STV Central Limited

Report and financial statements

31 December 2020

Registered number SC172149

Strategic report for the year ended 31 December 2020

The directors present their strategic report on the company for the year ended 31 December 2020.

Review of the business

The principal activity of the company during the year was broadcasting. STV Central Limited holds the 10 year licence expiring 31 December 2024 granted by The Office of Communications ("Ofcom") to provide the Channel 3 service for Central Scotland.

Turnover decreased by 10% in the year to £75,874,000 (2019: £83,883,000), which is ahead of the wider market decline in national advertising revenue of 14%. This market outperformance was driven by the relative strength of the company's local regional advertising revenues (down 5% in the year) and video on demand advertising on the STV Player (up 12% in the year).

Operating profit before exceptional items was £10,207,000 (2019: £12,893,000), a direct result of lower revenues on the company's profitability. In response to the Covid-19 pandemic, several actions were taken to preserve cash and reduce operating costs. These included a reduction in marketing spend, cancellation of bonuses for 2020, a 25% voluntary salary reduction by the Management Board, non-fulfilment of vacancies, and grants received from the UK Government's Coronavirus Job Retention Scheme ('CJRS'). The company received £1.2m through the CJRS in the year, and subsequent to the year end the directors committed to repaying the full amount in 2021, in advance of the ultimate parent company reinstating cash dividends to shareholders. The reduction in staff costs was a primary driver for the reduction in operating costs along with a reduction in the network affiliate fee through its variable cost arrangement with ITV.

In the prior year, an exceptional charge of £4,333,000 was recognised in relation to an expected credit loss for a receivable due from a fellow subsidiary company. An exceptional credit of £683,000 for amounts unutilised in regard to this provision has been recognised in the current year.

Profit before taxation (after exceptional items) increased by 27% from £8,560,000 to £10,890,000.

Principal risks and uncertainties

The company is subject to a number of risks. The key business risks and uncertainties affecting the company are considered to be the regulatory environment under which the licence is operated, market volatility and the dependence on advertising, the performance of the ITV Network, cyber risk and Brexit. These risks are discussed further on pages 46-51 of the annual report of the ultimate parent company, STV Group plc.

Specifically in relation to market volatility, the company has been impacted during 2020 by the market conditions as a result of the Covid-19 pandemic. Advertising revenues, particularly linear, saw sharp declines in the second quarter of the year, although have recovered steadily since July and to the date of this report, albeit not yet returning to pre Covid-19 levels.

Section 172 Statement

The directors consider that, in the decisions taken during 2020, they have acted in the way most likely to promote the success of the company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in S.172 of the Companies Act 2006. In addition, the directors are also cognisant of other factors which they consider relevant to the decisions being made and these include the interests and views of STV's employees and viewers, and the relationship with Ofcom. This success must be for the benefit not only of the company's shareholder but also for all of its other stakeholders and this has never been more relevant than during the on-going Covid-19 pandemic. The company's directors are also either on the main Board or Management Board of the ultimate parent, STV Group PLC. The following table provides some insight into how the directors discharged their duties under S.172, in particular with its stakeholder groups.

Strategic report for the year ended 31 December 2020 (continued)

Section 172 Statement (continued)

Stakeholder group	Why it is important to us	Key priorities of the stakeholder group	Engagement with stakeholder group	Impact on decisions
Colleagues	Our colleagues are vital to STV and nurturing them is essential to the success of the business.	Development and training of our colleagues. Safety and wellbeing of our people, including their mental health. Good employment conditions, culture and opportunities. Transparency and openness.	There is a designated employee director, appointed from the board of STV Group plc. Significant employee communication particularly during 2020 including the 'Monday Minute', an all company informal discussion led by the Group CEO that covered what's happening within STV and its financial and operational performance. Regular 'check-ins' with line managers. Annual employee surveys. Provision of many resources to promote general wellbeing, including mental health, available through the 'Wellbeing from STV' programme of activities. Broad range of benefits provided including discounted gym membership and cinema tickets and a car salary exchange scheme where employees can lease a car through salary sacrifice.	Topped up furlough payments so all employees received 100% of salary, and additional holidays for those not furloughed. In response to the most recent employee survey, a number of measures have been introduced to support employees during the pandemic, including a curfew on emails after 7pm, meeting-free periods from 12.30pm until 2pm, home workstation assessments, access to wellbeing and resilience training and confidential meetings with healthcare professionals on request. Establishment of a 24/7 telephone counselling service and additional Mental Health First Aiders trained. Continually enhanced range of benefits.

