

United Production ApS

Finsensvej 6 E
2000 Frederiksberg

CVR no. 34 72 64 42

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting

on 24th May 2019


chairman of the annual general meeting

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of United Production ApS for the financial year 1 January – 31 December 2018.

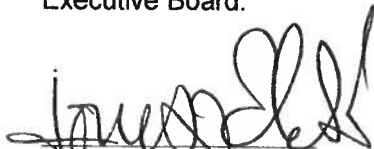
The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

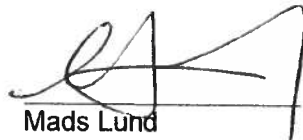
Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 24th May 2019
Executive Board:




Louise Saul Ellerbæk



Mads Lund

Board of Directors:



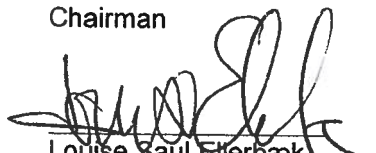
Duncan Walker
Chairman



Maria Kyriacou
Deputy Chairman



Mads Lund



Louise Saul Ellerbæk

Independent auditor's report

To the shareholders of United Production ApS

Opinion

We have audited the financial statements of United Production ApS for the financial year 1 January – 31 December 2018, comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

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Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 24th May 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Kenn Wolff Hansen
State Authorised
Public Accountant (MNE-no. 30154)

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Management's review

Operating review

Principal activities

The objective of the Company is to develop and produce programmes for television and other media as well as related activities.

Significant changes in the Company's activities and financial position

The Company have realized a slightly lower activity compared to previous year and higher costs, which have resulted in a loss after tax of DKK 3,679,188 against a profit after tax of DKK 13,277,268 last year. The balance sheet at 31 December 2018 shows an equity of DKK 29,429,514. Management considers the Company's financial performance for the year as unsatisfactory but as expected.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the year-end.

Income statement

DKK'000	Note	2018	2017
Gross profit	2	14,997,495	24,342,418
Administrative expenses	2	-19,785,310	-7,526,425
Operating profit		-4,787,815	16,815,993
Other financial income		287,294	345,337
Other financial expenses		-171,786	-180,113
Profit/loss before tax		-4,672,307	16,981,217
Tax on profit for the year	3	993,119	-3,703,949
Profit/loss for the year		<u>-3,679,188</u>	<u>13,277,268</u>
Proposed profit/loss appropriation			
Retained earnings		<u>-3,679,188</u>	<u>13,277,268</u>
		<u>-3,679,188</u>	<u>13,277,268</u>

Balance sheet

DKK	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	4	65,572	131,143
		<u>65,572</u>	<u>131,143</u>
Property, plant and equipment	5		
Fixtures and fittings, tools and equipment		358,473	661,508
Leasehold improvements		12,370	41,024
		<u>370,843</u>	<u>702,532</u>
Investments			
Deposits		496,921	268,428
		<u>496,921</u>	<u>268,428</u>
Total fixed assets		<u>933,336</u>	<u>1,102,103</u>
Current assets			
Receivables			
Trade receivables		5,139,050	5,411,273
Work in progress	6	8,552,664	1,489,703
Corporate tax receivable		466,000	0
Deferred tax asset		1,144,925	151,818
Prepayments		905,928	185,373
		<u>16,208,567</u>	<u>7,238,167</u>
Cash at bank and in hand		<u>25,973,113</u>	<u>37,234,540</u>
Total current assets		<u>42,181,680</u>	<u>44,472,707</u>
TOTAL ASSETS		<u>43,115,016</u>	<u>45,574,810</u>

Balance sheet

DKK	Note	2018	2017
EQUITY AND LIABILITIES			
Equity	7		
Share capital		80,000	80,000
Retained earnings		29,349,514	33,028,702
Total equity		<u>29,429,514</u>	<u>33,108,702</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers	6	6,484,192	2,548,840
Trade payables		1,861,634	1,630,237
Payables to group entities		806,663	1,380,294
Corporation tax payable		0	3,377,398
Other payables		4,533,013	3,529,339
		<u>13,685,502</u>	<u>12,466,108</u>
Total liabilities other than provisions		<u>13,685,502</u>	<u>12,466,108</u>
TOTAL EQUITY AND LIABILITIES		<u>43,115,016</u>	<u>39,224,780</u>
Contingent assets, liabilities and other financial obligations	8		
Related parties and ownership	9		

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Statement of changes in equity

DKK	Shared capital	Retained earnings	Total
Equity at 1 January 2018	80,000	33,028,702	33,108,702
Profit for the year	0	-3,679,188	-3,679,188
Equity at 31 December 2018	<u>80,000</u>	<u>29,349,514</u>	<u>29,429,514</u>

Notes

1 Accounting policies

The annual report of United Production ApS for 2018 has been prepared in accordance with the provisions applying to reporting class B entities, with selected of certain provisions from reporting class C under the Danish Financial Statements Act.

