Registration number: 3106525

# ITV Studios Limited

Financial Statements

for the Year Ended 31 December 2013

# ITV Studios Limited
## Contents

# ITV Studios Limited
## Company Information

| | |
|---|---|
| **Directors** | David Philip McGraynor<br>Kevin Anthony Lygo<br>Denise O'Donoghue<br>John Joseph Whiston<br>David Richard Osborn |
| **Registered office** | The London Television Centre<br>Upper Ground<br>London<br>SE1 9LT |
| **Auditors** | KPMG Audit plc<br>Statutory Auditor<br>Chartered Accountants<br>15 Canada Square<br>London<br>E14 5GL |

# ITV Studios Limited
# Strategic Report for the Year Ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013.

**Fair review of the business**

The results for ITV Studios Limited ("the Company") show a profit for the period of £40,108,097 (2012: loss of £62,797,531 ) and sales of £466,572,560 (2012: £407,731,000). At the balance sheet date the Company had net assets of £279,327,030 (2012: net assets £245,658,960).

On 22nd April 2013 the company acquired 100% of the share capital of The Garden Productions Limited, and on 26th July 2013 the company acquired 100% of the share capital of Big Talk Productions Limited. Further details of these acquisitions can be found in note 12.

**Key Performance indicators (KPIs)**

The directors of the ITV plc group manage the group's operation on a divisional basis with this Company being included within the ITV Studios division. For this reason, the Company's directors use the ITV plc group's ITV Studios division KPI's in managing and understanding the development performance and position of the Company.

The KPIs relevant to the ITV Studios business are :

- Revenues. Growing ITV Studios revenues is key to ITV's transformation plan, reducing the group's reliance on television advertising revenues. ITV Studios Limited revenue has increased 14% from £408m in 2012 to £465m in 2013. Growth in production revenues has come from drama, entertainment and factual, both on and off ITV.

- Number of new commissions for ITV Studios. A key indicator of the creative renewal pipeline is the number of new commissions won. This includes programmes shown both on ITV and other broadcasters. The Studios division delivered over 100 new commissions in 2013, and the number of recommissions has increased as we focus on formats that return. New commissions this year include Big Star Little Star and Tricked.

- Percentage of ITV output from ITV Studios division. This represents the proportion of the total spend on original commissions on ITV transmitted in the year, delivered by ITV Studios division. In order to build a strong international content business ITV Studios needs to increase its supply of programmes to ITV, where we aim to make them famous and then sell them around the world. The percentage has increased from 58% in 2012 to 59% in 2013, up from 50% in 2009. We are building a track record for programmes that return, including Ant & Dec's Saturday Night Takeaway and Surprise Surprise, which have international appeal. Our core schedule has also delivered a strong performance, Coronation Street was the highest rated soap in 2013 and for the first time Emmerdale had a higher average share of viewers than Eastenders over the year.

Further information on these KPIs in the context of the wider ITV business can be found on pages 34 to 39 of the ITV plc group 2013 annual report.

**Future developments**

The business will continue to focus on delivering a strong on-screen performance by producing rich and varied content. A challenge for the UK business is that ITV main channel will be spending less on original commissions given the World Cup cost in the first half of 2014. We will continue to invest in our creative pipeline to develop programmes that return and travel, and exploit the growing global demand for quality content.

**Principal risks and uncertainties**

The management of the business and execution of the Company strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are:

- Failure to to identify and obtain the optimal rights packages or failure to exploit these for maximum value. In order to mitigate this risk the company is focused on both protecting and exploiting existing rights and ensuring that future rights generated accrue to ITV.
- Failure to to create and own a sufficient number of hit shows / formats. This risk is mitigated by investment in the creative pipeline and focus on programmes and genres which can return and travel internationally ie drama, entertainment and factual entertainment.
- Failure to properly resource, creatively and operationally, the growth areas of the business. This is mitigated by ensuring adequate succession planning and the development of talent management plans, continuing to strengthen and embed the culture of "One ITV" way of working, and capturing lessons learned from recent investments through post-acquisition reviews.

Further information on risks and uncertainties in the context of the ITV group as a whole can be found on pages 52 to 55 of the ITV plc group's 2013 annual report.

Approved by the Board on 29\09\2014 and signed on its behalf by:

David McGraynor

.........................................
David Philip McGraynor
Director

# ITV Studios Limited
## Directors Report for the Year Ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

**Directors of the company**
The directors who held office during the year and up to the date of the report were as follows:
David Philip McGraynor
Kevin Anthony Lygo
Denise O'Donoghue
John Joseph Whiston
David Richard Osborn

**Principal activity**
The principal activity of ITV Studios Limited continues to be the production of television programmes and provision of studio and facilities services.

**Dividends**
The directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 December 2013 (2012 : £Nil) . This dividend has not been recognised as a liability in the financial statements.

**Employees**
The employment policies of the Company are disclosed in the accounts of ITV plc for the year ended 31 December 2013. A copy of the accounts of ITV plc can be obtained from the Company Secretary at the registered office address.