Strategic report for the year ended 31 December 2020 (continued)

Section 172 Statement (continued)

Stakeholder group	Why it is important to us	Key priorities of the stakeholder group	Engagement with stakeholder group	Impact on decisions
Customers	Our viewers, subscribers, advertisers and commissioners are all key to STV's continued success. STV must deliver quality content on air, online and on demand to ensure viewers and subscribers continue to want to watch STV and in turn, strong viewing figures and a strong commercial proposition encourages advertisers to the channel which is vital for STV's growth as a business.	Broadcasting programmes that appeal to a wide variety of viewers. A trusted and impartial news service. Providing awareness of key social and topical issues.	The Viewer Enquiries team deals with viewer queries and escalates any issues. Customer surveys are carried out through Scotpulse. Provision of a rich variety of content.	Strategic decision to acquire more programmes and box sets, with significantly more Player-only content. The Directors receive regular compliance reports as well as viewing figures and channel performance reports.
Government and regulators	Active engagement with government bodies and regulators is important to allow us the opportunity to input on matters relating to our industry and to ensure we are able to put in place appropriate measures to comply with laws and regulations.	Compliance with laws and regulations. Ethical operations and practices. Strong governance credentials. Provide good quality employment opportunities.	Participation in a range of consultations affecting our industry and practices. Attendance at meetings and forums to engage with policy makers relevant to our operations, e.g. Department of Digital, Culture, Media & Sport (DCMS). Discussions with Ofcom regarding renewal of our licences and our PSB obligations. Government lobbying in relation to matters impacting public service broadcasting.	Involvement with other UK broadcasters and PACT to design industry wide guidelines for producing television safely during Covid-19. Decision on which government initiatives available to the Group during the pandemic should be applied for. The directors are regularly updated on discussions with regulators and government bodies.

Strategic report for the year ended 31 December 2020 (continued)

Section 172 Statement (continued)

Stakeholder group	Why it is important to us	Key priorities of the stakeholder group	Engagement with stakeholder group	Impact on decisions
Suppliers	Having good relationships with our suppliers provides comfort over the continuity of our supply chain and is therefore important to our long-term success.	Timely payment practices. Open and transparent negotiations. Compliance with laws, regulations and industry regulators.	STV's largest supplier is ITV: a significant proportion of the broadcast schedule is produced or procured by ITV and made available to STV through long term agreements, and ITV is also the Group's sales agent for national airtime and sponsorship. The relationship with ITV is managed closely, with weekly revenue reporting and discussions between ITV and STV Commercial Directors, regular updates on programme and schedule developments and meetings with the ITV Council held at least quarterly, attended by the director of Change, director of Policy & Regulatory Affairs, Head of CRR Compliance & Third Party Sales, Commercial and Online, Director of Viewer Marketing and the Content, Media and Entertainment Director from ITV together with the CEO, MD of Broadcast, Head of Consumer Insights, Director of Programme Strategy & Marketing and the Head of Legal from STV. The Digital division has sought content suppliers with titles which reflect the audience of STV Player and built solid relationships with the distributors and producers which has resulted in them all returning for further deals.	The directors are regularly updated on the working relationship with ITV in order that this operates smoothly and that any issues can be discussed and resolved efficiently.

