisitions made by ITV Studios in 2015, the Directors considered how assets and resources are shared across the Studios division and the level of integration within the management structure for the purposes of reporting and strategic decision-making. They concluded that a single ITV Studios CGU continues to remain appropriate.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

3.4 Acquisitions

Keeping it simple



The following section outlines what the Group has acquired in the year.

All of the deals are structured so that a large part of the payment made to the sellers is determined based on future performance ('consideration'). This is done so that the Group can both align incentives for growth, while reducing risk so that total consideration reflects actual performance, not expected.

IFRS accounting standards require some of this consideration to be included in the purchase price used in determining goodwill ('contingent consideration'). Examples of contingent consideration include top-up payments and recoupable performance adjustments. Any remaining consideration is required to be recognised as a liability or expense outside of acquisition accounting (put option liabilities and employment-linked contingent payments known as 'earnout' payments).

The Group considers the income statement impact of all consideration to be capital in nature and are therefore excluded from adjusted profit. Therefore, for each acquisition below, the distinction between the types of consideration has been explained in detail.

Acquisitions

During the period, the Group completed four acquisitions, all of which have been included in the results of the ITV Studios operating segment. Each of the businesses fit with the strategy of growing the Group's content business and to work with other parts of the ITV Studios segment to exploit that content globally. The following section provides a summary of the material acquisitions.

Talpa Media B.V.

On 30 April 2015 the Group acquired 100% controlling interests in Talpa Media B.V. and its subsidiaries. Talpa Media is the entertainment show producer behind The Voice, The Voice Kids, I Love My Country, Dating In The Dark and Dance Dance Dance. The Group consolidates 100% of the earnings of the business.

Key terms:

Cash consideration of £362 million (€500 million) was paid at acquisition and the maximum total consideration for 100% of the business, including the initial payment, is £796 million (€1,100 million, undiscounted).

The deal structure allows for a further £434 million (€600 million) payable after two, five and eight years, on the achievement of stretching performance targets for the business in the years following acquisition. For these amounts to be payable in the future, the deal requires the seller to remain with the business during the earnout period. Further, if the seller leaves within the first two years following acquisition, a significant portion of the initial consideration would be refunded to ITV.

Structuring the deal in this way helped manage risks in terms of initial capital outlay and created a joint incentive between ITV and the seller to grow the business, however IFRS requires any payment that links a seller to remaining in the business as an employment cost. The Group considers these payments as capital in nature, and therefore expenses in relation to these payments are excluded from adjusted profits as an exceptional item.

Acquisition accounting:

Intangibles, being the value placed on formats, brands, customer contracts, non-compete arrangements and libraries, of £276 million (€382 million) were identified and goodwill was valued at £41 million (€57 million). Goodwill represents the value placed on the opportunity to diversify and grow the content and formats produced by the Group. The goodwill arising on acquisition is not expected to be deductible for tax purposes. Other fair value adjustments have been made to the opening balance sheet, though none of them are individually significant.

Twofour Group

On 24 June 2015 the Group acquired Boom Supervisory Limited, the holding company of Twofour Group. Twofour Group owns 51% of Mainstreet Pictures. Twofour Group is an independent production business with a range of scripted and unscripted programmes including The Jump, Educating Series (Educating Essex, Educating Yorkshire), Hotel Inspector, Taking New York and Ibiza Weekender.

Key terms:

The Group purchased the Twofour Group for a cash consideration of £55 million, subsequently the sellers subscribed to 25% of the share capital of the acquiring company. A put and call option has been granted over this 25% in Twofour Group; these options both being exercisable over the next three to five years. The transaction has been accounted for on an anticipated acquisition basis and a non-controlling interest has not been recognised. The maximum total consideration for 100% of the business, including the initial payment, is £280 million (undiscounted). These payments are dependent on future performance of the business and linked to ongoing employment. The Group considers these payments as capital in nature, and therefore expenses in relation to these payments are excluded from adjusted profits as an exceptional item.

Provisional acquisition accounting:

Intangibles, being the value placed on formats, brands, customer contracts, non-compete arrangements and libraries, of £18 million were identified and goodwill was valued at £50 million. Goodwill represents the value placed on the opportunity to diversify and grow the content and formats The Group is currently in the process of completing the valuations for the net assets acquired with the businesses. The Group expects to finalise the valuations of acquired assets and liabilities in the first half of 2016.

Goodwill represents the value placed on the opportunity to diversify and grow the content and formats produced by the Group. The goodwill arising on acquisition is not expected to be deductible for tax purposes. Other fair value adjustments have been made to the opening balance sheet, though none of them are individually significant.

Other 2015 acquisitions

The Group made an initial payment of £15 million for two smaller acquisitions, Cats on the Roof Media Ltd and Mammoth Screen Ltd, with a view that these acquisitions will strengthen and complement ITV's existing position as a producer for major television networks in the UK. The maximum additional consideration that the Group could pay is £66 million (undiscounted).

Goodwill, which represents the value placed on the opportunity to grow the content produced by the Group, has been provisionally valued at £11 million. The goodwill arising on these acquisitions are not expected to be deductible for tax purposes.

Acquisitions in 2014

Leftfield Entertainment was acquired for an initial consideration (net of cash acquired) of £214 million (\$360 million) for 80% of the membership interests in May 2014. The remaining 20% equity interest was acquired in December 2015. In consideration for the acquisition of the minority interest the Group assumed certain obligations of the seller, most notably earnout arrangements for its subsidiaries. No additional cash consideration was payable to the seller as a result of the purchase of the remaining minority interest.

The total maximum additional consideration payable by ITV for the acquisition of 100% of the membership interest of Leftfield Entertainment, including the additional assumed earnout obligations, is £65 million (\$100 million) and is dependent on future performance and is linked to ongoing employment.

Intangible assets of £65 million (\$109 million) were identified in 2014, being the value placed on brands, customer contracts, non-compete arrangements and libraries.

The Group also acquired 51% of the membership interest in DiGa Vision, a US-based producer and 100% of the controlling interest in United Productions, a company based in Denmark. The total initial consideration (net of cash acquired) was £5 million and the maximum additional amount payable is £32 million (undiscounted). The final payout is dependent on future performance and is linked to ongoing employment.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

Intangibles of £2 million were identified, largely reflecting the value placed on brands, customer contracts and contractual arrangements.

Effect of acquisition

The acquisitions noted above had the following impact on the Group assets and liabilities:

£m	Recognised values on acquisition			2015 Total	2014 Total
	Talpa Media	Twofour	Other		
Consideration transferred:					
Initial consideration (net of cash acquired) (Note A)	347	49	10	406	214
Less: consideration classified as prepaid employment linked consideration (Note B)	(109)	–	–	(109)	(29)
Total consideration	238	49	10	297	185
Fair value of net assets acquired:					
Property, plant and equipment	2	4	–	6	5
Intangible assets	276	18	3	297	67
Deferred tax liabilities	(66)	(5)	–	(71)	–
Trade and other receivables	78	15	8	101	32
Trade and other payables	(93)	(33)	(12)	(138)	(45)
Fair value of net assets	197	(1)	(1)	195	59
Non-controlling interest measured at fair value (Note C)	–	–	–	–	20
Goodwill	41	50	11	102	146
Other information:					
Present value of the liability on options	–	–	–	–	20
Present value at acquisition of the earnout payment (Note D)	186	10	27	223	4
Contributions to the Group's performance:					
From date of acquisition					
Revenue	121	42	22	185	62
EBITA before exceptionals (Note E)	25	2	2	29	14
Proforma – January to December					
Revenue	193	80	33	306	88
EBITA before exceptionals (Note F)	45	3	1	49	20

Note A: Consideration for all acquisitions is net of cash acquired and estimated debt and working capital settlements. Cash acquired during the year comprises Talpa £22 million, Twofour £6 million and Other £5 million.

Note B: Total consideration is net of employment linked consideration of £109 million. IFRS 3 (R) requires the employment linked consideration to be treated as remuneration. This amount is repayable to the Group should the seller terminate the service agreement within the first two years following completion. The remaining balance is shown within trade and other receivables and is expensed over two years.

Note C: Non-controlling interest arises where the Group acquires less than 100% of the equity interest in a business, but obtains control.

Note D: This represents the present value of earnouts as at acquisition.

Note E: Adjusting for exceptional costs relating to employment linked consideration reduces the contribution to the Group's profit after tax for the period from the date of acquisition to a loss of £35 million for Talpa, a profit of £1 million for Twofour and £nil on other acquisitions.

Note F: Adjusting for exceptional costs relating to employment linked consideration reduces the contribution to the Group's profit after tax on a full year proforma basis to a loss of £38 million for Talpa, a profit of £1 million for Twofour and a loss of £1 million on other acquisitions.

3.5 Investments

Keeping it simple



The Group holds non-controlling interests in a number of different entities. Accounting for these investments, and the Group's share of any profits and losses, depends on the level of control or influence the Group is granted via its interest. The three principal types of non-consolidated investments are: joint arrangements (joint ventures or joint operations), associates and available for sale investments.

A joint venture is an investment where the Group has joint control, with one or more third parties. An associate is an entity over which the Group has significant influence (i.e. power to participate in the investee's financial and operating decisions). Any other investment is an available for sale investment.

Accounting policies

For joint ventures and associates the Group applies equity accounting. Under this method, it recognises the investment in the entity at cost and subsequently adjusts this for its share of profits or losses, which are recognised in the income statement within non-operating items and included in adjusted profit. Available for sale investments are held at fair value unless the investment is a start-up business, in which case it is valued at cost and assessed for impairment.

The carrying value of all investments are shown as non-current assets on the Statement of Financial Position. The £16 million increase in the year comprises £14 million in relation to the acquisition of associates and available for sale investments and £2 million of funding to existing joint ventures.

Please refer to page 108 for the list of principal investments held at 31 December 2015.

3.6 Provisions

Keeping it simple



A provision is recognised by the Group where an obligation exists relating to events in the past and it is probable that cash will be paid to settle it.

A provision is made where the Group is not certain how much cash will be required to settle a liability, so an estimate is required. The main estimates relate to the cost of holding properties that are no longer in use by the Group, the likelihood of settling legal claims and contracts the Group has entered into that are now unprofitable.

Accounting policies

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation arising from past events, it is probable cash will be paid to settle it and the amount can be estimated reliably. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the income statement. The value of the provision is determined based on assumptions and estimates in relation to the amount and timing of actual cash flows which are dependent on future events.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

Provisions

The movements in provisions during the year are as follows:

	Contract provisions £m	Property provisions £m	Legal and other provisions £m	Total £m
At 1 January 2015	3	3	15	21
Additions	5	–	10	15
Utilised	(2)	–	–	(2)
Released	–	(1)	–	(1)
At 31 December 2015	6	2	25	33

Provisions of £28 million are classified as current liabilities (2014: £17 million). Unwind of the discount is £nil in 2015 and 2014.

Contract provisions comprise onerous commitments on transmission infrastructure that are expected to be utilised over the remaining contract period and onerous technology services contracts which will not be utilised.

Legal and Other provisions totalling £25 million (2014: £15 million) primarily relate to potential liabilities that may arise as a result of Boxclever having been placed into administrative receivership, most of which relate to pension arrangements. In 2011 the Determinations Panel of the Pensions Regulator determined that Financial Support Directions (FSDs) should be issued against certain Group companies, which would require the Group to put in place financial support for the Boxclever Scheme. The Group is challenging this in the Upper Tribunal. The reference process is ongoing and aside from procedural issues there were no substantive case developments in the period. The Directors have obtained leading counsel's opinion and extensive legal advice in connection with the proceedings and continue to believe that the provision held is appropriate. The increase in provisions during the year was primarily due to anticipated costs of settling other legal matters.

3.7 Pensions

Keeping it simple



In this note we explain the accounting policies governing the Group's pension scheme, followed by analysis of the components of the net defined benefit pension deficit, including assumptions made, and where the related movements have been recognised in the financial statements. In addition, we have placed text boxes to explain some of the technical terms used in the disclosure.

What are the Group's pension schemes?

There are two types of pension schemes. A 'Defined Contribution' scheme that is open to ITV employees, and a number of 'Defined Benefit' schemes that have been closed to new members since 2006.

What is a Defined Contribution scheme?

The 'Defined Contribution' scheme is where the Group makes fixed payments into a separate fund on behalf of those employees that have elected to participate in saving for their retirement. ITV has no further obligation to the participating employee and the risks and rewards associated with this type of scheme are assumed by the members rather than the Group. It is the members' responsibility to make investment decisions relating to their retirement benefits.

What is a Defined Benefit scheme?

In a 'Defined Benefit' scheme, members receive cash payments during retirement, the value of which is dependent on factors such as salary and length of service. The Group manages the necessary investment, mortality and inflation risks in order to meet these obligations. In the event of poor returns the Group needs to address this through a combination of increased levels of contribution or by making adjustments to the scheme. Schemes can be funded, where regular cash contributions are made by the employer into a fund which is invested, or unfunded, where no regular money or assets are required to be put aside to cover future payments.

