

Press Release 0700 hours, 5 September 2023

STV Group plc Interim Results for the 6 months ended 30 June 2023

Diversification strategy accelerates: revenue from growth areas more than offsets expected linear advertising declines

Highlights

- Diversification strategy accelerates delivering total revenue growth of 21%
- Studios revenue nearly quadruples even before benefit of Greenbird acquisition in H2
- Strong Digital growth; STV Player streams +25% and new registrations +65%
- Adjusted operating profit down 33% with wider economic uncertainty impacting linear advertising revenue and cost inflation, as expected
- STV is Scotland's most watched peak time channel for 6th year in a row across H1
- First half total advertising revenue down 14%, with Q3 expected to grow by 3-5% driven by major sporting events including Rugby World Cup
- STV expects over 60% of 2023 earnings to come from outside broadcasting, comfortably exceeding 50% diversification target
- Board proposes interim dividend of 3.9p, in line with 2022

Financial Summary – 6 months to 30 June	2023	2022	vs 2022
Revenue	£75.3m	£62.1m	+21%
Total advertising revenue	£45.8m	£53.2m	-14%
Adjusted operating profit*	£8.0m	£11.9m	-33%
Adjusted operating margin*	11%	19%	-8pps
Operating profit	£nil	£11.9m	-100%
Profit for the period	£3.3m	£8.4m	-61%
Adjusted basic EPS**	14.8p	20.0p	-26%
Statutory basic EPS	7.2p	18.7p	-61%
Net debt ⁺	£16.3m	£6.6m	–£9.7m
Dividend per share	3.9p	3.9p	flat

* Before exceptional items and including HETV tax credits (2023 only)

** Before exceptional items (2023 only) and IAS 19 finance costs (both periods)

⁺ Excluding lease liabilities; net debt at 31 December 2022 of £15.1m

Refer to notes 8, 10 & 19 to the condensed interim financial statements for a reconciliation of the adjusted to statutory numbers

Financial highlights

- Total revenue of £75.3m, +21% on 2022, driven by organic growth in Studios and Digital, more than offsetting expected linear advertising revenue declines
- Studios revenue of £27.2m, +294% due to increased drama deliveries, with division profitable (£0.1m; 2022 loss of £1.0m) and strong H2 profitability coming through with expected seasonal second half weighting
- Regional advertising revenue down 14% to £7.3m (excluding Scottish Government spend, regional down only 2%)
- Digital revenue +9% to £10.1m (VOD revenue +14%), with adjusted operating profit up 26% to £5.0m
- Group adjusted operating profit £8.0m, -33% on 2022, reflecting expected impact of declines in higher margin linear advertising revenue and inflationary cost pressure
 - Savings realised to offset broadly half the inflationary increases, as guided
- Exceptional costs of £2.8m incurred in the period relating to the new agreement with ITV for digital content and national VOD sales representation (2022: nil)
- Net debt of £16.3m, up only £1.2m since December 2022 despite reduced profits, with working capital outflow of 2022 partially unwinding in the period; significant facility and covenant headroom maintained

Good audience performance

- STV Player's strengthened content line-up drove excellent streaming growth in H1:
 - Online viewing (consumption) +25%, streams +25%
 - Registered users up 18% to 5.3m, well ahead of 5m target
 - New registrations +65% driven by new STV Player content
 - VIP users up 24%
- Enduring appeal of linear TV: STV's peaktime viewing share of 22.5% grew year on year (+1%), with the lead over BBC1 the highest in 15 years:
 - Most watched peaktime channel in Scotland for 6th year in a row across H1
 - H1 all-time audience higher than any other commercial channel on 180 of 181 days
 - Average Scot spent over 5x longer with broadcast content than SVOD services on the TV set in H1

Continued strategic momentum and execution

- **Studios:** Scaling rapidly and profitably even before benefit of post period end Greenbird deal
 - 12 returning series (2022:9)
 - Drama business accelerating, with series 2 of *Blue Lights* confirmed, and *Screw* season 2 (for C4) and *Criminal Record* (for Apple TV+) delivering in H1
 - Greenbird acquisition transformative:
 - Enlarged Studios group now has 39 returning series
 - 29 new commissions across Studios in H1
 - 7 new commissions announced since acquisition, including major new ITV reality format, *The Fortune Hotel*, showing immediate impact of Greenbird deal

- **Digital:** STV's new streaming partnership with ITV driving viewing and commercial growth:
 - 30 new series premiered in H1 under new deal, driving 11% of VOD viewing
 - Benefitting from increased scale and targeting capability:
 - STV digital brand count up 50% in H1
 - STV average price (cost per thousand) up 55% in H1
 - Long-term partnership in place with ITV until 2029, on a variable cost basis
 - Continued strong performance of STV 3rd party content, with c.8m *Brookside* streams
 - UK Government draft Media Bill (published March) will guarantee prominence for STV Player on all digital platforms

- **Scottish advertising:**
 - Further 180 deals secured under the *STV Growth Fund* so far in 2023, with over 70% of clients rebooking from 2022.
 - Split of SME/Scottish Government spend back at pre-Covid levels of 85%/15%
 - STV will now offer addressable regional VOD advertising through Planet V, further enhancing market positioning

Improving 2023 outlook

Revenue

- Expecting at least 25% increase in total revenue for FY 2023
- Total advertising revenue expected to be up 3-5% in Q3 driven by strong sporting events, but down for the full year
- July TAR +1%, August +4% and September forecast to be up 5-7%
- On track to hit target of £20m Digital revenues in 2023
- Organic Studios revenues will be £50m+ in 2023 (£70m+ with Greenbird), well ahead of £40m target

Adjusted operating profit

- Linear advertising decline will mean full year adjusted operating profit lower than FY22
- Strong profit growth in Digital and Studios, and cost mitigations of £2.5m in 2023, offset by impact of linear advertising decline and cost inflation
- Confirming previous Studios guidance of £6-6.5m of adjusted operating profit in 2023, boosted by post period end Greenbird acquisition
- H2 performance more positive on back of improving TAR and Studios profits

Net debt

- Net debt immediately following completion of Greenbird investment c.£32m, including c.£6m of cash balances in Greenbird entities
- Expect net debt to reduce towards year end, with leverage (ratio of net debt to EBITDA) around 1 times for full year and at lower end of self-imposed target range of 1-1.5 times
- Revolving credit facility increased by £10m to £70m as part of acquisition through partial exercise of accordion to provide additional liquidity headroom

Diversification targets

- STV expects to deliver at least 60% of earnings from outside broadcasting in 2023, comfortably ahead of 50% target
- New targets for the next phase of STV's diversification and growth strategy will be confirmed in due course.

