

Registration number: 3089273

ITV Ventures Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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ITV Ventures Limited

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ITV Ventures Limited

Strategic Report for the Year Ended 31 December 2017

The Directors present their Strategic Report for the year ended 31 December 2017.

Principal activity

The principal activity of ITV Ventures Limited ("the Company") continues to be the production, marketing and distribution of a wide range of video products on DVD and related new technologies. The company also licences a range of brands for worldwide merchandise.

Fair review of the business

The results for the Company show a profit for the period of £4,137,774 (2016: profit of £5,948,017). At the balance sheet date the Company had net assets of £49,502,998 (2016: £45,360,820).

Key Performance Indicators

Market share for the ITV DVD label is 1% (2016: 1%)

Market share KPI has been sourced from the British Video Association, a trade body that represents the interest of publishers and rights owners of video home entertainment.

Future developments

The Company continues to respond to the slow decline in the physical UK DVD market by focusing on maximising profit from sales of the existing catalogue, and acquiring new appealing content where it is deemed appropriate from a financial and operational point of view. The company consider itself well positioned to benefit from future developments in digital media.

Principal risks and uncertainties

We consider the following to be the most significant risk factors, relating to the company's operations. The risks listed do not necessarily comprise all those associated with ITV Ventures Limited, and are not set out in any order of priority. Additional risks and uncertainties not presently known, or that the company currently deem immaterial, may also have an adverse effect on its business.

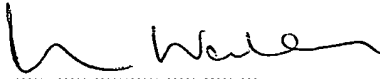
A comprehensive strategic review of the Company's strategy, outlining the development, performance and position of the Company's business can be found in the Strategic Report of the group in the ITV plc Annual Report. The Annual Report of ITV plc is available to the public and may be obtained from www.itvplc.com or the Company Secretary, The London Television Centre, Upper Ground, SE1 9LT.

Risk description	Impact	Mitigation
Lack of volume of programme and brand supply for sales exploitation	Loss of revenue	Continually building new relationship with independent producers and brand owners to source programmes and brand with high appeal. Increased focus on exploiting the existing catalogue in new and traditional media
Retention of key employees	Loss of profit	Incentivisation schemes for key talent
Technology: a move away from DVD to downloads	Loss of profit	Continually building new relationship with online retailers
Technology: a move away from DVD to downloads	Loss of revenue	Working with existing customer base on new technology initiatives as well as DVD

ITV Ventures Limited

Strategic Report for the Year Ended 31 December 2017

Approved by the Board on 7/8/18 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Duncan Walker', written over a dotted line.

Duncan Walker
Director

ITV Ventures Limited

Directors' Report for the Year Ended 31 December 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

Directors of the company

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

Maria Kyriacou

Duncan Walker

Directors' liabilities

The Directors benefit from third party insurance provisions in place during the financial year and at the date of this report.

Dividends

The Directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 December 2017 (2016: £Nil).

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least twelve months from the date of this report. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements (see note 1).

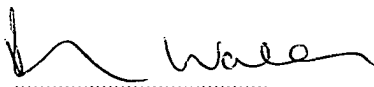
Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor

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

Approved by the Board on 7/8/18 and signed on its behalf by:



.....
Duncan Walker
Director

Registered office

2 Waterhouse Square
140 Holborn
London
EC1N 2AE

ITV Ventures Limited

Statement of Directors' Responsibilities

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

Independent Auditor's Report To The Members Of ITV Ventures Limited

Opinion

We have audited the financial statements of ITV Ventures Limited (the 'Company') for the year ended 31 December 2017, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's Report To The Members Of ITV Ventures Limited

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

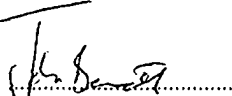
Auditor's responsibilities

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

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

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

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



John Bennett (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 7/8/18

ITV Ventures Limited

Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Revenue	3	12,384	14,283
Cost of sales		<u>(6,479)</u>	<u>(6,669)</u>
Gross profit		5,905	7,614
Administrative expenses		<u>(1,993)</u>	<u>(3,407)</u>
Operating profit	4	3,912	4,207
Interest receivable and similar income	5	<u>230</u>	<u>1,735</u>
Profit before tax		4,142	5,942
Taxation	9	<u>(4)</u>	<u>6</u>
Profit for the year		<u><u>4,138</u></u>	<u><u>5,948</u></u>

The above results were derived from continuing operations.