The Group makes contributions to the scheme, a separate trustee-administered fund that is not consolidated in these financial statements, but is reflected on the defined benefit pension deficit line on the consolidated statement of financial position. It is the responsibility of the Trustee to manage and invest the assets of the Scheme and its funding position. The Trustee, appointed according to the terms of the Scheme's documentation, is required to act in the best interest of the members and is responsible for managing and investing the assets of the scheme and its funding position.

Accounting policies

Defined contribution scheme

Obligations under the Group's defined contribution schemes are recognised as an operating cost in the income statement as incurred. For 2015, total contributions expensed were £16 million (2014: £14 million).

Defined benefit scheme

The Group's obligation in respect of the Defined Benefit Scheme (the 'Scheme') is calculated by estimating the amount of future retirement benefit that eligible employees ('members') have earned in return for their services. That benefit payable in the future is discounted to today's value and then the fair value of scheme assets contributed by the Group is deducted to measure the net pension deficit.

The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid using the 'projected unit' method. This method is an accrued benefits valuation method that makes allowance for projected earnings of members in the future up to retirement.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

These calculations are complex and are performed by a qualified actuary. There are many judgements and estimates necessary to calculate the Group's estimated liabilities, the main assumptions are set out later in this section. Movements in assumptions during the year are called 'actuarial gains and losses' and these are recognised in the period in which they arise through the statement of comprehensive income.

The latest triennial valuation of the Scheme was undertaken as at 1 January 2014 by an independent actuary appointed by the Trustee of the Scheme and agreed in early 2016. The next triennial valuation will be as at 1 January 2017 and is expected to be agreed in 2018. This will drive subsequent contribution rates.

An unfunded scheme in relation to previous Directors is accounted for under IAS 19 and the Group is responsible for meeting the pension obligations as they fall due. It is securitised by assets held outside of the ITV Pension Scheme in the form of gilts and included within cash and cash equivalents (see note 4.1).

The defined benefit pension deficit

The net pension deficit at 31 December 2015 was £176 million (2014: £346 million).

The net assets and liabilities of the Scheme are recognised in the consolidated statement of financial position and shown within non-current liabilities. The totals recognised in the current and previous years are:

	2015 £m	2014 £m
Total defined benefit scheme obligations	(3,446)	(3,687)
Total defined benefit scheme assets	3,270	3,341
Net pension deficit	(176)	(346)

The remaining sections provide further detail of the value of the Scheme's assets and liabilities, how these are accounted for and the impact on the income statement.

Defined benefit scheme obligations

Keeping it simple



What cause movements in the defined benefit pension obligations?

The areas that impact the defined benefit obligation (the pension scheme liabilities) position at the year end are as follows:

- **Current service cost** – the cost to the Group of the future benefits earned by members that relates to the members' service in the current year. This is charged to operating costs in the income statement.
- **Interest cost** – the pension obligations payable in the future are discounted to the present value at year end. A discount factor is used to determine the current value today of the future cost. The interest cost is the unwinding of one year's movement in the present value of the obligation. It is broadly determined by multiplying the discount rate at the beginning of the period by the updated present value of the obligation during the period. The discount rate is a key assumption explained later in this section. This interest cost is recognised through net financing costs in the income statement (see note 4.4).
- **Actuarial gains or losses** – there are broadly two causes of actuarial movements. 'Experience' adjustments, which arise when comparing assumptions made when estimating the liabilities and what has actually occurred, and adjustments resulting from changes in actuarial assumptions e.g. movements in corporate bond yields. Key assumptions are explained in detail later in this section. Actuarial gains or losses are recognised through other comprehensive income.
- **Benefits paid** – any cash benefits paid out by the Scheme will reduce the obligation.

The movement in the present value of the Group's defined benefit obligation is analysed below:

	2015 £m	2014 £m
Defined benefit obligation at 1 January	3,687	3,315
Current service cost	8	7
Interest cost	126	144
Actuarial (gain) / loss	(217)	366
Benefits paid	(158)	(145)
Defined benefit obligation at 31 December	3,446	3,687

Of the above total defined benefit obligation at 31 December 2015, £46 million relates to unfunded schemes (2014: £48 million). See note 4.1 for details.

Assumptions used to estimate the Scheme obligations

Keeping it simple



What are the main assumptions used to estimate the Scheme obligations?

The main assumptions are:

- future salary levels
- future pensionable salary levels
- an estimate of increases in pension payments
- the life expectancy of members
- the effect of inflation on all these factors
- the discount rate used to estimate the present day fair value of these obligations

How do we determine the appropriate assumptions?

The Group takes independent actuarial advice relating to the appropriateness of the assumptions used.

IFRS requires that we estimate a discount rate by reference to high quality fixed income investments in the UK that match the estimated term of the pension obligations.

The inflation assumption has been set by looking at the difference between the yields on fixed and index-linked Government bonds. The inflation assumption is used as a basis for the remaining financial assumptions, except where caps have been implemented.

The discount rate has therefore been obtained using the yields available on AA rated corporate bonds which match projected cash flows. The Group's estimate of the weighted average term of the liabilities is 15 years (2014: 15 years).

The principal assumptions used in the Scheme's valuations at the year end were:

	2015	2014
Discount rate for:		
Past service liabilities	3.80%	3.50%
Future service liabilities	4.00%	3.70%
Inflation assumption for:		
Past service liabilities	3.00%	3.00%
Future service liabilities	3.10%	3.05%
Rate of pensionable salary increases	0.90%	0.90%
Rate of increase in pension payment (LPI ¹ 5% pension increases)	2.90%	2.90%
Rate of increase to deferred pensions (CPI)	2.00%	2.00%

1. Limited Price Index.

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

The table below reflects published mortality investigation data in conjunction with the results of investigations into the mortality experience of Scheme members. The assumed life expectations on retirement are:

	2015	2015	2014	2014
Retiring today at age	60	65	60	65
Males	28.0	23.2	27.9	23.1
Females	30.6	25.7	30.5	25.6
Retiring in 20 years at age	60	65	60	65
Males	30.0	25.0	29.9	24.9
Females	32.6	27.6	32.5	27.5

Keeping it simple



Which assumptions have the biggest impact on estimating the Scheme liabilities?

It is important to note that comparatively small changes in the assumptions used may have a significant effect on the consolidated income statement and statement of financial position. This 'sensitivity' to change is analysed below to demonstrate how small changes in assumptions can have a large impact on the estimation of the Scheme's liabilities.

The sensitivities regarding the principal assumptions used to measure the defined benefit obligation are set out below:

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £50 million / £55 million
Rate of inflation (Retail Price Index)	Increase/decrease by 0.1%	Increase/decrease by £15 million / £15 million
Rate of inflation (Consumer Price Index)	Increase/decrease by 0.1%	Increase/decrease by £10 million / £10 million
Life expectations	Increase by one year	Increase by £90 million

The analysis above considers the impact of the single change in the assumption while keeping the other assumptions unchanged, except for inflation. The inflation sensitivities allow for consequential changes to all pension increases linked to the relevant index. The sensitivity analyses have been determined by extrapolating the impact on the defined benefit obligation at the year end with changes in key assumptions that might reasonably occur.

In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). Changes in the assumptions may occur at the same time as changes in the market value of Scheme assets, which may or may not offset the changes in assumptions.

The sensitivity analysis for the impact of life expectations on the defined benefit liability does not include the potential offsetting benefit of the longevity swap classified as a Scheme asset. It is estimated that a £75 million benefit would arise on the value of the longevity swap from a one year increase in the market-based assumption of mortality. (Please refer to the 'Keeping it simple' box in the following section for further information on the longevity swap).

Total defined benefit scheme assets

Keeping it simple



The Scheme holds assets across a number of different classes which are managed by the Trustee, who consults with the Group on changes to its investment policy.

What are the pension Scheme assets?

At 31 December 2015 the Scheme's assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The tables below set out the major categories of assets.

Financial instruments are in place in order to provide protection against changes in market factors (interest rates and inflation) which could act to increase the net pension deficit. These financial instruments are classified as Scheme assets.

One such instrument is the longevity swap which the Scheme transacted in 2011 to obtain protection against the effect of increases in the life expectation of the majority of pensioner members at that date. Under the swap, the Trustee agreed to make pre-determined payments in return for payments to meet the specified pension obligations as they fall due, irrespective of how long the members and their dependants live. The difference in the present values of these two streams of payments is reflected in the Scheme assets. The swap had a nil valuation at inception and, using market-based assumptions, is subsequently adjusted for changes in the market life expectancy and market discount rates.

How do we measure the pension Scheme assets?

Defined benefit scheme assets are measured at their fair value and can change due to the following:

- Interest income on scheme assets – this is determined by multiplying the fair value of the Scheme assets by the discount rate, both taken as of the beginning of the year. This is recognised through net financing costs in the income statement.
- Return on assets arise from differences between the actual return and interest income on Scheme assets and are recognised through other comprehensive income.
- Employer's contributions are paid into the Scheme to be managed and invested.
- Benefits and administrative expenses paid out by the Schemes will lower the fair value of the Scheme's assets

The movement in the fair value of the defined benefit scheme's assets is analysed below:

	2015 £m	2014 £m
Fair value of Scheme assets at 1 January	3,341	2,870
Interest income on Scheme assets	116	128
(Loss) / return on assets, excluding interest income	(126)	390
Employer contributions	102	103
Benefits paid	(158)	(145)
Administrative expenses paid	(5)	(5)
Fair value of Scheme assets at 31 December	3,270	3,341

The actual return on the Scheme's assets, being the sum of the interest income on Scheme assets and return on Scheme assets, for the year ended 31 December 2015 was a decrease of £10 million (2014: increase of £518 million).

Notes to the Financial Statements

Section 3: Operating Assets and Liabilities

How are the Scheme's assets invested?

At 31 December 2015 the Scheme's assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the Scheme's assets are shown in the following table by major category:

	Market value 2015 £m	Market value 2014 £m
Quoted equities	651	654
Quoted bonds*	2,219	2,329
Total quoted assets	2,870	2,983
Property	55	51
Infrastructure	68	77
Hedge funds/alternatives	196	183
Insurance policies	40	42
Cash and cash equivalents	86	50
Other	20	22
Longevity swap fair value	(65)	(67)
Total unquoted assets	400	358
Total Scheme assets	3,270	3,341

* Quoted bonds include interest rate and inflation swaps.

Included in the above are overseas assets of £1,198 million (2014: £1,218 million), comprised of equities of £564 million (2014: £569 million) and bonds of £634 million (2014: £649 million).

When selecting the mix of assets to hold, and considering their related risks and returns, the Trustee will weigh up the variability of returns against the target long-term rate of return on the overall portfolio.

Keeping it simple



What was the impact of movements on the Scheme's assets and liabilities?

The sections above describe how the Scheme obligations and assets are comprised and measured. The following section sets out the impact of various movements and expenses on the Scheme on the Group's financial statement.

Amounts recognised through the income statement

Amounts recognised through the income statement are as follows:

	2015 £m	2014 £m
Amount charged to operating costs:		
Current service cost	(8)	(7)
Scheme administration expenses	(5)	(5)
	(13)	(12)
Amount charged to net financing costs:		
Net interest on defined benefit obligation	(10)	(16)
Total charged in the consolidated income statement	(23)	(28)

Amounts recognised through the consolidated statement of comprehensive income

The amounts recognised through the consolidated statement of comprehensive income/(cost) are:

	2015 £m	2014 £m
Remeasurement gains and (losses):		
(Loss) / Return on scheme assets excluding interest income	(126)	390
Actuarial gains / (losses) on liabilities arising from change in:		
– inflation experience	48	–
– financial assumptions	169	(402)
– updated valuation data	–	36
	217	(366)
Total recognised in the consolidated statement of comprehensive income	91	24

The £217 million actuarial gain on the Scheme's liabilities was principally due to an increase in bond yields over the year, which has resulted in a decrease in the liabilities. The £126 million loss on the Scheme's assets primarily results from decreases in the market values of gilts and swaps, which has led to assets underperforming expectations.

Addressing the net pension deficit**Keeping it simple**

The Group works closely with the Trustee to agree appropriate levels of funding for the Scheme. This involves agreeing a Schedule of Contributions at each triennial valuation, which specifies the contribution rates for the employer and scheme members and the date these contributions are due. A recovery plan setting out the steps that will be taken to address a funding shortfall is also agreed.

In the event that the Group's defined benefit scheme is in a net liability position, the Directors must take steps to manage the size of the deficit. Apart from the funding agreements mentioned above, this could involve pledging additional assets to the Scheme, as was the case in the SDN and London Television Centre ('LTVC') pension funding partnerships (explained below).