Strategic report for the year ended 31 December 2020 (continued)

Section 172 Statement (continued)

Stakeholder group	Why it is important to us	Key priorities of the stakeholder group	Engagement with stakeholder group	Impact on decisions
Community and environment	As Scotland's public service broadcaster, a strong sense of social purpose is fundamental in all we do. STV is committed to continuous improvement of its environmental performance and to becoming a net-zero carbon business by 2030.	Support for local causes and community projects. Supporting local business and local high streets. Reduce waste and protect the environment in all activities.	Online campaigns targeting mental health, exercise, healthy eating and public health. £1 million campaign to celebrate local business and charity heroes. Range of new STV Growth Fund partnerships to boost the local economy. On screen Black Voices campaign in response to Black Lives Matter movement. The STV Children's Appeal team has distributed over £2.7 million to help children and young people living in poverty who have been hit hardest by the pandemic.	Doubling of STV Growth Fund to £20 million to make advertising more affordable and accessible for Scottish SMEs and support their recovery from Covid-19. Commitment to ring fence £1 million for diverse advertising campaigns. New target to double BAME colleagues by 2023 plus on screen representation targets. Establishment of the STV Sustainability Group and the resultant sustainability strategy with the overarching target to achieve net zero carbon emissions by 2030.

The company is fully committed to the highest standards of corporate governance, believes that such standards are vital to overall business integrity and performance, and considers it crucial that it conducts itself honestly, transparently and responsibly. The company is part of STV Group plc which adhered to the provisions of the UK Corporate Governance Code 2018 (the 'Code') during the financial year ended 31 December 2020. More information on the Code is available at https://www.frc.org.uk/-directors/corporate-governance-and-stewardship/uk-corporate-governance-code. The directors have a critical role to play in shaping business performance while creating and delivering long term return for shareholders. This requires determining business strategy and the company's appetite for risk, to monitor management's performance in delivering against that strategy, and ensure the risk management measures and internal controls in place are appropriate and operating effectively. The directors remain aware of the company's obligations to its shareholder and other stakeholders, responding to their needs with transparent reporting and active engagement.

On behalf of the board

Lindsay Dixon
Director
28 July 2021

Directors' report for the year ended 31 December 2020

Registered no. SC172149

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

Directors of the company

The directors of the company at 31 December 2020, and to the date of this report, are listed below:

Robert Hain
Suzanne Burns
Peter Reilly
Simon Pitts
Lindsay Dixon

In accordance with the Articles of Association, the directors do not retire by rotation.

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Future developments

The company will continue to invest in all key digital platforms, whilst seeking to maximise the value from its broadcast business.

Financial risk management

The cash flows associated with the company's operations are managed by the STV Group plc ("Group"). Risk management is carried out under policies approved by the Board of Directors of STV Group plc with financial risks being identified, evaluated and hedged in close co-operation with the Group's operating divisions. The board of STV Group plc provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity. The principal financial risk that relate to the company are as follows:

(a) Credit risk
Credit risk is the risk of losses due to the failure of the company's customers to meet their payment obligations towards the company. The company has policies in place to ensure that sales are made to customers with an appropriate credit history. Independent credit ratings are sought for all potential customers and based on the outcome of the feedback from the ratings agency, a judgement is made on the appropriate level of credit to be given.

(b) Liquidity risk
Liquidity risk is the risk that the company will be unable to meet its payment obligations. Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying business, the aim is to maintain flexibility in funding by keeping committed credit lines available. At a Group level, management monitors rolling forecasts of the Group's liquidity reserve comprising the undrawn borrowing facility and the cash and cash equivalents. The company benefits from being part of those arrangements.

Directors' report for the year ended 31 December 2020 (continued)

Engagement with suppliers, customers and others in a business relationship with the company

A summary of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, is included in the Section 172 Statement within the strategic report.

Engagement with employees

A summary as to how the directors have engaged with employees, and how the directors have had regard to employee interests, and the effect of that regard is included in Section 172 Statement within the strategic report.