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

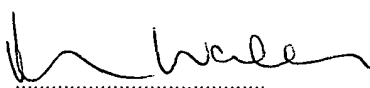
ITV Ventures Limited

(Registration number: 3089273)

Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Intangible assets	11	266	266
Deferred tax assets	9	21	21
		<u>287</u>	<u>287</u>
Current assets			
Inventory	12	482	639
Trade and other receivables	13	64,006	61,335
Cash and cash equivalents	14	-	12
		<u>64,488</u>	<u>61,986</u>
Current liabilities			
Trade and other payables	15	(15,272)	(16,912)
Net current assets		<u>49,216</u>	<u>45,074</u>
Net assets		<u>49,503</u>	<u>45,361</u>
Capital and reserves			
Share capital	18	1,315	1,315
Capital redemption reserve		11,598	11,598
Retained earnings		<u>36,590</u>	<u>32,448</u>
		<u>49,503</u>	<u>45,361</u>

Approved by the Board on 7/8/18 and signed on its behalf by:



Duncan Walker
Director

The notes on pages 10 to 25 form an integral part of these financial statements.

ITV Ventures Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	1,315	11,598	32,448	45,361
Profit for the year	-	-	4,138	4,138
Tax on items taken directly to equity	-	-	4	4
At 31 December 2017	<u>1,315</u>	<u>11,598</u>	<u>36,590</u>	<u>49,503</u>

	Share capital £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	1,315	11,598	26,498	39,411
Profit for the year	-	-	5,948	5,948
Tax on items taken directly to equity	-	-	2	2
At 31 December 2016	<u>1,315</u>	<u>11,598</u>	<u>32,448</u>	<u>45,361</u>

The notes on pages 10 to 25 form an integral part of these financial statements.

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

ITV Ventures Limited (the "Company") is a public company incorporated, domiciled and registered in England in UK. The registered number is 3089273 and the registered address is ITV plc, The London Television Centre, Upper Ground, London, SE1 9LT.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS101 (2014/15 Cycle) issued in July 2015 have been applied.

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

Measurement convention

The financial statements are prepared on the historical cost basis except that the following net assets and liabilities are stated at their fair value; financial instruments classified as fair value through the profit or loss. Non current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Summary of disclosure exemptions

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and
- Disclosures in respect of goodwill or intangibles with an indefinite life.

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

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

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

Going Concern

The Company participates in the Group's intra-group cash pool policy. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to £nil via daily bank transfers to / from ITV plc. The Company is therefore dependent on ITV plc for its funding. The Directors of the Company have no reason to believe that this financial support will not be forthcoming in the event that it is required. On this basis, and on their assessment of the Company's financial position, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least twelve months from the date of this report. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Revenue

Physical DVD Revenue is attributable to the production, marketing and distribution of video products on DVD in the UK and Ireland. It is recognised as the goods are sold. All amounts recognised as revenue are stated net of VAT or equivalent sales taxes and net of rebates and refunds.

Licensing Revenue relates to the worldwide licensing of a range of brands for use on merchandise and by book publishers. It also includes the sub-licensing of DVD rights for titles not exploited in-house.

Digital revenue is earned on the sale of rights for the purposes of exploiting video on demand services.

Licensing and digital revenue is recognised at the point at which the right sold is available for exploitation by the licensee. The right is available when a binding commitment exists with a customer, the product is available for exploitation and the license period has started. Royalties receivable in excess of minimum guarantees are recognised at the point at which such royalties become due and payable to the Company.

Amounts due (to) / from group undertakings

The Company participates in an intra-group cash pool policy with other 100% owned UK subsidiaries of the ITV Group. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to £nil via daily bank transfers to/from ITV plc. These daily transactions create a corresponding intercompany creditor or debtor which can result in significant movements in amounts owed to and from subsidiary undertakings in the Company statement of financial position.

Foreign currency transactions and balances

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

Where the Company transacts in foreign currencies, these transactions are translated into pounds sterling at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into pounds sterling at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in the profit and loss account.

Hedge accounting is implemented on certain foreign currency firm commitments, which allows for the ineffective portion of any foreign exchange gains or losses to be recognised in other comprehensive income.

Where a forward currency contract is used to manage foreign exchange risk and hedge accounting is not applied, any movement in currency is taken to the profit and loss account.

Non-monetary assets and liabilities, measured at historical cost are translated into pounds sterling at the exchange rate on the date of the transaction.

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Tax

The tax charge for the period is recognised in the profit and loss account, the statement of comprehensive income and directly in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax. The calculation of the Company's tax charge involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be fully determined until a resolution has been reached by the relevant tax authority.

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

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

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets, therefore, involves judgement regarding the timing and level of future taxable income.

