Condensed interim income statement
Six months ended 30 June 2018

		Note	**Six months 2018 £m Unaudited**	Six months 2017 £m Unaudited
Revenue		7	**57.7**	54.6
Net operating expenses			**(60.5)**	(45.4)
Operating (loss)/profit			**(2.8)**	9.2
Analysed as:				
Operating profit before exceptional items			**10.0**	9.2
Exceptional items		8	**(12.8)**	-
Operating (loss)/profit			**(2.8)**	9.2
Finance costs	- borrowings	9	**(0.6)**	(0.5)
	- IAS 19 pension	9	**(0.9)**	(1.2)
			(1.5)	(1.7)
(Loss)/profit before tax			**(4.3)**	7.5
Tax credit/(charge)		10	**0.1**	(1.2)
(Loss)/profit for the period			**(4.2)**	6.3
Earnings per share				
Basic		11	**(10.9p)**	16.2p
Diluted		11	**(10.9p)**	15.9p

A reconciliation of the statutory results to the adjusted results is included at note 21.

Condensed interim statement of comprehensive income
Six months ended 30 June 2018

	Six months 2018 £m Unaudited	Six months 2017 £m Unaudited
(Loss)/profit for the period	**(4.2)**	6.3
Items that will not be reclassified to profit or loss:		
Re-measurement gains on defined benefit pension schemes	**7.9**	2.9
Deferred tax charge	**(1.4)**	(0.5)
Other comprehensive income for the period	**6.5**	2.4
Total comprehensive income for the period	**2.3**	8.7

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

Condensed interim balance sheet
As at 30 June 2018

	Note	**30 June 2018 £m Unaudited**	31 December 2017 £m Audited
Non-current assets			
Property, plant and equipment	13	**8.3**	8.6
Intangible assets	14	**1.9**	2.6
Investments		**1.2**	1.4
Deferred tax asset		**17.2**	18.4
Trade and other receivables	15	**5.1**	8.2
		33.7	39.2
Current assets			
Inventories		**20.8**	20.6
Trade and other receivables		**23.5**	26.7
Cash and cash equivalents		**2.7**	6.1
		47.0	53.4
Total assets		**80.7**	92.6
Equity attributable to owners of the parent			
Ordinary shares	17	**19.6**	19.7
Share premium	17	**101.9**	101.9
Capital redemption reserve		**0.2**	0.1
Merger reserve		**173.4**	173.4
Other reserve		**0.9**	0.7
Accumulated losses		**(338.1)**	(334.1)
Total equity		**(42.1)**	(38.3)
Non-current liabilities			
Borrowings	16	**40.5**	41.6
Retirement benefit obligations	19	**59.3**	70.6
Provisions		**0.1**	0.1
		99.9	112.3
Current Liabilities			
Trade and other payables		**20.6**	17.5
Current tax liabilities		**0.6**	0.9
Provisions		**1.7**	0.2
		22.9	18.6
Total liabilities		**122.8**	130.9
Total equity and liabilities		**80.7**	92.6