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a disabled person.

With regard to existing employees and those who have become disabled during the year, the company has continued to examine ways and means of providing continued employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Strategic report on page 1.

The company is expected to generate positive cash flows on its own account for the foreseeable future. The company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. Bank facilities in the form of revolving credit facility and associated covenants are held by STV News Service Limited, a fellow Group company. As an obligor of the bank facility, STV Central Limited has the same access to funds as any other STV Group plc companies' party to the arrangement and can call directly for funding without restriction.

In response to the Covid-19 pandemic, the Group executed a number of actions over Q2 2020 to reduce net debt and ensure balance sheet flexibility to enable the business to continue to trade through a severe downside scenario, should one materialise. One of these actions was to increase the size of the Group's banking facility, from £60m to £80m, which was arranged alongside agreeing certain covenant relaxations for an anticipated period of elevated leverage. The second was completion of an equity placing by STV Group plc, which raised net proceeds of £15.5m from existing and new shareholders. These proceeds were applied immediately to the reduction of net debt. In March 2021, the Group refinanced its banking facilities, which had a maturity of June 2022, and agreed a new £60m revolving credit facility with £20m uncommitted accordion, for a period of three years with two one-year extension options. Covenants agreed reflected the historic position of leverage (not more than 3 times) and interest cover (not less than 4 times). Neither the increased facility size nor the covenant relaxations put in place during 2020 were accessed by the Group.

The directors, having assessed the responses of the directors of the company's ultimate parent to their enquiries, have no reason to believe that material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of STV Group plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors' report for the year ended 31 December 2020 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each of the persons who are directors at the time of this report the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board

Jane E A Tames

Jane Tames
Company Secretary
28 July 2021

Independent auditors' report to the members of STV Central Limited

Report on the audit of the financial statements

Opinion

In our opinion, STV Central Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2020; the income statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and compliance with industry regulation (OFCOM), and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate revenue or profit. Audit procedures performed by the engagement team included:

- Discussions with management, reading reports from internal audit and consideration of any known or suspected instances of non-compliance with laws and regulations and fraud or matters reported on the Company's whistleblowing helpline
- Evaluation of management's controls designed to prevent and detect irregularities
- Reviewing Board minutes
- Challenging assumptions and judgements made by management in areas involving significant accounting estimates
- Identifying and testing journal entries, in particular any journal entries posted by senior management and/or with unusual account combinations

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
29 July 2021

Income statement for the year ended 31 December 2020

	Note	2020 £000	2019* £000
Turnover		**75,874**	83,883
Administrative expenses		**(65,667)**	(70,990)
Operating profit	3	**10,207**	12,893
Exceptional items	4	**683**	(4,333)
Profit before taxation		**10,890**	8,560
Income tax credit/(charge)	6	**465**	(1,525)
Profit for the financial year		**11,355**	7,035

The results are derived wholly from continuing operations.

The company has no other comprehensive income other than the profit for the financial year shown above and therefore no separate statement of comprehensive income has been presented.

There is no material difference between the profit before taxation and the profit for the financial years stated above and their historical cost equivalents.

The accompanying notes are an integral part of these financial statements.

* The prior year turnover and administrative expenses included self-promotional activities recognised at no gain or loss. Turnover has been restated from £92,510,000 to £83,883,000 and administrative expenses have been restated from £79,617,000 to £70,990,000 to eliminate these transactions.