The levels of ongoing contributions to the Scheme are based on the current service costs (as assessed by the Scheme Trustee) and the expected future cash flows of the Scheme. Normal employer contributions in 2016 for current service are expected to be in the region of £12 million (2015: £11 million) and deficit funding contributions in 2016 are expected to be £66 million (2015: £76 million), assuming current contribution rates continue as agreed with the Trustee.

Under the SDN pension partnership, set up in 2010, the Group has agreed to make payments of £11 million for 12 years from 2011. The LTVC partnership, established in March 2014, commits the Group to an annual payment of £2 million in 2016, increasing by 5% per annum until 2038.

IFRIC 14 clarifies how the asset ceiling should be applied, in particular, how local minimum funding rules work. The Group has determined that it has an unconditional right to a refund of surplus assets if the Schemes are run off until the last member dies, on which basis IFRIC 14 does not cause any change in the balance sheet disclosures before tax.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

In this section



This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of ITV, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. Maintaining capital discipline and balance sheet efficiency remains important to the Group, as seen through the issuance of a new Eurobond during the year. Any potential courses of action will take into account the Group's liquidity needs, flexibility to invest in the business, pension deficit initiatives and impact on credit ratings.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

A Tax and Treasury committee acting under delegated authority from the Board, approves certain financial transactions and monitors compliance with the Group's tax and treasury policies.

4.1 Net cash/ (debt)

Keeping it simple



Net cash / (debt) is the Group's key measure used to evaluate total cash resources net of the current outstanding debt.

Adjusted net debt is also monitored by the Group and more closely reflects how credit agencies see the Group's gearing. To arrive at the adjusted net debt amount, we add our total undiscounted expected contingent payments on acquisitions, our IAS 19 pension deficit and our undiscounted operating lease commitments. A full analysis and discussion of adjusted net debt is included in the Financial and Performance Review.

The tables below analyse movements in the components of net cash during the year:

	1 January 2015 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	31 December 2015 £m
Cash	234	3	1	238
Cash equivalents	63	(6)	(1)	56
Total cash and cash equivalents	297	(3)	–	294
Loans and facilities due within one year	(78)	73	–	(5)
Finance leases due within one year	(7)	7	(6)	(6)
Loans and facilities due after one year	(161)	(433)	(4)	(598)
Finance leases due after one year	(10)	–	6	(4)
Total debt	(256)	(353)	(4)	(613)
Net cash / (debt)	41	(356)	(4)	(319)

	1 January 2014 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	31 December 2014 £m
Cash	438	(199)	(5)	234
Cash equivalents	80	(17)	–	63
Total cash and cash equivalents	518	(216)	(5)	297
Loans and facilities due within one year	(41)	41	(78)	(78)
Finance leases due within one year	(21)	21	(7)	(7)
Loans and facilities due after one year	(301)	62	78	(161)
Finance leases due after one year	(17)	–	7	(10)
Total debt	(380)	124	–	(256)
Currency component of swaps held against euro denominated bonds	26	(26)	–	–
Net cash	164	(118)	(5)	41

Cash and cash equivalents

Included within cash equivalents is £10 million (2014: £16 million), the use of which is restricted to meeting finance lease commitments under programme sale and leasebacks (see note 4.2), and gilts of £38 million (2014: £39 million) in respect of which a charging deed was executed on the unfunded pension commitments of four former Granada executives. Legal action has commenced to try and remove the charge.

Loans and facilities due within one year

In October 2015 the unsecured £78 million Eurobond matured, resulting in a net payment by the Group of £76 million, after settlement of the Group's related outstanding interest rate swaps.

At various periods during the year the Group drew down on the Revolving Credit Facility ('RCF') to meet short-term funding requirements. All short-term drawings were repaid by the end of the year. The maximum draw down of the RCF during the year was €500 million (£362 million) in April to fund the acquisition of Talpa Media. The maximum draw down on the RCF during 2014 was £321 million to fund the 2014 acquisitions.

Loans and loan notes due after one year

In September 2015 the Group issued a seven year €600 million Eurobond at a fixed coupon of 2.125% which will mature in September 2022. The bond refinanced the 12 month bridge loan facility of €500 million that was used to repay the RCF, which initially funded the purchase of Talpa Media in April.

The Group also has an unsecured £161 million Eurobond which matures in January 2017 and has a coupon of 6.125%.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

4.2 Borrowings and finance leases

Keeping it simple



The Group borrows money from financial institutions in the form of bonds, bank facilities and other financial instruments. The interest payable on these instruments is shown in the net financing costs note in note 4.4.

There are Board-approved policies in place to manage the Group's financial risks. Macroeconomic market risks, which impact currency transactions and interest rates, are discussed in note 4.3. Credit and liquidity risks are discussed below.

- Credit risk: the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations and
- Liquidity risk: the risk that the Group will not be able to meet its financial obligations as they fall due

The Group is required to disclose the fair value of its debt instruments. The fair value is the amount the Group would pay a third party to transfer the liability. It is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. This calculation of fair value is consistent with instruments valued under level 2 in note 4.5.

Accounting policies

Borrowings

Borrowings are recognised initially at fair value less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption value is recorded in the income statement over the period of the borrowing on an effective interest basis.

Finance leases

Historically, ITV has entered into sale and leaseback agreements in relation to certain programme titles. Related outstanding sale and leaseback obligations, which comprise the principal and accrued interest, are included within borrowings. The finance related element of the agreement is charged to the income statement over the term of the lease on an effective interest basis. Sale and leaseback obligations are secured against an equivalent cash balance held within cash and cash equivalents.

Managing credit and liquidity risk

Credit risk

The Group's maximum exposure to credit risk is represented by the carrying amount of derivative financial assets (see note 4.3), trade receivables (see note 3.1.4), and cash and cash equivalents (note 4.1).

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The majority of trade receivables relate to airtime sales contracts with advertising agencies and advertisers. Credit insurance has been taken out against these companies to minimise the impact on the Group in the event of a possible default.

Cash

The Group operates investment guidelines with respect to surplus cash that emphasise preservation of capital. The guidelines set out procedures and limits on counterparty risk and maturity profile of cash placed. Counterparty limits for cash deposits are largely based upon long-term ratings published by the major credit rating agencies and perceived state support. Deposits longer than 12 months require the approval of the Board.

Borrowings

ITV is rated as investment grade by Moody's and S&P. ITV's credit ratings, the cost of credit default swap hedging and the absolute level of interest rates are key determinants in the cost of new borrowings for ITV.

Liquidity risk

The Group's financing policy is to fund itself for the medium to long-term by using debt instruments with a range of maturities and to ensure access to appropriate short-term bank facilities with a minimum of £250 million of undrawn facilities available at all times.

Long-term funding comes from the UK and European Capital markets, while any short to medium-term debt requirements are provided through bank credit facilities totalling £775 million (see below). Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn bank facilities and cash and cash equivalents) on the basis of expected cash flows. This monitoring includes financial ratios to assess possible future credit ratings and headroom and takes into account the accessibility of cash and cash equivalents.

The Group has available funds through a Revolving Credit Facility ('RCF') with a group of relationship banks. This £525 million facility is committed with leverage and interest cover financial covenants and matures in 2019. In addition, the Group has £250 million of financial covenant free financing which runs for three to seven years. All of these facilities were undrawn at 31 December 2015 (2014: no drawings).

Fair value versus book value

The tables below provide fair value information for the Group's borrowings:

		Book value		Fair value	
	Maturity	2015 £m	2014 £m	2015 £m	2014 £m
Loans due within one year					
Other short-term loans	Various	5	–	5	–
Loans due in more than one year					
£161 million Eurobond	Jan 2017	161	161	168	173
€600 million Eurobond	Sept 2022	437	–	445	–
Loans settled or matured in the period					
£78 million Eurobond	Oct 2015	–	78	–	81
		603	239	618	254

Finance leases

The following table analyses when finance lease liabilities are due for payment:

	Minimum lease payments £m	Interest £m	2015 Principal £m	Minimum lease payments £m	Interest £m	2014 Principal £m
In one year or less	6	–	6	8	1	7
In more than one year but not more than five years	4	–	4	10	–	10
	10	–	10	18	1	17

Finance leases principally comprise programmes under sale and leaseback arrangements. The net book value of tangible assets held under finance leases at 31 December 2015 was £1 million (2014: £1 million).

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

4.3 Managing market risks: derivative financial instruments

Keeping it simple



What is a derivative?

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage exposure in an underlying variable.

The Group is exposed to certain market risks. In accordance with Board approved policies, which are set out in this note, the Group manages these risks by using derivative financial instruments to hedge the underlying exposures.

Why do we need them?

The key market risks facing the Group are:

- Currency risk arising from:
 - i. translation risk, that is, the risk in the period of adverse currency fluctuations in the translation of foreign currency profits, assets and liabilities ('balance sheet risk') and non-functional currency monetary assets and liabilities ('income statement risk') and
 - ii. transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Group's non-functional currency trading cash flows. A non-functional currency transaction is a transaction in any currency other than the reporting currency of the subsidiary.
- Interest rate risk to the Group arises from significant changes in interest rates on borrowings issued at or swapped to floating rates.

How do we use them?

The Group mainly employs three types of derivative financial instruments when managing its currency and interest rate risk:

- Foreign exchange swap contracts are derivative instruments used to hedge income statement translation risk arising from short term intercompany loans denominated in a foreign currency
- Forward foreign exchange contracts are derivative instruments used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date and
- Interest rate swaps are derivative instruments that exchange a fixed rate of interest for a floating rate, or vice versa, or one type of floating rate for another, and are used to manage interest rate risk

Analysis of the derivatives used by the Group to hedge its exposure and the various methods used to calculate their respective fair values are detailed in this section.

Accounting policies

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the income statement, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of a cash flow hedge is recognised in other comprehensive income and presented in the hedging reserve within equity. The cumulative gain or loss is later reclassified to the income statement in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

Determining Fair Value

The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and our current creditworthiness, as well as that of our swap counterparties.

Third-party valuations are used to fair value the Group's interest rate derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs.

How do we manage our currency and interest rate risk?

Currency risk

As the Group expands its international operations, the performance of the business becomes increasingly sensitive to movements in foreign exchange rates, primarily with respect to the US dollar and the euro.

The Group's foreign exchange policy is to use forward foreign exchange contracts to hedge material non-functional currency denominated costs or revenue at the time of commitment for up to five years forward. The Group also hedges a proportion of highly probable non-functional currency denominated costs or revenue on a rolling 18 month basis (see 'Keeping it simple box' for explanation of non-functional currency transactions).

The Group ensures that its net exposure to foreign currency denominated cash balances is kept to a minimal level by using foreign currency swaps to exchange balances back into sterling or by buying or selling foreign currencies at spot rates when necessary.

The Group also utilises foreign exchange swaps both to manage foreign currency cash flow timing differences and to hedge foreign currency denominated monetary items.

The Group's net investments in overseas subsidiaries may be hedged where the currency exposure is considered to be material. In 2015 the Group designated a portion of its euro borrowings into a net investment hedge against its euro denominated assets following the acquisition of Talpa Media.

The following table highlights the Group's sensitivity to translation risk resulting from a 10% strengthening/weakening in sterling against the US dollar and euro, assuming all other variables are held constant:

	2015 – post-tax profit	2015 – equity	2014 – post-tax profit	2014 – equity
US dollar	£10 million	£63 million	£8 million	£34 million
Euro	£8 million	£41 million	£8 million	£29 million

Interest rate risk

The Group's interest rate policy is to allow fixed rate gross debt to vary between 20% and 100% of total gross debt to accommodate floating rate borrowings under the revolving credit facility.

At 31 December 2015 the Group's fixed rate debt represented 99% of total gross debt (2014: 100%). Consequently a 1% movement in interest rates on negligible floating variable rate debt would not impact the post-tax profit for the year.

For financial assets and liabilities classified at fair value through profit or loss, the movements in the year relating to changes in fair value and interest are not separated.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

What is the value of our derivative financial instruments?

The following table shows the fair value of derivative financial instruments analysed by type of contract. Interest rate swap fair values exclude accrued interest.

At 31 December 2015	Assets £m	Liabilities £m
Current		
Cash flow hedges	–	(4)
Foreign exchange forward contracts and swaps – fair value through profit or loss	1	(1)
Interest rate swaps – fair value through profit or loss	–	–
Non-current		
Interest rate swaps – fair value through profit or loss	8	(6)
	9	(11)

At 31 December 2014	Assets £m	Liabilities £m
Current		
Cash flow hedges	–	(3)
Interest rate swaps – fair value through profit or loss	11	(9)
Non-current		
Cash flow hedges	–	(1)
Interest rate swaps – fair value through profit or loss	16	(11)
	27	(24)

Interest rate swaps

On issuing the 2017 Eurobond, the Group entered into a portfolio of fixed to floating interest rate swaps and then subsequently overlaid a portfolio of floating to fixed interest rate swaps with the result that interest was 100% fixed on these borrowings. The timing of entering into these swaps locked in an interest benefit for the Group, resulting in a net mark-to-market gain on the portfolio.