**Disclosure of information to the auditor**
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

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

Approved by the Board on 29\09\2014 and signed on its behalf by:

David M. Graynor
.........................................
David Philip McGraynor
Director

## ITV Studios Limited
## Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They are generally responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities..

# ITV Studios Limited
# Independent Auditor's Report

We have audited the financial statements of ITV Studios Limited for the year ended 31 December 2013, set out on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

M. Summerfield

Mark Summerfield (Senior Statutory Auditor)
For and on behalf of KPMG Audit plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 29.9.14

# ITV Studios Limited
## Profit and Loss Account for the Year Ended 31 December 2013

| | Note | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---|---|---|
| Turnover | | 466,573 | 407,731 |
| Cost of sales | | (325,690) | (285,513) |
| Gross profit | | 140,883 | 122,218 |
| Administrative expenses | | (141,299) | (130,621) |
| Operating loss | 2 | (416) | (8,403) |
| Income from shares in group undertakings | | 73,755 | - |
| Income from other fixed asset investments | | - | 150 |
| Other interest receivable and similar income | 6 | 13,011 | 3,394 |
| Impairment of tangible fixed assets | | - | 401 |
| Amounts written off investments | | - | (750) |
| Interest payable and similar charges | 7 | (45,075) | (54,698) |
| Profit/(loss) on ordinary activities before taxation | | 41,275 | (59,906) |
| Tax on profit/(loss) on ordinary activities | 8 | (1,167) | (2,891) |
| Profit/(loss) for the financial year | 20 | 40,108 | (62,797) |

Turnover and operating profit derive wholly from continuing operations.

The notes on pages 10 to 30 form an integral part of these financial statements.

# ITV Studios Limited
## Statement of Total Recognised Gains and Losses

| | Note | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---|---|---|
| Profit/(loss) for the financial year | | 40,108 | (62,797) |
| Actuarial gain/(loss) on pension schemes | | (594) | (316) |
| Deferred tax relating to actuarial gain/(loss) on pension schemes | | (119) | (77) |
| Total recognised gains and losses relating to the year | | 39,395 | (63,190) |

The notes on pages 10 to 30 form an integral part of these financial statements.

# ITV Studios Limited
# (Registration number: 3106525)
# Balance Sheet as at 31 December 2013

| | Note | 2013 £ 000 | 2012 £ 000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 9 | 295,183 | 317,890 |
| Tangible assets | 10 | 21,990 | 25,326 |
| Investments | 11 | 225,813 | 189,864 |
| | | 542,986 | 533,080 |
| **Current assets** | | | |
| Stocks | 13 | 22,206 | 40,116 |
| Debtors | 14 | 298,306 | 361,691 |
| Cash at bank and in hand | | 32,202 | 36,164 |
| | | 352,714 | 437,971 |
| Creditors: Amounts falling due within one year | 15 | (584,659) | (683,085) |
| Net current liabilities | | (231,945) | (245,114) |
| Total assets less current liabilities | | 311,041 | 287,966 |
| Creditors: Amounts falling due after more than one year | 16 | (30,714) | (47,034) |
| Provisions for liabilities | 18 | (1,000) | (1,000) |
| Net assets | | 279,327 | 239,932 |
| **Capital and reserves** | | | |
| Called up share capital | 19 | 226,636 | 226,636 |
| Profit and loss account | 20 | 52,691 | 13,296 |
| Shareholders' funds | 21 | 279,327 | 239,932 |

Approved by the Board on 29\09\2014 and signed on its behalf by:

David Philip McGraynor
Director

The notes on pages 10 to 30 form an integral part of these financial statements.

## 1 Accounting policies

**Basis of preparation**
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**Exemption from preparing a cash flow statement**
The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group.

**Exemption from preparing group accounts**
The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group accounts.

**Going concern**

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £231,945,682 (2012: liabilities of £245,113,191), which the directors believe to be appropriate for the following reason. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company is dependent for its working capital on funds provided to it by Granada Media Limited, the Company's immediate parent undertaking. ITV plc, the Company's ultimate parent undertaking has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the Company and, in particular, will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

On this basis, and on their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the company will be able to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Turnover**
Turnover is stated exclusive of VAT and consists of goods and services to third parties. Revenue from the sale of products or provision of studio-related facilities is recognised when the Company has transferred the significant risks and rewards of ownership and control of the products sold and/or the service has been provided and the amount of revenue can be measured reliably. Key classes of revenue are recognised on the following basis:

Programme production on delivery
Participation revenues as the service is provided
Studio-related facilities as the service is provided

**Goodwill**

In accordance with Financial Reporting Standard 10: "Goodwill and Intangible Assets", intangible assets arising on consolidation, or which have been purchased, are capitalised and amortised to nil over their estimated useful economic lives (20 years).

Intangible assets are reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

**Depreciation**

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

| Asset class | Depreciation method and rate |
|---|---|
| Vehicles, equipment and fittings | 3 to 20 years |
| Leasehold properties | shorter of residual lease term or 60 years |

**Leases**

Finance leases are those which transfer substantially all the risks and the ownership to the lessee. Assets held under such leases are capitalised as tangible fixed assets and depreciation is provided where appropriate. Outstanding finance lease obligations, which comprise principal plus accrued interest, are included within creditors. The finance element of the agreement is charged to profit and loss account over the term of the lease on a systematic basis. All other leases are operating leases. The rentals on such leases are charged to the profit and loss account on a straight line basis over the term lease.

