Group plc

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STV Group plc Full Year Results to 31 December 2023

Diversification targets exceeded; profit in line with guidance; new 3-year growth plan; CEO succession

Highlights

- Diversification strategy continues to accelerate:
    - Group revenue growth of 22%
    - Studios revenue and adjusted operating profit trebles
    - Digital revenue +6% and operating profit +16%
    - 75% of Group adj. operating profit outside broadcasting, well ahead of 50% target
- Adjusted Group operating profit of £20.1m down 22%, impacted by linear advertising revenue and cost inflation and related to broader UK macro uncertainty, as expected
- Strong on-screen performance, with STV Player streams + 28% and STV the most-watched peak time TV channel in Scotland for the 5th year in a row
- Advertising outlook improving; Q1 total advertising revenue expected to be up around 5%
- Board proposes final dividend of 7.4p and a full year dividend of 11.3p, in line with 2022
- New 3-year targets set to drive STV's profitable growth
- CEO Simon Pitts to step down over the next 12 months to take up a new appointment beginning in Q1 2025

Financial Summary	**2023**	2022	Change
Revenue	**£168.4m**	£137.8m	+22%
Total advertising revenue	**£97.3m**	£110.0m	-12%
Adjusted operating profit*	**£20.1m**	£25.8m	-22%
Adjusted operating margin*	**11.9%**	18.7%	-680bps
Statutory operating profit	**£6.4m**	£25.3m	-75%
Profit for the year	**£5.3m**	£17.3m	-69%
Adjusted basic EPS*	**28.2p**	42.3p	-33%
Statutory basic EPS	**9.7p**	38.3p	-75%
Net debt+	**£32.3m**	£15.1m	£17.2m
Dividend per share (full year)	**11.3p**	11.3p	flat

* *For reconciliation of adjusted to statutory measures see note 6*
\+ *Excluding lease liabilities*
Greenbird Group contribution post acquisition (from 6 July 2023) was revenue £15.0m, operating profit £3.2m. Greenbird Group proforma full year FY23 result was revenue £27.4m, operating profit £3.2m

Financial highlights

- Total revenue of £168.4m, +22% on 2022: Studios and Digital growth more than offset expected linear advertising revenue declines
- Studios revenue of £66.8m, +182% and adjusted operating profit of £5.2m, +280%, due to organic growth and H2 impact of Greenbird acquisition
- Digital revenue of £20.2m, +6% (VOD revenue +7%), with digital operating profit up 16% to £9.9m
- Regional advertising revenue down 9% to £15.1m (excluding Scottish Government spend, regional down only 1%)
- Group adjusted operating profit £20.1m, down 22% on 2022, reflecting expected impact of declines in higher margin linear advertising revenue and inflationary cost pressure
    - Savings realised to offset broadly half the inflationary increases, as guided
- Total advertising revenue of £97.3m, down 12%
- Non-recurring costs (included within adjusting items) of £5.5m incurred in the period relating to the new agreement with ITV for digital content and national VOD sales representation (2023: £3.1m; 2022: £0.5m) and Greenbird acquisition and integration costs (2023: £2.4m; 2022: £nil)
- Net debt of £32.3m, up £17.2m on 2022 and reflecting the consideration paid to date for Greenbird of £21.9m. Leverage of 1.2x at year end, in line with guidance (2022: 0.5x)

Another year of strong audience performance

- STV & STV Player combined still the clear number 1 for commercial audiences in Scotland
    - 20% share of total peak audience in 2023 (vs Netflix 12%, C4 11% and Sky 9%)
    - 486 of top 500 commercial audiences were on STV in 2023 (97%)
- STV was the most watched peaktime TV channel in Scotland for the 5th year in a row with a viewing share of 21.8%
    - STV's lead over BBC1 in peak widened to nearly 3 share points
    - Highest lead over ITV Network (2.3 share points) since records began
    - Most watched commercial TV channel on 361 days out of 365 in 2023
- STV Player delivered another record streaming performance, with growth across all key metrics:
    - Online streams +28% and online consumption +25%
    - Registered users up 17% to 5.7m, beating 5m target
    - Active registered users +20% and STV Player VIP users +33%

Continued strategic momentum and new targets

- **Studios**: STV Studios now a leading UK production group:
    - 58 new commissions in 2023, up 28 on 2022
    - 68 series produced in 2023 delivering 620 hours of new television, +154%
    - Transformative Greenbird acquisition delivered £15.0m revenue and £3.2m operating profit post acquisition on 6 July 2023
    - Jan 2024 consolidation of Two Cities further evidence of successful investment model:
        - £55m+ future revenues secured; acquisition is materially earnings-enhancing
        - 3 new drama series commissions confirmed last month
    - Major Apple drama *Criminal Record* launched in 100+ countries to widespread acclaim

- **Digital**: STV Player continuing to deliver strong viewing and commercial growth:
    - Digital targets all exceeded for users, streams and revenues
    - Year 1 of new ITV digital deal has driven increased viewing and advertising yield
    - Long-term partnership in place until 2029 on a variable cost basis
    - 18 programmes delivered 1m+ streams, up from 12 in 2022
    - Continued strong performance of STV 3rd party content, with over 14m *Brookside* streams since launch
    - UK Government Media Bill continues to progress through Parliament and should guarantee prominence for STV Player on all major digital platforms

- **New 3 Year strategy and targets**: Next-phase plan announced to drive STV's profitable growth; strategic objectives will focus on four key areas:
    - **CONTENT**: Accelerate UK and international Studios growth
    - **AUDIENCE**: Drive streaming growth and maximise total STV viewing
    - **MONETISATION**: Maintain advertising leadership and grow new revenues
    - **ORGANISATION**: Modernise and simplify business for digital-first world
- In terms of financial targets, by the end of 2026 STV will:
    - Double Studios revenues to £140m with a target to achieve a 10% margin
    - Grow Digital revenues by a further 50% to £30m* at a margin of at least 40%
    - Increase international revenues to 15% of Group / 25% of Studios
    - Achieve a further £5m p.a. savings in STV's cost base

* before commission

Improving outlook

- Advertising market showing resilience and growth so far in 2024
    - Total advertising revenue (TAR) expected to be up around 5% in Q1 year on year
    - Digital VOD advertising, before commission, expected to be +12% in Q1
    - Scottish advertising down 4% in Q1 reflecting Scottish Government declines (underlying SME advertising +6-8%)
    - Q2 will include live coverage of UEFA Euro 2024

- Studios forward order book stronger than ever
    - £87m secured future revenue as at March 2024, £30m+ ahead of a year ago
    - Multiple new drama commissions secured for Sky, BBC and others
    - 2024 will see full year of Greenbird consolidated performance and 11 months of Two Cities Television

- 3-year cost savings plan in place with £1.5m identified for delivery in 2024 and £5m p.a. expected by end of 2026

- As in previous years, revenue and operating profit expected to be H2 weighted reflecting Studios delivery schedules

Dividend

- The Board proposes a final dividend of 7.4p per share for 2023, giving a full year dividend of 11.3p per share, in line with 2022, after considering all relevant factors including ongoing macroeconomic uncertainty.

