

STV Services Limited

Annual report and financial statements

31 December 2021

Registered number: SC174088



Strategic report for the year ended 31 December 2021

The directors present their strategic report on the company for the year ended 31 December 2021.

Review of the business

The principal activity of the company is to provide central resources to the parent and fellow subsidiary companies of STV Group PLC ("the Group").

Turnover for the year was £16,059,000 (2020: £13,064,000), an increase of 23%. In 2020, the actions taken to preserve cash and reduce operating costs included a reduction in marketing spend, cancellation of bonuses for 2020, a 25% voluntary salary reduction by the Management Board. In 2021, the company and wider STV Group continued to navigate through the challenges presented by Covid and achieved pre-pandemic levels of growth and profitability in the year. The temporary actions taken in 2020 to preserve cash and reduce operating expenses were not repeated in 2021, resulting in the increase in centralised costs recharged across the Group.

Operating profit before exceptional items was £1,415,000 (2020: £899,000), which correlates to the increase in centralised costs managed and recharged.

Profit before tax for the year was £445,000 (2020: Loss before tax of £8,547,000). Last year was materially impacted by an exceptional cost of £9,000,000 recognised in regard to the expected credit loss associated with the trade receivable due from a fellow subsidiary company, STV ELM Limited. The subsidiary company was subsequently sold by the Group in August 2021. A further write off in regard to amounts due of £582,000 was recognised as an exceptional cost in the current year.

Principal risks and uncertainties

The company is not subject to any external risks in isolation as its purpose is to provide central services to the wider STV Group. By association, the company is indirectly subject to the same principal risks identified for the wider STV Group which are reported in the STV Group plc Annual Report and Accounts of pages 40 to 43.

Key performance indicators

The directors of STV Group plc manage the Group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business.

On behalf of the board



Lindsay Dixon
Director
26 May 2022

Directors' report for the year ended 31 December 2021

Registered no. SC174088

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

Directors of the company

The directors of the company at 31 December 2021, and to the date of this report, are listed below:

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 final dividend (2020: £nil).

Future developments

The company aims to continue to efficiently manage central resource costs.

Financial risk management

The company, as a wholly owned subsidiary of STV Group plc ("Group") is exposed to a variety of financial risks that arise from and apply to the Group's activities: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures with all contracts completing in 2020.

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 is faced by the company is that of credit risk, namely the risk of losses due to the failure of the Group's customers to meet their payment obligations towards the Group, which in turn impacts the ability of fellow subsidiary undertakings to meet their obligations to the company. The Group 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. Derivative transaction counterparties are limited to high-credit/quality financial institutions.

Directors' report for the year ended 31 December 2021 (continued)

Going concern

The company is in a net current liability position as at 31 December 2021 and 31 December 2020.

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.

The directors, having assessed the responses of the directors of the company's ultimate parent to their enquiries and obtained written confirmation of support from the directors of STV Group plc, 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 and intention 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.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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' report for the year ended 31 December 2021 (continued)

Directors' confirmations

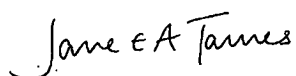
In the case of each of the persons who are directors at the time of this report the following applies:

- 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 Tames
Company Secretary
26 May 2022

STV Services Limited

Independent auditors' report to the members of STV Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 Annual Report, which comprise: the balance sheet as at 31 December 2021; the income statement, the statement of comprehensive income 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.

Independent auditors' report to the members of STV Services Limited (continued)

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 2021 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 in respect of the financial statements, 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.

Independent auditors' report to the members of STV Services Limited (continued)

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 we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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.

STV Services Limited

Independent auditors' report to the members of STV Services Limited (continued)

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
26 May 2022

STV Services Limited

Income statement for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover		16,059	13,064
Net operating expenses		(14,644)	(12,165)
Operating profit	3	1,415	899
Finance costs		(388)	(277)
Exceptional items	4	(582)	(9,169)
Profit/(loss) before tax		445	(8,547)
Income tax credit	6	878	278
Profit/(loss) for the financial year		1,323	(8,269)

The results are derived wholly from continuing operations.