Dividend

- The Board proposes an interim dividend of 3.9p per share, in line with H1 2022, after considering all relevant factors including the ongoing macroeconomic uncertainty
- The Board remains committed to a balanced approach to capital allocation across investing for growth, fulfilling our pension obligations, and paying a sustainable, progressive dividend to shareholders.

Simon Pitts, Chief Executive Officer, said:

"STV's diversification continues to accelerate, with strong growth in Studios and Digital revenues in the first half more than offsetting the expected weakness in the UK linear advertising market, and delivering total revenue growth of over 20%.

Studios revenues almost quadrupled and VOD revenues on the STV Player grew by 14% as we continue to execute our strategic plan and reduce our reliance on traditional broadcasting. We now expect over 60% of our total 2023 earnings to come from these new growth areas, well ahead of our 50% diversification target.

Our audience position remains unrivalled, with STV again Scotland's most popular peaktime TV channel, stretching its lead over BBC1. We delivered the largest commercial audience on 180 of the 181 days of the first half of the year, with the England vs Scotland Calcutta Cup match our biggest audience of the year so far.

Our streaming service STV Player continues to grow strongly and profitably with online consumption and streams both up by 25% and digital profit up by 26%, as our new long-term content and advertising partnership with ITV bears fruit.

*The transformative acquisition of Greenbird Media represents a major step towards our goal of STV Studios becoming the UK's #1 nations and regions production company and adds significant scale and creative firepower to the group, illustrated by the recently announced major reality format *The Fortune Hotel* which will debut on ITV in 2024, produced by Tuesday's Child.*

Our overall financial performance in H1 was impacted by a challenging advertising market and cost inflation, as expected, although looking forward we see a more encouraging outlook. Q3 total advertising is expected to be up 3-5% driven by the Women's Football World Cup and the Men's Rugby World Cup which starts next week, exclusively on STV. Our business is well positioned to benefit when the advertising market improves and we also see strong profit growth coming through in STV Studios in the second half of 2023."

There will be a presentation for analysts today, 5 September 2023, at 12.30 pm, via Zoom. Should you wish to attend the presentation, please contact Angela Wilson, angela.wilson@stv.tv or telephone: 0141 300 3000.

Enquiries:

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Financial and operating review

Group financial overview

Total revenue increased by 21% to £75.3m (2022: £62.1m), with growth driven primarily by the Studios division, which saw an increase in revenue of £20.3m due to two significant drama productions partially delivering in the period. Total advertising revenues of £45.8m were down 14% on H1 2022, which reflects the challenging and well-documented macro-economic conditions impacting the linear advertising market.

Adjusted operating profit of £8.0m was down 33% on the first half of 2022, impacted by the softness in linear advertising markets combined with inflationary cost pressures. The Group realised cost savings to offset roughly half of the inflationary increases, as guided at the start of the year. The adjusted operating profit performance is before exceptional items of £2.8m for one-off costs relating to the extended partnership with ITV for digital content and national VOD advertising sales representation. The adjusted operating profit also includes £5.2m for High-End Television (HETV) tax credits which are due in relation to the drama commissions that have been partially delivered in the period, which aligns with the revised approach to these credits to be implemented from 1 January 2024 following HMRC consultation. There were no exceptional items or HETV tax credits in the prior period. On a statutory basis, the Group generated a nil operating profit in the period (2022: £11.9m).

Total finance costs were £2.3m (2022: £1.3m), comprising interest on the Group's borrowings of £0.8m (2022: £0.4m), and non-cash costs in relation to the Group's defined benefit pension schemes of £1.3m (2022: £0.6m) and interest on lease liabilities of £0.2m (2022: £0.3m). The higher interest payable on the Group's borrowings was driven by the higher base rate in the period, with the margin payable under the Group's bank facility remaining constant year on year.

The Group generated adjusted profit before tax (before exceptional items and IAS19 interest, and including HETV tax credits) of £6.9m (2022: £11.2m), a decrease of 38% on the prior period, with adjusted basic earnings per share decreasing by 26% to 14.8p (2022: 20.0p).

The statutory result for the period was a loss before tax of £2.4m (2022: profit of £10.6m), with the presentation of HETV tax credits within the tax line for statutory purposes. The effective tax rate (ETR) on the profit before tax, before exceptional items and excluding HETV tax credits, has been charged at 23.7%, which is in line with the pro-rated standard rate of 23.5%. The ETR on exceptional items in the period was a credit of 23.5%.

The Group was in a net debt position (excluding lease liabilities) of £16.3m (December 2022: £15.1m) comprising drawdowns under its banking facility of £20.3m (December 2022: £26.4m) partially offset by a gross cash balance of £4.0m (December 2022: £11.3m).

The Group's key financial covenants are leverage (ratio of net debt to EBITDA), which must be no higher than 3 times, and interest cover, which must be at least 4 times. At the end of the period, leverage was 0.6 times, (December 2022: 0.5 times) and interest cover was 24.3 times (December 2022: 42.8 times), with significant headroom against covenant thresholds for both. In March 2023, the Group exercised its second option to extend its revolving credit facility by one year with the facility now maturing in March 2026.

Across the Group's two defined benefit pension schemes, the accounting deficit before tax decreased to £55.0m at the half year (31 December 2022: £63.1m). This was largely driven by an increase in the discount rate due to a rise in corporate bond yields, partially offset by the reduction in the market value of scheme assets.

