

ITV Studios Global Distribution Limited (formerly ITV Global Entertainment Limited)

Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

Change of name

On 2 January 2020 the Company changed its name from ITV Global Entertainment Limited to ITV Studios Global Distribution Limited ("The Company").

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 loss for the year of £30,078,000 (2018: Profit £9,009,000). At the statement of financial position date the Company had net assets of £49,299,000 (2018: £75,434,000).

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.

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 Studio's business review in managing and understanding the development, performance and position of the Company. The business review is included on pages 30 to 36 of ITV Plc's 2019 annual report.

The Directors of the Company use the below KPI's to manage the performance of the Company. The Group KPI's are included on pages 26 to 29 of ITV Plc's 2019 annual report.

Developments during the year

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

	Unit	2019	2018
Turnover comparative	£000's	206,196	204,782
Turnover per sales employee	£000's	7,931	7,314
Administration expense (excl. foreign exchange) as a % of turnover	%	13	12
EBITA	£000's	-24,903	11,250

A comprehensive strategic 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, 2 Waterhouse Square, 140 Holburn, London, EC1N 2AE.

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

The Directors of ITV plc are responsible for the governance of, and oversight over, the ITV Group as a whole and have their respective duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of ITV plc. As ITV Studios Global Distribution Limited ('ITV Studios Global Distribution') is part of the ITV Group, 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 Directors of ITV plc in relation both to the ITV Group and the Company and reference to this is made below as appropriate.

The Directors consider and approve relevant matters during the year. To the extent necessary for an understanding of the development, performance and position of ITV Studios Global Distribution, an explanation of how the Directors have 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. The long-term strategy is 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 our UK and Global unscripted and scripted production businesses, and globalising the value of key formats via licencing and distribution. As part of a long-term strategy this will enable the Company to build on its expertise in high end drama financing and co-production deals, for example *The Bay*, *A Confession*, *Vera*, *Gold Digger*, *Poldark*, *World on Fire* and more recently in factual distributor led commissioning models and bigger scale projects, including *Magical Land of Oz*, *India's Wild Karnataka* and *Wild Tokyo*. In order to further maximise the value of global formats and brands, work was undertaken during the year to integrate the *Talpa* business into the Studios division. The Global Distributions business will focus on the funding and distribution of UK and International drama and the finished tape versions of all other ITV Studios shows.
- **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 issues relating to these stakeholders is fundamental to building and maintaining the successful relationships that enable the Company to take advantage of the strong and mutually beneficial opportunities needed to ensure its success. As ITV Studios Global Distribution 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 is set out on page 91 of ITV plc's 2019 annual report which does not form a part of this report.
- **Employees:** The Directors know that employees 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 the Directors of ITV plc have engaged and taken its workforce into consideration in its discussions and decision making is set out on page 92 of ITV plc's 2019 annual report, which does not form part of this report. For more information on ITV's commitment to its workforce is set out on pages 50 to 51 of ITV plc's 2019 annual report, which does not form part of this report.
- **Community and environment:** The Directors have regard to the impact of the Company's operations on the environment and consider that as a result of being part of the ITV Group, due consideration is given to the community, wider environmental issues and diversity and inclusion targets. Further information on ITV's Social Purpose strategy - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 62 and pages 44 to 49 of ITV plc's 2019 annual report, which does not form a part of this report.
- **High standards of business conduct:** The Directors' intention is to ensure that ITV Studios Global Distribution operates 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 94 of ITV plc's 2019 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 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.

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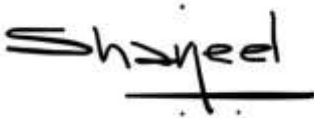
Principal risks and uncertainties

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:

- A rapidly changing marketplace for content rights could result in us failing to identify or obtain optimal rights packages. In order to mitigate this risk the Company is focused on maintaining a lean, dynamic organisation and on being the distributor of choice for both UK and international producers.
- 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.

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 or the Company Secretary, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE

Approved by the Board on 21/04/2021 and signed on its behalf by:



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Sharjeel Suleman
Director