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

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

Statement of comprehensive income For the year ended 31 December 2021

		2021 £000	2020 £000
Profit/(loss) for the financial year		1,323	(8,269)
Items that will not be reclassified to profit or loss:			
Deferred tax charged to equity	10	(45)	(125)
Other comprehensive expense		(45)	(125)
Total comprehensive income/(expense) for the year		1,278	(8,394)

STV Services Limited

Balance sheet as at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	7	87	261
Property, plant and equipment	8	3,165	2,733
Right-of-use assets	9	19,842	10,305
Deferred tax assets	10	5,422	4,589
		<u>28,516</u>	<u>17,888</u>
Current assets			
Trade and other receivables	11	5,128	25,936
Cash and cash equivalents		6,731	288
		<u>11,859</u>	<u>26,224</u>
Creditors: amounts falling due within one year	12	<u>(25,395)</u>	<u>(41,132)</u>
Net current liabilities		<u>(13,536)</u>	<u>(14,908)</u>
Total assets less current liabilities		14,980	2,980
Creditors: amounts falling due after more than one year	13	<u>(19,676)</u>	<u>(9,021)</u>
Net liabilities		<u>(4,696)</u>	<u>(6,041)</u>
Equity			
Called up share capital	15	-	-
Other reserve		67	-
Profit and loss account		(4,763)	(6,041)
Total equity		<u>(4,696)</u>	<u>(6,041)</u>

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

The financial statements on pages 9 to 23 were approved by the board on 26 May 2022 and were signed on its behalf by:



Lindsay Dixon
Director

STV Services Limited

Statement of changes in equity For the year ended 31 December 2021

	Other reserve £000	Accumulated profit/(losses) £000	Total shareholders' funds/(deficit) £000
Balance at 1 January 2020	-	2,353	2,353
Loss for the financial year	-	(8,269)	(8,269)
Other comprehensive expense	-	(125)	(125)
Total comprehensive expense for the year	-	(8,394)	(8,394)
Balance at 31 December 2020	-	(6,041)	(6,041)
Profit for the financial year	-	1,323	1,323
Other comprehensive expense	-	(45)	(45)
Total comprehensive income for the year	-	1,278	1,278
Share based compensation	67	-	67
Balance at 31 December 2021	67	(4,763)	(4,696)

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

Notes to the financial statements Year ended 31 December 2021

1. General information

STV Services 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 Services 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 participates in the group's centralised treasury arrangements and so shares banking arrangements with its ultimate parent, STV Group plc, and fellow subsidiaries.

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 Services 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)
- 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
- The following paragraphs of IAS 1 "Presentation of financial statements":
 - 10(d) (statement of cash flows)
 - 16 (statement of compliance with all IFRS)

Notes to the financial statements (continued)
Year ended 31 December 2021

2. Summary of significant accounting policies (continued)

Basis of preparation (continued)

- 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 2021, have had a material impact on the company's financial statements.

Turnover

Turnover represents income from services provided to other group companies, and is recognised when the service has been provided.

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.

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 the 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.

Notes to the financial statements (continued)
Year ended 31 December 2021**2. Summary of significant accounting policies (continued)****Taxation (continued)**

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.

Property, plant and equipment

The company's policy is to state property, plant and equipment 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%

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 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 which comprise primarily web development projects including 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 costs of other intangible assets, less residual value, on a straight line basis from the date on which they are brought into use:

Web development	5 years
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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 for the amount by 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.

Notes to the financial statements (continued)
Year ended 31 December 2021

2. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)
Year ended 31 December 2021**2. Summary of significant accounting policies (continued)****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 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 pension 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 contributions payable for the year.

3. Operating profit

Operating profit is stated after charging:

	2021	2020
	£000	£000
Employee benefits expense	6,941	4,751
Depreciation of property, plant and equipment	557	481
Amortisation of intangible assets	174	179
Depreciation of right-of-use assets	1,530	1,774

Audit fees were paid for by the parent company in the current and preceding year as part of the overall group audit with no specific allocation to the company. Details of the group audit fee can be found on page 108 of the 2021 STV Group plc annual report and accounts.

