

Registration number: 02203983

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

Annual Report and Financial Statements

for the Year Ended 31 December 2019



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

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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.

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

Strategic Report for the Year Ended 31 December 2019

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.

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

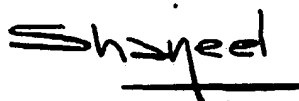
Strategic Report for the Year Ended 31 December 2019

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:



.....
Sharjeel Suleman
Director

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

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the Company

The Directors, who held office during the year, were as follows:

Maria Kyriacou (resigned 31 October 2019)

Duncan Walker (resigned 31 January 2020)

David McGraynor

Ruth Berry

The following director was appointed after the year end:

Sharjeel Suleman (appointed 31 January 2020)

Directors' liabilities

The Directors benefit from third party insurance provisions 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 2019 (2018: £Nil).

Going concern

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).

Subsequent events

The uncertainty as to the future impact on the financial performance as a result of the COVID-19 pandemic has been considered as part of the Company's adoption of the going concern basis which is detailed in note 1. There has been no material impact on the recoverability of assets held at the balance sheet date.

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.

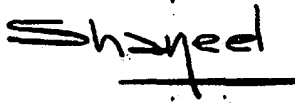
ITV Studios Global Distribution Limited (formerly ITV Global Entertainment Limited)

Directors' Report for the Year Ended 31 December 2019

Reappointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

A handwritten signature in black ink, appearing to read 'Sharjeel', with a horizontal line drawn underneath it.

.....
Sharjeel Suleman
Director

Registered office 2
Waterhouse Square
140 Holburn London
EC1N 2AE

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Under company law the 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report To The Members of ITV Studios Global Distribution Limited (formerly ITV Global Entertainment Limited)

Opinion

We have audited the financial statements of ITV Studios Global Distribution Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

The Directors have prepared a going concern assessment covering a period of 12 months from the date of approval of these accounts which indicates that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period through the group's cash pool arrangement.

The Company participates in the ITV plc intra-group cash pool arrangement. 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.

On this basis, and on their assessment of the Company's financial position, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the approval of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report To The Members of ITV Studios Global Distribution Limited (formerly ITV Global Entertainment Limited)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Paul Sawdon (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

Date:.....21/04/2021.....

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

Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	3	206,196	204,782
Cost of sales		<u>(201,600)</u>	<u>(177,912)</u>
Gross profit		4,596	26,870
Administrative expenses		<u>(32,019)</u>	<u>(15,620)</u>
Operating (loss)/profit	4	(27,423)	11,250
Finance income	5	719	868
Finance costs	6	<u>(13)</u>	<u>(154)</u>
(Loss)/profit before tax		(26,717)	11,964
Taxation	10	<u>(3,361)</u>	<u>(2,955)</u>
(Loss)/profit for the year		<u><u>(30,078)</u></u>	<u><u>9,009</u></u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the above.

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

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
(Loss)/profit for the year		(30,078)	9,009
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on cash flow hedges (net)		<u>3,939</u>	<u>(3,290)</u>
Total comprehensive income for the year		<u>(26,139)</u>	<u>5,719</u>

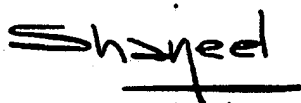
ITV Studios Global Distribution Limited (formerly ITV Global Entertainment Limited)

(Registration number: 02203983)

Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Investments	23	2,202	3,293
Derivative financial instruments		196	69
Distribution rights	13	40,882	63,306
Deferred tax assets	10	152	145
Trade receivables	14	13,756	-
		<u>57,188</u>	<u>66,813</u>
Current assets			
Trade and other receivables	14	124,025	141,221
Cash and cash equivalents	15	11	-
Contract assets	18	15,735	13,592
Derivative financial instruments		3,043	301
		<u>142,814</u>	<u>155,114</u>
Current liabilities			
Trade and other payables	16	(120,284)	(114,277)
Derivative financial instruments		(312)	(2,156)
Contract liabilities	18	(6,833)	(7,847)
		<u>(127,429)</u>	<u>(124,280)</u>
Net current assets		15,385	30,834
Non-current liabilities			
Creditors: Amounts falling due after more than one year	17	(23,208)	(21,767)
Other payables	17	(66)	(446)
Net assets		<u>49,299</u>	<u>75,434</u>
Capital and reserves			
Share capital	21	5,300	5,300
Capital redemption reserve		8,611	8,611
Other reserves		2,484	(1,455)
Retained earnings		32,904	62,978
		<u>49,299</u>	<u>75,434</u>

