

ITV Services Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for the year ended 31 December 2021.

Principal activity

The principal activity of ITV Services Limited ("the Company") continues to be to provide services for other companies within the ITV plc Group. It also acts as a holding company.

The Company is the principal employer of the ITV Pension scheme.

Fair review of the business

The results for the Company show a profit for the year of £203,000,000 (2020: loss £4,000,000). At the statement of financial position date the Company had net assets of £2,723,000,000 (Restated 2020: £2,287,000,000). During the year the Company received interim dividends of £215 million (2020: £15 million) from fellow group undertakings and paid a dividend of £200 million (2020: £nil) to a fellow group undertaking. During the year the company reviewed both pension funding partnerships to determine if the Company has additional plan assets due to its interest in the pension funding partnerships. The Company is the general partner to the ITV Scottish Limited Partnership and ITV LTVC Scottish Limited Partnership and considers it more appropriate to recognise the valuation of these interests as plan assets.

These plan assets are considered material in relation to the Statement of Financial Position of the Company. This is an accounting policy update and has been recognised as a restatement at 31 December 2020, through the opening retained earnings. The movements in the valuation of the assets in the period has been recognised through Other Comprehensive Income. As a result, the Company has additional pension assets of £272 million at 31 December 2021 (2020 Restated: £285 million in 2020).

The Company derives revenue from providing services to other Group companies.

The Company recharges other Group companies for overheads incurred on their behalf including property costs.

Recharge of overheads is generated from the provision of services to other group companies which is recognised over the time the service is provided. Payment term is over the term of the contract.

KPI's

The Directors of the Company use the KPIs of ITV plc to manage the performance of the Company. The KPIs are included on pages 26 to 31 of ITV plc's 2021 annual report.

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Subsequent events

Non adjusting event after the financial period

The Triennial valuation of Section A of the ITV Pension Scheme

The latest triennial valuation of Section A of the ITV Pension Scheme was undertaken as at 31 December 2019 by an independent actuary appointed by the Trustee of the Scheme and agreed in early 2022. The funding deficit of Section A of the ITV Pension Scheme as at 31 December 2019 amounted to £252 million, down from £489 million at 1 January 2017. The Group has revised the existing deficit reduction contributions to eliminate the deficit.

Buyout of Section C of the ITV Pension

In November 2018, the Pension Trustee entered into a bulk annuity insurance contract in respect of the benefits of two Sections of the ITV Pension Scheme. This type of deal is also known as a 'Buy-in'. A buy-in is where the Trustee purchases an insurance policy, which is effectively a Scheme asset, which pays the members benefits. The ultimate obligation to pay the members benefits remains with the scheme.

In April 2022, the Trustee completed a buyout of Section C, which in practical terms split the bulk annuity policy into individual annuity policies for each scheme member. At that time, the relevant scheme assets were transferred to the insurance company, which became responsible for paying the pensions and therefore it removed those liabilities from the pension scheme.

The value of the assets and liabilities settled was equal and therefore the settlement cost was £nil. The buyout represents a full and definitive settlement of the liabilities insured, which as at 31 December 2021 represented around 13% of ITV's total defined benefit obligation on the IAS 19 accounting basis.

SDN pension funding partnership

On 26 May 2022, the Group's SDN PFP agreement was amended and extended to 2031.

ITV Services Limited subscribed for £490,000,000 additional partnership capital in ITV Scottish Limited Partnership, satisfied by the contribution of a £410,000,000 listed loan note from ITV Holdings (Cayman) Limited and £80,000,000 cash. ITV Scottish Limited Partnership also repaid £200,000,000 of original capital funding to the Company. Under the amended and extended PFP agreement, an upfront payment of £80 million was paid to the pension scheme and an additional deficit contribution of £3 million was paid for the period between the end of the original agreement and the date the extension agreement was signed. The ITV Group is committed to up to nine annual payments of £16 million from 2023 to the pension scheme and the PFP's interest in SDN Limited provides collateral for these payments. On completion of the final payment in 2031, the Scheme's partnership interest will have been repaid in full and it will have no right to any further payments.

London Television Centre Pension Funding Partnership

In 2022 the proceeds from the sale of the London Television Centre (£50 million), which was previously held in a restricted bank account as a replacement asset in the pension funding arrangement, was replaced with a surety bond and the cash was released to the Group. This structure continues to be reviewed.

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Subsequent events (continued)

Investments

On 5th October 2022, the Company subscribed for one additional Ordinary “A” share in its subsidiary, Granada Limited for consideration of £143,672,005.27. An increase in the investment value will be reflected in the statement of financial position of the financial statements for the year ended 31 December 2022.

Also on 5th October 2022, the Company issued one additional Ordinary “B” share to its parent entity, ITV Holdings Limited, for consideration of £143,672,005.27. An increase of £143,672,005.22 will be reflected in share premium within reserves in the statement of financial position of the financial statements for the year ended 31 December 2022.

Principal risks and uncertainties

The key risk in the Company is the value and performance of its investments. The Directors review the performance of its investments regularly and provide for impairment where necessary.

A comprehensive review of the Company's strategy outlining the development, performance and position of the Company's business 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 or the Company Secretary, ITV White City, 201 Wood Lane, London, W12 7RU.

Anti-bribery and corruption

A comprehensive review of the Company's policies relating to anti-bribery and corruption can be found in the Strategic Report of the group in the ITV plc annual report.