**Development**

Development costs are held in stock until a decision is made on whether a programme is being commissioned. If a programme is not commissioned then these costs are written off to the Profit and Loss account.

**Fixed asset investments**

Fixed asset investments are stated at historical cost less provision for any permanent diminution in value.

**Stock**

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs.

**Taxation**

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that it is more likely than not that the asset will be recovered.

**Foreign currency**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Pensions**

The Company is a member of the Group's defined benefit and defined contribution pension schemes. The schemes' assets are held in separate trustee administered funds. Contributions are based on pension costs across the Group as a whole.

With the exception of the unfunded pension scheme the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Therefore, as permitted by FRS 17 'Retirement benefits' these schemes are accounted for as if they were defined contribution schemes. The unfunded pension scheme is accounted for as a defined benefit pension scheme in accordance with FRS 17.

**Shared-based payments**

During the year the Company received a share based payment charge from its ultimate parent company, ITV plc.

The Company has dealt with this in accordance with FRS 20 'Share-based payment' and UITF 44 'Group and Treasury Share Transactions'.

The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account.

## 2 Operating loss

Operating loss is stated after charging/(crediting):

| | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---|---|
| Foreign currency losses | 2,388 | 186 |
| Loss/(profit) on sale of tangible fixed assets | 8 | (414) |
| Depreciation of owned assets | 4,245 | 5,099 |
| Depreciation of assets held under finance lease and hire purchase contracts | 213 | 244 |
| Amortisation | 22,707 | 22,707 |
| Impairment | - | 750 |

## 3 Auditor's remuneration

The auditor's remuneration of £5,000 (2012: £5,000) was borne by another group Company.

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

## 4 Particulars of employees

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

| | 2013 No. | 2012 No. |
|---|---|---|
| Production | 1,261 | 1,150 |
| Administration and support | 71 | 94 |
| | 1,332 | 1,244 |

The aggregate payroll costs were as follows:

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Wages and salaries | 84,291 | 84,044 |
| Social security costs | 7,486 | 6,798 |
| Other pension schemes | 5,746 | 5,596 |
| | 97,523 | 96,438 |

## 5 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Remuneration | 4,632 | 2,652 |

During the year the number of directors who were receiving benefits and share incentives was as follows:

| | 2013 No. | 2012 No. |
|---|---|---|
| Received or were entitled to receive shares under long term incentive schemes | 2 | - |
| Accruing benefits under defined benefit pension scheme | 1 | 1 |

In respect of the highest paid director:

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Remuneration | 2,216 | 864 |

### 6 Other interest receivable and similar income

| | 2013 | 2012 |
|---|---|---|
| | £ 000 | £ 000 |
| Interest receivable on finance leases | 1,768 | 1,954 |
| Interest receivable from group undertakings | 11,152 | 1,413 |
| Other interest receivable | 91 | 27 |
| | 13,011 | 3,394 |

### 7 Interest payable and similar charges

| | 2013 | 2012 |
|---|---|---|
| | £ 000 | £ 000 |
| Interest on loans from group undertakings | 42,425 | 52,357 |
| Other interest payable | 556 | 28 |
| Interest payable on finance leases | 1,810 | 2,017 |
| Pension scheme other finance costs | 284 | 296 |
| | 45,075 | 54,698 |

## 8 Taxation

### Tax on profit/(loss) on ordinary activities

| | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---|---|
| **Current tax** | | |
| Corporation tax charge | (1,635) | - |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 2,361 | 2,404 |
| Effect of changes in tax rates | 386 | 473 |
| Deferred tax relating to FRS 17 | 55 | 14 |
| Total deferred tax | 2,802 | 2,891 |
| Total tax on profit/(loss) on ordinary activities | 1,167 | 2,891 |

### Factors affecting current tax charge for the year

The tax on profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2012 - lower than the standard rate of corporation tax in the UK) of 23.25% (2012 - 24.5%).

The differences are reconciled below:

| | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---|---|
| Profit/(loss) on ordinary activities before tax | 41,275 | (59,906) |
| Corporation tax at standard rate | 9,596 | (14,677) |
| Capital allowances in excess of depreciation | 183 | 589 |
| Other timing differences | (3,067) | (3,984) |
| Enhanced losses arising from television tax credit | (1,521) | - |
| Permanent differences and group relief | (6,826) | 18,072 |
| Total current tax | (1,635) | - |

### Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 21% (effective from1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future tax charge accordingly. The deferred tax balance at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

## 9 Intangible fixed assets

| | Goodwill £ 000 |
|---|---|
| **Cost** | |
| At 1 January 2013 | 454,133 |
| At 31 December 2013 | 454,133 |
| **Amortisation** | |
| At 1 January 2013 | 136,243 |
| Charge for the year | 22,707 |
| At 31 December 2013 | 158,950 |
| **Net book value** | |
| At 31 December 2013 | 295,183 |
| At 31 December 2012 | 317,890 |