Cash flow hedges

The Group applies hedge accounting for certain foreign currency firm commitments and highly probably cash flows where the underlying cash flows are payable within the next two years. In order to fix the sterling cash outflows associated with the commitments – which are mainly denominated in AUD or euros – the Group has taken out forward foreign exchange contracts for the same foreign currency amount and maturity date as the expected foreign currency outflow. The amount recognised in other comprehensive income during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was less than £1 million (2014: £nil) ineffectiveness taken to the income statement and £6 million cumulative loss (2014: £nil) recycled to the income statement in the year.

Net investment hedges

The Group uses euro denominated debt to partially hedge against the change in the sterling value of its euro denominated net assets due to movements in foreign exchange rates. The fair value of debt in a net investment hedge was £141 million (2014: £nil). A foreign exchange loss of £2 million (2014: £nil) relating to the net investment hedges has been netted off within exchange differences on translation of foreign operations as presented on the consolidated statement of comprehensive income.

Undiscounted financial liabilities

Keeping it simple



The Group is required to disclose the expected timings of cash outflows for each of its financial liabilities (including derivatives). The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the statement of financial position.

At 31 December 2015	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities						
Borrowings	(613)	(703)	(30)	(184)	(28)	(461)
Trade and other payables	(834)	(834)	(786)	(34)	(14)	–
Other payables – non-current	(4)	(4)	–	(1)	(2)	(1)
Other payables – commitments on acquisitions	(85)	(303)	(12)	(108)	(183)	–
Derivative financial instruments						
Cash flow hedges						
Inflow	66	66	49	17	–	–
Outflow	(70)	(70)	(53)	(17)	–	–
Foreign exchange forward contracts and swaps						
Inflow	147	147	144	3	–	–
Outflow	(147)	(147)	(144)	(3)	–	–
Interest rate swaps						
Inflow	8	22	9	13	–	–
Outflow	(6)	(12)	(6)	(6)	–	–
	(1,538)	(1,838)	(829)	(320)	(227)	(462)

At 31 December 2014	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities						
Borrowings	(256)	(357)	(100)	(16)	(175)	(66)
Trade and other payables	(726)	(726)	(699)	(23)	(4)	–
Other payables – non-current	(4)	(4)	–	(3)	(1)	–
Other payables – commitments on acquisitions	(34)	(96)	–	(9)	(81)	(6)
Derivative financial instruments						
Cash flow hedges						
Inflow	88	88	52	36	–	–
Outflow	(92)	(92)	(54)	(38)	–	–
Foreign exchange forward contracts and swaps						
Inflow	19	19	17	2	–	–
Outflow	(19)	(19)	(17)	(2)	–	–
Interest rate swaps						
Inflow	26	47	26	8	13	–
Outflow	(19)	(27)	(16)	(5)	(6)	–
	(1,017)	(1,167)	(791)	(50)	(254)	(72)

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

4.4 Net financing costs

Keeping it simple



This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial liabilities.

In reporting 'adjusted profit', the Group adjusts net financing costs to exclude unrealised mark-to-market movements on interest rate and foreign exchange derivatives, gains/losses on bond buybacks, net pension interest, interest and fair value movements in acquisition-related liabilities and other financing costs.

Our rationale for adjustments made to financing costs is set out in the Financial and Performance Review.

Accounting policies

Net financing costs comprise interest income on funds invested, gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments, interest expense on borrowings and finance leases, unwinding of the discount on provisions, unwinding of the discount on liabilities to non-controlling interest, foreign exchange gains/losses, and imputed interest on pension assets and liabilities. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

Net financing costs

Net financing costs can be analysed as follows:

	2015 £m	2014 £m
Financing income:		
Interest income	3	4
Change in fair value of instruments classified at fair value through profit or loss	3	–
Foreign exchange gain	–	1
Other finance income	–	17
	6	22
Financing costs:		
Interest expense on financial liabilities measured at amortised cost	(17)	(19)
Net pension interest (see note 3.7)	(10)	(17)
Losses on early settlement	–	(30)
Foreign exchange loss	(2)	–
Other finance expense	(8)	(7)
	(37)	(73)
Net financing costs	(31)	(51)

Interest on financial liabilities relates to the interest incurred on the Group's borrowings in the year.

The losses on early settlement in the prior year of £30 million were incurred as a result of the repurchase of the remaining £62 million 2019 bilateral loan.

Other finance income in the prior year primarily relates to acquisition-related contingent liabilities. This is where estimates of the future performance against stretch targets is reassessed, resulting in adjustments to the related put option liabilities. Other finance expense includes the amortisation of facility commitment and upfront fees.

4.5 Fair value hierarchy

Keeping it simple



The financial instruments included on the ITV statement of financial position are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective, and can depend on the inputs used in the calculations. ITV generally uses external valuations using market inputs or market values (e.g. external share prices). The different valuation methods are called 'hierarchies' and are described below.

Level 1

Fair values are measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair values are measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly.

Interest rate swaps and options are accounted for at their fair value based upon termination prices. Forward foreign exchange contracts are accounted for at the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date.

Level 3

Fair values are measured using inputs for the asset or liability that are not based on observable market data.

The tables below set out the financial instruments included on the ITV statement of financial position at 'fair value'.

	Fair value 31 December 2015 £m	Level 1 31 December 2015 £m	Level 2 31 December 2015 £m	Level 3 31 December 2015 £m
Assets measured at fair value				
Available for sale financial instruments				
Available for sale gilts (see note 4.1)	38	38	–	–
Available for sale investments (see note 3.5)	11	–	–	11
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	1	–	1	–
Interest rate swaps	8	–	8	–
	58	38	9	11

	Fair value 31 December 2015 £m	Level 1 31 December 2015 £m	Level 2 31 December 2015 £m	Level 3 31 December 2015 £m
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Contingent consideration	(3)	–	–	(3)
Foreign exchange forward contracts and swaps	(1)	–	(1)	–
Interest rate swaps	(6)	–	(6)	–
Financial liabilities at fair value through reserves				
Cash flow hedges	(4)	–	(4)	–
	(14)	–	(11)	(3)

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

	Fair value 31 December 2014 £m	Level 1 31 December 2014 £m	Level 2 31 December 2014 £m	Level 3 31 December 2014 £m
Assets measured at fair value				
Available for sale financial instruments				
Available for sale gilts (see note 4.1)	39	39	–	–
Financial assets at fair value through profit or loss				
Contingent consideration	32	–	–	32
Interest rate swaps	27	–	27	–
	98	39	27	32
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Contingent consideration	(3)	–	–	(3)
Interest rate swaps	(20)	–	(20)	–
Financial liabilities at fair value through reserves				
Cash flow hedges	(4)	–	(4)	–
	(27)	–	(24)	(3)

Refer to note 4.3 for how we value interest rate swaps and forward foreign currency contracts.

Contingent consideration is the Group's only financial instrument classified as Level 3 in the fair value hierarchy. As noted in the accounting policy section of note 3.3, the key assumptions taken into consideration when measuring this acquisition-related liability are the performance expectations of the acquisition and a discount rate that reflects the size and nature of the new business. There is no reasonable change in discount rate or performance targets that would give rise to a material change in the liability at year end.

The table below summarises the key movement in the contingent consideration during the year.

	Asset 2015 £m	Liability 2015 £m	Asset 2014 £m	Liability 2014 £m
At 1 January	32	(3)	–	(7)
Acquisitions (see note 3.4)	–	–	30	(1)
Changes in non-controlling interests	(32)	–	–	–
Changes in estimates (income statement)	–	–	–	5
Currency translation	–	–	2	–
At 31 December	–	(3)	32	(3)
Current	–	(2)	–	–
Non-current	–	(1)	32	(3)
At 31 December	–	(3)	32	(3)

Changes in estimates, including the unwind of interest and fair value movements, are recognised in net financing costs.

4.6 Equity

Keeping it simple



This section explains material movements recorded in shareholders' equity that are not explained elsewhere in the financial statements. The movements in equity and the balance at 31 December 2015 are presented in the consolidated statement of changes in equity.

Accounting policies

Available for sale reserve

Available for sale assets are stated at fair value, with any gain or loss recognised directly in the available for sale reserve in equity, unless the loss is a permanent impairment, when it is then recorded in the income statement.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

4.6.1 Share capital and share premium

The Group's share capital at 31 December 2015 of £403 million (2014: £403 million) and share premium of £174 million (2014: £174 million) is the same as that of ITV plc. Details of this are given in the ITV plc Company financial statements section of this Annual Report.

4.6.2 Merger and other reserves

Merger and other reserves at 31 December 2015 include the following reserves:

	2015 £m	2014 £m
Merger reserves	98	119
Capital reserves	112	112
Capital redemption reserves	36	36
Revaluation reserves	2	6
Put option liabilities arising on acquisition of new subsidiaries	(27)	(45)
Total	221	228

The movement in the merger reserve and put option is in relation to the acquisition of the remaining non-controlling interest of Leftfield Entertainment.

4.6.3 Translation reserve

The translation reserve comprises:

- all foreign exchange differences arising on the translation of the accounts of, and investments in, foreign operations and
- the gains or losses on the portion of cash flow hedges that have been deemed effective (see note 4.3)

4.6.4 Available for sale reserve

The available for sale reserve comprises all movements arising on the revaluation of gilts accounted for as available for sale.

4.6.5 Retained earnings

The retained earnings reserve comprises profit for the year attributable to owners of the Company of £495 million (2014: £466 million) and other items recognised directly through equity as presented in the consolidated statement of changes in equity. Other items include the credit for the Group's share-based compensation schemes and the charge for the purchase of ITV shares via the ITV Employees' Benefit Trust, which are described in note 4.7.

The Directors of ITV plc propose a final dividend of 4.1p per share and a special dividend of 10.0p per share. See details on page 101.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

4.6.6 Non-controlling interests

The movement for the year comprises:

- the fair value of the non-controlling interest acquired in the year of £19 million relates to the acquisition of the remaining 20% in Leftfield Entertainment (2014: £20 million);
- the share of profits attributable to non-controlling interests of £7 million (2014: £7million); and
- the distributions made to non-controlling interests of £5 million (2014: £8 million).

4.7 Share-based compensation

Keeping it simple



The Group utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of share-based compensation schemes, namely the Deferred Share Award (DSA), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes.

A transaction will be classed as share-based compensation where the Group receives services from employees and pays for these in shares or similar equity instruments. If the Group incurs a liability based on the price or value of the Group's shares then this will also fall under a share-based transaction.

A description of each type of share-based payment arrangement that existed at any time during the period are set out in the Annual Remuneration Report.

Accounting policies

For each of the Group's share-based compensation schemes, the fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the income statement with a corresponding increase in equity.

The fair value of the share options and awards is measured using either market price at grant date or, for the Save As You Earn scheme (SAYE), a Black-Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant Group performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. The estimate is then used to determine the option fair value, discounted to present value. The Group revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, are recognised in the income statement, with a corresponding adjustment to equity.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust.

Share-based compensation charges totalled £14 million in 2015 (2014: £14 million).

Share options outstanding

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	Number of options ('000)	2015 Weighted average exercise price (pence)	Number of options ('000)	2014 Weighted average exercise price (pence)
Outstanding at 1 January	51,933	32.97	67,676	14.52
Granted during the year – nil priced	6,744	–	8,594	–
Granted during the year – other	4,615	198.94	5,999	162.86
Forfeited during the year	(30)	143.65	(1,381)	28.67
Exercised during the year	(19,477)	16.65	(27,860)	9.02
Expired during the year	(3,618)	18.77	(1,095)	12.94
Outstanding at 31 December	40,193	55.63	51,933	32.97
Exercisable at 31 December	610	53.17	1,129	14.47

The average share price during 2015 was 254.24 pence (2014: 198.01 pence).