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 Services 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 are members of the ITV Management board that met regularly during the year through a mix of weekly catch-ups and nine board meetings, to consider and approve matters that relate directly to the Company and its subsidiaries. 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 remain fully cognisant of the evolving competitor and viewer landscape in which the Company operates. In addition to regular board meetings, as members of the ITV Management board they attended three sessions at which they undertook a review of the strategy in light of the continuing challenges created by COVID-19 in order to protect the long-term success of the Company and its subsidiaries. Having successfully executed Phase One of the More Than TV strategy, the Directors were clear that evolving the strategy would enable the wider Group to capitalise on the opportunities presented by the rapidly changing viewing, content production and advertising environments, by creating a more valuable digital media and entertainment company. This would ensure that ITV is well placed to take advantage of the rapidly changing viewing, content production and advertising environments. The output of these strategy sessions then formed the basis of the plc Board off-site discussions further described on page 106 of ITV plc’s 2021 report and accounts, which does not form part of this report. The Directors continued to monitor business performance against a range of scenarios throughout the year to inform planning and ensure costs and cash were managed appropriately.

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• **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 through the Management board meetings the Directors are regularly consulted on and approve HR related policies and initiatives that affect their employees and those of the Company's subsidiaries. The Directors recognised the economic uncertainty caused by COVID-19 and the continuing impact this had on the Company's employees in respect of financial security, mental and physical wellbeing. Extra measures were taken to ensure there were regular communications and access to programmes that support the wellbeing of employees, especially when working from home. 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 115 of ITV plc's 2021 annual report. Further information on ITV's commitment to its workforce is set out on pages 56 to 58 of ITV plc's 2021 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. As the core Central Services company that holds both the Broadcasting and Studios businesses of ITV plc, the Directors consider the key stakeholders to be aligned with its subsidiaries and as such these include: Programme Participants; Viewers, Customer and Subscribers; Partners (including Suppliers, Advertisers, other Broadcasters and Platform Owners), Citizens; Legislators and Regulators; and Colleagues. The Directors recognise that an understanding of the issues relating to these stakeholders is fundamental to building and maintaining the successful relationships, enabling ITV to take advantage of the strong and mutually beneficial opportunities needed to ensure the success of the Company. The Directors consider the Company to be fully aligned 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 107 to 112 of ITV plc's 2021 annual report which does not form a part of this report.

• **Community and environment:** The Directors are constantly striving to reduce the environmental impact of the Company's activities, which is kept under regular review. Through the Social Purpose Strategy, the Directors consider that the ITV Group have given due consideration to the community, wider environmental issues and diversity and inclusion targets. Further information on ITV's Social Purpose strategy and initiatives in 2021 that were influenced by the COVID-19 pandemic - structured around better health, giving back, climate action and diversity and inclusion, environment and giving back targets - is set out on pages 48 to 55 of ITV plc's 2021 annual report, which does not form a part of this report.

• **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 promote these facets together with the Directors of ITV plc and details on how culture was monitored and assessed during the year is set out on page 116 ITV plc's 2021 annual report, which does not form a part of this report. ITV's commitment to high standards of business conduct 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 14 April 2023 and signed on its behalf by:



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Christopher Kennedy
Director

ITV Services Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Directors of the Company

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Kevin Lygo

David Osborn

Edward Williams

Julian Bellamy

Rufus Radcliffe

Paul Moore

Mark Smith

Kyla Mullins

Christopher Kennedy

Directors' liabilities

A Director of ITV Services Limited (C Kennedy) benefits from qualifying indemnity provision in place during the financial year and at the date of this report, and the other Directors benefit from third party insurance provision in place during the financial year and at the date of this report.

Dividends

The Directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 December 2021 (2020: £Nil). During the year the Company received an interim dividend of £215,000,000 (2020: £15,000,000) and paid an interim dividend of £200,000,000 (2020: £200,000,000).

Employment of disabled persons

The employment policies of the Company are disclosed in the Directors' Report on pages 56 to 58 of ITV plc's 2021 Annual Report.

Employee involvement

The employment policies of the Company are disclosed in the Directors' Report on pages 56 to 58 of ITV plc's 2021 Annual Report.

Going concern

ITV plc has indicated that for at least twelve months from the date of approval of these financial statements, it intends to continue to make available such funds as are needed by the Company for the period covered by the going concern assessment.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least twelve months from the date of this report. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements (see note 1).

ITV Services Limited

Directors' Report for the Year Ended 31 December 2021

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Appointment of auditor

The external auditor for the 2021 financial year was PricewaterhouseCoopers LLP. The Independent Auditors' Report starting on page 6 sets out the information contained in Annual Report and Financial Statements which has been audited by the external auditor.

Following an external audit tender undertaken by the Audit and Risk Committee in 2019 PricewaterhouseCoopers LLP was duly appointed as the external auditor at the close of the 2021 AGM, with its appointment taking effect from, and including the 2021 financial year.

The Audit and Risk Committee considered the performance and audit fees of the external auditor, and the level of non-audit work undertaken. A resolution to reappoint PricewaterhouseCoopers LLP as external auditors for a further year was passed at the ITV plc AGM.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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Directors' Report for the Year Ended 31 December 2021


Statement of Directors' Responsibilities (continued)

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 14 April 2023 and signed on its behalf by:



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Christopher Kennedy
Director

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