- The Board remains committed to a balanced approach to capital allocation across investing for growth, fulfilling our pension obligations, and paying a sustainable dividend to shareholders.

Simon Pitts, Chief Executive, said:
"2023 was another year of strong strategic progress for STV as we delivered revenue growth of 22% and exceeded the stretching 3-year diversification targets we set ourselves to double the size of our digital business and quadruple our Studios business, ending the year with 75% of our profit coming from outside traditional broadcasting, well ahead of our 50% target.

Despite the challenging commissioning environment, STV Studios had a standout 2023, with revenues almost trebling and operating profit up 280%, propelled by fantastic dramas like Criminal Record for AppleTV+ and Screw for C4 and the transformative acquisition of Greenbird.

Our audience position remains unrivalled, with STV the most-watched peaktime TV channel in Scotland for the 5th year in a row in 2023, ahead of BBC1, and nearly double the commercial audience of Netflix. STV Player growth also continued to accelerate, with streams up a further 28%, driving digital profit up 16%.

Our overall financial performance was impacted by weak linear advertising and cost inflation, as expected and related to the challenging UK macro environment, although the start of 2024 has been more encouraging. Q1 total advertising is expected to be up around 5% and we have a strong H1 schedule to come, culminating in live coverage of UEFA Euro 2024 featuring both Scotland and England. In January we also increased our stake to a majority in leading drama producer Two Cities, who have already secured £55m of future revenues across 3 high-end drama series.

Over the last 6 years STV has been successfully transformed into a digital-first media company with a high-growth streaming service and one of the UK's leading production groups, and we have today set out further ambitious targets for the next phase of profitable growth. With STV's latest diversification targets fully achieved, now is the right time to plan a smooth and orderly succession. As such I have informed the Board that I will step down as CEO over the next 12 months to take up a new appointment beginning in Q1 2025.

The Board has proposed a final dividend of 7.4p per share, giving a full year dividend of 11.3p, in line with 2022."

There will be a presentation for analysts today, 5 March 2024, at 12.30 pm, via Zoom. Should you wish to attend the presentation, please contact Angela Wilson, angela.wilson@stv.tv or telephone: 0141 300 3000.

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Group overview

Total revenue grew by 22% to £168.4m (2022: £137.8m). This was primarily related to growth in Studios revenue, which reached £66.8m in the year, up from £23.7m in 2022, with a contribution of £15.0m from Greenbird Media Limited ("Greenbird") in the period since acquisition. Digital revenues also continued to grow and were up 6% on the prior year.

Total advertising revenue (TAR) for the year was £97.3m (2022: £110.0m), a decrease of 12% on the 2022 performance, with linear advertising revenues being heavily impacted by the challenging macro-economic environment. Within this, national advertising revenue was down 16% with regional continuing to out-perform at -9% year on year.

Adjusted operating profit of £20.1m was down 22% on the record set in 2022 of £25.8m, equivalent to an adjusted operating margin of 11.9% (2022: 18.7%). On a statutory basis, operating profit was £6.4m (2022: £25.3m). The proportion of Group adjusted operating profit derived from non-broadcast earnings was 75%, compared to 38% achieved in 2022. This increase is in part due to the absolute quantum of Digital and Studios adjusted operating profit increasing year on year (£5.2m equivalent to 53%) but it is also impacted by the declines in high margin linear advertising revenues that have resulted in a 53% reduction in Broadcast operating profit year on year.

Adjusted profit for the year was £13.8m (2022: £19.1m), which includes a net tax credit of £4.5m (2022: charge of £5.0m), primarily in relation to High-End Television (HETV) tax credits receivable, and is after charging finance costs of £2.9m (2022: £1.6m). The finance costs comprised interest on the Group's borrowings of £2.4m (2022: £1.1m) with the balance being non-cash costs in relation to the Group's lease liabilities. These adjusted results are before finance costs in relation to the Group's defined benefit pension schemes (2023: £2.8m; 2022: £1.4m), finance costs being the unwind of discount in relation to put options recognised in a business combination (2023: £0.5m, 2022: nil) and adjusting items in operating profit (2023: cost of £6.0m; 2022: cost of £0.5m). Statutory profit after tax was £5.3m (2022: £17.3m).

Adjusted earnings per share at 28.2p was down 33% on the prior year, driven by lower operating profit and higher interest costs. On a statutory basis EPS was 9.7p (2022: 38.3p).

At the balance sheet date, the Group had net debt of £32.3m compared to £15.1m at the start of the year. The increase is principally driven by the acquisition of Greenbird Media, which was a net cash outflow of £15m on acquisition. Initial cash consideration of £21.4m was paid on completion with a further £0.5m paid in December 2023 as surplus cash was paid via a dividend to Greenbird from one of its subsidiaries. Operating cash conversion in the year improved on 2022, as expected, and was 169% (2022: 45%).

The Group has in place a £70m revolving credit facility, with £10m accordion, maturing in March 2026. The Group also has a production financing facility relating to commissioned programme production, of which £3.3m was drawn at the end of the year. This facility will mature when the programme is delivered to the commissioner in H1 2024. At the end of the year, the Group's leverage (calculated on a covenant basis) was 1.2 times (2022: 0.5 times) and interest cover was 12.9 times (2022: 42.8 times), both metrics well within the covenant limits.

The IAS 19 accounting deficit across the Group's two defined benefit pension schemes was £54.8m at the end of the year (2022: £63.1m). The decrease in the liability is primarily driven by updated mortality assumptions that reduce life expectancies.

STV Studios

2023 has been a standout year for STV Studios. The production business continues its strong growth trajectory, with revenues almost trebling year on year and profit growing nearly fourfold from a combination of organic growth and the acquisition of Greenbird Media. It is scaling rapidly and profitably, strengthening its position as the biggest production company in Scotland and moving closer towards our core objective of becoming the UK's number 1 nations and regions producer.

Over the past four years a key part of our expansion plan, alongside organic growth, has been to invest in new production partners. In July 2023, we accelerated this strategy through the acquisition of **Greenbird Media**, significantly increasing the number of production labels under the STV Studios umbrella (from 9 to 24), more than trebling our portfolio of returning series and expanding our forward pipeline of new programme ideas. STV Studios now has expanded bases in Glasgow and London, as well as offices in Cardiff, Belfast, Brighton and Manchester, strengthening our ability to take advantage of the continuing growth of production in the nations and regions.

The Studios business was already on track to exceed our 2023 target of £40m of revenue, but this transformative acquisition has added significant scale and creative firepower to the division and accelerated STV's overall diversification strategy in terms of both revenue and profit. The acquisition was materially earnings-enhancing from day one and was funded from STV Group's existing financial resources.

STV Studios - including the Greenbird labels - has produced a record 68 series in 2023 while securing more than 50 new commissions and recommissions. This is a very strong performance set against a difficult global commissioning backdrop, with many UK broadcasters and global streaming services slowing their rate of new programme commissions in the current economic climate.