4. Exceptional items

The following have been charged at arriving at the profit/(loss) before tax in each year:

	2021	2020
	£000	£000
Provision for expected credit loss on amounts due from STV ELM Limited	582	9,000
Write off of historic irrecoverable input VAT	-	169
	582	9,169

In August 2021, the ultimate parent company concluded the sale of its investment in STV ELM Limited. The accumulated amounts due from STV ELM Limited provided for were written off. The current year expense of £582k represents associated payroll and other operation costs of STV ELM Limited which were processed by the company and recharged but will not be recovered.

Notes to the financial statements (continued)
Year ended 31 December 2021

5. Employee benefits expense

	2021	2020
	£000	£000
Wages and salaries	6,268	4,151
Social security costs	528	447
Other pension costs	145	153
Total employee benefits expense	6,941	4,751

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

	2021	2020
	Number	Number
Established	56	61
Contract	3	1
	59	62

Directors' emoluments

The directors' emoluments were as follows:

	2021	2020
	£000	£000
Aggregate emoluments	1,998	704

Post-employment benefits are accruing to no directors (2020: none) under the Group's defined benefit pension schemes.

Highest paid director

The highest paid directors' emoluments were as follows:

	2021	2020
	£000	£000
Aggregate emoluments	1,333	466

The emoluments of Simon Pitts and Lindsay Dixon were paid by the company. They are also directors of the ultimate parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each subsidiary. Accordingly there are no emoluments disclosed in respect of these directors in the fellow subsidiary financial statements. 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.

STV Services Limited

Notes to the financial statements (continued) Year ended 31 December 2021

6. Income tax credit

	2021 £000	2020 £000
Current tax:		
UK corporation tax on profit/(loss) of the year	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(1,029)	(337)
Adjustment in respect of prior periods	151	59
Total deferred tax	(878)	(278)
Tax credit for the year	(878)	(278)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2020: 19%). The actual tax for the current and prior years differs to the standard rate for the reasons set out in the following reconciliation:

	2021 £000	2020 £000
Profit/(loss) before taxation	445	(8,547)
Profit/(loss) before taxation multiplied by standard rate in the UK 19% (2020: 19%)	85	(1,624)
Effects of:		
Expenses not allowable for tax purposes	54	1,774
Changes in tax rates or laws	(1,312)	(514)
Adjustment in respect of prior periods	151	59
Group relief surrendered	144	27
Tax credit for the year	(878)	(278)

On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The 25% rate was substantively enacted on 10 June 2021. The deferred tax assets at 31 December 2021 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.

STV Services Limited

Notes to the financial statements (continued) Year ended 31 December 2021

7. Intangible assets

	Web development £000
Cost	
At 1 January 2021 and 31 December 2021	<u>904</u>
Accumulated amortisation and impairment	
At 1 January 2021	643
Charge for year	<u>174</u>
At 31 December 2021	<u>817</u>
Net book value	
At 31 December 2021	<u>87</u>
At 31 December 2020	<u>261</u>

8. Property, plant and equipment

	Leasehold improvements £000	Plant and technical equipment £000	Total £000
Cost			
At 1 January 2021	399	8,927	9,326
Additions	<u>16</u>	<u>973</u>	<u>989</u>
At 31 December 2021	<u>415</u>	<u>9,900</u>	<u>10,315</u>
Accumulated depreciation and impairment			
At 1 January 2021	202	6,391	6,593
Charge for year	<u>32</u>	<u>525</u>	<u>557</u>
At 31 December 2021	<u>234</u>	<u>6,916</u>	<u>7,150</u>
Net book value			
At 31 December 2021	<u>181</u>	<u>2,984</u>	<u>3,165</u>
At 31 December 2020	<u>197</u>	<u>2,536</u>	<u>2,733</u>

Plant and technical equipment include £112,000 (2020: £395,000) of assets under construction.