Broadcast

Total **advertising revenue** (TAR) for the first half of the year was down 14% year on year. Regional advertising revenue at -14% for the period performed better than national advertising at -19%, and within the regional number the core SME advertiser base declined by only 2%. The majority of the regional decline came from Scottish Government spend, which was down c.55% with no covid-related public health spending since Q1 2022. This advertising market performance is driven by the challenging macro backdrop as a result of high inflation and interest rates, and we expect markets to continue to be cautious as those broader conditions persist. That said, there has been some improvement in Q3, boosted by large scale sporting events like the Women's Football World Cup and Men's Rugby World Cup.

For the sixth first half year running, STV is the most watched peak time channel in Scotland, with our **viewing share** up 1% year on year (22.5%), and considerably ahead of BBC One. We delivered the largest commercial audience on 180 of the 181 days of H1, with the England vs Scotland Calcutta Cup match delivering our biggest audience of the year so far. Soap giants, *Coronation Street* and *Emmerdale*, continue to be schedule favourites. Other top 10 programmes for the first half of the year include dramas *Unforgotten* and *Vera*; *Harry: The Interview*, which drew in a linear audience of over half a million; and entertainment juggernaut, *The Masked Singer* proving itself our most popular show, with the top rating episode attracting over 600k viewers.

STV News has held its position as the most-watched news programme in Scotland – tracking 7 share points ahead of *Reporting Scotland* - and our current affairs programme, *Scotland Tonight*, continues to provide debate and analysis four times a week including one evening in peak. STV was the first channel to air an SNP leadership debate, with STV's Political Editor putting candidates through their paces. The 1-hour Special attracted the highest audience of all SNP leadership debates to air that month, which is testament to the skill and professionalism of our highly experienced team.

In H1, we celebrated two years of **Expert Voices**, our media workshop initiative designed to increase diversity of contributors in our news and current affairs programmes. Established in

2021 to expand our network of subject matter spokespeople, our news team have now trained almost 1000 individuals from under-represented groups, with around 10% already using their skills on air. Year to date, 11% of our news contributors have come from ethnically diverse backgrounds (target 8%); and 52% were female (target 50%).

STV's Growth Fund, which makes advertising more affordable and accessible for SMEs, goes from strength to strength. A further 180 deals have been secured so far in 2023, and importantly over 70% have returned from 2022. This Spring saw four businesses awarded £25k of commercial airtime from our dedicated **Inclusion Fund**, which targets diversity-championing businesses across Scotland. Their campaigns will air on STV and STV Player in 2024.

In March, we welcomed the announcement from the Secretary of State that **Channel 3 licences** can be renewed for a further ten-year period from January 2025, thus securing the future provision of public service obligations, including the country's highest performing news and current affairs programmes. STV also welcomed the publication of the Draft **Media Bill** and in particular the Government's recognition that the new legislation is urgently required to make Public Service Media as prominent on digital platforms as they are today on broadcast. We look forward to the swift passage of the Bill through Parliament to ensure STV remains discoverable for viewers.

This summer, STV launched its first ever **Sustainable Scotland Week**, using our privileged position to convey accurate climate-related information to our viewers in an accessible way. This seven-day, cross-platform mission – including specially commissioned research, programming and promos – saw the channel raising awareness of how climate change is impacting Scotland's communities and inspiring viewers to live more sustainably. This activity is part of our overall commitment to sustainability across our organisation through STV Zero, and we are currently measuring the impact of this dedicated week, with a view to further progressing our work in this area.

Digital

We have delivered strong growth across our Digital division in the first half of the year, with STV Player streams and online consumption both up 25%, new registrations up 65% and VIP users up 24%. Digital VOD revenues are up 14% compared with H1 2022.

Following an agreement with ITV in December 2022, STV Player has exclusive Scottish rights for a range of original and premiere content, encompassing at least 100 hours of new box sets per year. Thirty new series have premiered in H1 under this new deal already, driving 11% of VOD viewing in H1. Four of these titles are in the top 15 best-watched VOD shows of the first half, including Scottish dramas *Crime* and *Six Four*, starring Scots Dougray Scott and Kevin McKidd respectively.

Other streaming highlights include *Emmerdale* and *Coronation Street* at positions 2 and 3, with returning stalwart dramas *The Bay* and *Unforgotten* at 4 and 5.

An important contributor to the growth of our digital division in H1 2023 has been our involvement with ITV's addressable advertising platform, **Planet V**. This has seen the level of targeted, programmatic advertising on our streaming service increase from 40% to 90% across

the period, with our digital brand count increasing by 50% in H1 and the STV average price (cost per thousand) increasing by 55%. This partnership has also created a genuine one-stop-shop for Scottish advertising across linear, VOD and programmatic, with the aim of attracting new, digital-only advertisers who haven't advertised on TV before.

In April, the STV Player app launched on **Sky Q**. This was an important step in our long-term partnership with Sky, making our service easy to find verbally via remote control or on the Sky Q apps rail. Although STV Player content has featured throughout Sky Q's user interface across the UK since January 2021, this is the first time the dedicated app has been available, enabling customers to easily browse our extensive catalogue of content, access our ad-free tier, STV Player+, and become STV Player VIP members (with the reward of fewer adverts and prize draw entries).

We continue with our digital **content acquisition strategy**, ensuring visitors to STV Player, across the whole of the UK, have access to a wide range of high-quality content from around the world. Acquired titles include high performing shows such as Irish crime thriller *Redemption* and Australian police procedural *Rush*. However, a key acquisition for H1 2023 was iconic soap, *Brookside*, achieving 1m streams in its first week and significantly raising the profile of STV Player across the UK. *Brookside* is our top performing VOD programme in 2023, with c.8m streams in H1 of which 65% came from outside Scotland.

STV Studios

Our production business continues its strong growth trajectory, with revenues nearly quadrupling year on year in H1. This is a good performance set against a difficult commissioning backdrop, with many UK broadcasters slowing their rate of new programme commissions in the current economic climate, and actions by global streaming services to cut costs impacting the rate and number of new commissions awarded.