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



Sharjeel Suleman
Director

The notes on pages 13 to 34 form an integral part of these financial statements.
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ITV Studios Global Distribution Limited (formerly ITV Global Entertainment Limited)

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Capital redemption reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	5,300	8,611	(1,455)	62,978	75,434
Loss for the year	-	-	-	(30,078)	(30,078)
Other comprehensive income	-	-	3,939	-	3,939
Tax on items taken directly to equity	-	-	-	4	4
At 31 December 2019	<u>5,300</u>	<u>8,611</u>	<u>2,484</u>	<u>32,904</u>	<u>49,299</u>

	Share capital £ 000	Capital redemption reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	5,300	8,611	1,835	54,002	69,748
Profit for the year	-	-	-	9,009	9,009
Other comprehensive income	-	-	(3,290)	-	(3,290)
Tax on items taken directly to equity	-	-	-	(33)	(33)
At 31 December 2018	<u>5,300</u>	<u>8,611</u>	<u>(1,455)</u>	<u>62,978</u>	<u>75,434</u>

Tax on items taken directly to equity relate to the movement in the deferred tax asset on share based payments.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

ITV Studios Global Distribution Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 02203983 and the registered address is ITV plc, 2 Waterhouse Square, 140 Holburn, London, EC1N 2AE.

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. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') as adopted by the EU. The amendments to FRS 101 (2015/16 cycle) issued in July 2016, amendments to FRS 101 (2016/17 cycle) issued in July 2017 and other amendments have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following net assets and liabilities are stated at their fair value derivative financial instruments, financial instruments classified as fair value through the profit or loss, investment property and liabilities for cash settled share-based payments.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Summary of disclosure exemptions

The Company is taking advantage of the following disclosure exemptions under FRS 101:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company;
- Disclosures in respect of goodwill or intangibles with an indefinite life; and
- Disclosures in respect of revenue being the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers.

As the consolidated financial statements of ITV plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to apply the reduced disclosure framework of FRS 101 in its next financial statements.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2019.

IFRS 16 Leases

The Company has adopted IFRS 16 'Leases' from 1 January 2019 which has changed lease accounting for lessees under operating leases. Such agreements now require recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs (such as property rent) are recognised in the form of depreciation and interest, rather than as an operating cost.

The Company has adopted the modified retrospective approach with the right of use asset equal to the lease liability at transition date, adjusted by any prepayments or lease incentives recognised immediately before the date of initial application. Under the modified retrospective transition approach, the comparative information is not restated.

The Company does not have any leases and therefore the standard has not resulted in any changes to the financial statements.

Other new or amended accounting standards

Amendment to IAS 19 'Employee Benefits'

The amendment clarifies that the current service costs and net interest for the period after a plan amendment, curtailment or settlement, are determined using the assumptions used for the remeasurement.

Amendment to IAS 28 'Investments in Associates and Joint Ventures'

The amendment clarifies the application of IFRS 9 'Financial Instruments' to long-term interests in associates or joint ventures.

IFRIC 23 'Uncertainty over Income Tax treatments'

The interpretation clarifies the determination of taxable profits or losses, tax bases, unused tax losses or credits and tax rate, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

Amendment to IFRS 9 'Financial Instruments'

The amendment allows for more assets to be measured at amortised cost in particular some prepayable financial assets. The amendment also clarifies how to account for a modification of a financial liability.