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

Condensed interim statement of changes in equity
Six months ended 30 June 2018

	Equity attributable to owners of the parent						
	Ordinary shares £m	**Share premium £m**	**Capital redemption reserve £m**	**Merger reserve £m**	**Other reserve £m**	**Accumulated losses £m**	**Total equity £m**
Balance at 1 January 2018	19.7	101.9	0.1	173.4	0.7	(334.1)	(38.3)
Loss for the period	-	-	-	-	-	(4.2)	(4.2)
Other comprehensive income	-	-	-	-	-	6.5	6.5
Total comprehensive income for the period	-	-	-	-	-	**2.3**	**2.3**
Acquisition of treasury shares	-	-	-	-	-	(1.3)	(1.3)
Shares bought back on-market and cancelled	(0.1)	-	0.1	-	-	(0.2)	(0.2)
Share based compensation	-	-	-	-	0.2	-	0.2
Value of employee services	-	-	-	-	-	(0.2)	(0.2)
Dividends	-	-	-	-	-	(4.6)	(4.6)
Balance at 30 June 2018 (unaudited)	**19.6**	**101.9**	**0.2**	**173.4**	**0.9**	**(338.1)**	**(42.1)**
Balance at 1 January 2017	19.8	101.9	-	173.4	0.4	(348.5)	(53.0)
Profit for the period	-	-	-	-	-	6.3	6.3
Other comprehensive income	-	-	-	-	-	2.4	2.4
Total comprehensive income for the period	-	-	-	-	-	**8.7**	**8.7**
Acquisition of treasury shares	-	-	-	-	-	(1.4)	(1.4)
Share based compensation	-	-	-	-	0.2	-	0.2
Issue of treasury shares to employees	-	-	-	-	-	0.1	0.1
Value of employee services	-	-	-	-	-	(0.2)	(0.2)
Dividends	-	-	-	-	-	(4.3)	(4.3)
Balance at 30 June 2017 (unaudited)	**19.8**	**101.9**	**-**	**173.4**	**0.6**	**(345.6)**	**(49.9)**

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

Condensed interim statement of cash flows
Six months ended 30 June 2018

	Note	**Six months 2018 £m Unaudited**	Six months 2017 £m Unaudited
Operating activities			
Cash generated by operations	18	**10.0**	4.0
Interest paid		**(0.5)**	(0.3)
Refinancing fees paid		**(0.2)**	-
Taxes paid		**(0.3)**	-
Pension deficit funding - recovery plan payment		**(4.4)**	(3.6)
Net cash generated in operating activities		**4.6**	0.1
Investing activities			
Capitalised web development spend		**(0.1)**	(0.3)
Purchase of property, plant and equipment		**(0.6)**	(1.7)
Sale of investments		**0.2**	-
Net cash used in investing activities		**(0.5)**	(2.0)
Financing activities			
Net purchase of treasury shares		**(1.3)**	(1.3)
Share buyback		**(0.6)**	-
Net borrowings repaid		**(1.0)**	(3.0)
Dividend paid	12	**(4.6)**	(4.3)
Net cash used in financing activities		**(7.5)**	(8.6)
Net decrease in cash and cash equivalents		**(3.4)**	(10.5)
Net cash and cash equivalents at beginning of period		**6.1**	13.3
Net cash and cash equivalents at end of period		**2.7**	2.8

Although not required under IFRS the directors have provided the following reconciliation of net debt for further clarity. The net debt represents Group borrowings less cash and cash equivalents.

Reconciliation of movement in net debt
Six months ended 30 June 2018

	Six months 2018 £m	Six months 2017 £m
Opening net debt	**(35.5)**	(26.4)
Net decrease in cash and cash equivalents in the period	**(3.4)**	(10.5)
Net movement in debt financing	**1.1**	2.9
Closing net debt	**(37.8)**	(34.0)

Notes to the condensed set of financial statements
Six months ended 30 June 2018

1. General information

STV Group plc ("the Company") and its subsidiaries (together "the Group") is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of the registered office is Pacific Quay, Glasgow, G51 1PQ. The principal activities of the Group are the production and broadcasting of television programmes, internet services and the sale of advertising airtime and space in these media and lottery management services.

These condensed interim financial statements were approved for issue on 4 September 2018 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 2017 were approved by the board of directors on 13 March 2018 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 condensed interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS34, 'Interim financial reporting', as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern basis

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The directors therefore consider it appropriate to continue to adopt the going concern basis in preparing its condensed interim financial statements.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017.

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

Apart from the adoption of IFRSs 9 and 15, which are described below, other changes to accounting standards in the current year had no material impact.

The determination of the provision relating to the ELM debtor (note 8) would have been the same under IAS 39 as it is under IFRS 9 'Financial instruments'.