Programme highlights across Scripted and Unscripted for 2023 include:

- BBC One commissioned two new series of hit gameshow *Bridge of Lies* with Ross Kemp, with the format also selling to Spain and the US.
- One of the BBC's biggest new dramas of the year, critically acclaimed Belfast-based police drama, *Blue Lights* was recommissioned for a second series. In Q1 2024, a further two series were ordered from our label, Two Cities.
- Series 2 of prison drama, *Screw*, which aired on Channel 4 in the autumn, attracted an average audience of 1.6m per episode.
- Thriller *Criminal Record*, a co-production with our exclusive partner, Tod Productions, launched globally in January 2024 on Apple TV+ to a raft of rave reviews.
- *Antiques Road Trip* (BBC), *Travelling Auctioneers* (BBC) and *The Yorkshire Auction House* (Really, Discovery) are important returning series for the business and continued to deliver strong ratings.
- Primal Media produced innovative new reality format, *The Underdog*: *Josh Must Win* for Channel 4, airing in 2024; and a series development deal with US media group, NBCUniversal, has been secured.
- Tuesday's Child won brand new entertainment format *The Fortune Hotel* for ITV/STV and a recommission for BBC returner, *The Hit List*.

- Crackit Productions won and delivered a number of their successful returning series in 2023, including titles such as *Casualty 24/7* and *Trucking Hell* for Channel 5, *Deadliest Families* for Discovery, and *Social Media Murders* for ITV2.

As in 2022, tape sales of our extensive programme catalogue remain very strong, proving to be a reliable and valuable income stream for the business. Following the acquisition of Greenbird Media, we have significantly increased the number of episodes in our distribution portfolio, including shows such as *Antiques Road Trip, The Travelling Auctioneers, Bridge of Lies, LEGO Masters* and *A&E After Dark*.

Testament to the tenacity, talent and creativity of our people, STV Studios was named **Production Group of the Year** at the prestigious Edinburgh TV Awards in August 2023.

We move into 2024 mindful of the ongoing uncertainty in the market. However, not only do we have a strong stable of returning series, we have a compelling pipeline of new programme ideas across the expanded STV Studios, and we're excited about the year ahead for our newly enlarged creative powerhouse.

Digital

A combination of appealing and exclusive content, availability across all major platforms in the UK, and a continuously improving user experience ensured that STV Player continued its strong growth trajectory in 2023. The migration of audiences from linear to VoD continues and viewing hours were up 25% at 71m compared with 2022, and streams increased by 28% at 149m.

STV Player marked its biggest ever month and quarter in terms of viewing hours, contributing to a record-breaking year for the streamer. A strong content line-up, including exclusives in Scotland like dramas *Crime, Six Four* and *The Long Shadow*, alongside appealing acquired material, such as *Brookside* and *Suspects*, helped make this our biggest year ever for Video on Demand.

Total active registered users – individuals who have signed up to the service, provided their details and viewed content - were up 400,000 at 1.8m across 2023, with 1m users active every month across our STV owned and third-party platforms. STV Player VIP users continued to grow, with new VIPs up by two thirds year on year – that's 570,000 opted-in users by the end of 2023.

Following an agreement with ITV in December 2022, STV Player has exclusive Scottish rights for a range of original and premiere content, encompassing at least 100 hours of brand new and exclusive box sets per year. 58 new series premiered in 2023 under this new deal, driving 28% of VOD viewing. Five of these titles are in the top 15 best-watched VOD shows, including Irvine Welsh drama *Crime* starring Dougray Scott; true crime drama, *The Long Shadow*; crime thriller, *Payback*, along with *Six Four* and *Malpractice*. Favourites like *The Bay, Unforgotten* and *Vera* also continue to drive strong viewing numbers for STV Player. Drama remains a big driver of digital viewing, with almost four in ten STV drama hours viewed via STV Player across 2023.

In addition to access to exclusive Network content in Scotland, this agreement sees ITV's market leading sales team take on exclusive responsibility for selling all national and digital VOD and simulcast advertising inventory on STV Player from 2023, allowing STV to benefit from ITV's unrivalled scale in the UK market. We joined ITV's addressable advertising platform, Planet V, allowing advertisers to access STV's inventory alongside ITV's combination of mass simultaneous reach and data-driven, targeted advertising.

This has seen the level of targeted, programmatic advertising on our streaming service increase from 40% to 90% across the year, with our digital brand count increasing by 25% across the year. This partnership has also created a genuine one-stop-shop for Scottish advertising across linear, VOD and programmatic, with the aim of attracting new, digital-only advertisers who haven't advertised on TV before.

Across all VOD programming, STV third-party acquired material features strongly in our top 20 – a proven approach which helps us broaden our audience outside of Scotland. Our strategic acquisition of iconic soap, *Brookside,* delivered vast media profile for the series and it was our number two most watched programme across the year, with c.13m streams in 2023, of which 69% came from outside of Scotland.

Broadcast

STV reaches 2.8m adults each month, more than any other commercial channel, making STV a unique commercial proposition for advertisers. STV also has a higher daily, weekly and monthly reach than any of the subscription streaming services.

Like all businesses, 2023 saw us operating against a very challenging macro-economic backdrop due to high inflation and rising interest rates. This impacted both the national linear advertising performance the most significantly, down 16% year on year, with the Scottish regional ad market continuing to outperform at -9% year on year. This is down to STV's Growth Fund, which stands at £30m and makes advertising more affordable and accessible for SMEs. Since launch in 2018 to the end of 2023, we have allocated almost £28m across more than 1200 deals with Scottish companies. 245 deals were secured in 2023 and importantly, over 65% of advertisers have returned from 2022. Within this, we have ring-fenced £1m for an Inclusion Fund, for businesses who support diverse and inclusive practices; and a £1m Green Fund, for businesses with a commitment to sustainability.

For the fifth consecutive year, STV is the most watched peak time channel in Scotland, with our viewing share considerably ahead of BBC One; and the only PSB in Scotland to outperform its UK Network equivalent, tracking ahead of ITV1 in terms of viewing share across all time (1.4 percentage points) and peak time (2.3 percentage points) in 2023.

STV delivered 97% of the top 500 commercial programme audiences last year and was the most watched commercial channel on 361 days in 2023.

Coronation Street and *Emmerdale*, continue to be schedule favourites with loyal viewers. Other programme highlights for 2023 included new dramas like *The Long Shadow, A Spy Among Friends* and *The Hunt for Raoul Moat*; returning dramas, *Unforgotten* and *Vera;* and entertainment shows *The Masked Singer, Deal or No Deal* and *The Chase*. *I'm A Celebrity… Get Me Out Of Here!* again proved our most popular show, with the top rating episode attracting over 800k linear viewers.

Our audience was boosted significantly by large scale sporting events in 2023. STV's Rugby World Cup coverage reached 2.5m Scots (53%) and attracted some of the highest audiences of the year. Viewing to the England vs Scotland Calcutta Cup match during the Six Nations peaked at 900k – our biggest audience of 2023. 1.3m Scots tuned in to watch the FIFA Women's World Cup.