Balance sheet as at 31 December 2020

	Note	**2020** **£000**	2019 £000
Fixed assets			
Intangible assets	7	**2,180**	2,173
Property, plant and equipment	8	**5,836**	6,519
Right-of-use assets	9	**90**	159
Deferred tax assets	10	**487**	491
Investments	11	**50**	50
		8,643	9,392
Current assets			
Inventories	12	**419**	337
Trade and other receivables	13	**141,006**	106,421
Cash and cash equivalents		**4,837**	8,751
		146,262	115,509
Creditors: amounts falling due within one year	14	**(103,873)**	(85,187)
Net current assets		**42,389**	30,322
Total assets less current liabilities		**51,032**	39,714
Creditors: amounts falling due after more than one year	15	**(36)**	(73)
Net assets		**50,996**	39,641
Equity			
Called up share capital	16	**2,567**	2,567
Retained earnings		**48,429**	37,074
Total shareholders' funds		**50,996**	39,641

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 12 to 27 were approved by the board on 28 July 2021 and were signed on its behalf by:

Lindsay Dixon
Director

Statement of changes in equity
For the year ended 31 December 2020

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 January 2019	2,567	29,786	32,353
Profit for the financial year	-	7,035	7,035
Total comprehensive income for the year	-	7,035	7,035
Tax credit on share based compensation	-	253	253
Balance at 31 December 2019	**2,567**	**37,074**	**39,641**
Profit for the financial year	-	11,355	11,355
Total comprehensive income for the year	**-**	**11,355**	**11,355**
Balance at 31 December 2020	**2,567**	**48,429**	**50,996**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements
Year ended 31 December 2020

1. General information

STV Central Limited is a private limited company, limited by shares, and incorporated and domiciled in Scotland, UK. The address of the registered office is Pacific Quay, Glasgow, G51 1PQ. The nature of the company's operations and its principal activities are set out in the review of the business on page 1.

2. Summary of significant accounting policies

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

Basis of preparation
The financial statements of STV Central Limited have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies applying FRS 101. The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates, and rounded to the nearest £000.

The company is expected to generate positive cash flows on its own account for the foreseeable future. The company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. Bank facilities in the form of revolving credit facility and associated covenants are held by STV News Service Limited, a fellow Group company. As an obligor of the bank facility, STV Central Limited has the same access to funds as any other STV Group plc companies' party to the arrangement and can call directly for funding without restriction.

The directors of the company, having carried out an assessment of the current balance sheet position and the expected cash flows of the company, and, having enquired with and obtained written confirmation of support from the directors of STV Group plc, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group and Company to continue as a going concern or its ability to continue with the current banking arrangements. On this basis, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting has been applied in the preparation of the annual financial statements.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. STV Central Limited has no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 91 to 99 of IFRS 13 "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

Notes to the financial statements (continued)
Year ended 31 December 2020

2. Summary of significant accounting policies (continued)

Basis of preparation (continued)

- Paragraph 38 of IAS 1 "Presentation of financial statements" comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1
  - paragraph 73(e) of IAS 16 Property, plant and equipment
  - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1 "Presentation of financial statements":
  - 10(d) (statement of cash flows)
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for a minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third balance sheet)
  - 111 (cash flow statement information) and
  - 134-136 (capital management disclosures)
- IAS 7 "Statement of cash flows"
- Paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors"
- Paragraph 17 of IAS 24 "Related party disclosures" (key management compensation)
- The requirements of IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.

New and amended standards adopted by the company

No new accounting standards, amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020, have had a material impact on the company's financial statements.

Turnover

The performance obligations promised in contracts with customers are identified and revenue recognition is based on an assessment of when control of the good or service promised in the contract is transferred to the customer. Revenue is recognised when the performance obligation in the contract is satisfied which is either at a "point in time" or "over time" depending on when or as control of the good or service is transferred to the customer.

The key classes of revenue, namely advertising and sponsorship revenues, are stated net of advertising agency commissions.

Television advertising revenue and online advertising revenue are recognised at the point of transmission of the advertisement. Revenue from sponsorship of the Group's programmes or channel is recognised on a straight-line basis over the period of the transmission schedule for each sponsorship campaign.

Turnover, operating profit and net assets are all related to the activity of broadcasting the Channel 3 television service in Central Scotland.