IFRS 15 'Revenue from contracts with customers' has resulted in a change in policy but has no material impact on the results. The policy change means that revenue is now recognised on secondary sales at the licence commencement date rather than when the sale has occurred.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in estimates that are required in determining the provision for income taxes.

5. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: 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 as at 31 December 2017.

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 as a whole, the autumn season provides the Group with the highest level of revenues. The Productions business also delivers the majority of its programmes to broadcasters in the second half of the year.

7. Business segments

The Group's Chief Executive, the chief operating decision maker, considers the business primarily from a product perspective. Under IFRS 8, the reportable segments are Broadcast, Digital, Productions and ELM (external lottery management).

The performance of the segments is assessed based on a measure of adjusted operating profit.

	External sales	
Segment revenues	**Six months 2018 £m**	Restated Six months 2017 £m
Broadcast	**46.5**	44.9
Digital	**4.7**	3.8
Productions	**3.7**	2.6
ELM	**2.8**	3.3
	57.7	54.6

Segment result	**Six months 2018 £m**	Restated Six months 2017 £m
Broadcast	**9.1**	9.3
Digital	**2.1**	1.3
Productions	**(1.2)**	(1.4)
ELM	**-**	-
Operating profit (pre-exceptionals)	**10.0**	9.2
Exceptional provision attributable to ELM	**(4.2)**	-
Exceptional reorganisation cost attributable to Group	**(7.8)**	-
Exceptional loss on sale of STV2 attributable to Group	**(0.8)**	-
Operating (loss)/profit	**(2.8)**	9.2
Financing	**(1.5)**	(1.7)
(Loss)/profit before tax	**(4.3)**	7.5
Tax credit/(charge)	**0.1**	(1.2)
Loss/(profit) attributable to owners of the parent	**(4.2)**	6.3

Since the last annual financial statements, there has been a change in the basis of segmentation. The previous Consumer segment has been further broken down into Broadcast and Digital and as such the 2017 figures have been restated.

See note 22 for a summary of the results under the previous divisional reporting basis.

There has been no significant change in total assets from the amount disclosed in the last annual financial statements.

8. Exceptional items

Reorganisation cost

A provision of £7.8m has been recognised during the period in relation to restructuring within the business. The restructure was mainly as a result of the closure of STV2. The £7.8m includes a non-cash writedown of stock and assets of £4.9m.

Loss on sale of STV2

The disposal of the STV2 companies to That's Media Limited on 30 June resulted in a loss on sale of £0.8m. The loss on sale includes a non-cash writedown of stock and assets of £0.7m.

ELM debtor

An additional £4.2m provision has been recorded during the period in relation to the ELM debtor. In line with IFRS 9, management have reflected the most recent trends in ticket sales and updated future forecasts which result in a significantly slower repayment profile and increased credit risk for the debtor than previously anticipated. As a result, the provision has been increased by £4.2m to £5.0m.

9. Finance costs

	Six months 2018 £m	Six months 2017 £m
Bank borrowings	**0.6**	0.5
IAS 19 Pension finance charge	**0.9**	1.2
Finance costs	**1.5**	1.7

10. Tax

	Six months 2018 £m	Six months 2017 £m
The (credit)/charge for taxation is as follows:		
Charge for the year	**1.5**	1.2
Tax effect on exceptional items	**(1.6)**	-
	(0.1)	1.2

Tax on the results for the six month period is charged at 18% (30 June 2017: 16%) representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax profit of the six month period. The tax charge is lower than the standard rate of 19% due to use of brought forward losses not recognised for deferred tax and the impact of the anticipated reduction in the statutory rate of corporation tax on the realisation of deferred tax assets in the current period.