Property, plant and equipment

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

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over their estimated useful lives. The depreciation charge is sensitive to the estimated useful life of each asset and the expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Asset class	Depreciation method and rate
Vehicles, equipment and fittings	3 - 20 years

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Intangible assets

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

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

Amortisation

Amortisation is charged to the profit and loss account over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Indefinite life assets, such as goodwill, are not amortised but are tested for impairment at each year end.

Asset class	Amortisation method and rate
Goodwill	Not amortised

Goodwill is not subject to amortisation and is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits with a maturity of less than or equal to three months from the date of acquisition, cash held to meet certain finance lease commitments. The carrying value of cash and cash equivalents is considered to approximate fair value.

Trade receivables

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost). Where payments are not due for more than one year, they are shown in the financial statements at their net present value to reflect the economic cost of delayed payment. The Company provides goods and services to substantially all its customers on credit terms.

Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. These estimates include such factors as historical experience, the current state of the UK and overseas economies and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Company will not be able to collect all amounts due.

Inventory

Inventory is stated at the lower of cost and net realisable value.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less estimated costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Trade payables

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of current and non-current trade payables is considered to approximate fair value.

Share capital

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

Defined contribution pension obligation

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

Defined benefit pension obligation

The Company's obligation in respect of the Scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of scheme assets is then deducted. The discount rate used is the yield at the valuation date on high quality corporate bonds of a similar duration to the timing of the future expected benefit payments.

The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid using the projected unit method. This method is an accrued benefits valuation method that makes allowance for projected earnings. These calculations are performed by a qualified actuary.

Actuarial gains and losses are recognised in full in the period in which they arise through the statement of comprehensive income.

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Share based payments

For each of the Company's share-based compensation schemes, the fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the profit and loss account with a corresponding increase in equity.

The fair value of the share options and awards is measured using either market price at grant date or, for the Save as you Earn scheme (SAYE), a Black-Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant Company performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. The estimate is then used to determine the option fair value, discounted to present value. The Group revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, are recognised in the profit and loss account, with a corresponding adjustment to equity.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust.

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

Short-term benefits

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

Termination benefits

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

2 Critical accounting judgements and key sources of estimation uncertainty

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

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

3 Revenue

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

	2017	2016
	£ 000	£ 000
Physical DVD revenue	5,476	7,287
Licensing revenue	3,266	3,965
Digital revenue	3,642	3,031
	<u>12,384</u>	<u>14,283</u>

4 Operating profit

Arrived at after charging/(crediting)

	2017	2016
	£ 000	£ 000
Foreign exchange losses	<u>53</u>	<u>167</u>

5 Other interest receivable and similar income

	2017	2016
	£ 000	£ 000
Interest receivable	230	1,719
Foreign exchange gains	<u>-</u>	<u>16</u>
	<u>230</u>	<u>1,735</u>

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

6 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	814	975
Social security costs	94	114
Pension costs, defined contribution scheme	76	82
Pension costs, defined benefit scheme	10	59
Share-based payment expenses	21	38
	<u>1,015</u>	<u>1,268</u>

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

	2017 No.	2016 No.
Administration	10	12
Sales and Distribution	1	2
	<u>11</u>	<u>14</u>

The Company is a participating employer of the ITV Group Pension. ITV Services Limited is the Principal employer of the Scheme. The full disclosure relating to the ITV Group Pension scheme is publicly available in the Annual Report of ITV plc as well as the publicly available financial statements of ITV Services Limited.

7 Directors' remuneration

The Directors were remunerated by other ITV plc Group companies. The Directors received no remuneration in respect of their qualifying services to the Company (2016: £Nil).

8 Auditor's remuneration

The auditor's remuneration of £500 (2016: £500) was borne by another group Company.

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

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

9 Income tax

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	-	-
Total current income tax	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	4	(6)
Tax expense/(receipt) in the income statement	4	(6)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	4,142	5,942
Corporation tax at standard rate of 19.25% (2016 : 20%)	797	1,188
Effect of expense not deductible in determining taxable profit	(3)	(6)
Group relief claimed	(792)	(1,180)
Increase in current tax from unrecognised temporary difference from a prior period	2	-
UK deferred tax credit relating to changes in tax rates or laws	-	(8)
Total tax charge/(credit)	4	(6)

The Finance Act 2015 provides for a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016, which was substantively enacted on 6 September 2016, provides for a reduction in the main rate of corporation tax to 17% from 1 April 2020 (this supersedes the reduction to 18% which was provided for in the Finance Act 2015). These rate reductions have been reflected in the calculation of deferred tax at the statement of financial position date.