Of the options still outstanding, the range of exercise prices and weighted average remaining contractual life of these options can be analysed as follows:

Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of options ('000)	2015 Weighted average remaining contractual life (years)	Weighted average exercise price (pence)	Number of options ('000)	2014 Weighted average remaining contractual life (years)
Nil	–	25,910	1.79	–	36,522	1.75
20.00 – 49.99	–	–	–	35.61	1,120	0.53
50.00 – 69.99	67.24	991	0.98	67.37	5,123	1.11
70.00 – 99.99	73.58	301	0.92	73.58	303	1.90
100.00 – 109.99	102.59	1,672	1.14	102.59	1,733	2.16
110.00 – 119.99	–	–	–	–	–	–
120.00 – 149.99	131.44	1,175	1.52	131.44	1,251	2.52
150.00 – 199.99	172.58	8,089	2.22	–	–	–
200.00 – 249.99	206.83	2,054	2.52	163.72	5,881	2.80

Assumptions

DSA, LTIP and PSP options are valued directly by reference to the share price at date of grant. The options for the SAYE scheme, an HMRC approved SAYE scheme, are valued using the Black–Scholes model, using the assumptions below:

Scheme name	Date of grant	Share price at grant (pence)	Exercise price (pence)	Expected volatility %	Expected life (years)	Gross dividend yield %	Risk-free rate %	Fair value (pence)
3 Year	3 April 2014	195.50	159.68	32.00	3.25	2.15	1.27	53.78
5 Year	3 April 2014	195.50	159.68	38.00	5.25	2.15	1.94	70.41
3 Year	10 Sept 2014	212.40	165.33	29.00	3.25	1.98	1.30	61.14
5 Year	10 Sept 2014	212.40	165.33	34.00	5.25	1.98	1.81	74.29
3 Year	2 April 2015	251.00	192.52	26.00	3.25	2.27	0.74	65.85
5 Year	2 April 2015	251.00	192.52	32.00	5.25	2.27	1.14	80.81
3 Year	16 Sept 2015	249.60	206.83	25.00	3.25	2.28	0.97	55.71
5 Year	16 Sept 2015	249.60	206.83	30.00	5.25	2.28	1.38	72.02

Notes to the Financial Statements

Section 5: Other Notes

Employees' Benefit Trust

The Group has investments in its own shares as a result of shares purchased by the ITV Employees' Benefit Trust ('EBT'). Transactions with the Group-sponsored EBT are included in these financial statements and primarily consist of the EBT's purchases of shares in ITV plc, which are accounted for as a reduction to retained earnings.

The table below shows the number of ITV plc shares held in the EBT at 31 December 2015 and the purchases/(releases) from the EBT made in the year to satisfy awards under the Group's share schemes:

Scheme	Shares held at 1 January 2015	Number of shares (released)/purchased	Nominal value £
DSA releases		22,482,747	2,248,275
PSP releases		(2,589,150)	
SAYE releases		(5,580,025)	
SAYE releases		(5,313,414)	
Shares purchased		7,949,693	
	31 December 2015	16,949,851	1,694,985

The total number of shares held by the EBT at 31 December 2015 represents 0.42% (2014: 0.56%) of ITV's issued share capital. The market value of own shares held at 31 December 2015 is £47 million (2014: £48 million).

The shares will be held in the EBT until such time as they may be transferred to participants of the various Group share schemes. Rights to dividends have been waived by the EBT in respect of shares held which do not relate to restricted shares under the DSA. In accordance with the Trust Deed, the Trustees of the EBT have the power to exercise all voting rights in relation to any investment (including shares) held within that trust.

5.1 Related party transactions

Keeping it simple



The related parties identified by the Directors include joint ventures, associated undertakings, fixed asset investments and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Group, we disclose the Group's transactions with those related parties during the year and any associated year end trading balances.

Transactions with joint ventures and associated undertakings

Transactions with joint ventures and associated undertakings during the year were:

	2015 £m	2014 £m
Sales to joint ventures	9	7
Sales to associated undertakings	13	10
Purchases from joint ventures	24	26
Purchases from associated undertakings	65	59

The transactions with joint ventures primarily relate to sales and purchases of digital multiplex services with Digital 3&4 Limited.

Purchases from associated undertakings primarily relate to the purchase of news services from ITN.

All transactions with associated undertakings and joint ventures arise in the normal course of business on an arm's length basis. None of the balances are secured.

The amounts owed by and to these related parties at the year end were:

	2015 £m	2014 £m
Amounts owed by joint ventures	3	–
Amounts owed by associated undertakings	66	48
Amounts owed to joint ventures	2	–
Amounts owed to associated undertakings	5	5
Amounts owed by pension scheme	–	1

Balances owed by associated undertakings largely relate to production funding advanced to Tomorrow ITV Studios.

Amounts paid to the Group's retirement benefit plans are set out in note 3.7.

Transactions with key management personnel

Key management consists of ITV plc Executive and Non-executive Directors and the ITV Management Board. Key management personnel compensation is as follows:

	2015 £m	2014 £m
Short-term employee benefits	9	9
Share-based compensation	6	5
	15	14

5.2 Contingent liabilities

Keeping it simple



A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. None of these items are expected to have a material effect on the Group's results or financial position.

5.3 Subsequent events

Keeping it simple



Where the Group receives information in the period between 31 December 2015 and the date of this report about conditions related to certain events that existed at 31 December 2015, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 December 2015. If non-adjusting events are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, for each material category of non-adjusting event after the reporting period we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

On 19 October 2015 the Group announced that it had agreed to acquired 100% of the share capital of UTV Limited for a total cash consideration of £100 million, subject to regulatory and UTV Media plc shareholder approval. Final approvals were obtained by 18 February 2016 and the acquisition completed on 29 February 2016. The transaction was financed through existing cash and debt facilities.

Notes to the Financial Statements

Section 5: Other Notes

5.4 Subsidiaries exempt from audit

Keeping it simple



Certain subsidiaries of the Group can take an exemption from having an audit. Strict criteria must be met for this exemption to be taken, and it must be agreed to by the Directors of that subsidiary entity.

Listed below are subsidiaries controlled and consolidated by the Group, where the Directors have taken the exemption from having an audit of its financial statements for the year ended 31 December 2015. This exemption is taken in accordance with Companies Act s479A.

Company Number	Company Name
01891539	Broad Street Films Limited
02285229	Campania Limited
5078683	Carbon Media Limited
4159249	Carlton Content Holdings Limited
1692483	Carlton Finance Limited
03984490	Carlton Food Network Limited
3053908	Carlton Programmes Development Limited
3210452	Carlton Screen Advertising (Holdings) Limited
3307790	Carltonco 103
2625225	Carltonco Forty Investments
3210363	Carltonco Ninety-Six
2852812	Cosgrove Hall Films Limited
3209058	DTV Limited
00290076	Granada Group Limited
3962410	Granada Limited
03106798	Granada Media Limited
05344772	Granada Screen (2005) Limited
00733063	Granada Television Overseas Limited
01127149	ITV Breathless Limited
04209918	ITV Cilla Limited
06914987	ITV (HC) Limited
08534385	ITV Lucan Limited
03916436	ITV News Channel Limited
09499040	ITV Tennison Limited
05518785	Juice Music UK Limited
04201477	Morning TV Limited

ITV plc Company Financial Statements

Company Balance Sheet

As at 31 December	Note	2015 £m	2015 £m	Restated* 2014 £m	Restated* 2014 £m
Non-current assets					
Investments in subsidiary undertakings	iii		1,861		1,705
Derivative financial instruments			9		17
Deferred tax asset			2		2
			1,872		1,724
Current assets					
Amounts owed by subsidiary undertakings		3,864		1,441	
Derivative financial instruments		6		14	
Other receivables		16		20	
Cash and cash equivalents		126		145	
		4,012		1,620	
Current liabilities					
Borrowings	v	–		(78)	
Amounts owed to subsidiary undertakings		(3,760)		(1,795)	
Accruals and deferred income		(21)		(19)	
Derivative financial instruments		(6)		(12)	
		(3,787)		(1,904)	
Net current assets/(liabilities)			225		(284)
Total assets less current liabilities			2,097		1,440
Non-current liabilities					
Borrowings	v	(598)		(161)	
Derivative financial instruments		(6)		(12)	
		(604)			(173)
Net assets			1,493		1,267
Capital and reserves					
Share capital	vi		403		403
Share premium	vii		174		174
Other reserves	vii		36		36
Retained earnings	vii		880		654
Total equity			1,493		1,267

* 2014 has been restated as part of the transition to FRS 101. See note xii.

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

Ian Griffiths
Director

ITV plc Company Financial Statements

Company Statement of Changes in Equity

	Note	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2015		403	174	36	654	1,267
Total comprehensive income for the year						
Profit		–	–	–	671	671
Total comprehensive income for the year		–	–	–	671	671
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Equity dividends		–	–	–	(459)	(459)
Movements due to share based compensation		–	–	–	14	14
Total contributions by and distributions to owners		–	–	–	(445)	(445)
Total transactions with owners		–	–	–	(445)	(445)
Balance at 31 December 2015	vii / viii	403	174	36	880	1,493

	Note	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2014		403	174	36	995	1,608
Effect of changes to FRS 101		–	–	–	2	2
Restated balance at 1 January 2014		403	174	36	997	1,610
Total comprehensive income for the year						
Profit		–	–	–	(44)	(44)
Total comprehensive income for the year		–	–	–	(44)	(44)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Equity dividends		–	–	–	(313)	(313)
Movements due to share based compensation		–	–	–	14	14
Total contributions by and distributions to owners		–	–	–	(299)	(299)
Total transactions with owners		–	–	–	(299)	(299)
Balance at 31 December 2014	vii / viii	403	174	36	654	1,267

Notes to the ITV plc Company Financial Statements



Accounting policies

Basis of preparation

The Company transitioned from old UK GAAP to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) for all periods presented. The Company's transition date is 1 January 2014. This is the first year adoption of FRS101. There were no material amendments on the adoption of FRS101. See note xi for further information.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The Company is a qualifying entity as it is a member of the ITV plc Group where ITV plc, the ultimate parent prepares publicly available consolidated financial statements.

Exemptions Applied

The Company is taking advantage of the following disclosure exemptions under FRS101.

- Presentation of a Statement of Cash Flows
- Disclosure of key management personnel compensation
- Disclosure of related party transactions between wholly-owned subsidiaries and parents within a group
- Disclosures required under IFRS 2 Share Based Payments in respect of group settled share based payments
- Disclosures required by IFRS 7 Financial Instrument: Disclosure
- Certain disclosures required under IFRS 13 Fair Value Measurement
- Disclosure of information in relation to new standards not yet applied

As permitted by section 408 (3) of the Companies Act 2006, a separate income statement dealing with the results of the parent company has not been presented.

Subsidiaries

Subsidiaries are entities that are directly or indirectly controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The investment in the Company's subsidiaries is recorded at cost. Annual share-based payment compensation costs are recharged to the subsidiaries through the profit and loss account.

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of the transaction.

Borrowings

Borrowings are recognised initially at fair value including directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. The difference between initial fair value and the redemption value is recorded in the profit and loss account over the period of the liability on an effective interest basis.

Derivatives and other financial instruments

The Company uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest and other foreign exchange rates. The Company does not hold or issue derivative instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the profit and loss account within net financing costs, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of cash flow hedge is recognised in retained profits within equity. The cumulative gain or loss is later reclassified to the profit and loss account in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

The fair value of foreign currency forward contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the balance sheet date.

Notes to the ITV plc Company Financial Statements

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap counterparties.

Third-party valuations are used to fair value the Company's derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs. For financial assets and liabilities classified at fair value through profit or loss the fair value change and interest income/expense are not separated.

Deferred tax

The tax charge for the period is recognised in the income statement or directly in equity according to the accounting treatment of the related transaction.

Deferred tax arises due to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and those for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets, therefore involves judgement regarding timing and level of future taxable income.

Share-based compensation

The Company utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of share-based compensation schemes, namely the Deferred Share Award (DSA), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes.

A transaction will be classed as share-based compensation where the Company receives services from employees and pays for these in shares or similar equity instruments. If the Company incurs a liability based on the price or value of the shares then this will also fall under a share-based transaction.

The fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the income statement with a corresponding increase in equity. The fair value of the share options and awards is measured using either market price at grant date or, for the Save As You Earn scheme (SAYE), a Black-Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. The estimate is then used to determine the option fair value, discounted to present value. The Company revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, are recognised in the income statement, with a corresponding adjustment to equity.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust.

The weighted average share price of share options exercised during the year was 16.65p (2014: 9.02p). The options outstanding at the year end have an exercise price in the range of nil to 206.83p and a weighted average contractual life of 1 year (2014: 1 year).

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

Employees

Two (2014: two) Directors of ITV plc were employees of the Company during the year, both of whom remain at the year end. The costs relating to these Directors are disclosed in the Remuneration Report.

iii

Investments in subsidiary undertakings

The principal subsidiary undertakings are listed on page 104. The balance at 31 December 2015 was £1,861 million (2014: £1,705 million).

During the year, the Company set up a subsidiary investment, ITV (Europe) Holdings BV for £146 million in exchange for 10 £1 ordinary shares. The Company also increased its investment in ITV Investments Limited by £5 million in exchange for 1 £1 ordinary share. The Company increased its investment in Carlton Communications Limited by £5 million in exchange for 1 £1 ordinary share.

iv

Amounts owed (to)/from subsidiary undertakings

The Company operates an intra-group cash pool policy with certain 100% owned UK subsidiaries. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to £nil via daily bank transfers to/from ITV plc. These daily transactions create a corresponding intercompany creditor or debtor which can result in significant movements in amounts owed to and from subsidiary undertakings in the Company balance sheet.

v

Borrowings

Loans repayable in less than one year

In October 2015 the unsecured £78 million Eurobond matured, resulting in a net payment by the company of £76 million, after settlement of the related outstanding interest rate swaps.