Commissions for H1 2023 include two new series of hit gameshow ***Bridge of Lies*** with Ross Kemp. BBC One commissioned a further 8 episodes of the celebrity version for primetime, and a third series of the regular version (25 episodes) for BBC Daytime. The wider appeal of this format was demonstrated by its first major international format sale to Spanish public broadcaster Televisión Espanola's free to air channel, La 1.

BBC One confirmed a second six-part series of police drama, ***Blue Lights***, which is now currently in production in Belfast. Co-produced by STV Studios production label, Two Cities, series 1 of *Blue Lights* launched on the BBC in March to five-star reviews. One of the BBC's biggest new dramas of the year, it delivered an average audience of 5.7m (consolidated), reaching 12.5m across all episodes. We now have three major dramas in play, with a second of series of *Screw* recently launched on Channel 4; and *Criminal Record*, a co-production with our label, TOD Productions, set to air soon on Apple TV+.

Production is ongoing on returning series such as *Antiques Road Trip* and a new series of *The Travelling Auctioneers* for BBC, as well as new observational documentary, *The Firm*, for BBC Scotland.

Primal Media have completed production of innovative reality format, *Alan Must Win* for Channel 4, and Mighty Scotland attracted significant press attention via their Channel 4 you-tube documentary, *The Black Alien Project*.

In July 2023, we announced our acquisition of **Greenbird Media**, which has significantly increased the number of production labels under the STV Studios umbrella, more than trebled our portfolio of returning series and expanded our forward pipeline of new programme ideas. This transformative acquisition represents a major step towards our goal of becoming the UK's number 1 nations and regions producer and has immediately accelerated STV's overall diversification strategy in terms of both revenue and profit.

We recently announced the first major commission from one of the new labels joining the STV Studios family through Greenbird, new reality format *The Fortune Hotel* for ITV, from Tuesday's Child Television, along with a further 6 new programme commissions by Tuesday's Child, Interstellar and Rumpus Media.

STV Studios was named **Production Group of the Year** at the prestigious Edinburgh Festival Awards in August 2023.

Principal risks and uncertainties

The Board considers the principal risks and uncertainties affecting the business activities of the Group are:

- Regulatory environment
- Market volatility and impact on advertising spend
- Reliance on ITV for quality network programming and effective national sales
- Changing viewing habits
- Cyber attack or breach incident
- Defined benefit pension scheme shortfalls
- Recruitment and retention of people

Further details of the Group's policies on principal risks and uncertainties are contained within the Group's 2022 Annual Report, a copy of which is available at www.stvplc.tv.

Unaudited condensed interim income statement
Six months ended 30 June 2023

		2023	2022
	Note	£m	£m
Revenue	7	75.3	62.1
Net operating expenses		(72.5)	(50.2)
Exceptional items*	8	(2.8)	-
Operating profit		-	11.9
Finance costs			
- borrowings		(0.8)	(0.4)
- defined benefit pension schemes*		(1.3)	(0.6)
- lease interest		(0.2)	(0.3)
		(2.3)	(1.3)
Share of loss of an associate		(0.1)	-
(Loss)/profit before tax		(2.4)	10.6
Tax credit/(charge)*	9	5.7	(2.2)
Profit for the period		3.3	8.4
Attributable to:			
Owners of the parent		3.3	8.5
Non-controlling interests		-	(0.1)
		3.3	8.4
Earnings per share			
Basic	10	7.2p	18.7p
Diluted	10	7.0p	18.2p

* Items marked thus are adjusted in the Group's alternative performance measures. A reconciliation of the statutory results to the adjusted results is included at note 8.

The above unaudited condensed interim income statement should be read in conjunction with the accompanying unaudited notes.

Unaudited condensed interim statement of comprehensive income
Six months ended 30 June 2023

	2023	2022
	£m	£m
Profit for the period	3.3	8.4
Items that will not be reclassified to profit or loss:		
Gain on re-measurement of defined benefit pension schemes	4.8	30.9
Deferred tax charge	(1.2)	(7.7)
Revaluation loss on listed investment to market value	-	(0.1)
Other comprehensive income – net of tax	3.6	23.1
	<hr/>	<hr/>
Total comprehensive income for the period	6.9	31.5
	<hr/>	<hr/>
Attributable to:		
Owners of the parent	6.9	31.6
Non-controlling interests	-	(0.1)
	6.9	31.5
	<hr/>	<hr/>

The above unaudited condensed interim statement of comprehensive income should be read in conjunction with the accompanying unaudited notes.

**Unaudited condensed interim balance sheet
As at 30 June 2023**

	Note	30 June 2023 £m	31 December 2022 £m
Non-current assets			
Intangible assets	12	1.0	1.2
Property, plant and equipment	13	9.8	10.6
Right-of-use assets	13	17.9	18.6
Investments		2.4	2.5
Deferred tax asset	14	20.6	21.9
Trade and other receivables	16	0.5	1.5
		52.2	56.3
Current assets			
Inventories	15	33.7	47.0
Trade and other receivables	16	37.1	39.9
Cash and cash equivalents		4.0	11.3
		74.8	98.2
Total assets		127.0	154.5
Equity			
Ordinary shares	18	23.3	23.3
Share premium		115.1	115.1
Capital redemption reserve		0.2	0.2
Merger reserve		173.4	173.4
Other reserve		2.1	1.8
Accumulated losses		(318.3)	(321.8)
Shareholders' equity		(4.2)	(8.0)
Non-controlling interests		(0.3)	(0.3)
Total equity		(4.5)	(8.3)
Non-current liabilities			
Borrowings	17	20.3	26.4
Lease liabilities		17.9	18.7
Retirement benefit obligations	20	55.0	63.1
		93.2	108.2
Current liabilities			
Trade and other payables		37.4	53.7
Lease liabilities		0.9	0.9
		38.3	54.6
Total liabilities		131.5	162.8
Total equity and liabilities		127.0	154.5

The above unaudited condensed interim balance sheet should be read in conjunction with the accompanying unaudited notes.