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

9 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000
2017	
Accelerated tax depreciation	6
Share-based payment	15
	<u>21</u>
2016	Asset £ 000
Accelerated tax depreciation	7
Share-based payment	14
	<u>21</u>

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	7	(1)	-	6
Share-based payment	14	(3)	4	15
Net tax assets/(liabilities)	<u>21</u>	<u>(4)</u>	<u>4</u>	<u>21</u>

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	10	(3)	-	7
Share-based payment	3	9	2	14
Net tax assets/(liabilities)	<u>13</u>	<u>6</u>	<u>2</u>	<u>21</u>

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

10 Property, plant and equipment

	Vehicles, equipment and fittings £ 000
Cost or valuation	
At 1 January 2017	15
Disposals	(15)
At 31 December 2017	-
Depreciation	
At 1 January 2017	15
Eliminated on disposal	(15)
At 31 December 2017	-
Carrying amount	
At 31 December 2017	-

11 Intangible assets

	Goodwill £ 000
Cost	
At 1 January 2017	266
At 31 December 2017	266
Carrying amount	
At 31 December 2017	266
At 31 December 2016	266

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

12 Inventory

	31 December 2017 £ 000	31 December 2016 £ 000
Work in progress	177	60
Finished goods and goods for resale	305	579
	<u>482</u>	<u>639</u>

13 Trade and other receivables

	2017 £ 000	2016 £ 000
Trade receivables	3,364	3,774
Amounts due from group undertakings	60,142	55,524
Accrued income	500	995
Other receivables	-	1,042
	<u>64,006</u>	<u>61,335</u>

Included in amounts due from group undertakings are amounts of £56,270,366 (2016: £54,350,718) which relate to balances associated with the ITV plc group treasury pooling arrangements. This balance is repayable on demand and attracts interest of 3% above base rate per annum.

The remaining balance of £3,871,413 (2016: £1,173,669) which represents intercompany trading, has no associated interest and is repayable on demand.

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

14 Cash and cash equivalents

	31 December 2017 £ 000	31 December 2016 £ 000
Cash at bank	-	12

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

15 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	278	405
Accrued expenses	1,206	547
Amounts due to group undertakings	3,432	5,862
Social security and other taxes	511	806
Other payables	9,845	9,292
	<u>15,272</u>	<u>16,912</u>

Included in amounts due to group undertakings of £3,431,994 (2016: £5,862,448) which represents intercompany trading, has no associated interest and is repayable on demand.

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

16 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £75,887 (2016: £81,872).

Defined benefit pension schemes

The Company is a participating employer of the ITV Group Pension. ITV Services Limited is the Principal employer of the Scheme. The full disclosure relating to the ITV Group Pension scheme is publicly available in the Annual Report of ITV plc as well as the publicly available financial statements of ITV Services Limited.

The pension cost charge for the year represents contribution payable by the Company to the scheme and amounted to £9,911 (2015: £59,132).

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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Share-based payments

The Company utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of Group share-based compensation schemes, namely the Deferred Share Award (DSA), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes.

A transaction will be classed as share-based compensation where the Company receives services from employees and pays for these in shares or similar equity instruments. If the Company incurs a liability based on the price or value of the shares then this will also fall under a share-based transaction.

The fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the income statement with a corresponding increase in equity. The fair value of the share options and awards is measured using either market price at grant date or, for the Save As You Earn scheme (SAYE), a Black-Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. The estimate is then used to determine the option fair value, discounted to present value. The Company revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, are recognised in the income statement, with a corresponding adjustment to equity.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust.

The weighted average share price of share options exercised during the year was 44.87p (2016: 55.33p). The options outstanding at the year end have an exercise price in the range of nil to 206.83p and a weighted average contractual life of 2 years (2016: 1 year).

18 Share capital

Allotted, called up and fully paid

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	1,315	1,315	1,315	1,315
	<u>1,315</u>	<u>1,315</u>	<u>1,315</u>	<u>1,315</u>

19 Contingent liabilities

Under a Group registration the Company is jointly and severally liable for the VAT at 31 December 2017 of £45 million (2016: £47 million).

ITV Ventures Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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

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

These financial statements are available upon request from The London Television Centre, Upper Ground, London, SE1 9LT.

21 Parent and ultimate parent undertaking

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

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

The most senior parent entity producing publicly available financial statements is ITV plc. These financial statements are available upon request from The London Television Centre, Upper Ground, London, SE1 9LT.

The ultimate controlling party is ITV plc.