Notes to the financial statements (continued)
Year ended 31 December 2020

2. Summary of significant accounting policies (continued)

Foreign currencies
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date and any translation difference is recognised immediately in the income statement.

Dividends
Dividend distributions are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Taxation
Taxation expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the year, using tax rates that are in force during the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled by the company and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements (continued)
Year ended 31 December 2020

2. Summary of significant accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost of the assets, less estimated residual values, in equal annual instalments as follows:

Leasehold improvements	between 2% and 4%
Plant and technical equipment	between 10% and 20%
Fixtures & fittings	10%
Vehicles	20%

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal, from the date of addition or to the date of disposal.

Any impairment in value is charged immediately to the income statement.

Intangible assets
Other intangible assets are held at cost less accumulated amortisation and any provision for impairment. Included within intangible assets are assets in the course of construction, comprising primarily web development projects, which include directly attributable costs to bring the assets into use and may include capitalised borrowing costs. Amortisation is charged through other administrative expenses in the Income Statement and is provided at the following rates per annum to write off the cost of other intangible assets, less residual value, on a straight line basis from the date on which they are brought into use:

Branding and web development	3-5 years

Impairment of assets
Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement to the extent to which the asset's carrying value exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Exceptional items
Exceptional items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the results.

2. Summary of significant accounting policies (continued)

Inventories
Recorded programmes are programmes that the company purchases for transmission on its broadcast linear television channel, and video-on-demand service STV Player. They are valued at direct cost including labour and overheads less appropriate provisions. Programmes purchased for linear broadcast are charged to the income statement after the first transmission or on sale, with the cost of acquiring licences to transmit programmes on the STV Player spread over the period of the licence.

Investments
Fixed asset investments are valued at cost, less any provision for impairment.

Provisions
Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Leases
The company assesses whether a contract is or contains a lease at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liability
The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of purchase options, if the company is reasonably certain to exercise those options; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the company's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost element is charged to the income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the financial statements (continued)
Year ended 31 December 2020

2. Summary of significant accounting policies (continued)

Leases (continued)

Right-of-use assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Pensions

Employees of the company are eligible for membership of the main retirement benefits schemes operated by STV Group plc.

Payments to the group defined contribution retirement benefit scheme are charged as an expense as they fall due. Payments made to the group defined benefit retirement benefit schemes are dealt with as payments to defined contribution schemes where the company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The company participates in a group defined benefit scheme which is the legal responsibility of one of its fellow subsidiaries as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19, the company recognises a cost equal to its contribution payable for the year.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the related expense. When the grant relates to an asset, it is deducted from the asset's carrying value.

3. Operating profit

Operating profit is stated after charging:

	2020 **£000**	2019 £000
Employee benefits expense	**15,336**	15,706
Depreciation of property, plant and equipment	**1,517**	1,510
Amortisation of intangible assets	**867**	671
Depreciation of right-of-use-assets	**89**	59
Hire of vehicles and equipment	**39**	39

The charges in respect of the hire of vehicles and equipment relate to short-term or low value leases.

Audit fees were borne by another group company in the current and preceding year.

Notes to the financial statements (continued)
Year ended 31 December 2020

4. Exceptional items

Exceptional items
The following have also been credited/(charged) at arriving at profit before tax:

	2020	2019
	£000	£000
Provision for expected credit loss on amounts due from STV ELM Limited	**683**	(4,333)

In 2019 the company recognised a provision in relation to an expected credit loss for a trade receivable due from a fellow subsidiary company, STV ELM Limited. Post year end, the ultimate parent company reached an agreement in principle for the sale of its lottery management company, the STV ELM Limited. The agreement is subject to Gambling Commission approval. Following review, only £3,650,000 of the £4,333,000 provision recognised in the prior year is expected to be utilised, resulting in an exceptional credit of £683,000.