## 10 Tangible fixed assets

| | Short leasehold land and buildings £ 000 | Plant and machinery £ 000 | Total £ 000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2013 | 2,381 | 32,140 | 34,521 |
| Additions | - | 1,130 | 1,130 |
| Disposals | - | (12) | (12) |
| At 31 December 2013 | 2,381 | 33,258 | 35,639 |
| **Depreciation** | | | |
| At 1 January 2013 | 1,563 | 7,632 | 9,195 |
| Charge for the year | 213 | 4,245 | 4,458 |
| Eliminated on disposals | - | (4) | (4) |
| At 31 December 2013 | 1,776 | 11,873 | 13,649 |
| **Net book value** | | | |
| At 31 December 2013 | 605 | 21,385 | 21,990 |
| At 31 December 2012 | 818 | 24,508 | 25,326 |

## 11 Investments held as fixed assets

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Shares in group undertakings and participating interests | 225,813 | 189,864 |

### Shares in group undertakings and participating interests

| | Subsidiary undertakings £ 000 | Joint ventures and associates £ 000 | Total £ 000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2013 | 280,056 | 3,170 | 283,226 |
| Revaluation | 15 | - | 15 |
| Additions | 35,890 | 44 | 35,934 |
| At 31 December 2013 | 315,961 | 3,214 | 319,175 |
| **Provision for impairment** | | | |
| At 1 January 2013 | 90,192 | 3,170 | 93,362 |
| At 31 December 2013 | 90,192 | 3,170 | 93,362 |
| **Net book value** | | | |
| At 31 December 2013 | 225,769 | 44 | 225,813 |
| At 31 December 2012 | 189,864 | - | 189,864 |

### Other investments

| | Listed investments £ 000 |
|---|---|
| **Cost** | |
| At 1 January 2013 | 3,131 |
| At 31 December 2013 | 3,131 |
| **Provision for impairment** | |
| At 1 January 2013 | 3,131 |
| At 31 December 2013 | 3,131 |
| **Net book value** | |
| At 31 December 2013 | - |
| At 31 December 2012 | - |

# ITV Studios Limited
# Notes

**Details of undertakings**

The Company's principal subsidiary undertakings are shown below. In the opinion of the directors the list of all investments would be excessive, thus the subsidiary companies shown are those which principally affect the figures in the Company's accounts.

| Undertaking | Country of incorporation | Holding | Proportion of voting rights and shares held | Principal activity |
|---|---|---|---|---|
| **Subsidiary undertakings** | | | | |
| 3SixtyMedia Limited | UK | ordinary | 80% | TV Programme Production |
| ITV Global Entertainment Limited | UK | ordinary | 100% | TV Exploitation and Distrbution |
| Granada Television Overseas Limited | England | ordinary | 58% | Holding Company |
| Carlton Content Holdings Limited | UK | ordinary | 100% | Holding Company |
| 12 Yard Productions (Investments) Limited | UK | ordinary | 100% | TV Programme Production |
| Juice Music UK Limited | UK | ordinary | 100% | Music Publishing |
| ITV Breakfast Limited | UK | ordinary | 100% | TV Programme Production |
| Granada Productions Pty | Australia | ordinary | 100% | TV Programme Production |
| ITV Studios Inc | USA | ordinary | 100% | TV Programme Prroduction |
| So Television Ltd | England | ordinary | 100% | TV Programme Production |
| The Garden Productions Limited | UK | ordinary | 100% | TV programme production |
| Big Talk Productions Limited | UK | ordinary | 100% | TV programme production |

## 12 Acquisitions

**Analysis of the acquisition of The Garden Productions Limited**
On 22 April 2013 the company acquired - 100% of the share capital of The Garden Productions Limited.

Initial consideration of £18 million was paid in cash. £5 million of cash was acquired. Contingent consideration included a performance based payment due in 2014 of £8 million which is no longer expected to be paid. ITV also agreed to an earnout payment that will be based on the business meeting certain performance targets. The maximum payment is £28 million (undiscounted) and the expected payment is being accrued over the earnout period (five years).

Intangibles of £8 million were identified, being the value placed on key contractual arrangements. Goodwill, which represents the value placed on the opportunity to diversify and grow the content and formats produced by the group, has been provisionally valued at £12 million.

| | Book value £ 000 | Revaluation adjustment £ 000 | Fair value adjustment £ 000 | Accounting policy adjustment £ 000 | Other adjustment £ 000 | Fair value £ 000 |
|---|---|---|---|---|---|---|
| Tangible fixed assets | 167 | - | - | - | - | 167 |
| Intangible fixed assets | - | - | 7,786 | - | - | 7,786 |
| Debtors | 2,510 | - | 665 | (1,269) | - | 1,906 |
| Creditors | (6,079) | - | (968) | - | - | (7,047) |
| | (3,402) | - | 7,483 | (1,269) | - | 2,812 |
| Goodwill arising on acquisition | | | | | | 11,625 |
| | | | | | | 14,437 |
| Discharged by: | | | | | | |
| Cash | | | | | | 13,493 |
| Deferred consideration | | | | | | 944 |
| | | | | | | 14,437 |

**Analysis of the acquisition of Big Talk Productions Limited**
On 26 July 2013 the company acquired - 100% of the share capital of Big Talk Productions Limited.

