STV Group plc

Unaudited condensed interim income statement
Six months ended 30 June 2023

	Note	2023	2022
		£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 £m	2022 £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
Total comprehensive income for the period	**6.9**	31.5
Attributable to:		
Owners of the parent	**6.9**	31.6
Non-controlling interests	**-**	(0.1)
	6.9	31.5

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.

	Broadcast		Digital		Studios		Total	
Six months	**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:

Earnings	**Six months 2023 £m**	Six months 2022 £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

Number of shares	**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 £m	31 December 2022 £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 £m	31 December 2022 £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