5. Employee benefits expense

	2020	2019
	£000	£000
Wages and salaries	**13,359**	13,775
Social security costs	**1,470**	1,457
Other pension costs	**507**	474
Total employee benefits expense	**15,336**	15,706

During the year ended 31 December 2020, the company, through its utilisation of the Coronavirus Job Retention Scheme, received government grants totalling £1.2m by way of contributions towards the cost of employee wages and salaries and related social security.

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Established	**321**	**309**
Contract	**26**	**18**
	347	**327**

Notes to the financial statements (continued)
Year ended 31 December 2020

5. Employee benefits expense (continued)

Directors' emoluments
The directors' emoluments were as follows:

	2020 £000	2019 £000
Aggregate emoluments	**527**	1,022
Money purchase scheme: Company pension contributions	**28**	12

Post-employment benefits are accruing to one director (2019: one) under the group's defined benefit schemes.

Highest paid director
The highest paid director emoluments were as follows:

	2020 £000	2019 £000
Aggregate emoluments	**198**	423

The emoluments of Simon Pitts and Lindsay Dixon were paid by another group company which makes no recharge to STV Central Limited as it is not possible to make an accurate apportionment of their emoluments in respect of services to specific group companies. Accordingly there are no emoluments disclosed in respect of these directors. The total emoluments for Simon Pitts and Lindsay Dixon are included in the aggregate directors' emoluments disclosed in the financial statements of the ultimate parent undertaking STV Group plc.

6. Income tax credit/(charge)

	2020 £000	2019 £000
Current tax:		
UK corporation tax on profit of the year	**-**	1,454
Adjustment in respect of prior periods	**(469)**	(111)
Total current tax	**(469)**	1,343
Deferred tax:		
Origination and reversal of timing differences	**62**	222
Adjustment in respect of prior periods	**(58)**	(40)
Total deferred tax	**4**	182
Tax (credit)/charge for the year	**(465)**	1,525

Notes to the financial statements (continued)
Year ended 31 December 2020

6. Income tax (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2019: 19%). The actual tax for the current and prior years differs to the standard rate for the reasons set out in the following reconciliation:

	2020 £000	2019 £000
Profit before taxation	**10,890**	8,560
Profit before taxation multiplied by standard rate of tax in the UK 19% (2019: 19%)	**2,069**	1,627
Effects of:		
Expenses not deductible	**15**	50
Adjustment in respect of prior periods	**(527)**	(151)
Changes in tax rates or laws	**(36)**	(26)
Deferred tax not recognised	**-**	(91)
Group relief (claimed)/surrendered	**(1,986)**	116
Total tax (credit)/charge for the year	**(465)**	1,525

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. However, the budget on 11 March 2020 confirmed the Government's intention that the corporation tax rate will remain at 19% and was substantively enacted as at the balance sheet date. The deferred tax assets 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.

7. Intangible assets

	Branding and web development £000
Cost	
At 1 January 2020	4,111
Additions	874
At 31 December 2020	**4,985**
Accumulated amortisation and impairment	
At 1 January 2020	1,938
Charge for year	867
At 31 December 2020	**2,805**
Net book value	
At 31 December 2020	**2,180**
At 31 December 2019	2,173

Notes to the financial statements (continued)
Year ended 31 December 2020

8. Property, plant and equipment

	Leasehold improvements £000	Plant and technical equipment £000	Fixtures and fittings £000	Vehicles £000	Total £000
Cost					
At 1 January 2020	13	15,951	1,878	80	17,922
Additions	-	834	-	-	834
At 31 December 2020	**13**	**16,785**	**1,878**	**80**	**18,756**
Accumulated depreciation and impairment					
At 1 January 2020	13	9,604	1,760	26	11,403
Charge for year	-	1,466	42	9	1,517
At 31 December 2020	**13**	**11,070**	**1,802**	**35**	**12,920**
Net book value					
At 31 December 2020	**-**	**5,715**	**76**	**45**	**5,836**
At 31 December 2019	-	6,347	118	54	6,519

Included in the amounts presented above are assets under construction of £857,000 (2019: £197,000).