Initial consideration of £13 million was paid in cash. £2 million of cash was acquired. Contingent consideration includes a performance based payment due in 2015 of £1 million (maximum £2 million undiscounted) and in 2018 of £2 million (maximum £4 million undiscounted). ITV also agreed to an earnout payment that will be based on the business meeting certain performance targets. The maximum payment is £11 million (undiscounted) and the expected payment is being accrued over the earnout period (five years).

Intangibles of £3 million were identified, being the value placed on key contractual arrangements. Goodwill, which represents the value placed on the opportunity to diversify and grow the content and formats produced by the group, has been provisionally valued at £12 million.

| | Book value £ 000 | Revaluation adjustment £ 000 | Fair value adjustment £ 000 | Accounting policy adjustment £ 000 | Other adjustment £ 000 | Fair value £ 000 |
|---|---|---|---|---|---|---|
| Tangible fixed assets | 42 | - | - | - | - | 42 |
| Intangible fixed assets | - | - | 3,489 | - | - | 3,489 |
| Debtors | 11,199 | - | - | - | - | 11,199 |
| Creditors | (12,647) | - | - | - | - | (12,647) |
| | (1,406) | - | 3,489 | - | - | 2,083 |
| Goodwill arising on acquisition | | | | | | 12,402 |
| | | | | | | 14,485 |
| Discharged by: | | | | | | |
| Cash | | | | | | 11,353 |
| Deferred consideration | | | | | | 3,132 |
| | | | | | | 14,485 |

## 13 Stocks

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Stocks | 22,206 | 40,116 |

## 14 Debtors

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Trade debtors | 3,076 | 2,422 |
| Amounts owed by group undertakings | 285,017 | 343,494 |
| Other debtors | 3,625 | 3,836 |
| Deferred tax | 1,611 | 4,532 |
| Prepayments and accrued income | 4,977 | 7,407 |
| | 298,306 | 361,691 |

**Deferred tax**

The movement in the deferred tax asset in the year is as follows:

| | Deferred tax £ 000 |
|---|---|
| At 1 January 2013 | 4,532 |
| Charged to the profit and loss account | (2,802) |
| Charged to the STRGL | (119) |
| At 31 December 2013 | 1,611 |

**Analysis of deferred tax**

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Difference between accumulated depreciation and amortisation and capital allowances | 92 | (75) |
| Other timing differences | 1,519 | 4,607 |
| | 1,611 | 4,532 |

## 15 Creditors: Amounts falling due within one year

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Bank loans and overdrafts | 76 | - |
| Trade creditors | 2,590 | 2,158 |
| Obligations under finance lease and hire purchase contracts | 17,981 | 4,409 |
| Amounts owed to group undertakings | 518,917 | 628,802 |
| Other creditors | 24,669 | 28,100 |
| Accruals and deferred income | 20,426 | 19,616 |
| | 584,659 | 683,085 |

## 16 Creditors: Amounts falling due after more than one year

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Trade creditors | - | 5,727 |
| Obligations under finance lease and hire purchase contracts | 14,270 | 32,251 |
| Other creditors | 8,851 | 2,216 |
| Pension liabilities | 7,593 | 6,840 |
| | 30,714 | 47,034 |

## 17 Obligations under leases and hire purchase contracts

**Amounts repayable under finance leases and hire purchase contracts:**

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Within one year | 17,981 | 4,409 |
| In two to five years | - | 32,251 |
| | 17,981 | 36,660 |

**Operating lease commitments**

As at 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

**Operating leases which expire:**

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| **Land and buildings** | | |
| Within one year | 125 | 40 |
| Within two to five years | 421 | 325 |
| | 546 | 365 |

## 18 Provisions

| | Other provision £ 000 | Total £ 000 |
|---|---|---|
| At 1 January 2013 | 1,000 | 1,000 |
| At 31 December 2013 | 1,000 | 1,000 |

**Explanation of provisions**

Other provision relates to amounts provided for contingent consideration arising from the acquisition of 12 Yard Productions Partnership on 4 December 2007.

## 19 Share capital

**Allotted, called up and fully paid shares**

| | No. 000 | 2013 £ 000 | No. 000 | 2012 £ 000 |
|---|---|---|---|---|
| Ordinary of £1 each | 226,636 | 226,636 | 226,636 | 226,636 |

## 20 Reserves

| | Profit and loss account £ 000 | Total £ 000 |
|---|---|---|
| At 1 January 2013 | 13,296 | 13,296 |
| Profit for the year | 40,108 | 40,108 |
| Actuarial loss on pension schemes | (594) | (594) |
| Deferred tax relating to actuarial gain/(loss) on pension schemes | (119) | (119) |
| At 31 December 2013 | 52,691 | 52,691 |

## 21 Reconciliation of movement in shareholders' funds

| | 2013 £ 000 | 2012 £ 000 |
|---|---|---|
| Profit/(loss) attributable to the members of the company | 40,108 | (62,797) |
| Other recognised gains and losses relating to the year | (713) | (393) |
| Net addition/(reduction) to shareholders funds | 39,395 | (63,190) |
| Shareholders' funds at 1 January | 239,932 | 303,122 |
| Shareholders' funds at 31 December | 279,327 | 239,932 |

## 22 Pension schemes

**Defined contribution scheme**
Total contributions recognised in the profit and loss account in relation to defined contribution schemes during 2013 were £2,873,535 (2012 - £2,025,002).