Annual Improvements to IFRS Standards 2015 - 2017 cycle

Amendments to a number of IFRSs including IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements' providing clarity on control of a business that is a joint operation, IAS 12 'Income Taxes' clarifying income tax consequences of dividends, IAS 23 'Borrowing costs' clarifying borrowings outstanding after the related asset is ready for use or sale

None of the above standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Going Concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

The Directors have prepared a going concern assessment covering a period of 12 months from the date of approval of these accounts which indicates that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period through the group's cash pool arrangement.

The Company participates in the ITV plc intra-group cash pool arrangement. 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.

On this basis, and on their assessment of the Company's financial position, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the approval of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Revenue

Revenue is stated exclusive of VAT and represents licence fees and royalties earned on the international exploitation of TV and film distribution rights. It can be classified into the following categories:

Programme distribution rights

- A licence is granted for the transmission of a programme in a stated territory, media and period and revenue is recognised at the point when the contract is signed, the content is available for download and the licence period has started.

Formats rights

- A licence is granted for the exploitation of a format in a stated territory, media and period. These are recognised when the licence is granted to the customer '(point in time)'

Royalties

- Royalties receivable in excess of minimum guarantees are recognised at the point at which such royalties become due and payable to the Company.

Exemption from preparing group accounts

The financial statements contain information about ITV Studios Global Distribution Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, ITV plc, a company incorporated in United Kingdom.

Contract assets and liabilities

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

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Amounts due (to) / from group undertakings

The Company participates in an intra-group cash pool policy with other 100% owned UK subsidiaries of the ITV Group. 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 statement of financial position.

Finance income and costs policy

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

Foreign currency transactions and balances

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

Where the Company transacts 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 ineffective portion of any foreign exchange gains or losses to be recognised in other comprehensive income.

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.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Tax

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

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

Deferred tax 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 statement of financial position 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. The 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 method and rate
Vehicles, equipment and fittings	Straight line 3 - 10 years
Right of use assets	Over the term of the lease

Right of use assets

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

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Trade and other payables

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 approximate fair value.

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.

Asset class

Software licences and developments

Amortisation method and rate

Straight line 1 - 5 years

Distribution rights

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

Distribution rights are recognised initially at cost and charged through operating costs in the income statement over a maximum three year period that is dependent either on cumulative sales 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 programme.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is neutral, the initial measurement is on a present value basis.

Dividends

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

Defined contribution pension obligation

A defined contribution plan is a post-employment benefit under which the Company pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit

Certain of the Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is ITV Services Limited. The Company then recognises a cost equal to its contribution payable for the period.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Share based payments

For each of the Company'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 Company 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.

These relate to the ultimate parent's shares and the Company accounts for these as cash settled. As there is a formal recharge agreement in place an intercompany balance is recognised for the control of share based payments.

Financial instruments

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 ineffective portion of any cash flow hedge is recognised in the income statement immediately. 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.

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 Company 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 Company'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.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position when the Company 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.

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. The carrying value of cash and cash equivalents is considered to approximate fair value.

Other intangible assets

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

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

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

Intangible assets acquired directly by the Company 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.

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.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

Trade receivables

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 of 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 Company will not be able to collect all amounts due. We have applied the expected loss model and the impact was not material.

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

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.

Intangible assets

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the result for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Software licences and development are stated initially at cost and subsequently at cost less accumulated amortisation.

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 rate basis.

Investments

The Company's statement of financial position includes investments at cost less amounts written off in respect of any impairment.

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements often requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. For the current year, there were no significant judgements that require disclosure.