STV News at Six has retained its position as the most-watched news programme in Scotland, tracking 7 share points ahead of BBC *Reporting Scotland* (its highest ever share lead). The STV News website has also had a strong year, with 3.1m unique visitors to the site on average per month. Our Expert Voices training scheme helps ensure we feature a diverse range of contributors on our news and current affairs programmes and so far, 1000+ people have been trained helping us to reach our on-air diversity targets.

In summer 2023, we launched our first ever **Sustainable Scotland Week** - a seven-day, cross-platform mission which saw STV raising awareness of how climate change is impacting Scotland's communities and inspiring viewers to live more sustainably. Our dedicated TV content reached 1.5m viewers. ScotPulse research revealed that 72% of those who saw Sustainable Scotland Week activity said it made them more likely to make more environmentally conscious choices. All STV productions are albert certified.

Regulatory update

In March 2024, we accepted terms from Ofcom to renew our Channel 3 licences for a further ten-year period from January 2025, providing further long-term certainty to our core business and securing the future provision of commercial public service broadcasting in Scotland, including the country's highest performing news and current affairs programmes.

STV also welcomed the introduction of the Media Bill at Westminster and its subsequent parliamentary progress. This represents the first major update to UK media legislation for over 20 years and is urgently required to make Public Service Media as prominent on digital platforms as they are today on broadcast platforms, and to ensure STV remains easily available and discoverable for viewers. In late February, Ofcom published their roadmap to support full implementation of the Bill. It's vital that the Bill now makes its way swiftly through Parliament into law.

Consolidated income statement
Year ended 31 December 2023

Continuing operations	Note	2023 Adjusted results £m	2023 Adjusting items (note 6) £m	2023 Statutory result £m	2022 Adjusted results £m	2022 Adjusting items (note 6) £m	2022 Statutory results £m
Revenue	5	**168.4**	**-**	**168.4**	137.8	-	137.8
Operating expenses		**(156.0)**	**(6.0)**	**(162.0)**	(112.0)	(0.5)	(112.5)
Operating profit		**12.4**	**(6.0)**	**6.4**	25.8	(0.5)	25.3
Finance costs							
- borrowings		**(2.4)**	**-**	**(2.4)**	(1.1)	-	(1.1)
- defined benefit pension schemes		**-**	**(2.8)**	**(2.8)**	-	(1.4)	(1.4)
- lease interest		**(0.5)**	**-**	**(0.5)**	(0.5)	-	(0.5)
- other finance costs		**-**	**(0.5)**	**(0.5)**	-	-	-
Total finance costs		**(2.9)**	**(3.3)**	**(6.2)**	(1.6)	(1.4)	(3.0)
Share of loss of associates		**(0.2)**	**-**	**(0.2)**	(0.1)	-	(0.1)
Profit before tax		**9.3**	**(9.3)**	**-**	24.1	(1.9)	22.2
Tax credit/(charge)	7	**4.5**	**0.8**	**5.3**	(5.0)	0.1	(4.9)
Profit for the year		**13.8**	**(8.5)**	**5.3**	19.1	(1.8)	17.3
Attributable to:							
Owners of the parent company		**13.0**	**(8.5)**	**4.5**	19.3	(1.8)	17.5
Non-controlling interests		**0.8**	**-**	**0.8**	(0.2)	-	(0.2)
		13.8	**(8.5)**	**5.3**	19.1	(1.8)	17.3
Earnings per share							
Basic	8	**28.2p**		**9.7p**	42.3p		38.3p
Diluted	8	**27.2p**		**9.4p**	40.4p		36.6p

A reconciliation of the statutory results to the adjusted results is included at note 6. The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income
Year ended 31 December 2023

	2023	2022
	£m	£m
Profit for the year from continuing operations	**5.3**	17.3
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit pension schemes	**2.0**	6.5
Deferred tax charge	**(0.5)**	(1.5)
Revaluation loss on listed investment to market value	**-**	(0.3)
Other comprehensive expense – net of tax	**1.5**	4.7
Total comprehensive income for the year	**6.8**	22.0
Attributable to:		
Owners of the parent company	**6.0**	22.2
Non-controlling interests	**0.8**	(0.2)
	6.8	22.0

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet
At 31 December 2023

	Note	2023 £m	2022* £m
Non-current assets			
Intangible assets	10	**25.0**	1.2
Property, plant and equipment	11	**8.9**	10.6
Right-of-use assets	12	**17.9**	18.6
Investments	14	**4.1**	2.5
Deferred tax asset	15	**19.8**	21.9
Trade and other receivables		**1.0**	0.7
		76.7	55.5
Current assets			
Inventories		**24.4**	47.0
Trade and other receivables		**38.9**	39.8
Cash and cash equivalents		**13.9**	18.3
		77.2	105.1
Total assets		**153.9**	160.6
Equity			
Ordinary shares	17	**23.3**	23.3
Share premium		**115.1**	115.1
Capital redemption reserve		**0.2**	0.2
Merger reserve		**173.4**	173.4
Other reserve		**2.4**	1.8
Accumulated losses		**(321.9)**	(322.7)
Shareholders' equity		**(7.5)**	(8.9)
Non-controlling interests		**(5.1)**	(0.3)
Total equity		**(12.6)**	(9.2)
Non-current liabilities			
Borrowings	16	**41.6**	26.4
Lease liabilities		**17.9**	18.7
Retirement benefit obligations	19	**54.8**	63.1
Deferred tax liabilities	15	**2.6**	-
Trade and other payables		**5.9**	-
		122.8	108.2
Current liabilities			
Borrowings	16	**4.6**	7.0
Trade and other payables		**37.9**	53.7
Lease liabilities		**1.2**	0.9
		43.7	61.6
Total liabilities		**166.5**	169.8
Total equity and liabilities		**153.9**	160.6

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

*Details of restatements are disclosed in note 2

Consolidated statement of changes in equity
Year ended 31 December 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserve £m	Restated* Accumulated losses £m	Attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 January 2023	23.3	115.1	0.2	173.4	1.8	(322.7)	(8.9)	(0.3)	(9.2)
Profit for the year	-	-	-	-	-	4.5	4.5	0.8	5.3
Other comprehensive income	-	-	-	-	-	1.5	1.5	-	1.5
Total comprehensive income for the year	-	-	-	-	-	6.0	6.0	0.8	6.8
Net share based compensation	-	-	-	-	0.6	-	0.6	-	0.6
Dividends paid (note 9)	-	-	-	-	-	(5.2)	(5.2)	(0.2)	(5.4)
Changes in non-controlling interest (note 15)	-	-	-	-	-	-	-	(5.4)	(5.4)
At 31 December 2023	23.3	115.1	0.2	173.4	2.4	(321.9)	(7.5)	(5.1)	(12.6)
At 1 January 2022 – restated*	23.3	115.1	0.2	173.4	1.4	(340.1)	(26.7)	(0.1)	(26.8)
Profit/(expense) for the year	-	-	-	-	-	17.5	17.5	(0.2)	17.3
Other comprehensive income	-	-	-	-	-	4.7	4.7	-	4.7
Total comprehensive income/(expense) for the year	-	-	-	-	-	22.2	22.2	(0.2)	22.0
Net share based compensation	-	-	-	-	0.4	0.3	0.7	-	0.7
Dividends paid (note 9)	-	-	-	-	-	(5.1)	(5.1)	-	(5.1)
At 31 December 2022 – restated*	23.3	115.1	0.2	173.4	1.8	(322.7)	(8.9)	(0.3)	(9.2)