Unaudited condensed interim statement of changes in equity
Six months ended 30 June 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserve £m	Accumulated losses £m	Attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 January 2023	23.3	115.1	0.2	173.4	1.8	(321.8)	(8.0)	(0.3)	(8.3)
Profit for the period	-	-	-	-	-	3.3	3.3	-	3.3
Other comprehensive income	-	-	-	-	-	3.6	3.6	-	3.6
Total comprehensive income for the period	-	-	-	-	-	6.9	6.9	-	6.9
Share based compensation	-	-	-	-	0.3	-	0.3	-	0.3
Dividends paid (note 11)	-	-	-	-	-	(3.4)	(3.4)	-	(3.4)
At 30 June 2023	23.3	115.1	0.2	173.4	2.1	(318.3)	(4.2)	(0.3)	(4.5)
At 1 January 2022	23.3	115.1	0.2	173.4	1.4	(339.2)	(25.8)	(0.1)	(25.9)
Profit for the period	-	-	-	-	-	8.5	8.5	(0.1)	8.4
Other comprehensive income	-	-	-	-	-	23.1	23.1	-	23.1
Total comprehensive income for the period	-	-	-	-	-	31.6	31.6	(0.1)	31.5
Share based compensation	-	-	-	-	0.1	-	0.1	-	0.1
Dividends paid (note 11)	-	-	-	-	-	(3.3)	(3.3)	-	(3.3)
At 30 June 2022	23.3	115.1	0.2	173.4	1.5	(310.9)	2.6	(0.2)	2.4

The above unaudited condensed interim statement of changes in equity should be read in conjunction with the accompanying unaudited notes.

Unaudited condensed interim statement of cash flows
Six months ended 30 June 2023

	Note	2023 £m	2022 £m
Operating activities			
Cash generated by operations	19	6.4	10.7
Interest and fees paid in relation to bank facilities		(0.9)	(0.6)
Corporation tax received/(paid)		0.5	(0.1)
Pension deficit funding - recovery plan payment		(4.8)	(4.7)
Contingent cash payment to pension schemes		-	(2.4)
Net cash generated by operating activities		1.2	2.9
Investing activities			
Purchase of investment in associate		-	(0.9)
Production finance repayment from/(provided to) associate		3.0	(2.4)
Loan provided to associate		(0.6)	-
Purchase of intangible assets		(0.1)	(0.3)
Purchase of property, plant and equipment		(0.4)	(1.9)
Net cash generated by/(used in) investing activities		1.9	(5.5)
Financing activities			
Payment of obligations under leases		(1.0)	(1.1)
Borrowings drawn		8.0	17.0
Borrowings repaid		(14.0)	(10.0)
Dividends paid	11	(3.4)	(3.3)
Net cash (used in)/generated by financing activities		(10.4)	2.6
Net movement in cash and cash equivalents		(7.3)	-
Cash and cash equivalents at beginning of period		11.3	14.7
Cash and cash equivalents at end of period		4.0	14.7

Unaudited notes to the condensed interim financial statements

Six months ended 30 June 2023

1. General information

STV Group plc (the "Company") is a public limited company incorporated and domiciled in Scotland and listed on the London Stock Exchange. The address of the registered office is Pacific Quay, Glasgow, G51 1PQ.

The principal activities of the Company and its subsidiaries (together "the Group") are the production and broadcasting of television programmes, provision of internet services and the sale of advertising airtime and space in these media.

These condensed interim financial statements were approved for issue on 5 September 2023 and have been reviewed, not audited. They do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 7 March 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

2. Basis of preparation

These unaudited condensed interim financial statements for the six months ended 30 June 2023 have been prepared based on the policies set out in the 2022 annual financial statements and in accordance with UK adopted IAS 34 and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. These should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022 which were prepared in accordance with United Kingdom adopted international accounting standards. The condensed interim financial statements and the annual report are available on the Group's website at www.stv.plc/tv.

The annual financial statements for the year to 31 December 2023 will be prepared in accordance with United Kingdom adopted international accounting standards.

Going concern

At 30 June 2023, the Group was in a net debt position (excluding lease liabilities) of £16.3m comprising drawdowns under its banking facility of £20.3m partially offset by gross cash balances of £4.0m. The Group is in a net current asset position and generates cash from operations that enables the Group to meet its liabilities as they fall due, and other obligations.

The Group's banking facilities at the interim balance sheet date comprised a £60m revolving credit facility, with a £20m accordion, maturing in March 2026. The key financial covenants are leverage (net debt to EBITDA), which must be less than 3 times, and interest cover, which must be greater than 4 times. At 30 June 2023, the Group's leverage was 0.6 times and its interest cover was 24.3 times, both well within covenant limits. The facility that remained available to the Group at 30 June 2023 was £34m plus the £20m accordion (31 December 2022: £28m plus the £20m accordion).

The acquisition of Greenbird Media in July 2023 will further diversify the Group's earnings and materially enhance the future growth prospects of STV Studios. The Group funded the acquisition entirely from its existing banking arrangements, and to provide additional liquidity headroom it accessed £10m from the accordion, although the Group does not currently anticipate using this incremental facility. The Group's forecasts have been updated to include the payment of investment capital (which resulted in net debt for the enlarged Group of c.£32m immediately on completion) and the projected results of the acquired entities, which shows that the Group will

continue to be able to operate within the level of its current available funding and financial covenants. Please see note 22 for further details on this post balance sheet event.

As part of the going concern review, the Group considers forecasts of the advertising market, from which the Group generates a material portion of its cash inflows, as well as its prospects in the programme production market, to determine the impact on liquidity. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, and including the impact of acquiring Greenbird Media, show that the Group will be able to operate within the level of its current available funding and financial covenants.

The Directors performed a full review of principal risks and uncertainties during 2022 as part of its process to review and approve the three-year plan covering the period to 31 December 2025. A severe but plausible downside scenario was identified that reflected crystallisation of several risks, principally in relation to advertising revenues and the number and scale of programme commissions. The Group has updated its scenario modelling to incorporate the Greenbird Media business and under this updated scenario, the Group is projected to generate sufficient cash to enable it to continue in operation and remain within covenant levels under the Group banking arrangements. These forecasts also included pension contributions in line with the Schedule of Contributions agreed with the trustees, and any contingent cash payments that would be payable under that mechanism, based on forecast cash flows.