Estimates and underlying assumptions in respect of investments and revenue recognition are reviewed on an ongoing basis, with revisions recognised in the period that the estimates are revised and in any future periods effected.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019	2018
	£ 000	£ 000
Sale of finished television programming	190,937	189,949
Sale of format rights	12,154	11,952
Other revenue	3,105	2,881
	<u>206,196</u>	<u>204,782</u>

Analysis of revenue by geography

	2019	2018
	£ 000	£ 000
United Kingdom	58,932	54,640
Europe	54,109	52,708
Rest of the world	93,155	97,434
	<u>206,196</u>	<u>204,782</u>

4 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£ 000	£ 000
Programme investment costs	13,075	7,222
Restructuring costs	11,009	-
Contractual repayment	7,527	-
Foreign exchange loss (gain)	2,969	(3,284)
Loan Impairment	2,520	-
Revision to estimate of royalty provisions	(3,598)	-

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

Notes to the Financial Statements for the Year Ended 31 December 2019

5 Finance income

	2019	2018
	£ 000	£ 000
Interest income on bank deposits	1	21
Interest receivable from group undertakings	714	727
Foreign exchange gains	<u>4</u>	<u>120</u>
	<u>719</u>	<u>868</u>

6 Finance costs

	2019	2018
	£ 000	£ 000
Interest payable to group undertakings	3	144
Other finance costs	<u>10</u>	<u>10</u>
	<u>13</u>	<u>154</u>

7 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2019	2018
	£ 000	£ 000
Wages and salaries	6,276	6,299
Social security costs	757	724
Pension costs, defined contribution scheme	543	546
Pension costs, defined benefit scheme	84	25
Share-based payment expenses	<u>764</u>	<u>902</u>
	<u>8,424</u>	<u>8,496</u>

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Administration and support	51	51
Sales	<u>26</u>	<u>28</u>
	<u>77</u>	<u>79</u>

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

Notes to the Financial Statements for the Year Ended 31 December 2019

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	1,171	1,072
Contributions paid to money purchase schemes	30	61
	<u>1,201</u>	<u>1,133</u>

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Received or were entitled to receive shares under long term incentive schemes	3	3
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>2</u>

In respect of the highest paid Director:

	2019 £ 000	2018 £ 000
Remuneration	496	549
Company contributions to money purchase pension schemes	<u>10</u>	<u>11</u>

9 Auditor's remuneration

The auditor's remuneration of £5,357 (2018: £500) was borne by another group Company. The increase in the period relates to a revised allocation by company across the ITV Group.

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent ITV plc.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

10 Current tax

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	-	690
UK corporation tax adjustment to prior periods	-	(67)
	-	623
Foreign tax	3,364	2,246
Total current income tax	3,364	2,869
Deferred taxation		
Arising from origination and reversal of temporary differences	(3)	86
Tax expense in the income statement	3,361	2,955

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018: higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit/(Loss) before tax	(26,717)	11,964
Corporation tax at standard rate of 19.00% (2018 : 19.00%)	(5,076)	2,273
Effect of expense not deductible in determining taxable profit (tax loss)	338	175
Group relief claimed/(surrendered)	4,762	(1,726)
Effect of foreign tax rates	3,364	2,246
UK deferred tax expense relating to changes in tax rates or laws	(27)	54
Prior period adjustment	-	(67)
Total tax charge	3,361	2,955

Post balance sheet event

A reduction in the UK Corporation tax rate from 19% to 17% (effective 1st April 2020) was substantively enacted on 6th September 2016 and the deferred tax asset as at year ended 31st December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase any future tax charge accordingly and increase the deferred tax asset by £18,000.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

10 Current tax (continued)

Amounts recognised in other comprehensive income

	2019		2018	
	Before tax	Net of tax	Before tax	Net of tax
	£ 000	£ 000	£ 000	£ 000
Gain/(loss) on cash flow hedges (net)	<u>3,939</u>	<u>3,939</u>	<u>(3,290)</u>	<u>(3,290)</u>

11 Deferred tax

Deferred tax

Deferred tax assets and liabilities

	Asset
	£ 000
2019	
Accelerated tax depreciation	112
Accruals	-
Share-based payment	40
Other items	-
	<u>152</u>
2018	
Accelerated tax depreciation	134
Accruals	-
Share-based payment	11
Other items	-
	<u>145</u>

Deferred tax movement during the year:

	At 1 January	Recognised in	Recognised in	At
	2019	income	equity	31 December
	£ 000	£ 000	£ 000	2019
				£ 000
Accelerated tax depreciation	134	(22)	-	112
Accruals	-	-	-	-
Share-based payment	11	25	4	40
Other items	-	-	-	-
Net tax assets/(liabilities)	<u>145</u>	<u>3</u>	<u>4</u>	<u>152</u>

Deferred tax movement during the prior year:

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

Notes to the Financial Statements for the Year Ended 31 December 2019

11 Deferred tax (continued)

	At 1 January 2018 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	162	(28)	-	134
Accruals	-	-	-	-
Share-based payment	102	(58)	(33)	11
Other items	-	-	-	-
Net tax assets/(liabilities)	<u>264</u>	<u>(86)</u>	<u>(33)</u>	<u>145</u>

12 Property, plant and equipment

	Vehicles, equipment and fittings £ 000	Total £ 000
Cost or valuation		
At 1 January 2019	<u>1,045</u>	<u>1,045</u>
At 31 December 2019	<u>1,045</u>	<u>1,045</u>
Depreciation		
At 1 January 2019	<u>1,045</u>	<u>1,045</u>
At 31 December 2019	<u>1,045</u>	<u>1,045</u>
Carrying amount		
At 31 December 2019	<u>-</u>	<u>-</u>

13 Distribution rights

	2019 £'000	2018 £'000
Distribution rights	<u>40,882</u>	<u>63,306</u>

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

Notes to the Financial Statements for the Year Ended 31 December 2019

14 Trade and other receivables

Non-current asset

	2019	2018
	£ 000	£ 000
Trade receivables	13,756	-

Debtors balance due for payment 2021 onwards. The 2018 balance of £19,715,000 was shown in current debtors.

Current Assets

	2019	2018
	£ 000	£ 000
Trade receivables	59,562	69,067
Amounts due from group undertakings	64,318	69,941
Prepayments	145	117
Other receivables (included in other receivables are amounts of £0 (2018: £2,023) loans to associates).	-	2,096
	<u>124,025</u>	<u>141,221</u>

Trade receivables above include amounts that are past due at the end of the reporting period for which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

Included in amounts due from group undertakings are amounts of £51,839,630 (2018: £62,195,901) which relate to balances associated with the ITV plc group treasury pooling arrangements. This balance is repayable on demand and attracts interest of 0.5% (2018 : 0.5%) above base rate per annum.

Included in amounts due from group undertakings are amounts of £12,478,721 (2018: £7,744,843) which represents intercompany trading, has no associated interest and is repayable on demand.

Included in amounts due from group undertakings are amounts of £Nil (2018: £Nil) which relates to loans from fellow subsidiaries.

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

15 Cash and cash equivalents

	31 December	31 December
	2019	2018
	£ 000	£ 000
Cash at bank	<u>11</u>	<u>-</u>

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

Notes to the Financial Statements for the Year Ended 31 December 2019

16 Trade and other payables

	2019	2018
	£ 000	£ 000
Trade payables	2,087	1,651
Accrued expenses	14,647	10,112
Amounts due to group undertakings	68,285	71,808
Other payables	<u>35,265</u>	<u>30,706</u>
	<u>120,284</u>	<u>114,277</u>

Included in amounts due to group undertakings is an amount of: £68,285,579 (2018: £71,808,408) which represents intercompany trading, has no associated interest and is repayable on demand.

The carrying value of trade payables is considered to be approximate fair value.

The other payables balance relates to royalties and other third party obligations arising from the distribution of content.