**Defined benefit scheme**
The Company is a participating member of the ITV defined benefit pension scheme. The scheme's assets are held in separate trustee administered funds. Contributions are based on pension costs across the group as a whole.

The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore, as permitted by FRS 17 'Retirement benefits' the Company has accounted for contributions to the scheme as if it were a defined contribution scheme.

The Group's main scheme consists of three sections, A, B and C. Full actuarial valuations are carried out every three years. The latest actuarial valuation of the three sections were carried out as at 1 January 2011 with a funding deficit standing at £587 million. The next triennial valuation will be as at 1 January 2014, and is expected to be agreed in 2015.

As a result of the latest valuation a 15 year funding plan has been agreed for the main section (Section A) to repay its pension deficit. As in previous years it is a mixture of fixed and performance related contributions. The current contribution plan remains in place until the end of 2014 and then there is a gradual increase in the fixed contribution from £48 million to £50 million for the period from 2015 to 2019. From 2020 to 2025 the fixed contribution remains at £50 million. Any performance related contributions are payable in addition to these amounts. If the performance related elements of the main section pay out, the funding period reduces to ten years.

For Sections B and C, the Group will continue to make contributions of £5.5 million per annum in order to eliminate the deficits of these sections by 31 March 2021. The latest actuarial valuations have been updated for FRS 17 purposes to 31 December 2013 by a qualified independent actuary.

The Company's normal contribution for the year were £2,359,318 (2012 : £2,913,226). In addition to normal funding the Group made further contributions of £68 million in 2013 (2012: £72 million) as disclosed in the ITV plc financial statements. The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme.

At 31 December 2013 the scheme had an FRS 17 deficit of £445 million (2012: £551 million).

Particulars of the actuarial valuations of the group schemes are contained in the financial statements of ITV plc which can be obtained from the address given in note 27.

**Unfunded pension scheme**
The Company participates in the Group unfunded pension scheme. This scheme is accounted for as a defined benefit pension scheme in accordance with FRS17. The principal assumptions used in the scheme valuation at the balance sheet date were:

| | **2013** | **2012** |
|---|---|---|
| | **%** | **%** |
| *Major assumptions:* | | |
| Discount rate for scheme liabilities | 4 | 4 |
| Inflation assumption | 2 | 2 |
| Rate of pensionable salary increases | 1 | 1 |
| Rate of increase in pension payment (LPI 5% pension increases) | 3 | 3 |
| Rate of increase to deferred pensions (CPI) | 2 | 2 |

# ITV Studios Limited
## Notes

In estimating the life expectancy of pension scheme members, the group has used SAPS Normal year of birth tables with CMI 2013 improvements, with a 1.25% p.a long term-term trend and a minus one year age rating ( ie. tables are adjusted so that a member is assumed to be one year younger than actual age). At 2012 year end, PA92 year of birth tables with medium cohort improvements were used, with a 1% per annum underpin and a one year age rating.

| | 2013<br>£ 000 | 2012<br>£ 000 | 2011<br>£ 000 | 2010<br>£ 000 | 2009<br>£ 000 |
|---|---|---|---|---|---|
| Present value of scheme liabilities | (7,593) | (6,840) | (6,350) | (5,720) | (5,390) |
| Related deferred tax asset - full provision basis | 1,519 | 1,573 | 1,588 | 1,544 | 1,509 |
| Net pension deficit | (6,074) | (5,267) | (4,762) | (4,176) | (3,881) |

The scheme is unfunded so there are no assets to be valued. The amounts recognised during the year are as follows:

| | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---|---|
| **Analysis of amount charged to operating costs:** | | |
| Current service cost | (39) | (34) |
| **Analysis of amount that would be charged to interest payable and similar charges:** | | |
| Interest on pension scheme liabilities | (284) | (296) |
| Charge before taxation | (323) | (330) |

| | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---|---|
| Actuarial loss recognised in the statement of total recognised gains and losses | (594) | (316) |

| | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---|---|
| Liability in scheme at beginning of period | (6,840) | (6,350) |
| **Movement in period:** | | |
| Current service cost and curtailment gains | (39) | (34) |
| Amounts paid to pensioners | 164 | 156 |
| Interest payable and similar charges | (284) | (296) |
| Actuarial loss | (594) | (316) |
| | (7,593) | (6,840) |
| Related deferred tax asset - full provision basis | 1,519 | 1,573 |
| Net pension deficit | (6,074) | (5,267) |
| **Analysed as:** | | |
| Present value arising from unfunded schemes | (7,593) | (6,840) |