STV Services Limited

Notes to the financial statements (continued) Year ended 31 December 2021

9. Right-of-use assets

	Property £000	Vehicles £000	Total £000
Cost			
At 1 January 2021	13,762	23	13,785
Additions	11,058	9	11,067
Derecognition of assets	-	(4)	(4)
At 31 December 2021	24,820	28	24,848
Accumulated depreciation and impairment			
At 1 January 2021	3,471	9	3,480
Charge for year	1,522	8	1,530
Derecognition of assets	-	(4)	(4)
At 31 December 2021	4,993	13	5,006
Net book value			
At 31 December 2021	19,827	15	19,842
At 31 December 2020	10,291	14	10,305

The property addition in the current year mainly relates to the lease extension of the STV Group head office building at Pacific Quay, Glasgow.

10. Deferred tax assets

The analysis of the deferred tax balances is as follows:

	2021 £000	2020 £000
Deferred tax asset	5,422	4,589

	Accelerated capital allowances £000	Losses £000	Other temporary differences £000	Total £000
At 1 January 2020	433	3,522	481	4,436
(Charge)/credit to income	(36)	257	57	278
Charge to equity	-	-	(125)	(125)
At 31 December 2020	397	3,779	413	4,589
Credit to income	102	645	131	878
Charge to equity	-	-	(45)	(45)
At 31 December 2021	499	4,424	499	5,422

STV Services Limited

Notes to the financial statements (continued) Year ended 31 December 2021

11. Trade and other receivables

	2021 £000	2020 £000
Trade receivables	-	154
Amounts owed by group undertakings	4,096	24,127
Other receivables	261	948
Prepayments and accrued income	771	707
	<u>5,128</u>	<u>25,936</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The prior year comparative is net of a provision for expected credit losses of £9,350,000 in relation to amounts due from STV ELM Limited.

12. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade payables	78	94
Amounts owed to group undertakings	20,056	36,929
Accrued expenses	4,009	1,878
Other taxes and social security costs	158	148
Other payables	5	416
Lease liabilities (note 14)	1,089	1,667
	<u>25,395</u>	<u>41,132</u>

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

13. Creditors: amounts falling due after more than one year

	2021 £000	2020 £000
Lease liabilities (note 14)	<u>19,676</u>	<u>9,021</u>

STV Services Limited

Notes to the financial statements (continued) Year ended 31 December 2021

14. Lease Liabilities

	2021 £000	2020 £000
Current	1,089	1,667
Non-current	19,676	9,021
	<u>20,765</u>	<u>10,688</u>

The income statement includes the following amounts relating to leases

	2021 £000	2020 £000
Interest expense	<u>388</u>	<u>277</u>

Maturity analysis

	Minimum payments		Present value of payments	
	2021 £000	2020 £000	2021 £000	2020 £000
No later than 1 year	1,606	1,911	1,089	1,667
(Later than 1 year but no later than 5 years)	5,891	7,765	4,108	7,209
Later than 5 years	18,918	2,165	15,568	1,812
	<u>26,415</u>	<u>11,841</u>	<u>20,765</u>	<u>10,688</u>
Less: future finance charges	(5,650)	(1,153)		
Present value of lease obligations	<u>20,765</u>	<u>10,688</u>		

15. Called up share capital

	2021 Number	2020 Number	2021 £	2020 £
Allotted and fully paid				
Ordinary shares of £1	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The total authorised number of ordinary shares is 1,000 shares (2020: 1,000 shares) with a par value of £1 per share (2020: £1 per share).

Notes to the financial statements (continued) Year ended 31 December 2021

16. 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 2021 there were no contributions outstanding in relation to the current year (2020: £nil).

Defined benefit

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

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

The cost charged to the income statement in the year for both the Scottish and Grampian Television Retirement Defined Benefit Scheme and the STV Pension Scheme amounted to £145,000 (2020: £153,000).

17. Contingent liabilities

Under a group registration for Value Added Tax, the companies within the Group are jointly and severally liable for Value Added Tax due by any member of the group registration. At 31 December 2021, the Value Added Tax payable by other members of the group registration amounted to £5,258,000 (2020: £5,814,000).

18. Controlling parties

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