11. Earnings per share

	(Results)/ earnings £m	**Six months 2018 Weighted average number of shares (m)**	**Per share Pence**	Earnings £m	Six months 2017 Weighted average number of shares (m)	Per share Pence
EPS:						
(Results)/earnings attributable to ordinary shareholders	**(4.2)**	**38.6**	**(10.9p)**	6.3	38.9	16.2p
Basic EPS	**(4.2)**	**38.6**	**(10.9p)**	6.3	38.9	16.2p
Potential dilutive shares*		**-**			0.6	
Diluted EPS	**(4.2)**	**38.6**	**(10.9p)**	6.3	39.5	15.9p
EPS (pre-exceptional items and pre-IAS 19):						
Earnings attributable to ordinary shareholders (pre-exceptional items)	**7.0**	**38.6**	**18.1p**	6.3	38.9	16.2p
Add back: IAS 19 (net of tax at effective rate)	**0.7**			1.2		2.6p
EPS	**7.7**	**38.6**	**20.0p**	7.5	38.9	18.8p
Potential dilutive shares		**0.7**			0.6	
EPS	**7.7**	**39.3**	**19.6p**	7.5	39.5	18.4p

* As the Group has reported a basic loss per ordinary share for the six months ended 30 June 2018, any potential ordinary shares are anti-dilutive and so excluded from the calculation of diluted loss per share. These options could potentially dilute earnings per share in the future periods.

12. Dividends

A dividend of £4.6m (2017: £4.3m) which relates to the year ended 31 December 2017 was paid in May 2018.

An interim dividend of 6.0p per share (2017: 5.0p per share) has been proposed and is subject to approval by the board of directors. It is payable on 31 October 2018 to shareholders who are on the register at 21 September 2018. This interim dividend, amounting to £2.4m (2017: £2.0m), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 31 December 2018.

13. Property, plant and equipment

During the six months to 30 June 2018, the Group has incurred expenditure of £0.6m on property, plant and equipment (£2.9m in the year to 31 December 2017; £1.7m in the six months to 30 June 2017). The net disposals amount to £0.1m (£nil in the year to 31 December 2017; £nil in the six months to 30 June 2017).

14. Other intangible assets

During the six months to 30 June 2018, the Group has incurred expenditure of £0.1m on web development (£0.5m in the year to 31 December 2017; £0.3m in the six months to 30 June 2017). The net disposals amount to £0.4m (£nil in the year to 31 December 2017; £nil in the six months to 30 June 2017).

15. Trade and other receivables

Trade and other receivables of £5.1m (31 December 2017: £8.2m), included within non-current assets, relates to debt due to ELM (the lottery management company) from the Scottish Children's Lottery and will be recovered from 2019 onwards. The £5.1m debtor is net of an expected credit loss impairment of £5.0m. In line with IFRS 9, management have reflected the most recent trends in ticket sales and updated future forecasts which result in a significantly slower repayment profile and increased credit risk for the debtor than previously anticipated. As a result, the provision has been increased by £4.2m to £5.0m.

16. Borrowings and loans

At 30 June 2018, the Group had revolving credit and overdraft bank facilities in place totalling £60.0m (£60.0m at 31 December 2017; £60.0m at 30 June 2017). At 30 June 2018, £41.0m of the facility was drawn down (2017: £37.0m).

The £60.0m revolving credit and overdraft facility has a maturity date of June 2022. Security is provided to the debt providers by way of cross guarantees and a share pledge.

17. Share capital and share premium

	Number of shares (thousands)	**Ordinary shares £m**	**Share premium £m**	**Total £m**
At 1 January 2018	39,367	19.7	101.9	121.6
Shares bought back on-market and cancelled	(175)	(0.1)	-	(0.1)
At 30 June 2018	**39,192**	**19.6**	**101.9**	**121.5**