# ITV Studios Limited
## Notes

| | 2013 £ 000 | 2012 £ 000 | 2011 £ 000 | 2010 £ 000 | 2009 £ 000 |
|---|---|---|---|---|---|
| Total amount recognised in the statement of total recognised gains and losses | (594) | (316) | (437) | (150) | (1,610) |

| | 2013 % | 2012 % | 2011 % | 2010 % | 2009 % |
|---|---|---|---|---|---|
| Percentage of the present value of scheme liabilities | (8) | (5) | (7) | (3) | (30) |

## 23 Share-based payments

The movements in the number of share options during the year were as follows:

| | 2013 Number ('000) | 2012 Number ('000) |
|---|---|---|
| Outstanding at 1 January | 23,443 | 27,756 |
| Granted during the year - nil priced | 4,417 | 6,320 |
| Granted during the year - other | 4,641 | 2,049 |
| Forfeited during the year | (1,680) | (5,584) |
| Exercised during the year | (7,331) | (5,947) |
| Expired during the year | (179) | (1,151) |
| Outstanding at 31 December | 23,311 | 23,443 |
| Exercisable at 31 December | 291 | 2,196 |

The movements in the weighted average exercise price of share options during the year were as follows:

| | 2013 £ | 2012 £ |
|---|---|---|
| Outstanding at 1 January | 11 | 13 |
| Granted during the year - nil priced | - | - |
| Granted during the year | 127 | 67 |
| Forfeited during the year | 8 | 4 |
| Exercised during the year | 6 | 15 |
| Expired during the year | 52 | 106 |
| Outstanding at 31 December | 15 | 11 |
| Exercisable at 31 December | - | 2 |

For those options exercised in the year, the average share price during 2013 was £0.84 (2012 - £0.69).

| Range of exercise prices (pence) | 2013 Weighted average exercise price (pence) | 2013 Number of options ('000) | 2013 Weighted average remaining contractual life (years) | 2012 Weighted average exercise price (pence) | 2012 Number of options ('000) | 2012 Weighted average remaining contractual life (years) |
|---|---|---|---|---|---|---|
| Nil | - | 15,307,405 | 1.88 | - | 18,722,851 | 1.97 |
| 20.0 - 49.99 | 31.09 | 1,019,426 | 1.29 | 35.00 | 1,825,027 | 1.68 |
| 50.00 - 69.99 | 67.38 | 1,859,762 | 2.11 | 65.76 | 2,261,852 | 2.87 |
| 70.00 - 99.99 | 73.58 | 564,541 | 1.31 | 73.69 | 633,262 | 2.27 |
| 100.00 - 109.99 | 102.59 | 654,190 | 3.16 | - | - | - |
| 110.00 - 119.99 | - | - | - | - | - | - |
| 120.00 - 149.99 | 131.44 | 3,905,867 | 3.20 | - | - | - |

**Share schemes**

A transaction will be classed as a share-based transaction where the ITV plc group (the Group) receives services from employees and pays for these in shares or similar equity instruments. If the Group incurs a liability whose amount is based on the price or value of the Group's shares then this will also fall under a share-based transaction.

The Group operates a number of share-based compensation schemes. A description of each material type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity) are set out below.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the Deferred Share Award Plan. During the year, exercises were satisfied by the ITV Employees' Benefits Trust using a combination of the purchase of shares from the market and subscription for newly issued shares.

**Short term and deferred incentives**

Annual incentives are provided for the Senior Executive Group through the ITV Annual Bonus Scheme (Bonus). The performance conditions that apply are set on an individual basis and are closely linked to the Company's corporate, financial and strategic priorities. A bonus arrangement extends to all ITV employees, providing a comprehensive and fully integrated incentive framework which rewards all employees when ITV is successful.

**Long term incentive plans**

**Performance Share Plan ('PSP')**

As part of the incentives framework introduced in 2011 to support the delivery of the Transformation Plan, changes were made to the terms of the long-term incentive awards to be made to the Senior Executive Group under the Performance Share Plan (PSP):

- aggregate PSP awards, combining core and matching elements, will not exceed 150% of base salary (unchanged from previous maximum).
- if an individual voluntarily defers one-third of their annual Bonus into shares, they will receive a matching award of shares under the PSP (on a 1:1 basis subject to the performance conditions that apply to PSP awards).

In order to ensure that executives are only rewarded if value is delivered to shareholders, awards are subject to an initial cumulative adjusted EPS performance gateway. If this gateway is achieved, performance will then be assessed by reference to the following:

- 50% on cumulative adjusted EPS. This represents the key financial metric of the Group. The cumulative adjusted EPS targets that have been set are considered by the Group's Remuneration Committee to be appropriately demanding.
- 25% on Family SOV (platform adjusted). This is aligned with the strategic priorities of the Group.
- 25% on non-NAR growth and increased internal supply.

Awards are subject to performance conditions measured over a three year period. There is no vesting if a threshold performance is not reached and 100% will vest for maximum performance. Vesting will be on a straight line or proportionate basis between these points. Once vested, awards can be exercised for 12 months. Any portion of the award that does not vest or is not exercised will lapse.

Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions. The proportion that vests may be capped depending on the time elapsed since grant.

This was the only long-term incentive used for awards made from 2010. Awards were made on 1 March 2013 and 28 March 2013.

Assumptions relating to grants of share options during 2013 and 2012:

| Scheme name | Date of grant | Share price at grant (pence) | Exercise price (pence) | Expected volatility | Expected life (years) | Gross dividend yield % | Risk free rate % | Fair value (pence) |
|---|---|---|---|---|---|---|---|---|
| Save as you Earn | | | | | | | | |
| ITV - three year | 04-Apr-12 | 85.25 | 68.81 | 43.00% | 3.25 | 2.82% | 0.65% | 17.97 |
| ITV - five year | 04-Apr-12 | 85.25 | 68.81 | 50.00% | 5.25 | 2.82% | 1.18% | 22.36 |
| ITV - three year | 13-Sept-12 | 86.70 | 66.60 | 38.00% | 3.25 | 2.82% | 0.38% | 17.46 |
| ITV - five year | 13-Sept-12 | 86.70 | 66.60 | 50.00% | 5.25 | 2.82% | 0.81% | 23.32 |
| ITV - three year | 05-Apr-13 | 121.00 | 102.59 | 36.00% | 3.25 | 2.73% | 1.04% | 32.83 |
| ITV - five year | 05-Apr-13 | 121.00 | 102.59 | 49.00% | 5.25 | 2.73% | 1.80% | 48.43 |
| ITV - three year | 13-Sept-13 | 183.40 | 131.44 | 34.00% | 3.25 | 2.73% | 0.31% | 63.33 |
| ITV - five year | 13-Sept-13 | 184.40 | 131.44 | 47.00% | 5.25 | 2.73% | 0.72% | 85.08 |
| Performance Share | Plan | | | | | | | |
| ITV - three year | 01-Mar-12 | 88.00 | - | * | 3.00 | * | * | 88.00 |
| ITV - three year | 10-Sept-12 | 88.70 | - | * | 3.00 | * | * | 88.70 |
| ITV - three year | 01-Mar-13 | 123.40 | - | * | 3.00 | * | * | 123.40 |
| ITV - three year | 28-Mar-13 | 129.40 | - | * | 3.00 | * | * | 129.40 |

* Awards do not include market based performance conditions; therefore, Monte-Carlo or Black-Scholes model not required to calculate fair value.

The expected volatility for awards made under the SAYE scheme reflects the historic volatility of ITV plc's share price and equity markets as a whole over the preceding three or five years, and depending on the expected life of the award, prior to the grant date of the share options awarded.

The Black-Scholes model is used to value the Save As You Earn Schemes as there do not have any market performance conditions. The ITV SAYE scheme is an Inland Revenue Approved SAYE scheme.

Share-based compensation charges totalled £4,803,833 in 2013 (2012: £3,100,000)

## 24 Contingent liabilities

Under a group registration, the Company is jointly an severally liable for VAT at 31 December 2013. The amount guaranteed is £51,000,000 (2012 - £33,000,000).
In the opinion of the directors, adequate allowance has been made in respect of this matter.

## 25 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

# ITV Studios Limited
## Notes

**26 Post balance sheet events**

On 7 May 2014, ITV plc announced that it had agreed to acquire a controlling interest in Leftfield Entertainment Group from its founder and CEO Brent Montgomery. This acquisition makes ITV Studios US Group the largest unscripted independent producer in the US and will be earnings enhancing from day one.

Leftfield is a fast growing US independent producer of reality programmes who sold its first series in 2008. Leftfield also owns Sirens Media and has established two joint ventures - Loud Television and Outpost Entertainment. Together these businesses produce more than 300 hours of unscripted programming for over 30 US networks. The portfolio includes Pawn Stars, Counting Cars, American Restoration and Real Housewives of New Jersey.

ITV made an initial cash payment of $360m for 80% of Leftfield, with further potential payments dependent upon Leftfield's continued delivery of significant profit growth. There are put and call options in place to buy the remaining 20% of Leftfield, under which a call can be exercised 3 years after the initial deal and a put and call at the end of year 5. The total maximum consideration for 100% of Leftfield is $800m, including the initial payment. This would only be paid if Leftfield delivers average EBITDA of at least $130m per annum between years 3 and 5.

Leftfield delivered $38m of EBITDA on a proforma basis in 2013 and ITV expects it to continue to deliver strong growth at a high margin into 2014 and beyond as the benefit of its acquisition of Sirens and its new joint ventures start to come through.

**27 Control**

The company is controlled by Granada Media Limited. The ultimate parent company is ITV plc. At 31 December 2013 the Company's immediate parent company was Granada Media Limited, a company registered in England and Wales and the Company's ultimate parent company was ITV plc, a company incorporated and registered in England and Wales.

The largest and smallest group in which the results of the Company were consolidated was that headed by ITV plc. The consolidated accounts of ITV plc are available to the public and may be obtained from www.itvplc.com or the Company Secretary, The London Television Centre, Upper Ground, SE1 9LT.