*Details of restatements are disclosed in note 2
The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
Year ended 31 December 2023

	Note	**2023** **£m**	2022 £m
Operating activities			
Cash generated by operations	18	**10.8**	11.5
Interest and fees paid in relation to banking facilities		**(2.3)**	(1.1)
Corporation tax received		**5.0**	0.2
Pension deficit funding – recovery plan payment		**(9.7)**	(9.5)
Contingent cash payment to pension schemes		**-**	(2.4)
Net cash generated by/(used in) operating activities		**3.8**	(1.3)
Investing activities			
Acquisition of subsidiary undertakings, net of cash acquired	13	**(15.0)**	-
Purchase of investment in associate		**(0.3)**	(0.9)
Production finance provided to associate		**(0.4)**	(2.4)
Production finance repaid from associate		**3.0**	-
Purchase of intangible assets		**(0.4)**	(0.5)
Purchase of property, plant and equipment		**(0.8)**	(3.4)
Net cash used in investing activities		**(13.9)**	(7.2)
Financing activities			
Payment of obligations under leases		**(1.8)**	(1.8)
Borrowings drawn		**36.3**	38.0
Borrowings repaid		**(21.0)**	(26.0)
Dividends paid to non-controlling interests		**(0.2)**	-
Dividends paid to equity holders		**(5.2)**	(5.1)
Net cash generated by financing activities		**8.1**	5.1
Net decrease in cash and cash equivalents		**(2.0)**	(3.4)
Net cash and cash equivalents, including overdraft balances, at beginning of year		**11.3**	14.7
Net cash and cash equivalents, including overdraft balances, at end of year		**9.3**	11.3

Notes to the preliminary announcement
Year ended 31 December 2023

1. General information

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

2. Basis of preparation

The financial information set out in the audited preliminary announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2023 within the meaning of Section 434 of the Companies Act 2006 and has been extracted from the full audited financial statements for the year ended 31 December 2023.

Statutory financial statements for the year ended 31 December 2022, which received an unqualified audit report, have been delivered to the Registrar of Companies. The reports of the auditors on the financial statements for the year ended 31 December 2022 and for the year ended 31 December 2023 were unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006. The financial statements for the year ended 31 December 2023 will be delivered to the Registrar of Companies and made available to all shareholders in due course.

Prior year adjustments

Presentation of cash and cash equivalents and overdrafts
The Group previously presented cash balances and overdrafts held with the same counterparty on a net basis due to there being a legal right to offset, with overdraft balances cleared down in line with trading requirements. However, as the accounts that are used to settle the overdrafts are normal trading accounts with routine activities processing through them, the overdrafts should be disclosed within current liabilities. The impact on the Group balance sheet at 31 December 2022 is to increase cash and cash equivalents from £11.3m to £18.3m and recognise a current liability of £7.0m.

Historical overstatement of trade and other receivables
The Group identified an historic error of £0.9m relating to an over accrual of music revenue expected to be collected on its behalf by a third party. The over accrual relates to prior periods not presented in these financial statements and therefore the correcting adjustment was disclosed as a restatement of the 1 January 2022 trade and other receivables balance, with a corresponding adjustment to retained earnings. The 31 December 2022 balance sheet has also been restated; non-current trade and other receivables restated from £1.5m to £0.7m, current trade and other receivables restated from £39.9m to £39.8m, and retained earnings restated from £(321.8)m to £(322.7)m.

Going concern

At 31 December 2023, the Group was in a net debt position (excluding lease liabilities) of £32.3m comprising drawdowns under its banking facility of £39m, amounts drawn under a separate third party production financing facility of £3.3m, partially offset by net cash balances, including overdrafts, of £9.3m.

The Group has in place a £70m revolving credit facility, with £10m accordion, that matures in March 2026. In July 2023, the Group accessed £10m of its then £20m accordion to provide additional liquidity headroom following acquisition of Greenbird Media Limited and against the backdrop of a difficult macroeconomic environment impacting linear advertising in particular. To date, we have not accessed this incremental headroom. Our covenant package includes the key financial covenants of net debt to EBITDA (leverage), which must be less than 3 times, and interest cover, which must be greater than 4 times.

The Group is in a net current asset position and generates cash from operations that enables the Group to meet its liabilities as they fall due, and other obligations. It has undrawn facilities under its main banking facility of £31m, with a further £10m available through accessing the accordion.

As part of the regular forecasting and budgeting processes, the Group considers the outlook for the UK advertising market and the UK and global commissioning markets and uses them to inform the assumptions underpinning the business's own financial forecasts. As well as defining a 'base case' set of assumptions, the Group considers a range of alternative outcomes – on the upside and the downside – and assesses liquidity headroom and covenant compliance under all scenarios. The Group's forecasts and projections for both profitability and cash generation/debt levels, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current available funding and financial covenants.

The Directors performed a full review of principal risks and uncertainties during the year and approved the Group's updated three-year plan covering the period to 31 December 2026 in February 2024. As part of this process, the Board gave specific consideration and challenge to the first year of this plan and approved it as the budget for FY2024.

A severe but plausible downside scenario was identified against the base case assumptions in that budget that reflected crystallisation of a number of risks, principally in relation to advertising revenues and the number and scale of programme commissions won and delivered in the year. Under this alternative scenario, the Group modelled a reduction of more than 40% in the budgeted revenue of the Studios division combined with a continued recession in the UK advertising market.

Even under this scenario, the Group generated sufficient cash to enable it to continue in operation and remain within covenant levels under the Group banking arrangements. Therefore, the Board concluded that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show it will be able to operate within the level of its current available funding and covenant levels.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023. There were no changes to accounting standards in the year that had any material impact on the financial statements.

4. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The carrying value of non-derivative financial assets and liabilities, comprising cash and cash equivalents, trade and other receivables, trade and other payables and borrowings is considered to materially equate to their fair value.

5. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is by product. The Group's operating segments are Broadcast, Digital and Studios.