The accounting policies applied are unchanged from last year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which evidence matters existing at the balance sheet date.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company's revenue is not stated.

Gross profit comprises revenue and production costs.

Revenue

Income comprising the sale of television productions for large television broadcasters in Denmark and abroad is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating revenue for the year. Such costs include direct and indirect costs, wages and salaries, rent and leases and depreciation on production equipment.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expense, gains and losses on transactions in foreign currencies, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience. The amortisation period is 7 years.

The carrying amount of goodwill are ongoing assessed and are impaired to recoverable amount through the income statement, if the carrying amount exceeds the expected future net income from the company or the activity as the goodwill is attached to.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3 - 5 years
Leasehold improvements	3 - 5 years

Depreciation is recognised as production costs and administrative expenses in the income statement.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that an individual receivable has been impaired, write-down is made.

Work in progress

Work in progress is measured at the value of materials used, direct wages and salaries and indirect production costs less invoicing on account. In case that invoicing on account exceeds the fair value of material used etc. the exceeding amount is recognised as prepayments from customers.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Notes

1 Accounting policies (continued)

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year (declaration date) is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Other liabilities are measured at amortized cost normally equal to net realisable value.

Prepayments

Prepayments comprises payments received in respect of income in subsequent years.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

2 Staff costs

DKK	2018	2017
Wages and salaries	40,887,710	32,778,456
Pensions	6,995,040	735,061
Other social security costs	182,484	183,376
	<u>48,065,234</u>	<u>33,696,893</u>
Average number of full-time employees	54	54

Staff costs are recognised in the financial statements as follows:

Production costs (gross profit)	33,269,979	31,275,645
Administrative expenses	14,795,255	2,421,248
	<u>48,065,234</u>	<u>33,696,893</u>

3 Tax on profit for the year

DKK	2018	2017
Current tax for the year	0	3,792,768
Deferred tax for the year	-993,107	-88,819
Adjustment regarding prior year	-12	0
	<u>-993,119</u>	<u>3,703,949</u>

4 Intangible assets

DKK	Goodwill
Cost at 1 January 2018	<u>459,000</u>
Cost at 31 December 2018	<u>459,000</u>
Amortisation and impairment losses at 1 January 2018	327,857
Amortisation for the year	<u>65,571</u>
Amortisation and impairment losses at 31 December 2018	<u>393,429</u>
	<u>65,572</u>

Amortisation for the year is recognised in administrative expenses in the income statement.

5 Property, plant and equipment

DKK	Fixtures and fittings, tools and equip- ment	Lease- hold improve- ments	Total
Cost at 1 January 2018	2,463,770	107,294	2,571,064
Additions for the year	<u>109,249</u>	<u>0</u>	<u>109,249</u>
Cost at 31 December 2018	<u>2,573,019</u>	<u>107,294</u>	<u>2,680,313</u>
Depreciation and impairment losses at 1 January 2018	1,802,262	66,270	1,868,532
Depreciation for the year	<u>412,284</u>	<u>28,654</u>	<u>440,938</u>
Depreciation and impairment losses at 31 December 2018	<u>2,214,546</u>	<u>94,924</u>	<u>2,309,470</u>
Carrying amount a 31 December 2018	<u>358,473</u>	<u>12,370</u>	<u>370,843</u>

Amortisation for the year is recognised in administrative expenses in the income statement.

6 Work in progress

DKK	2018	2017
Value of production	39,724,761	82,346,245
Prepayments in total	<u>-37,656,289</u>	<u>-83,405,382</u>
	<u>2,068,472</u>	<u>-1,059,137</u>
Recognised as follows:		
Work in progress	8,552,664	1,489,703
Prepayments from customers	<u>-6,484,192</u>	<u>-2,548,840</u>
	<u>-2,068,472</u>	<u>-1,059,137</u>

7 Equity

The share capital consists of 800 shares of a nominal value of DKK 100 each. No shares carry any special rights.

There have been no changes in the share capital during the last five years.

8 Contingent assets, liabilities and other financial obligations

The Company has issued ordinary guarantees concerning the rights of films and ongoing media productions.

The Company's leaseholds has a notice period of max. six months. The rent for the notice periods amounts to DKK 440 thousand.

The Company has entered into an agreements to lease equipment. The remaining payments of the leases amounts to DKK 134 thousand.

9 Related parties and ownership

The Company is a part of the consolidated financial statements of ITV PLC.

The consolidated financial statements of ITV PLC can be obtained at www.itvplc.com

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

ITV Studios Nordic AB