9. Right-of-use assets

	Vehicles £000
Cost	
At 1 January 2020	218
Additions	20
Derecognition of assets	(14)
At 31 December 2020	**224**
Accumulated depreciation and impairment	
At 1 January 2020	59
Charge for year	89
Derecognition of assets	(14)
At 31 December 2020	**134**
Net book value	
At 31 December 2020	**90**
At 31 December 2019	159

Notes to the financial statements (continued)
Year ended 31 December 2020

10. Deferred tax assets

The analysis of the deferred tax balances is as follows:

	2020	2019
	£000	£000
Net deferred tax asset	**487**	491

	Accelerated capital allowances £000	**Losses £000**	**Other temporary differences £000**	**Total £000**
Cost or valuation				
At 1 January 2019	453	213	7	673
Charge to income	(182)	-	-	(182)
At 31 December 2019	271	213	7	491
Charge to income	(4)	-	-	(4)
At 31 December 2020	**267**	**213**	**7**	**487**

11. Investments

	2020	2019
	£000	£000
Unlisted investments at cost	**50**	50

Unlisted investments relate to a £47,400 investment in Scottish Rugby Union and £2,600 invested in Independent Television Facilities Centre Limited.

12. Inventories

	2020	2019
	£000	£000
Recorded programmes	**419**	337

Notes to the financial statements (continued)
Year ended 31 December 2020

13. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	**13,373**	12,237
Amounts owed by group undertakings	**120,905**	89,581
Prepayments and accrued income	**5,908**	4,560
Other receivables	**351**	43
Corporation tax recoverable	**469**	-
	141,006	106,421

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

14. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**4,552**	4,568
Amounts owed to group undertakings	**86,168**	71,132
Other taxes and social security costs	**7,107**	3,724
Accruals and deferred income	**5,622**	5,055
Other payables	**369**	353
Lease liabilities (note 15)	**55**	80
Corporation tax	**-**	275
	103,873	85,187

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. Lease liabilities

	2020 £000	2019 £000
Current	**55**	80
Non-current	**36**	73
	91	153

The income statement includes the following amounts relating to leases:

	2020 £000	2019 £000
Interest expense	**4**	1

Notes to the financial statements (continued)
Year ended 31 December 2020

16. Called up share capital

	2020 Number Thousands	2019 Number Thousands	2020 £000	2019 £000
Allotted and fully paid				
Ordinary shares of £1	**2,567**	2,567	**2,567**	2,567

The total authorised number of ordinary shares is 5 million shares (2019: 5 million shares) with a par value of £1 per share (2019: £1 per share).

17. Financial commitments

Under the licence agreement with the Office of Communications, the company is committed to pay an annual payment based on relevant turnover. The amount due for the year ended 31 December 2020 is £181,000 (2019: £176,000).

18. Retirement benefit schemes

Defined contribution
The Group operates a defined contribution scheme, the STV Pension Scheme, of which the company is a participating employer. As at 31 December 2020, there were no contributions in respect of the current year that had not been paid over to the scheme (2019: £nil).

Defined benefit
The company is also a participating employer in the Scottish and Grampian Television Retirement Benefit Scheme, which is a closed scheme.

There is no contractual agreement or stated policy for charging the net defined benefit pension cost to the company. In accordance with IAS 19, the company recognises a cost equal to its contribution payable for the year.

The cost charged to income in the year for both the Scottish and Grampian Television Retirement Defined Benefit Scheme and the STV Pension Scheme amounted to £507,000 (2019: £474,000).

19. Controlling parties

The immediate parent undertaking is STV Television Limited, which is the parent undertaking of the smallest group to consolidate these financial statements.

The ultimate parent undertaking and controlling party is STV Group plc, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of STV Television Limited and STV Group plc consolidated financial statements can be obtained from the company Secretary at Pacific Quay, Glasgow, G51 1PQ.