	Broadcast		Digital		Studios		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Sales	**90.4**	107.6	**20.2**	19.0	**67.2**	23.9	**177.8**	150.5
Inter-segment sales	**(9.0)**	(12.5)	**–**	–	**(0.4)**	(0.2)	**(9.4)**	(12.7)
Segment revenue	**81.4**	95.1	**20.2**	19.0	**66.8**	23.7	**168.4**	137.8
Segment result								
Adjusted operating profit	**9.8**	20.7	**9.9**	8.5	**5.2**	1.4	**24.9**	30.6
Unallocated corporate expenses							**(4.8)**	(4.8)
Adjusted operating profit							**20.1**	25.8
Adjusting items in operating profit(note 6)							**(6.0)**	(0.5)
Finance cost – put options							**(0.5)**	-
HETV tax credits							**(7.7)**	-
Finance costs							**(5.7)**	(3.0)
Share of loss of associates							**(0.2)**	(0.1)
Profit before tax							**-**	22.2
Tax credit/(charge)							**5.3**	(4.9)
Profit for the year							**5.3**	17.3

Adjusted operating profit (as shown above) is the statutory operating profit before adjusting items, amortisation of the fair value of intangible assets and includes High-End Television (HETV) tax credits receivable. The HETV tax credits relate solely to the Studios operating segment. In the current year, £7.7m HETV tax credit claims were made (2022: £nil), £0.5m of amortisation on the fair value of intangible assets has been included since acquiring Greenbird Media Limited and £0.5m of finance costs in relation to put options, resulting in a statutory operating loss of £3.5m for the Studios division (2022: profit of £1.4m).

Total assets have reduced from £160.6m to £153.9m at 31 December 2023. This movement primarily relates to the assets acquired from the acquisition of Greenbird Media (see note 13) offset by a reduction in programme production work in progress (inventory) due to material deliveries in the year.

6. Adjusting items

In reporting financial information, the Group presents alternative performance measures (APMs) which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

The Group makes certain adjustments to the statutory profit measures to exclude the effects of material amounts that it believes are distortive to the underlying trading performance of the Group. By presenting these alternative performance measures, the Group believes it is providing additional insight into the performance of the business that may be useful to stakeholders.

The table below sets out a reconciliation of the statutory results to the adjusted results:

	2023 Operating profit £m	**2023 Profit before tax £m**	**Basic EPS pence**	2022 Operating profit £m	2022 Profit before tax £m	Basic EPS pence
Statutory results	**6.4**	**-**	**9.7p**	25.3	22.2	38.3p
Material contract implementation costs (i)	**3.1**	**3.1**		0.5	0.5	
Acquisition and integration costs (ii)	**2.4**	**2.4**		-	-	
Amortisation of intangible asset (iii)	**0.5**	**0.5**		-	-	
IAS 19 finance costs (iv)	**-**	**2.8**		-	1.4	
Other finance costs (v)	**-**	**0.5**		-	-	
High-end television tax credits (vi)	**7.7**	**7.7**		-	-	
Adjusted results	**20.1**	**17.0**	**28.2p**	25.8	24.1	42.3p

(i) On 8 December 2022, the Group announced an extended partnership with ITV for digital content and advertising sales. The agreement was effective from 1 January 2023 and one-off costs associated with the negotiation and implementation of the agreement reached in the year was £3.1m (2022: £0.5m).

(ii) On 6 July 2023, the Group acquired the independent production network of companies headed by Greenbird Media Limited for total amounts payable of £24.2m (note 13). The associated attributable costs, totalling £2.4m, have been expensed as incurred in the year. This includes legal and advisory fees, amounts attributable to earns outs payable to founding members, and restructuring costs.

(iii) Following the acquisition of Greenbird Media Limited in July 2023, the Group has undertaken a provisional fair value assessment of the assets acquired and liabilities assumed. The provisional fair value attributable to intellectual property acquired was £10.0m, with an associated amortisation charge of £0.5m incurred since acquisition. Amortisation of assets acquired through business combinations and investments are included within adjusted results. As these costs are acquisition related, and in line with our treatment of other acquisition related costs, we consider them to be capital in nature as they do not reflect the underlying trading performance of the Group.

(iv) IAS 19 related items, principally the net finance cost included in the consolidated income statement, are excluded from non-statutory measures as they are non-cash items that relate to legacy defined benefit pension schemes.

(v) The Group recognised liabilities of £9.6m payable to minority shareholders under put options already in force at the date of acquisition of Greenbird Media Limited, which was estimated based on discounted profit forecasts. Since the date of acquisition, £0.5m has been recognised as a finance cost in relation to the unwinding of the associated discount.

(vi) The Group meets the eligibility criteria to claim HETV tax relief through the production of certain dramas created in its Studios division. This incentive was introduced in the UK to support the creative industries and is a critical factor when assessing the viability of investment decisions in the production of high-end drama programmes. These production tax credits are reported within the total tax charge in the Consolidated Income Statement in accordance with IAS 12. However, STV considers the HETV tax credits to be a contribution to production costs and therefore more aligned to working capital in nature. Therefore, the adjusted results for the Group reflect these credits as a contribution to operating cost and not a tax item. Post year end, HETV tax credits are being replaced by 'above the line' Audio-Visual Expenditure credits and are accounted for in a similar way to the alternative performance measure presented above.

7. Tax

	2023 £m	2022 £m
The credit/(charge) for taxation is as follows:		
Credit/(charge) for the year before adjusting items	**4.5**	(5.0)
Tax effect on adjusting items	**0.8**	0.1
Credit/(charge) for the year	**5.3**	(4.9)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 on 10 June 2021. These included an increase in the UK corporation tax rate to 25% effective from 1 April 2023. The Finance Act 2023 which received Royal Assent on 10 January 2023, had no impact on corporation tax figures. The deferred tax balances at 31 December 2023 have been stated at a rate of 25% (2022:25%), which is the rate at which the temporary differences are expected to unwind.

8. Earnings per share

The calculation of earnings per share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held for use by the STV Employee Benefit Trust.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one type of dilutive potential ordinary shares namely share options granted to employees.

The adjusted earnings per share figures that have also been calculated are based on earnings before adjusting items that are significant in nature and/or quantum and not expected to recur every year and are therefore considered to be distortive. The adjusting items recognised in the current and prior years are detailed in note 6 and presented below net of the related tax effect. Adjusted earnings per share has been presented to provide shareholders with an additional measure of the Group's year on year performance.

Earnings per share	**2023 Pence**	2022 Pence
Basic earnings per ordinary share	**9.7p**	38.3p
Diluted earnings per ordinary share	**9.4p**	36.6p
Adjusted basic earnings per share	**28.2p**	42.3p
Adjusted diluted earnings per share	**27.2p**	40.4p

The following reflects the earnings and share data used in the calculation of earnings per share:

Earnings	**£m**	£m
Profit for the year attributable to equity shareholders	**4.5**	17.5
Adjusting items in operating profit (net of tax)	**5.2**	0.4
IAS 19 finance cost	**2.8**	1.4
Other finance costs	**0.5**	-
Adjusted profit	**13.0**	19.3

	Million	Million
Number of shares		
Weighted average number of ordinary shares in issue	**45.8**	45.6
Dilution due to share options	**1.6**	2.2
Total weighted average number of ordinary shares in issue	**47.4**	47.8

9. Dividends

	2023 per share	2022 per share	**2023 £m**	2022 £m
Dividends on equity ordinary shares				
Paid final dividend	**7.4p**	7.3p	**3.4**	3.3
Paid interim dividend	**3.9p**	3.9p	**1.8**	1.8
Dividends paid	**11.3p**	11.2p	**5.2**	5.1

A final dividend of 7.4p per share (2022: 7.4p per share) has been proposed by the Board of Directors and is subject to approval by shareholders at the 2024 AGM scheduled for 1 May 2024. The proposed dividend would be payable on 31 May 2024 to shareholders who are on the register at 19 April 2024. The ex-dividend date is 18 April 2024. This final dividend, amounting to £3.4m has not been recognised as a liability in these financial statements.

