

# ITV Studios Global Distribution Limited

## Strategic Report for the Year Ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

### Principal activity

The principal activity of ITV Studios Global Distribution Limited continues to be the worldwide exploitation and distribution of television programming. ITV Studios Global Distribution Limited is part of the ITV Studios Division.

### Fair review of the business

The results for the Company show a profit for the year of £15,419,000 (2019: Loss £30,078,000). At the statement of financial position date the Company had net assets of £63,132,000 (2019: £49,299,000,000)

The 2019 loss of £30 million includes £13 million programme write offs, £11 million restructuring costs, £7.5 million contractual repayments, £3 million foreign exchange losses, £2.5 million loan impairment and £3.6 million gain on revision to estimate of royalty provision.

The company's key financial and other performance indicators during the year were as follows:

### KPI's

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within the Studios division. For this reason, the Company's Directors use the ITV plc Studios division's Operating and Performance Review in managing and understanding the development, performance and position of the Company. The business review is included on pages 28 to 41 of ITV plc's 2020 Annual Report.

The Directors of the Company use the below KPIs to manage the performance of the Company. The Group KPIs are included on pages 24 to 27 of ITV plc's 2020 annual report.

	Unit	2020	2019
Turnover comparative	£000's	209,528	206,196
Turnover per sales employee	£000's	6,349	7,931
Administration expenses (excl. foreign exchange) as a % of turnover	%	8	13
EBITA	£000's	20,433	(24,903)

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## Strategic Report for the Year Ended 31 December 2020

### Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are:

- Rights ownership and exploitation, the company fails to identify and obtain the optimal rights packages or fails to exploit these for maximum value. In order to mitigate this risk the company continues to focus on creating a lean, creativity dynamic, fit-for-purpose organisation on building a strong international content business.
- Margin protection and growth, the company fails to grow revenues or maintain margins. In order to mitigate the risk the business is driving new revenue streams by exploiting content across multiple platforms, free and pay.
- Failure to obtain distribution rights for a sufficient number of hit shows/formats. This risk is mitigated by focussing on programmes and genres which can return and travel internationally.
- Failure to continue to evolve our organisational structure and culture could prevent us attracting or retaining key commercial and management talent to deliver our strategy. Employing and retaining the best commercial and management talent in a competitive market is key to our success. Risk is mitigated by ensuring engagement across the business with our More than TV strategy and capturing lessons learned from recent investments in programming through ongoing programme appraisals.
- Covid-19 has had and may continue to have a strategic, operational and financial impact on the business. In particular, operational challenges associated with filming during Covid-19 may result in further production delays. The ITV Group has developed a Covid-19 response governance structure with responsibility for managing the response to the risks of the pandemic.

Detailed information on the Group's response to the pandemic is discussed on pages 72-87 of the ITV plc 2021 Annual Report. A comprehensive strategic review of the Company's strategy, outlining the development, performance and position of the Company's business as part of ITV Studios can be found in the Strategic Report of the group in the ITV Plc Annual Report. The Annual Report of ITV Plc is available to the public and may be obtained from [www.itvplc.com](http://www.itvplc.com) or the Company Secretary, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE

### Subsequent events

On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The rate change was substantively enacted on 24 May 2021 and therefore is not reflected in the deferred tax assets or liabilities as at 31 December 2020. The impact on deferred tax assets and liabilities is not expected to be material.

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## Strategic Report for the Year Ended 31 December 2020

### Section 172 (1) Statement - Directors Statement in performance of their duties under section 172(1)

The Board of ITV plc are responsible for governance and oversight across the ITV Group and the duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of ITV plc. As ITV Studios Global Distribution Limited (the 'Company') is part of the ITV Group, its directors (the 'Directors') believe that certain matters they are responsible for under s172 in respect of the Company have been considered to an appropriate extent by the Board of ITV plc in relation both to the ITV Group and the Company and reference to this is made below.