Loans repayable after more than one year

The unsecured £161 million Eurobond matures in January 2017 and has a coupon of 6.125%.

At various periods during the year the Company drew down on the Revolving Credit Facility ('RCF') to meet short-term funding requirements. All short-term drawings were repaid by the end of the year. The maximum draw down of the RCF during the year was €500 million (£362 million) in April to fund the acquisition of Talpa Media. The maximum draw down on the RCF during 2014 was £321 million to fund the 2014 acquisitions.

Loans repayable after more than one year

In September 2015 the Company issued a seven year €600 million Eurobond at a fixed coupon of 2.125% which will mature in September 2022. The bond refinanced the 12 month bridge loan facility of €500 million that was used to repay the RCF, which initially funded the purchase of Talpa Media in April.

vi

Managing market risks: derivative financial instruments

What is the value of our derivative financial instruments?

	Assets 2015	Liabilities 2015
Current		
Cash Flow Hedges	3	(4)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(2)
Interest Rate Swaps – fair value through profit or loss	–	–
Non-current		
Interest Rate Swaps – fair value through profit or loss	9	(6)
	15	(12)
	Assets 2014	Liabilities 2014
Current		
Cash Flow Hedges	2	(2)
Foreign exchange forward contracts and swaps – fair value through profit or loss	1	(1)
Interest Rate Swaps – fair value through profit or loss	11	(9)
Non-current		
Cash Flow Hedges	1	(1)
Interest Rate Swaps – fair value through profit or loss	16	(11)
	31	(24)

Notes to the ITV plc Company Financial Statements

The Company mainly employs three types of derivative financial instruments when managing its currency and interest rate risk:

- Foreign exchange swap contracts are derivative instruments used to hedge income statement translation risk arising from short term intercompany loans denominated in a foreign currency.
- Forward foreign exchange contracts are derivative instruments used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date.
- Interest rate swaps are derivative instruments that exchange a fixed rate of interest for a floating rate or vice-versa or one type of floating interest rate for another and are used to manage interest rate risk.

Interest rate swaps

On issuing the 2017 Eurobond, the Company entered into a portfolio of fixed to floating interest rate swaps and then subsequently overlaid a portfolio of floating to fixed interest rate swaps with the result that interest was 100% fixed on these borrowings. The timing of entering into these swaps locked in an interest benefit for the Company, resulting in a net mark-to-market gain on the portfolio.

Cash flow hedges

The Company applies hedge accounting for certain foreign currency firm commitments and highly probable cash flows where the relevant cash flows are payable within the next two years. In order to fix the sterling cash outflows associated with the commitments – which are mainly denominated in AUD or euros – the Company has taken out forward foreign exchange contracts for the same foreign currency amount and maturity date as the expected foreign currency outflow. The amount recognised in other comprehensive income during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was less than £1 million (2014: £nil) ineffectiveness taken to the income statement and £6 million cumulative loss (2014: £nil) recycled to the income statement in the year.

Undiscounted financial liabilities

The Company is required to disclose the expected timings of cash outflows for each of its derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the statement of financial position.

At 31 December 2015	Carrying value £m	Total Contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-current and current						
Cash flow hedges						
Inflow	3	136	102	34	–	–
Outflow	(4)	(136)	(102)	(34)	–	–
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	3	253	248	5	–	–
Outflow	(2)	(252)	(247)	(5)	–	–
Interest Rate Swaps – fair value through profit or loss						
Inflow	9	22	9	13	–	–
Outflow	(6)	(12)	(6)	(6)	–	–
	3	11	4	7	–	–

At 31 December 2014	Carrying value £m	Total Contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-current and current						
Cash Flow Hedges						
Inflow	3	174	100	74	–	–
Outflow	(3)	(174)	(100)	(74)	–	–
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	1	209	205	4	–	–
Outflow	(1)	(209)	(205)	(4)	–	–
Interest Rate Swaps – fair value through profit or loss						
Inflow	27	47	26	8	13	–
Outflow	(20)	(27)	(16)	(5)	(6)	–
	7	20	10	3	7	–

Share capital

	Authorised 2015 & 2014 £m	Allotted, issued and fully paid 2015 & 2014 £m
Authorised ordinary shares of 10 pence each	8,000,000,000	800
Allotted, issued and fully paid ordinary shares of 10 pence each	4,025,409,194	403
Total	800	403

The Company's ordinary shares give shareholders equal rights to vote, receive dividends and to the repayment of capital.

Equity

The retained earnings reserve includes profit after tax for the year of £671 million (2014: £44 million loss) which includes dividends of £700 million from subsidiaries in 2015 (2014: £nil). The retained earnings reserves of £880 million are all distributable.

The Directors of the Company propose a final dividend of 4.1p per share and a special dividend of 10.0p per share.

Other reserves of £36 million (2014: £36 million) relate to share-buy backs in prior periods.

Contingent liabilities

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2015 of £59 million (31 December 2014: £58 million). The Company has guaranteed certain finance and operating lease obligations of subsidiary undertakings.

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. None of these items are expected to have a material effect on the Company's results or financial position.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Capital and other commitments

There are no capital commitments at 31 December 2015 (2014: none).

Notes to the ITV plc Company Financial Statements

xii

Related party transactions

Transactions with key management personnel

Key management consists of ITV plc Executive Directors.

Key management personnel compensation, on an accounting basis, is as follows:

	2015 £m	2014 £m
Short-term employee benefits	3	3
Share-based compensation	3	2
	6	5

Total emoluments and gains on share options received by key management personnel in the year were:

	2015 £m	2014 £m
Emoluments	3	3
Gains on exercise of share options	3	2
Gains on release of restricted share awards	3	3
	9	8

xii

Transition to FRS 101 Reduced Disclosure Framework

For all periods up to and including 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2015, are the first the Company has prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). Accordingly the Company has prepared these financial statements to comply with FRS101 for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS101 and made those changes in accounting policies and other restatements required for the first-time adoption of FRS101. As such this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of IFRS 1 first time adoption of International Financial Reporting Standards.

Under FRS 101 deferred tax is recognised on temporary differences between the estimated future tax deductions for share-based compensation and the related cumulative share-based compensation expense. To the extent that the estimated future tax deductions exceed the cumulative expense, the excess deferred tax is recognised directly in equity.

Company Balance Sheet

	As originally reported under UK GAAP at 1 January 2014 £m	FRS 101 £m	Restated at 1 January 2014 £m	As originally reported under UK GAAP at 31 December 2014 £m	FRS 101 £m	Restated at 31 December 2014 £m
Non-current assets						
Investments in subsidiary undertakings	1,648	–	1,648	1,705	–	1,705
Derivative financial instruments	41	–	41	17	–	17
Deferred tax asset	–	2	2	–	2	2
	1,689	2	1,691	1,722	2	1,724
Current assets						
Amounts owed by subsidiary undertakings	1,280	–	1,280	1,441	–	1,441
Derivative financial instruments	32	–	32	14	–	14
Other receivables	26	–	26	20	–	20
Cash at bank and cash equivalents	319	–	319	145	–	145
	1,657	–	1,657	1,620	–	1,620
Current liabilities						
Borrowings	(41)	–	(41)	(78)	–	(78)
Amounts owed to subsidiary undertakings	(1,342)	–	(1,342)	(1,795)	–	(1,795)
Accruals and deferred income	(22)	–	(22)	(19)	–	(19)
Derivative financial instruments	(5)	–	(5)	(12)	–	(12)
	(1,410)	–	(1,410)	(1,904)	–	(1,904)
Net current assets/(liabilities)	247	–	247	(284)	–	(284)
Total assets less current liabilities	1,936	2	1,938	1,438	2	1,440
Non-current liabilities						
Borrowings	(301)	–	(301)	(161)	–	(161)
Derivative financial instruments	(27)	–	(27)	(12)	–	(12)
	(328)	–	(328)	(173)	–	(173)
Net assets	1,608	2	1,610	1,265	2	1,267
Capital and reserves						
Share capital	403	–	403	403	–	403
Share premium	174	–	174	174	–	174
Other reserves	36	–	36	36	–	36
Retained earnings	995	2	997	652	2	654
Total equity	1,608	2	1,610	1,265	2	1,267

Notes to the ITV plc Company Financial Statements

Subsidiary undertakings and investments

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 31 December 2015, all of which are wholly owned (directly or indirectly) and incorporated and registered where stated, are:

Name	Country of incorporation or establishment	Principal Activities	Interest	% Holding
Carlton Communications Limited ⁽¹⁾	United Kingdom	Holding Company	Ordinary, Redeemable Preference	100
ITV Broadcasting Limited	United Kingdom	Broadcast of television programmes	Ordinary	100
ITV Consumer Limited	United Kingdom	Development of platforms, broadband, transactional and mobile services	Ordinary	100
ITV Digital Channels Limited	United Kingdom	Operation of digital television channels	Ordinary	100
ITV Global Entertainment Limited	United Kingdom	Rights ownership and distribution of television programmes and films	Ordinary	100
ITV Network Limited	United Kingdom	Scheduling and commissioning of television programmes	Guarantee	100
ITV Rights Limited	United Kingdom	Rights ownership	Ordinary	100
ITV Services Limited	United Kingdom	Provision of services for other companies within the Group	Ordinary, Cumulative Preference	100
ITV Studios Limited	United Kingdom	Production of television programmes	Ordinary	100
ITV2 Limited	United Kingdom	Operation of digital television channels	Ordinary	100
SDN Limited	United Kingdom	Operation of Freeview Multiplex A	Ordinary	100
Talpa Media B.V.	Netherlands	Production of television programmes	Ordinary	100
ITV Studios, Inc.	United States	Production of television programmes	Common	100
Leftfield Entertainment, LLC	United States	Production of television programmes	Membership	100

Subsidiary undertakings

Name	Country of incorporation or establishment	Interest	% Holding
12 Yard (North) Productions Limited	United Kingdom	Ordinary	100
12 Yard Limited	United Kingdom	Ordinary	100
12 Yard Productions (Investments) Limited	United Kingdom	Ordinary	100
12 Yard Productions Limited	United Kingdom	Ordinary	100
A.C.E. (1988) Limited	United Kingdom	Ordinary	100
Action Time Holdings	United Kingdom	Ordinary	100
Anglia Television (Music) Limited	United Kingdom	Ordinary	100
Anglia Television Entertainment	United Kingdom	Ordinary	100
Anglia Television Group	United Kingdom	Ordinary	100
Anglia Television Holdings	United Kingdom	Ordinary	100
Anglia Television Limited	United Kingdom	Ordinary	100
Big Talk Investments Limited	United Kingdom	Ordinary	100
Big Talk JL Limited	United Kingdom	Ordinary	100
Big Talk Pictures Limited	United Kingdom	Ordinary	100
Big Talk Productions Limited	United Kingdom	Ordinary	100
Broad Street Films Limited	United Kingdom	Ordinary	100
Campania Limited	United Kingdom	Ordinary, Cumulative Redeemable Preference	100
Carbon Media Limited	United Kingdom	Ordinary	100
Carlton Active Limited	United Kingdom	Ordinary	100
Carlton Broadcasting Holdings	United Kingdom	Ordinary	100
Carlton Broadcasting Limited	United Kingdom	Ordinary	100
Carlton Cinema Limited	United Kingdom	Ordinary	100
Carlton Content Holdings Limited	United Kingdom	Ordinary	100
Carlton Entertainment	United Kingdom	Ordinary	100
Carlton Film Distributors Limited	United Kingdom	Ordinary	100
Carlton Films Limited	United Kingdom	Ordinary	100
Carlton Finance Limited	United Kingdom	Ordinary	100
Carlton Food Network Limited	United Kingdom	Ordinary	100
Carlton Productions Limited	United Kingdom	Ordinary	100

Name	Country of incorporation or establishment	Interest	% Holding
Carlton Programmes Development Limited	United Kingdom	Ordinary	100
Carlton Screen Advertising (Holdings) Limited	United Kingdom	Ordinary	100
Carltonco 103	United Kingdom	Ordinary	100
Carltonco 99 Limited	United Kingdom	Ordinary	100
Carltonco Eighty-One Limited	United Kingdom	Ordinary, Deferred	100
Carltonco Fifty Limited	United Kingdom	Ordinary, Preference	100
Carltonco Forty Investments	United Kingdom	Ordinary	100
Carltonco Forty-Five Limited	United Kingdom	Ordinary	100
Carltonco Ninety-Six	United Kingdom	Ordinary, Cumulative Redeemable Preference	100
Carltonco Seventeen Limited	United Kingdom	Ordinary	100
Castlefield Properties Limited	United Kingdom	Ordinary	100
Cat's on the Roof Media Limited	United Kingdom	Ordinary	100
Central Productions Limited	United Kingdom	Ordinary	100
Central Television Limited	United Kingdom	Ordinary	100
Channel Television Holdings Limited	United Kingdom	Ordinary	100
Cosgrove Hall Films Limited	United Kingdom	Ordinary	100
DTV Limited	United Kingdom	Ordinary	100
Electronic Rentals Group	United Kingdom	Ordinary	100
EQ Pictures Limited	United Kingdom	Ordinary	100
Film Lab North Limited	United Kingdom	Ordinary	100
First Independent Films	United Kingdom	Ordinary	100
Genesis Film Productions Limited	United Kingdom	Ordinary	100
GIL Limited	United Kingdom	Ordinary	100
Granada AV Solutions Limited	United Kingdom	Ordinary	100
Granada Film	United Kingdom	Ordinary	100
Granada Film Productions Limited	United Kingdom	Ordinary	100
Granada Group Limited	United Kingdom	Ordinary, Convertible Preference	100
Granada Limited	United Kingdom	Ordinary	100
Granada Media Group Limited	United Kingdom	Ordinary	100