10. Intangible assets

	Goodwill £m	**Intellectual property £m**	**Web development £m**	**Total £m**
Cost				
At 1 January 2023	-	-	6.6	6.6
Additions	-	-	0.4	0.4
Acquisitions (note 13)	14.5	10.0	-	24.5
Disposals	-	-	(0.3)	(0.3)
At 31 December 2023	**14.5**	**10.0**	**6.7**	**31.2**
Accumulated amortisation and impairment				
At 1 January 2023	-	-	5.4	5.4
Amortisation	-	0.5	0.6	1.1
Disposals	-	-	(0.3)	(0.3)
At 31 December 2023	**-**	**0.5**	**5.7**	**6.2**
Net book value at 31 December 2023	**14.5**	**9.5**	**1.0**	**25.0**
Net book value at 31 December 2022	-	-	1.2	1.2

11. Property, plant and equipment

	Leasehold improvements £m	Plant, technical equipment and other £m	Assets under construction £m	Total £m
Cost				
At 1 January 2023	0.4	36.1	1.9	38.4
Additions	-	0.4	0.4	0.8
Acquisitions (note 13)	0.1	0.1	-	0.2
Transfers	-	2.0	(2.0)	-
Disposals	(0.1)	(13.7)	-	(13.8)
At 31 December 2023	**0.4**	**24.9**	**0.3**	**25.6**
Accumulated depreciation and impairment				
At 1 January 2023	0.2	27.6	-	27.8
Charge for year	0.1	2.6	-	2.7
Disposals	(0.1)	(13.7)	-	(13.8)
At 31 December 2023	**0.2**	**16.5**	**-**	**16.7**
Net book value at 31 December 2023	**0.2**	**8.4**	**0.3**	**8.9**
Net book value at 31 December 2022	0.2	8.5	1.9	10.6

12. Right of use assets

	Property £m	Vehicles £m	Total £m
Cost			
At 1 January 2023	24.9	0.3	25.2
Acquisitions (note 13)	0.7	-	0.7
At 31 December 2023	**25.6**	**0.3**	**25.9**
Accumulated depreciation			
At 1 January 2023	6.4	0.2	6.6
Depreciation charge for the year	1.3	0.1	1.4
At 31 December 2023	**7.7**	**0.3**	**8.0**
Net book value at 31 December 2023	**17.9**	**-**	**17.9**
Net book value at 31 December 2022	18.5	0.1	18.6

13. Business combinations

On 6 July 2023, the Group acquired 100% of the issued share capital of unscripted television production group Greenbird Media Limited (‘Greenbird’) for a total amounts payable of £24.2m, of which £21.4m was paid on completion. The initial payment made was allocated £9.9m for the acquisition of shares and £11.5m invested to settle convertible loan instruments provided by the previous majority shareholder.

Deferred consideration of £1.2m relates to surplus cash balances held by the majority subsidiary companies acquired at completion with £0.5m paid in December 2023, leaving a balance of £0.7m payable in the future.

Deferred earn-out payments, estimated to be c£1.6m, are payable to the founders based on agreed EBITDA targets over the two years ending 31 December 2024. These payments are linked to the founders' ongoing employment with the Group and will therefore be accounted for as an expense. At 31 December 2023, £0.9m has been accrued in respect of the first earn-out payable in Q2 2024. This has been recognised as an adjusting item in the consolidated income statement. Please refer to note 6 for further details.

The Group has completed the majority of its work in relation to assessing the fair values of identifiable assets and liabilities acquired with only a small number of minor points to be finalised. Therefore, we have presented the fair values as provisional in the table below but do not anticipate any material changes between the provisional and final position, which will be finalised within 12 months from the date of acquisition, as required by the relevant accounting standard.

Provisional fair value of identifiable assets and liabilities of Greenbird Media Limited and subsidiary companies	**2023 £m**
Intangible assets	**10.0**
Property, plant and equipment	**0.2**
Right of use assets	**0.7**
Investments	**1.5**
Inventory	**1.8**
Trade and other receivables	**2.0**
Contract assets	**1.9**
Cash and cash equivalents	**6.9**
Deferred tax liabilities	**(2.6)**
Trade and other payables	**(15.4)**
Lease liabilities	**(0.8)**
Contract liabilities	**(3.5)**
Fair value of net identifiable assets	**2.7**
Non-controlling interest measured at proportionate share of identifiable net assets	**(4.2)**
Adjustments to non-controlling interest regarding derivative put options	**9.6**
Goodwill	**14.5**
Consideration	**22.6**

Total net cash outflow relating to acquisition of Greenbird Media Limited and subsidiary companies	**£m**
Cash consideration paid for equity shares	**9.9**
Additional cash invested to settle convertible loan instruments	**11.5**
Deferred consideration paid	**0.5**
Consideration paid	**21.9**
Cash and cash equivalents acquired	**(6.9)**
Total cash outflow	**(15.0)**

	£m
Present value of the expected liability on put options	**9.6**

The goodwill of £14.5m represents the value placed on the opportunity to materially enhance the future growth prospects of STV Studios creatively, commercially, and internationally. This has been calculated as the fair value of the consideration transferred, plus the amount of non-controlling interest adjusted for derivative put options relating to subsidiaries acquired, less the net of the fair value of the identifiable assets acquired and liabilities assumed.

From the date of acquisition, Greenbird Media Limited and subsidiary undertakings contributed £15.0m of revenue and £3.2m of operating profit to the Group's results.

14. Investments

	2023	2022
	£m	£m
Associates	**3.9**	2.4
Other	**0.2**	0.1
	4.1	2.5

	2023	2022
	£m	£m
Associates		
At 1 January	**2.4**	1.5
Additions	**1.7**	1.0
Share of loss	**(0.2)**	(0.1)
At 31 December	**3.9**	2.4

The additions in associates during 2023 relates to the acquisition of a further 15% stake in quiz show producer, Mighty Productions Limited, for a total consideration of £0.3m in July 2023, taking the total investment held by the Group to 40%. As part of the acquisition in Greenbird Media Limited (as detailed in note 13), the Group acquired six associates for total consideration of £1.4m, ranging from an ownership stake of 25% to 40%. The Group also owns a 25% shareholding in the unscripted production company, Hello Mary, and a 25% stake in Two Cities Television. Refer to note 20 for subsequent events relating to Two Cities Television. No dividends have been received from any associate undertaking.