The Directors consider and approve relevant matters during the year. During 2020 the challenges arising from the COVID-19 pandemic required the Directors to act swiftly and approve measures to increase the resilience of the Company and its subsidiaries, and protect the interest of all stakeholders. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors have specifically considered the matters set out in s172 is set out below:

- **The long term:** The Directors are fully cognisant of the evolving media landscape in which the Company operates and that the production environment remains competitive. ITV Group's strategy continues to be a leading creative force to develop new hit shows that ensures a long-term pipeline of content by; attracting and retaining talent; creating and owning intellectual property; growing the UK and Global unscripted and scripted production businesses; and globalising the value of key formats via licencing and distribution. In 2020 the international distribution and commercial business was reorganised to strengthen ITV's position as a creator, producer and distributor of world-leading formats that the Company continues to strengthen and protect. The Global Distributions business focus is on the funding and distribution of UK and International drama and the finished tape versions of all other ITV Studios shows. The Company saw increased catalogue sales due to high demand for content globally as networks and platforms tried to fill gaps in their schedule left by delay in productions during the year as a result of COVID-19. A strong slate of new scripted titles including Grace, Line of Duty, Vigil, The Serpent and finished tapes sales of unscripted formats including The Voice, Love Island and Hells Kitchen, The Chase, and Come Dine with Me continued to deliver across a number of territories. The full pipeline for new content over the next year will be dependent on whether COVID-19 restrictions continue to impact the filming of productions.
- **Employees:** The Directors know that the workforce are key to the Company's success and are dedicated to nurturing an inclusive working environment where everyone can reach their full potential and thrive. As the Company is embedded within the ITV Group governance structure it is fully aligned with ITV on workforce engagement and an explanation of how ITV plc have engaged with the workforce and taken them into consideration through its discussions and decision-making is set out on page 102 of ITV plc's 2020 annual report. Further information on ITV's commitment to its workforce is set out on pages 50 to 51 of ITV plc's 2020 annual report, which does not form part of this report.
- **Business relationships - suppliers, customers:** The Directors are committed to fostering good working business relationships with their key stakeholders which include Partners, other Broadcasters and Platform Owners. The Directors recognise that an understanding of the issues relating to these stakeholders is fundamental to building and maintaining the successful relationships, enabling the Company to take advantage of the strong and mutually beneficial opportunities needed to ensure the success of the Company. As the Company is fully embedded within the ITV Group governance structure, the Directors seek to align themselves with ITV plc's engagement mechanisms and an explanation of how the Directors of ITV plc have had regard to the need to foster the Company's business relationships in the context of the significant financial and economic uncertainty caused by COVID-19 and Brexit are set out on page 97 to 102 of ITV plc's 2020 annual report which does not form a part of this report, with detail on partners including other broadcasters and platform owners is set out on pages 98 and 99.
- **Community & environment:** The Directors have regard to the impact of the Company's operations on the environment and consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in carrying out the duties in respect of the community, wider environmental issues and diversity and inclusion targets. Further information on ITV's Social Purpose strategy and 2020 initiatives that were influenced by the COVID-19 pandemic - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 99 and pages 42 to 49 of ITV plc's 2020 annual report, which does not form a part of this report.

## ITV Studios Global Distribution Limited

### Strategic Report for the Year Ended 31 December 2020

• **High standards of business conduct:** The Directors' intention is to ensure that the Company and its subsidiaries operate in an ethical and responsible way. As a part of the ITV Group, they recognise that a healthy corporate culture is the cornerstone to ensuring high standards of business conduct and governance that also pervade business dealings with stakeholders outside of the organisation. The Directors consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in promoting these facets and details on how it monitored and assessed culture during the year is set out on page 105 in ITV plc's 2020 annual report, which does not form a part of this report. ITV's commitment to high standards of business contact is also enshrined in the Code of Ethics and Conduct available on the ITV plc website. ITV's culture also pervades its business dealings with stakeholders outside of the organisation, as exemplified by its work with suppliers in relation to modern slavery and membership of the Prompt Payment Code.

Approved by the Board on 26/04/2022 and signed on its behalf by:



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David McGraynor  
Director