Name	Country of incorporation or establishment	Interest	% Holding
Granada Media Limited	United Kingdom	Ordinary, Part Preference	100
Granada Nominees Limited	United Kingdom	Ordinary	100
Granada Productions Limited	United Kingdom	Ordinary	100
Granada Properties	United Kingdom	Ordinary	100
Granada Screen (2005) Limited	United Kingdom	Ordinary	100
Granada Television International	United Kingdom	Ordinary	100
Granada Television Limited	United Kingdom	Ordinary	100
Granada Television Overseas Limited	United Kingdom	Ordinary	100
Granada Television Productions Limited	United Kingdom	Ordinary	100
Granada UK Rental and Retail Limited	United Kingdom	Ordinary, Cumulative Preference	100
Interactive Telephony Limited	United Kingdom	Ordinary	100
International Television Enterprises London Limited	United Kingdom	Ordinary, Redeemable Preference	100
ITC Distribution	United Kingdom	Ordinary	100
ITC Entertainment Group Limited	United Kingdom	Ordinary	100
ITC Entertainment Holdings Limited	United Kingdom	Ordinary	100
ITV (HC) Limited ⁽¹⁾	United Kingdom	Ordinary	100
ITV (Scotland) Limited	United Kingdom	Ordinary	100
ITV Beowulf Limited	United Kingdom	Ordinary	100
ITV Border Limited	United Kingdom	Ordinary	100
ITV Breakfast Broadcasting Limited	United Kingdom	Ordinary	100
ITV Breakfast Limited	United Kingdom	Ordinary	100
ITV Breathless Limited	United Kingdom	Ordinary	100
ITV Central Limited	United Kingdom	Ordinary	100
ITV Channels Limited	United Kingdom	Ordinary	100
ITV Cilla Limited	United Kingdom	Ordinary	100
ITV Cradle Limited	United Kingdom	Ordinary	100
ITV Digital Holdings Limited	United Kingdom	Ordinary	100
ITV Global Content Limited	United Kingdom	Ordinary	100
ITV Holdings Limited	United Kingdom	Ordinary	100
ITV Home Fires Limited	United Kingdom	Ordinary	100
ITV International Channels (Asia) Limited	United Kingdom	Ordinary	100
ITV Investments Limited ⁽¹⁾	United Kingdom	Ordinary	100
ITV J&H Limited	United Kingdom	Ordinary	100
ITV Jericho Limited	United Kingdom	Ordinary	100
ITV JR Limited	United Kingdom	Ordinary	100
ITV Lewis Limited	United Kingdom	Ordinary	100
ITV LTVC (Scotland) Limited	United Kingdom	Ordinary	100
ITV Lucan Limited	United Kingdom	Ordinary	100
ITV Meridian Limited	United Kingdom	Ordinary	100
ITV Moorside Limited	United Kingdom	Ordinary	100
ITV Mr Selfridge Limited	United Kingdom	Ordinary	100
ITV Newco 1 Limited ⁽¹⁾	United Kingdom	Ordinary	100
ITV News Channel Limited	United Kingdom	Ordinary, Preference	100
ITV NP Limited	United Kingdom	Ordinary	100
ITV Pension Scheme Limited	United Kingdom	Ordinary, Deferred	100
ITV Play Limited	United Kingdom	Ordinary	100
ITV Productions Limited	United Kingdom	Ordinary	100
ITV Properties (Developments) Limited	United Kingdom	Ordinary	100
ITV Shetland Limited	United Kingdom	Ordinary	100
ITV Spirit Limited	United Kingdom	Ordinary	100
ITV Sport Channel Limited	United Kingdom	Ordinary	100
ITV Studios (Israel) Limited	United Kingdom	Ordinary	100

Name	Country of incorporation or establishment	Interest	% Holding
ITV Supplementary Pension Scheme Limited	United Kingdom	Ordinary	100
ITV Tension Limited	United Kingdom	Ordinary	100
ITV Text Santa Limited	United Kingdom	Ordinary	100
ITV TFG Holdings Limited	United Kingdom	Ordinary	100
ITV Thunderbirds Limited	United Kingdom	Ordinary	100
ITV Tut Limited	United Kingdom	Ordinary	100
ITV Ventures Limited	United Kingdom	Ordinary	100
ITV Wales & West Group Limited	United Kingdom	Ordinary	100
ITV Wales & West Limited	United Kingdom	Ordinary	100
ITV Worldwide Limited	United Kingdom	Ordinary	100
ITV3 Limited	United Kingdom	Ordinary	100
ITV4 Limited	United Kingdom	Ordinary	100
Juice Music UK Limited	United Kingdom	Ordinary	100
Leftfield (UK) Limited	United Kingdom	Ordinary	100
Link Electronics Limited	United Kingdom	Ordinary	100
London News Network	United Kingdom	Ordinary	100
London Weekend Television Limited	United Kingdom	Ordinary,	100
LWT (Holdings) Limited	United Kingdom	Ordinary, Special Deferred	100
LWT Productions Limited	United Kingdom	Ordinary	100
Mammoth Screen (AR) Limited	United Kingdom	Ordinary	100
Mammoth Screen (ATTWN) Limited	United Kingdom	Ordinary	100
Mammoth Screen (BOTD) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Bouquet) Limited	United Kingdom	Ordinary	100
Mammoth Screen (BW) Limited	United Kingdom	Ordinary	100
Mammoth Screen (End2) Limited	United Kingdom	Ordinary	100
Mammoth Screen (End3) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Falcon) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Monroe) Limited	United Kingdom	Ordinary	100
Mammoth Screen (NE) Limited	United Kingdom	Ordinary	100
Mammoth Screen (NI) Limited	United Kingdom	Ordinary	100
Mammoth Screen (PE) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Pol2) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Poldark) Limited	United Kingdom	Ordinary	100
Mammoth Screen (QV) Limited	United Kingdom	Ordinary	100
Mammoth Screen (RM) Limited	United Kingdom	Ordinary	100
Mammoth Screen (WH) Limited	United Kingdom	Ordinary	100
Mammoth Screen Ltd	United Kingdom	Ordinary	100
Meridian Music Services Limited	United Kingdom	Ordinary	100
Millbank Studios	United Kingdom	Ordinary	100
Modern Love Films Limited	United Kingdom	Ordinary	100
Morning TV Limited	United Kingdom	Ordinary	100
Moving Picture Company Films Limited	United Kingdom	Ordinary	100
Music Services	United Kingdom	Ordinary	100
New Providence Productions Limited	United Kingdom	Ordinary	100
Partridge Films	United Kingdom	Ordinary	100
Partridge Holdings	United Kingdom	Ordinary	100
Partridge Productions	United Kingdom	Ordinary	100
Pickwick Packaging Limited	United Kingdom	Ordinary	100
Planet 24	United Kingdom	Ordinary	100
Planet 24 Productions Limited	United Kingdom	Ordinary	100
Planet Wild Productions Limited	United Kingdom	Ordinary	100



Notes to the ITV plc Company Financial Statements

Name	Country of incorporation or establishment	Interest	% Holding	Name	Country of incorporation or establishment	Interest	% Holding
Pro-Vision Facilities Limited	United Kingdom	Ordinary	100	New Waves Entertainment GmbH	Germany	Ordinary	100
Rainbow Music Publishing Limited	United Kingdom	Ordinary	100	Talpa Germany GmbH & Co KG	Germany	Ordinary	100
So Television Developments Limited	United Kingdom	Ordinary	100	Talpa Germany Verwaltungs GmbH	Germany	Ordinary	100
So Television Limited	United Kingdom	Ordinary	100	Elecrent Insurance Limited	Guernsey	Ordinary	100
SelecTV Cable	United Kingdom	Ordinary	100	ITV Global Entertainment (Hong Kong) Limited	Hong Kong	Ordinary	100
Sightseers Film Limited	United Kingdom	Ordinary	100	Talpa China Limited	Hong Kong	Ordinary	100
Signpost Limited	United Kingdom	Ordinary	100	Carlton Home Entertainment Ireland Limited	Ireland	Ordinary	100
SOM (ITV) Limited	United Kingdom	Ordinary	100	Channel Television Limited	Jersey	Ordinary	100
Survival Anglia	United Kingdom	Ordinary	100	Creative Channel Limited	Jersey	Ordinary	100
Television Music Limited	United Kingdom	Ordinary	100	ITV London Properties Limited	Jersey	Ordinary	100
The CITV Channel Limited	United Kingdom	Ordinary	100	ITV Properties (Jersey) Limited	Jersey	Ordinary	100
The Garden Productions Limited	United Kingdom	Ordinary	100	ITV (Europe) Holdings B.V. ⁽¹⁾	Netherlands	Ordinary	100
The London Studios Limited	United Kingdom	Ordinary	100	ITV Enterprises B.V.	Netherlands	Ordinary	100
VOD Member (ITV A) Limited	United Kingdom	Ordinary	100	ITV Finance (Europe) B.V.	Netherlands	Ordinary	100
VOD Member (ITV B) Limited	United Kingdom	Ordinary	100	Global Music & Talent Agency B.V.	Netherlands	Ordinary	100
Tyne Tees Television Holdings	United Kingdom	Ordinary	100	Masmedia B.V.	Netherlands	Ordinary	100
Tyne Tees Television Limited	United Kingdom	Ordinary, Deferred Ordinary	100	Talpa Content B.V.	Netherlands	Ordinary	100
United Broadcasting & Entertainment Limited	United Kingdom	Ordinary	100	Talpa Fictie Limited	Netherlands	Ordinary	100
United Broadcasting	United Kingdom	Ordinary, Special	100	Talpa Germany Holding B.V.	Netherlands	Ordinary	100
United Broadcasting Holdings	United Kingdom	Ordinary	100	Talpa Global B.V.	Netherlands	Ordinary	100
United Broadcasting South	United Kingdom	Ordinary	100	Talpa Non-Spot B.V.	Netherlands	Ordinary	100
Westcountry Television Limited	United Kingdom	Ordinary	100	Talpa Producties B.V.	Netherlands	Ordinary	100
Wildlife Film Productions	United Kingdom	Ordinary	100	Utopia B.V.	Netherlands	Ordinary	100
Yorkshire Television Limited	United Kingdom	Ordinary, Deferred Ordinary	100	Wardour Street Films B.V.	Netherlands	Ordinary	100
Yorkshire-Tyne Tees Productions Limited	United Kingdom	Ordinary	100	ITV Studios Nordic AB	Sweden	Ordinary	100
Yorkshire-Tyne Tees Television Enterprises Limited	United Kingdom	Ordinary	100	ITV Studios Norway AS	Norway	Ordinary	100
Yorkshire-Tyne Tees Television Holdings	United Kingdom	Ordinary	100	12 Yard Holdings, Inc.	United States	Common	100
Z Music Publishing Limited	United Kingdom	Ordinary	100	Anglia Television, Inc.	United States	Common	100
Zebedee Productions Limited	United Kingdom	Ordinary	100	Astrum Productions, Inc.	United States	Common	100
Artist Services Cable Pty Ltd	Australia	Ordinary	100	Cardinal Productions of Ohio, Inc.	United States	Common	100
Artist Services Investments Pty Limited	Australia	Ordinary	100	Carlton Media Company, Inc.	United States	Common	100
Artist Services Productions Pty Ltd	Australia	Ordinary	100	Electric Farm Entertainment Holdings, Inc.	United States	Common	100
Granada Media International (Australia) Pty Ltd	Australia	Ordinary	100	Granada America, Inc.	United States	Common	100
Granada Media Investments (Australia) Pty Ltd	Australia	Ordinary	100	Granada Cracker US Productions	United States	Common	100
Granada Productions Pty Ltd	Australia	Ordinary	100	Granada Television International, Inc.	United States	Common	100
ITV Studios Australia Factual Pty Limited	Australia	Ordinary	100	Hamdon Entertainment, Inc.	United States	Common	100
ITV Studios Australia Pty Limited	Australia	Ordinary	100	ITC Distribution, LLC.	United States	Common	100
Leftfield Australia Pty Ltd.	Australia	Ordinary	100	ITC Entertainment Group, Inc.	United States	Common	100
Totally Full Frontal Productions Pty Limited	Australia	Ordinary	100	ITC Films, LLC.	United States	Common	100
Granada December Eight Limited	Cayman Islands	Ordinary	100	ITC Productions, LLC.	United States	Common	100
Granada December Nine Limited	Cayman Islands	Ordinary, Preference	100	ITV Believe Holding, Inc.	United States	Common	100
ITV Holdings (Cayman) Limited	Cayman Islands	Ordinary	100	ITV Diga Holding, Inc.	United States	Common	100
United Production ApS	Denmark	Ordinary	100	ITV Global Entertainment, Inc.	United States	Common	100
ITV Studios Finland Oy	Finland	Ordinary	100	ITV Gurney Holding, Inc.	United States	Common	100
ITV Studios, France SAS	France	Ordinary	100	ITV HN Holding, Inc.	United States	Common	100
ITV Studios Germany GmbH	Germany	Ordinary	100	ITV International Corporation	United States	Common	100
ITV Studios Germany Holdings GmbH	Germany	Ordinary	100	ITV Leftfield Holding, Inc.	United States	Common	100
Newtopia GmbH	Germany	Ordinary	100	ITV Popco Holding, Inc.	United States	Common	100
				ITV Thinkfactory Holding, Inc.	United States	Common	100
				ITV Tomorrow Holding, Inc.	United States	Common	100
				ITV US Holdings, Inc.	United States	Common	100
				ITV US Productions, Inc.	United States	Common	100
				JB Entertainment Holding Company, Inc.	United States	Common	100