17 Trade and other payables due after more than one year

	2019	2018
	£'000	£'000
Trade and other payables	23,208	21,767
Derivative financial instruments	<u>66</u>	<u>446</u>
	<u>23,274</u>	<u>22,213</u>

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

Notes to the Financial Statements for the Year Ended 31 December 2019

18 Contract assets and liabilities

Contract assets (accrued income) primarily relate to the Company's right to consideration for work completed but not billed at the reporting date. As ITV is an integrated producer broadcaster, many of the programmes the Studios division produces are sold internationally and also used within the ITV network. Production work in progress is treated as a contract asset until the point the programme is completed. Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service. The following table provides movements in contract assets and liabilities in the period:

	2019		2018	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	£'000	£'000	£'000	£'000
Balance at 1 January				
Decrease due to revenue recognised in the period	15,735	6,833	13,592	7,847
Balance at 31 December	15,735	6,833	13,592	7,847

The amount of revenue recognised in the current year that was included in the contract liability balance at the beginning of the period was £7,847,090

19 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £543,216 (2018 - £545,851).

Contributions totalling £23,028 (2018: £48,154) were payable to the scheme at the end of the year and are included in creditors.

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

Notes to the Financial Statements for the Year Ended 31 December 2019

20 Share based payments

Scheme description

The Company utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of Group 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.

For each of the Company'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 SAYE scheme, a Black-Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant Group performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. This estimate of the performance measures is used to determine the option fair value, discounted to present value. The Group revises the number of options that are expected to vest, including an estimate of forfeitures at each reporting date based on forecast performance measures. The impact of the revision to original estimates, if any, is recognised in the 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 126.1p (2018: 158.29p). The options outstanding at the year end have an exercise price in the range of nil to 129.82p and a weighted average contractual life of 1 year (2018: 1 year).

21 Share capital

Allotted, called up and fully paid

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary Share of £1 each	<u>5,300</u>	<u>5,300</u>	<u>5,300</u>	<u>5,300</u>

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

Notes to the Financial Statements for the Year Ended 31 December 2019

22 Parent of group in whose consolidated financial statements the Company is consolidated

The name of the parent of the group in whose consolidated financial statements the Company's financial statements are consolidated is ITV plc.

These financial statements are available upon request from 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

23 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2019	2,093
Additions	<u>109</u>
At 31 December 2019	<u>2,202</u>
Carrying amount	
At 31 December 2019	<u>2,202</u>
At 31 January 2019	<u>2,093</u>

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of Subsidiary	Registered Office	Share Type	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held
Carlton Entertainment Limited	2 Waterhouse Square, 140 Holborn, London EC1N 2AE	Ordinary	UK	100%
Carlton Programmes Development Limited	2 Waterhouse Square, 140 Holborn, London EC1N 2AE	Ordinary	UK	100%
ITV Studios Global Distribution (Hong Kong) Limited	Rooms 517–520, 5th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong	Ordinary	Hong Kong	100%
Futureflip Entertainment India LLP	TMF Services India PVT Ltd, 13th Floor, 1302 Tower 3 India bulls Finance Centre, Senapati Bapat Marg, Elphinstone Road, Mumbai, India	Ordinary	India	99%

Associates

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

Notes to the Financial Statements for the Year Ended 31 December 2019

23 Investments (continued)

	£ 000
Cost or valuation	
At 1 January 2019	1,200
Disposals	<u>(1,200)</u>
At 31 December 2019	<u><u>-</u></u>

During the year ITV Studios Global Distribution Limited transferred at carrying value its 24.9% shareholding in Monumental Television (a UK production company), to ITV Studios Limited

24 Contingent liabilities

Under a Group registration the Company is jointly and severally liable for VAT at 31 December 2019 of £40 million (2018: £39 million).

25 Parent and ultimate parent undertaking

The Company's immediate parent is Carlton Content Holdings Limited.

The ultimate parent is ITV plc. ITV plc is incorporated in the UK.

The most senior parent entity producing publicly available financial statements is ITV plc. These financial statements are available upon request from 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

The ultimate controlling party is ITV plc.

26 Subsequent events

The uncertainty as to the future impact on the financial performance as a result of the COVID-19 pandemic has been considered as part of the Company's adoption of the going concern basis which is detailed in note 1. There has been no material impact on the recoverability of assets held at the balance sheet date