The Group also holds shares in Mirriad Advertising plc which has a nominal fair value at the balance sheet date. This investment is measured at fair value through the Consolidated Statement of Comprehensive Income.

15. Deferred tax asset

At 31 December 2023, total deferred tax assets of £19.8m were recognised on the balance sheet (31 December 2022: £21.9m) and a deferred tax liability of £2.6m (2022: £nil) was acquired through business combinations, resulting in a net deferred tax asset of £17.2m (2022: £21.9m). Of this, £13.7m relates to the deficit on the Group's defined benefit pension schemes (31 December 2022: £15.7m) and the balance of £3.5m relates to tax losses, accelerated capital allowances and short-term timing differences (31 December 2022: £6.2m).

16. Borrowings

At the balance sheet date, the Group had a £70m revolving credit facility (RCF) in place, with a £10m accordion, maturing in March 2026. £41.6m was drawn down at the balance sheet date (2022: £26.4m). The principle financial covenants are the ratio of net debt to EBITDA (which must be below 3 times) and interest cover (which must be higher than 4 times). The facility was increased by £10m to £70m (through accessing its accordion) in July 2023, to provide additional liquidity headroom on completion of the Greenbird acquisition. There has been no requirement to call on this additional debt in the subsequent period.

The Group also has a £7.1m loan facility relating to production financing of which £3.3m was drawn down at the balance sheet date (2022: £nil) and a bank overdraft within current liabilities of £4.6m (2022: £7.0m).

17. Share capital

	Number of shares (thousands)	Ordinary shares £m	Share premium £m	Total £m
At 1 January 2023 and 31 December 2023	**46,723**	**23.3**	**115.1**	**138.4**

The total authorised number of ordinary shares is 63 million shares (2022: 63 million shares) with a par value of £0.50 per share (2022: £0.50 per share). All issued shares are fully paid.

18. Notes to the consolidated statement of cash flows

	2023 £m	2022 £m
Operating profit	**6.4**	25.3
Adjustments for:		
Depreciation and amortisation	**5.2**	4.8
Share based payments	**0.6**	0.8
Decrease/(increase) in inventories	**24.3**	(29.3)
Decrease/(increase) in trade and other receivables	**3.4**	(10.6)
(Decrease)/increase in trade and other payables	**(29.1)**	20.5
Cash generated by operations	**10.8**	11.5

Net debt reconciliation

	Long-term borrowings £m	Net cash and cash equivalents, including overdrafts £m	Net debt £m	Lease liabilities £m	Adjusted net debt including lease liabilities £m
At 1 January 2023	(26.4)	11.3	(15.1)	(19.6)	(34.7)
Cash flows	(15.0)	(2.0)	(17.0)	1.8	(15.2)
Non-cash flows (i)	(0.2)	–	(0.2)	(1.3)	(1.5)
At 31 December 2023	**(41.6)**	**9.3**	**(32.3)**	**(19.1)**	**(51.4)**

(i) Non-cash movements relate to the amortisation of borrowing costs (for long-term borrowings), the acquisition of right-of-use assets and corresponding lease liabilities and lease interest.

Operating cash conversion, calculated as cash generated by operations divided by operating profit and expressed as percentage was 169% (2022: 45%).

19. Retirement benefit schemes

The Group operates two defined benefit pension schemes. The schemes are trustee administered and the schemes' assets are held independently from those of the Group. Pension costs are assessed in accordance with the advice of an independent professionally qualified actuary.

The schemes are the Scottish and Grampian Television Retirement Benefit Scheme and the Caledonian Publishing Pension Scheme. Both are closed schemes and accounted for under the projected unit method.

Contribution rates to the scheme are determined by a qualified independent actuary on the basis of a triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 31 December 2020. This valuation resulted in a deficit of £116m on a pre-tax basis at 30 September 2021 compared to £127.0m on a pre-tax basis at the previous settlement date of 28 February 2019. The next triennial valuation will take place as at 31 December 2023 with work currently ongoing between the Group and the trustees.

Deficit recovery plans, which end on 31 October 2030, have been agreed with aggregate monthly payments unchanged from the previous recovery plans. The 2023 deficit recovery payments totalled £9.7m, with annual payments then increasing at the rate of 2% per annum over the term of the recovery plans. A contingent cash mechanism is also in place, which triggers contingent funding payments equivalent to 20% of any outperformance above a benchmark of available cash to be paid to the schemes.

The recovery plans are designed to enable the schemes to reach a fully funded position, using prudent assumptions about the future, by 2030.

The fair value of the assets and the present value of the liabilities in the Group's defined benefit pension schemes at each balance sheet date was:

Assumptions used to estimate the scheme obligations

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions in the UK and are as follows:

	2023	2022
	%	%
Rate of increase in salaries	**nil**	nil
Rate of increase of pensions in payment	**3.15**	3.45
Discount rate	**4.50**	4.85
Rate of price inflation (RPI)	**3.15**	3.45

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each scheme and are reflected in the table below (average life expectations of a pensioner retiring at age 65).

	2023	2022
Retiring at balance sheet date:		
Male	**20.5**	20.9
Female	**22.7**	23.1
Retiring in 25 years		
Male	**21.7**	22.1
Female	**24.0**	24.4

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

	At 31 December 2023			At 31 December 2022		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Equity and equity options	**11.0**	**70.1**	**81.1**	-	70.7	70.7
Alternative return seeking	**19.8**	**43.0**	**62.8**	25.5	33.5	59.0
Cashflow matching credit	**1.8**	**53.1**	**54.9**	-	49.1	49.1
LDI and cash	**119.6**	**(37.0)**	**82.6**	151.4	(57.2)	94.2
Currency hedge	**-**	**1.0**	**1.0**	-	2.1	2.1
Annuity policies	**-**	**13.0**	**13.0**	-	14.7	14.7
Fair value of schemes' assets	**152.2**	**143.2**	**295.4**	176.9	112.9	289.8
Present value of defined benefit obligations			**(350.2)**			(352.9)
Deficit in the schemes			**(54.8)**			(63.1)

A related, offsetting deferred tax asset for the Group of £13.7m (2022: £15.7m) is included within non-current assets. Therefore, the pension scheme deficit net of deferred tax for the Group was £41.1m at 31 December 2023 (2022: £47.4m).

20. Post balance sheet events

On 31 January 2024, the Group announced it had increased its stake in the high-end drama production company, Two Cities Television to a majority holding of 51% (from 25%).

Due to the recent timing of the acquisition, the Group is in the early stages of its fair value assessment of the assets acquired and liabilities assumed and has not yet finalised the accounting for the business combination, but expects to complete its assessment in the second half of 2024.

The carrying value of the net assets acquired at the date of acquisition was £0.2m. Goodwill represents the value placed on the opportunity to materially enhance the future growth prospects of STV Studios drama. This will be calculated as the fair value of the consideration transferred, plus the amount of non-controlling interest, less the net of the fair value of the identifiable assets acquired and liabilities assumed. The value of goodwill will be adjusted by a corresponding amount for the value of intangible assets identified and the difference between the market and book values of the assets and liabilities.