Name	Country of incorporation or establishment	Interest	% Holding
Kirkstall Road Enterprises, Inc.	United States	Common	100
LWT Enterprises, Inc.	United States	Common	100
Over the Pond Productions, Inc.	United States	Common	100
Quay Street Enterprises, Inc.	United States	Common	100
Red Orange Productions, LLC.	United States	Common	100
So Television US, Inc.	United States	Ordinary	100
Talpa Media USA, Inc.	United States	Common	100
Upper Ground Enterprises, Inc.	United States	Ordinary	100
Zinna Productions	United States	Common	100

Key:

(1) Subsidiary directly owned by ITV plc

Joint Ventures and Investments

Name	Country	Interest	%
Absolutely Rights Limited	United Kingdom	Cumulative Redeemable Preference	20
That Mitchell and Webb Company Limited	United Kingdom	Ordinary C	20
DTV Services Limited	United Kingdom	Ordinary	20
Monumental Television Limited	United Kingdom	Ordinary A	24.92
Channel Mum Limited	United Kingdom	Ordinary A	25
Clearcast Limited	United Kingdom	Ordinary	25
ISAN UK Limited	United Kingdom	Ordinary	25
Thinkbox TV Limited	United Kingdom	Ordinary	28.58
Cirkus Limited	United Kingdom	Ordinary D	29.41
Malacara Limited	United Kingdom	Ordinary	36.75
Harlequin Agency Limited	United Kingdom	Ordinary	75
Media4Creative Limited	United Kingdom	Ordinary	35.32
Media4Enterprises Limited	United Kingdom	Ordinary	35.32
Pink Rose Bud Limited	United Kingdom	Ordinary A	37.5
Mainstreet Arlington Productions Limited	United Kingdom	Ordinary	38.25
Mainstreet Pictures Limited	United Kingdom	Ordinary A	38.25
Bait Studio Limited	United Kingdom	Ordinary	41.25
Cloth Cat Animation Limited	United Kingdom	Ordinary	41.25
Thud Media	United Kingdom	Ordinary	41.25
Bone Kickers Limited	United Kingdom	Ordinary	50
Box Clever Technology Limited	United Kingdom	Ordinary	50
British Film-Makers Limited	United Kingdom	Ordinary B	50
Columbia Tristar Carlton Productions Limited	United Kingdom	Ordinary B	50
Gameface Productions Limited	United Kingdom	Ordinary A	50
Noho Film and Television Limited	United Kingdom	Ordinary A	50
Standard Music Limited	United Kingdom	Ordinary	50
Talpa Media UK Ltd	United Kingdom	Ordinary A	50
Television Media Marketing Limited	United Kingdom	Ordinary A	50
Possessed Limited	United Kingdom	Ordinary B	51
OSF (Wales) Limited	United Kingdom	Ordinary	46.27
Oxford Scientific Films Limited	United Kingdom	Ordinary, Ordinary B	46.27
Adnoddau Zoom Cyf	United Kingdom	Ordinary	75
Boom Cymru TV Ltd	United Kingdom	Ordinary	75
Boom Pictures Limited	United Kingdom	Ordinary	75

Name	Country	Interest	%
TwoFour Group Holdings Limited	United Kingdom	Ordinary A, Ordinary B, Ordinary C, Ordinary D, Preferred A, Preferred B, Preferred C	75
Bulb Films Limited	United Kingdom	Ordinary	75
Calon/Boomerang JV Limited	United Kingdom	Ordinary	37.5
Cynhyrchiad au Al Fresco Productions Cyf	United Kingdom	Ordinary	75
Cynhyrchiadau Boomerang Cyf	United Kingdom	Ordinary	75
Double Double Limited	United Kingdom	Ordinary	75
Ffilmiau Apollo Cyf	United Kingdom	Ordinary	75
Fflic Cyf	United Kingdom	Ordinary	75
Gorilla TV Group Limited	United Kingdom	Ordinary	75
Gorilla TV Limited	United Kingdom	Ordinary	75
Indus Films Limited	United Kingdom	Ordinary	75
Teledu Apollo Cyf	United Kingdom	Ordinary	75
TwoFour Broadcast Limited	United Kingdom	Ordinary	75
TwoFour Group Limited	United Kingdom	Ordinary	75
Second Act Productions Limited	United Kingdom	Ordinary A	74.07
3sixtymedia Limited	United Kingdom	Ordinary A, Ordinary B	80
GC Films Pty Limited	Australia	Ordinary	49
Thinkfactory Productions Canada Ltd	Canada	Common	65
ITV Holdings (Cayman) Limited	Cayman Islands	Ordinary	66.67
Talpa Nordic ApS	Denmark	Ordinary	51
Imago TV Film und Fernsehproduktion GmbH	Germany	Ordinary 1A, 2A, 2C, 3A	80
The Lab Television 2013 Limited Partnership	Israel	Ordinary	50
Talpa Italia Srl	Italy	Ordinary	50
Rangers Productions SRL	Mexico	Common	65
Identity Mansion B.V.	Netherlands	Ordinary	25
Talpa Arabia Holding Ltd (VAE)	UAE	Ordinary	90
Maximum Media Production FZ-LLC (VAE)	UAE	Ordinary	90
Talpa Middle East FS-LLC (VAE)	UAE	Ordinary	90
Eight Bells Productions, LLC	United States	Common	60
What's the Business, LLC	United States	Common	60
FT Productions, LLC	United States	Common	61.5
Shirina, LLC	United States	Common	63.25
Crew Ready Everywhere, LLC	United States	Common	65
Hatfield and McCoy Productions, LLC	United States	Common	65
Highball Music Group, LLC	United States	Common	65
LG Films, LLC	United States	Common	65
Marriage Boot Camp Reality Stars, LLC	United States	Common	65
MDQuartet, LLC	United States	Common	65
Signal Post Facilities, LLC	United States	Common	65
Sound and Stage Studios, LLC	United States	Common	65
Texas Rangers, LLC	United States	Common	65
Thinkfactory Media, LLC	United States	Common	65
Web Legal, LLC	United States	Common	65
Westside Film Partners, LLC	United States	Common	65
Loud Television, LLC	United States	Common	75
Next Step Productions, LLC	United States	Common	75
Outpost Entertainment, LLC	United States	Common	80

Notes to the ITV plc Company Financial Statements

Memberships and Companies Limited by Guarantee

Membership and Guarantee	Country	Interest	%
ITV Netherlands Cooperatief W.A.	Netherlands	Membership	100
ITV LTVC Scottish Limited Partnership	United Kingdom	Partnership	100
ITV Scottish Limited Partnership	United Kingdom	Partnership	100
DTT Multiplex Operators Limited	United Kingdom	Guarantee	25
Digital Production Partnership Limited	United Kingdom	Guarantee	50
Producer's Rights Agency Limited	United Kingdom	Guarantee	50
Appalachian Rentals, LLC	United States	Membership	100
Bluegrass Productions, LLC	United States	Membership	100
Chad Alan Productions, LLC	United States	Membership	100
Double Down Films, LLC	United States	Membership	100
Double Down Films Holdings, LLC	United States	Membership	100
Franconia Productions, LLC	United States	Membership	100
Gator Productions, LLC	United States	Membership	100
Leftfield Entertainment CA, LLC	United States	Membership	100
Leftfield LA, LLC	United States	Membership	100
Leftfield Pictures of NY Holdings, LLC	United States	Membership	100
Leftfield Pictures of NY, LLC	United States	Membership	100
Leftfield Ventures, LLC	United States	Membership	100
Moving Pictures Services, Inc.	United States	Membership	100
Oaklawn Pacific Properties, LLC	United States	Membership	100
Out of Play Productions, LLC	United States	Membership	100
Ozark Pictures, LLC	United States	Membership	100
Sirens Media, LLC	United States	Membership	100
Sirens Project 1203, LLC	United States	Membership	100
Sirens Project 1213, LLC	United States	Membership	100
Sirens Project 1216, LLC	United States	Membership	100
Sirens Project 1217, LLC	United States	Membership	100
Sirens Project 1218, LLC	United States	Membership	100
Sirens Project 1219, LLC	United States	Membership	100
Sirens Project 1223, LLC	United States	Membership	100
Sirens Project 1224, LLC	United States	Membership	100
Sirens Project 1226, LLC	United States	Membership	100
Sirens Project 1227, LLC	United States	Membership	100
Sirens Project 1301, LLC	United States	Membership	100
Sirens Project 1303, LLC	United States	Membership	100
Sirens Project 1309, LLC	United States	Membership	100
Sirens Project 1316, LLC	United States	Membership	100

Membership and Guarantee	Country	Interest	%
Sirens Project 1326, LLC	United States	Membership	100
Sirens Project 1408, LLC	United States	Membership	100
Sirens Project 1410, LLC	United States	Membership	100
Sirens Television Development, LLC	United States	Membership	100
Sunshine Productions Holdings, LLC	United States	Membership	100
Sunshine Productions, LLC	United States	Membership	100
Sunshine Productions Holdings, LLC	United States	Membership	100
Sunshine Productions, LLC	United States	Membership	100
Work Shop of NY, LLC	United States	Membership	100
Jaffe/Braunstein Entertainment, LLC	United States	Membership	51
High Noon East, LLC	United States	Membership	60
High Noon Group, LLC	United States	Membership	60
High Noon Productions, LLC	United States	Membership	60
High Noon West, LLC	United States	Membership	60
Feeding Time Productions, LLC	United States	Membership	61.5
Gurney Productions LLC	United States	Membership	61.5
Hollywood Cameras and Lighting, LLC	United States	Membership	61.5
RICMA, LLC	United States	Membership	61.5
Brat Brigade, LLC	United States	Membership	63.25
Deep Gotham Post, LLC	United States	Membership	63.25
Diga Holdings, LLC	United States	Membership	63.25
Diga Production Studios, LLC	United States	Membership	63.25
Diga, LLC	United States	Membership	63.25
Film Productions Rentals, LLC	United States	Membership	65
Thinkfactory Group, LLC	United States	Membership	65
1016 Productions, LLC	United States	Membership	75
6565 Productions Studios 2, LLC	United States	Membership	75
6565 Productions Studios 3, LLC	United States	Membership	75
6565 Productions Studios 4, LLC	United States	Membership	75
6565 Productions Studios, LLC	United States	Membership	75
All in Post, LLC	United States	Membership	75
Cheese String Studios, LLC	United States	Membership	75
In Reality Productions, LLC	United States	Membership	75
East Olive Productions, LLC	United States	Membership	75
Twofour America, LLC	United States	Membership	75
Twofour Broadcast Media, LLC	United States	Membership	75

Principal joint ventures, associated undertakings and investments

The Company indirectly held at 31 December 2015 the following interests in significant joint ventures, associates and investments.

Name	Interest in ordinary share capital 2015 %	Interest in ordinary share capital 2014 %	Principal activity
Joint Ventures			
Freesat (UK) Limited	50.0	50.0	Provision of a standard and high definition enabled digital satellite proposition
Digital 3 & 4 Limited	50.0	50.0	Operates the Channel 3 & 4 digital terrestrial multiplex
Associates			
Independent Television News Limited (ITN)	40.0	40.0	Supply of news services to broadcasters in the UK and elsewhere
Available for sale investments			
Tomorrow ITV Studios LLC (1)	–	–	Production of scripted content

Key:

(1) 25% preferred interest