Following completion of these activities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022. There were no changes to accounting standards in the period that had any material impact on the financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. Judgements and estimates

Judgements

In the course of preparing the condensed interim financial statements, no judgements have been made in applying the Group's accounting policies that have had a significant effect on the amounts recognised in the condensed interim financial statements, other than those involving estimation below.

Estimates

The preparation of the Group's condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the condensed interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Inventory

Deferred programme production stock forms part of inventory and is stated in the financial statements at the lower of cost or net realisable value. The key assumption is estimating the likely future revenues for which associated programme costs are expensed in line with. A detailed forecast of future secondary sales is prepared by management based on historic experience and expected future trends. £0.6m was expensed through the income statement in the period (30 June 2022: £0.5m).

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of key assumptions. The assumptions used in determining the projected benefit obligation for pensions include the discount rate and mortality rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each period. This is the rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Regarding mortality, the base tables used are updated every three years (to coincide with triennial valuations) or more frequently when there is evidence of a change in experience. The CMI tables relating to future improvements in mortality are updated when new information is available, usually annually. Other key assumptions for pension obligations are based in part on current market conditions. Refer to note 20 for further disclosure.

5. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks, to varying degrees: currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no changes in any risk management policies since the year end.

6. Seasonality of operations

In line with the UK advertising market, the autumn season provides the Group with its highest level of revenues, as trading picks up from the quieter summer months. The Studios division delivers the majority of the volume of its programmes to commissioners in the second half of the year. However, in the current period, Studios partially delivered two significant drama series, which has resulted in a material increase in revenue of £20.3m to £27.2m for the division in the six months ended 30 June 2023 (£6.9m in the 6 month period to June 2022). This is almost 70% of the original target revenues for 2023 of £40m for the Studios division. Following the Greenbird Media acquisition in July 2023, the Group expects revenues for the Studios division to be between £70m - £75m for the full financial year.

7. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is by product. The Group's reportable segments, which remain the same as the prior year, are Broadcast, Digital and Studios.

Six months	Broadcast		Digital		Studios		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue								
Sales	42.4	50.8	10.1	9.2	27.3	7.0	79.8	67.0
Inter-segment sales	(4.4)	(4.8)	-	-	(0.1)	(0.1)	(4.5)	(4.9)
Segment revenue	38.0	46.0	10.1	9.2	27.2	6.9	75.3	62.1
Segment result								
Adjusted operating profit	4.9	10.7	5.0	4.0	0.1	(1.0)	10.0	13.7
Unallocated corporate expenses							(2.0)	(1.8)
Adjusted operating profit							8.0	11.9
Exceptional items (note 8)							(2.8)	-
Finance costs							(2.3)	(1.3)
HETV tax credits							(5.2)	-
Share of loss in associate							(0.1)	-
(Loss)/profit before tax							(2.4)	10.6
Tax credit/(charge)							5.7	(2.2)
Profit for the period							3.3	8.4

Adjusted operating profit (as shown above) is the statutory operating profit before exceptional items and includes High-End Television (HETV) tax credits receivable. The HETV tax credits relate solely to the Studios operating segment.

The only significant changes in total assets from the amount disclosed in the last annual financial statements are due to the seasonality of operations, both in terms of the advertising market and delivery of programmes. Please see note 6 for further details.

8. Exceptional items and reconciliation of statutory results to adjusted results

In reporting financial information, the Group presents alternative performance measures (APMs) which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

The Group makes certain adjustments to the statutory profit measures to exclude the effects of exceptional items and adjust for other material amounts that it believes are distortive to the underlying trading performance of the Group.

By presenting these alternative performance measures, the Group believes it is providing additional insight into the performance of the business that may be useful to stakeholders.

Below sets out a reconciliation of the statutory results to the adjusted results:

	2023			2022		
	Operating profit	Profit before tax	Basic EPS	Operating Profit	Profit before tax	Basic EPS
	£m	£m	pence	£m	£m	pence
Statutory result	-	(2.4)	7.2p	11.9	10.6	18.7p
Exceptional items (see below)	2.8	2.8		-	-	
IAS 19 net finance costs	-	1.3		-	0.6	
High-End Television tax credit	5.2	5.2		-	-	
Adjusted results	8.0	6.9	14.8p	11.9	11.2	20.0p

Exceptional items

On 8 December 2022, the Group announced an extended partnership with ITV for digital content and national VOD advertising sales representation. The agreement is effective from 1 January 2023 and one-off costs incurred as part of the agreement reached have been presented as exceptional in the current year. The Group did not incur any material exceptional costs or generate exceptional income in the prior year interim period.

IAS 19 net finance costs

IAS19 related items, principally the net interest expense included in the income statement, are excluded from non-statutory measures as they are non-cash items that relate to historical defined benefit pension schemes. The increase in the net finance cost in the year is due to the increase in the discount rate applied.

High-End Television tax credit

The Group meets the eligibility criteria to claim HETV tax relief through the production of certain dramas created in its Studios division. This incentive was introduced in the UK to support the creative industries and is a critical factor when assessing the viability of investment decisions in the production of high-end drama programmes. These production tax credits are reported within the total tax charge in the condensed interim income statement in accordance with IAS 12. However, STV considers the HETV tax credits to be a contribution to production costs and therefore more aligned to working capital in nature. Therefore, the adjusted results for the Group reflect these credits as a contribution to operating cost and not a tax item. This presentation is also consistent with the reform of HETV tax credits to Audio-Visual Expenditure Credits which will be available for application from 1 January 2024. HETV tax credits totalling £5.2m has been recognised in the period in regard to two qualifying drama productions; Screw series 2 and Criminal Record. There were no HETV tax credits claimed in the prior period.

The cash impact from the above adjusted items in the interim period, is an operating cash outflow of £2.8m in relation to the exceptional items. This is included within the operating profit in note 19. There was no cash impact from the adjusted items in the prior period.