18. Notes to the condensed interim statement of cash flows

	Six months 2018 £m	Six months 2017 £m
Operating profit	**(2.8)**	9.2
Add back : exceptionals	**12.8**	-
Operating profit (excluding exceptionals)	**10.0**	9.2
Adjustments for:		
Depreciation on property, plant and equipment	**0.8**	0.8
Amortisation of intangible assets	**0.4**	0.4
Share based compensation	**0.2**	0.1
EBITDA pre-exceptional	**11.4**	10.5
Increase in inventories	**(5.2)**	(0.7)
Decrease in trade and other receivables (excluding ELM)	**2.7**	2.2
Decrease in trade and other payables (excluding ELM)	**(0.9)**	(5.2)
(Decrease)/increase in ELM trade and other receivables	**2.9**	(2.2)
Decrease in ELM trade and other payables	**(0.3)**	(0.6)
Underlying cash generated by operations	**10.6**	4.0
Exceptional reorganisation costs	**(0.9)**	-
Exceptional net cash received on sale of STV2	**0.3**	-
Cash generated by operations	**10.0**	4.0

Analysis of movements in net debt

	At 1 January 2018 £m	Cash flow £m	Non-cash movements £m	**At 30 June 2018 £m**
Cash and cash equivalents	6.1	(3.4)	-	**2.7**
Bank borrowings	(41.6)	1.2	(0.1)	**(40.5)**
Net debt	(35.5)	(2.2)	(0.1)	**(37.8)**

Covenant EBITDA reconciliation

Statutory results are adjusted below for the net debt : EBITDA ratio on a covenant basis. They are adjusted to reflect the underlying performance of the business, providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

	Six months 2018 £m	Six months 2017 £m
Operating profit	**10.0**	9.2
Depreciation and amortisation	**1.2**	1.2
Post-employment benefit charges	**1.3**	1.2
Non-cash and other adjustments	**0.9**	1.0
Covenant EBITDA	**13.4**	12.6

19. Retirement benefit schemes

The fair value of the assets in the schemes and the present value of the liabilities in the schemes at each balance sheet date was:

	At 30 June 2018 £m	At 31 December 2017 £m
Fair value of plan assets	**358.1**	369.4
Present value of defined benefit obligations	**(417.4)**	(440.0)
Liability in the balance sheet	**(59.3)**	(70.6)

A related offsetting deferred tax credit of £10.1m is shown under non-current assets. Therefore the net pension scheme deficit amounts to £49.2m at 30 June 2018 (£58.6m at 31 December 2017).

20. Transactions with related parties

There has been no change from the 2017 Annual Report and no transactions with any related parties in the period to 30 June 2018.

21. Reconciliation of statutory results to adjusted results

Statutory results are adjusted to reflect the underlying performance of the business, providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

	2018			2017		
	Profit before tax £m	Basic EPS pence	Diluted EPS pence	Profit before tax £m	Basic EPS pence	Diluted EPS pence
Post exceptional	(4.3)	(10.9p)	(10.7p)	7.5	16.2p	15.9p
Add back: exceptionals	12.8	29.0p	28.5p	-	-	-
Pre-exceptional	8.5	18.1p	17.8p	7.5	16.2p	15.9p
Add back: IAS 19	0.9	1.9p	1.8p	1.2	2.6p	2.5p
Adjusted results	9.4	20.0p	19.6p	8.7	18.8p	18.4p

Refer comment in note 11 with respect to Diluted EPS.

22. Previous divisional reporting basis summary

	Turnover		**Operating profit**	
	2018 £m	2017 £m	2018 £m	2017 £m
Consumer	51.2	48.7	10.7	10.1
Productions	3.7	2.6	(0.7)	(0.9)
ELM	2.8	3.3	-	-
	57.7	54.6	10.0	9.2

Independent review report to STV Group plc

Report on the condensed interim financial statements

Our conclusion

We have reviewed STV Group plc's condensed interim financial statements (the "interim financial statements") in the interim results of STV Group plc for the 6 month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed interim balance sheet as at 30 June 2018;
- the condensed interim income statement and condensed interim statement of comprehensive income for the period then ended;
- the condensed interim statement of cash flows for the period then ended;
- the condensed interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Glasgow
4 September 2018