9. Tax credit/(charge)

	Six months 2023 £m	Six months 2022 £m
The credit/(charge) for taxation is as follows:		
Charge for the period before exceptional items	(0.1)	(2.2)
Tax effect on exceptional items	0.6	-
High-end television tax credit	5.2	-
Credit/(charge) for the period	5.7	(2.2)

The tax on the results for the six month period is charged at the rate that represents the best estimate of the average annual effective tax rate (ETR) expected for the full year, applied to the pre-tax result for the six month period. This excludes any impact of the post period end acquisition of Greenbird Media.

The ETR on the profit before exceptional items, has been charged at 23.7% (30 June 2022: 20.2%), which is in line with the pro-rated standard rate of 23.5%. The ETR on exceptional items in the period was -23.5%.

On 3 March 2022, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The 25% rate was substantively enacted on 10 June 2022. The deferred tax assets at 30 June 2023 have been measured using the rates that apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

10. Earnings per share

The calculation of earnings per share is based on earnings after tax and the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held for use by the STV Employee Benefit Trust.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of the weighted average of dilutive potential ordinary shares. The Group has one type of dilutive potential ordinary share namely share options granted to employees.

The adjusted earnings per share figures have also been calculated based on earnings before adjusting items that are significant in nature and/or quantum and therefore considered to be distortive. The adjusting items include the impact of operating and non-operating exceptional items and the IAS 19 net financing cost; as well as the tax adjustments relating to these items. Adjusted earnings per share have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

Earnings per share	Six months 2023 Pence	Six months 2022 Pence
Basic earnings per share	7.2p	18.7p
Diluted earnings per share	7.0p	18.2p
Adjusted basic earnings per share	14.8p	20.0p
Adjusted diluted earnings per share	14.4p	19.5p

The following reflects the earnings and share data used in the calculation of earnings per share:

	Six months 2023	Six months 2022
Earnings	£m	£m
Profit for the period attributable to equity shareholders	3.3	8.5
Exceptional items (net of tax)	2.2	-
Excluding IAS 19 financing cost	1.3	0.6
Adjusted profit	6.8	9.1

	Million	Million
Weighted average number of ordinary shares in issue	45.8	45.5
Dilution due to share options	1.5	1.1
Total weighted average number of ordinary shares in issue	47.3	46.6

11. Dividends

A dividend of £3.4m relating to the year ended 31 December 2022 was paid from the parent company's accumulated realised profits in May 2023. (30 June 2022: final dividend relating to the year ended 31 December 2021 of £3.3m, paid in May 2022).

An interim dividend of 3.9p per share has been proposed and is subject to approval by the Board of Directors. It is payable on 2 November 2023 to shareholders who are on the register at 22 September 2023. This interim dividend, amounting to £1.8m has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2023.

12. Intangible assets

During the six months ended 30 June 2023, the Group incurred expenditure of £0.1m on web development (£0.5m in the year to 31 December 2022; £0.3m in the six months ended 30 June 2022). There were no disposals in the current period and in the year ended 31 December 2022.

13. Property, plant and equipment and right-of-use assets

During the six months ended 30 June 2023, the Group incurred expenditure of £0.4m on property, plant and equipment (£3.4m in the year ended 31 December 2022; £1.9m in the six months ended 30 June 2022). There were no disposals in the current period and for the year ended 31 December 2022.

During the six months ended 30 June 2023, the Group did not have any additions of right-of-use assets (£nil in the year ended 31 December 2022; £nil in the six months ended 30 June 2022). There were no disposals in the current period and for the year ended 31 December 2022.

14. Deferred tax asset

At 30 June 2023, total deferred tax assets of £20.6m were recognised on the balance sheet (31 December 2022: £21.9m). Of this, £13.8m relates to the deficit on the Group's defined benefit pension schemes (31 December 2022: £15.7m) and the balance of £6.8m relates to tax losses, accelerated capital allowances and short-term timing differences (31 December 2022: £6.2m)

15. Inventory

	30 June 2023	31 December 2022
	£m	£m
Deferred programme production stock	12.3	12.0
Programme production work in progress	21.4	35.0
	33.7	47.0

16. Trade and other receivables

	30 June 2023	31 December 2022
	£m	£m
Trade receivables	13.0	22.6
Prepayments and contract assets	11.9	12.8
Other receivables	6.9	5.5
Income tax recoverable	5.8	0.5
	37.6	41.4
Amounts included in current assets	37.1	39.9
Amounts included in non-current assets	0.5	1.5
	37.6	41.4

17. Borrowings

At the balance sheet date, the Group had a £60m revolving credit facility (RCF) in place, with a £20m accordion, maturing in March 2026. Total gross borrowings as at the balance sheet date were £20.3m (31 December 2022 - £26.4m). The principle financial covenants are the ratio of net debt to EBITDA (which must be below 3 times) and interest cover (which must be higher than 4 times). Post period end, the Group increased its RCF facility by £10m to £70m through accessing its accordion, to provide additional liquidity headroom on completion of the Greenbird Media acquisition. Please refer to note 22 for further information.

18. Share capital

Issued share capital at 30 June 2023 and 31 December 2022 amounted to £23.3m relating to 46,722,499 ordinary shares with a par value of £0.50 per share. All issued shares are fully paid.

19. Notes to the condensed interim statement of cash flows

	Six months 2023 £m	Six months 2022 £m
Operating profit	-	11.9
Adjustments for:		
Depreciation on property, plant and equipment	1.2	1.3
Amortisation of intangible assets	0.3	0.5
Amortisation of right-of-use assets	0.7	0.7
Share based payments	0.3	0.1
Decrease/(increase) in inventories	13.3	(4.7)
Decrease in trade and other receivables	6.8	2.5
Decrease in trade and other payables	(16.2)	(1.6)
Cash generated by operations	6.4	10.7

Net debt reconciliation

	Long-term borrowings £m	Cash and cash equivalents £m	Net debt £m	Lease liabilities £m	Net debt including lease liabilities £m
At 1 January 2023	(26.4)	11.3	(15.1)	(19.6)	(34.7)
Cash flows	6.2	(7.3)	(1.1)	1.0	(0.1)
Non-cash movements (i)	(0.1)	-	(0.1)	(0.2)	(0.3)
At 30 June 2023	(20.3)	4.0	(16.3)	(18.8)	(35.1)

(i) Non-cash movements relate to the amortisation of borrowing costs (for long-term borrowings) and interest charged on lease liabilities.

20. Retirement benefit schemes

The fair value of the assets and the present value of the liabilities in the Group's defined benefit pension schemes at each balance sheet date was:

	At 30 June 2023 £m	At 31 December 2022 £m
Defined benefit scheme obligations	(331.3)	(352.9)
Defined benefit scheme assets	276.3	289.8
Net pension deficit	(55.0)	(63.1)

The reduction in the net pension deficit is largely driven by an increase in the discount rate due to a rise in corporate bond yields over the period, partly offset by the reduction in the market value of scheme assets. The reduction in scheme assets was in part a result of the hedging strategies of the scheme to hedge inflation and interest rate risk to protect the scheme's funding positions and level of contributions due to the schemes.

Assumptions used to estimate the scheme obligations

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions in the UK and are as follows:

	At 30 June 2023	At 31 December 2022
	%	%
Rate of increase in salaries	nil	nil
Rate of increase of pensions in payment	3.40	3.45
Discount rate	5.35	4.85
Rate of price inflation (RPI)	3.40	3.45

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each scheme and are reflected in the table below (average life expectations in years of a pensioner retiring at age 65).

	At 30 June 2023	At 31 December 2022
Retiring at balance sheet date:		
Male	20.6	20.9
Female	22.8	23.1
Retiring in 25 years		
Male	21.8	22.1
Female	24.1	24.4

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 3%
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by 1%
Rate of mortality	Decrease by 1 year	Decrease by 4%

These sensitivities have been calculated to show the movement in the defined benefit obligations in isolation, and assuming no other changes in market conditions at the balance sheet date.

Funding arrangements

Deficit recovery plans, which end on 31 October 2030, were agreed in 2022 with aggregate monthly payments unchanged from the previous recovery plans. The 2023 deficit recovery payments will total £9.7m, with annual payments increasing at the rate of 2% per annum over the term of the recovery plans. A contingent cash mechanism is also in place, which triggers contingent funding payments equivalent to 20% of any outperformance above a benchmark of available cash to be paid to the schemes. There was no additional contingent payment made to the schemes in the six month period to 30 June 2023 (£2.4m in the six months ended 30 June 2022).

21. Transactions with related parties

As disclosed in the 2022 Annual report, the Group provided programme production financing of £3.0m to Two Cities Television Limited to cash flow the production of *Blue Lights*, a drama series commissioned by the BBC. The full amount has been repaid in the period. A working capital loan of £0.2m was also provided to the associate in 2022, with a further £0.6m provided in the current interim period. The total outstanding balance owed to the Group, including interest, is £0.9m at the balance sheet date.

The Group provided advertising with an estimated fair value of £0.2m (2022: £0.1m) for nil consideration to the charity organisation STV Appeal.

22. Post balance sheet events

On 6 July 2023, the Group acquired 100% of the issued share capital of unscripted television production network Greenbird Media Limited ("Greenbird") for a total cash consideration of approximately £24m, of which £21.4m was paid on completion. The initial payment made was allocated £9.9m for the acquisition of shares, equivalent to 86% of the equity, and £11.5m invested to settle convertible loan instruments provided by the previous majority shareholder. Amounts deferred in relation to the balance of 14% of the equity, estimated to be £1.6m, are payable to the founders based on agreed EBITDA targets for the acquired businesses over the two years ending 31 December 2024, and will be recognised as remuneration over that period. The remaining deferred amounts relate to consideration payable of £1.2m for surplus cash balances held by the majority subsidiary companies acquired at completion. This will be paid to the previous shareholders at the point in future when STV, through Greenbird, owns 100% of their equity or when monies are distributed via dividends by them to Greenbird. Acquisition related costs of c.£1m were incurred in relation to the transaction and will be recognised in H2.

The Group funded the acquisition entirely from its existing banking arrangements, and to provide additional liquidity headroom it accessed £10m from its accordion (bringing the total banking facility to £70m with a further £10m accordion available), although the Group does not currently anticipate using this incremental facility. The Group's net debt immediately following completion of the acquisition was c.£32m, including c.£6m of cash balances in the Greenbird entities.

Due to the recent timing of the acquisition, the Group is in the early stages of its fair value assessment of the assets acquired and liabilities assumed and has not yet finalised the accounting for the business combination. It expects to complete its assessment in the second half of 2023. The carrying value of the net assets acquired at the date of acquisition was £4.7m.

Goodwill represents the value placed on the opportunity to materially enhance the future growth prospects of STV Studios creatively, commercially, and internationally. This will be calculated as the fair value of the consideration transferred, plus the amount of non-controlling interest, less the net of the fair value of the identifiable assets acquired and liabilities assumed. The value of goodwill will be adjusted by a corresponding amount for the value of intangible assets identified and the difference between the market and book values of the assets and liabilities.

Performance-based employment-linked earnouts will be accrued over the period the founders are required to remain with the business.

In July 2023, the Group acquired a further 15% stake in quiz show producer Mighty Productions for consideration of £0.3m to take the total investment stake held by the Group to 40%.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge, these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year and
- Material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of STV Group plc are listed in the Annual Report and Accounts for 31 December 2022, with the exception of the following changes in the period:

- Anne Marie Cannon (resigned 27 April 2023)
- Naomi Wendy Climer (appointed 30 May 2023)

A list of current directors is maintained on the STV plc website: www.stvplc.tv

For and on behalf of the Board:

Lindsay Dixon
Chief Financial Officer
Date: 5 September 2023

Independent review report to STV Group plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 22.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor
Glasgow, United Kingdom
Date: 5 September 2023