

United Production ApS

Finsensvej 6 E
2000 Frederiksberg

CVR no. 34 72 64 42

Annual report 2016

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

on 30 May 2017

chairman of the annual general meeting

United Production ApS
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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 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

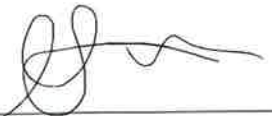
Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 30 May 2017
Executive Board:




Louise Saul Ellerbæk



Mads Lund

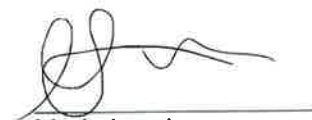
Board of Directors:



Duncan Walker
Chairman



Maria Kyriacou
Deputy Chairman



Mads Lund



Louise Saul Ellerbæk



Independent auditor's report

To the shareholder of United Production ApS

Opinion

We have audited the financial statements of United Production ApS for the financial year 1 January – 31 December 2016, comprising income statement, balance sheet 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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



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.

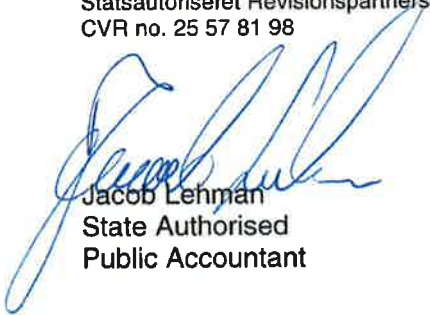
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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, 30 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Jacob Lehman
State Authorised
Public Accountant

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 has realised a higher level of activity compared to previous years, which has resulted in a profit of DKK 12,766,637 against DKK 4,205,344 last year, and the balance sheet at 31 December 2016 shows equity of DKK 19,831,434. Management considers the Company's financial performance for the year very satisfactory.

Events after the balance sheet date

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

Financial statements 1 January – 31 December

Income statement

DKK	Note	2016	2015
Gross profit		<u>22,461,479</u>	<u>10,722,024</u>
Administrative expenses		<u>-6,149,940</u>	<u>-5,133,483</u>
Operating profit		<u>16,311,539</u>	<u>5,588,541</u>
Other financial income		139,134	633
Other financial expenses		<u>-63,967</u>	<u>-32,220</u>
Profit before tax		<u>16,386,706</u>	<u>5,556,954</u>
Tax on profit for the year	2	<u>-3,620,069</u>	<u>-1,351,610</u>
Profit for the year		<u>12,766,637</u>	<u>4,205,344</u>
Proposed profit appropriation			
Retained earnings		<u>12,766,637</u>	<u>4,205,344</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets	3		
Goodwill		196,715	262,286
Property, plant and equipment	4		
Fixtures and fittings, tools and equipment		888,921	823,071
Leasehold improvements		66,958	73,469
		955,879	896,540
Investments			
Deposits		263,810	149,226
Total fixed assets		1,416,404	1,308,052
Current assets			
Receivables			
Trade receivables		9,844,914	3,011,869
Receivables from group entities		300,527	0
Work in progress		15,707,704	9,522,763
Deferred tax assets		62,999	39,684
Prepayments		241,560	237,197
		26,157,704	12,811,513
Cash at bank and in hand		22,163,891	6,965,418
Total current assets		48,321,595	19,776,931
TOTAL ASSETS		49,737,999	21,084,983

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	5		
Share capital		80,000	80,000
Retained earnings		19,751,434	6,984,798
Total equity		<u>19,831,434</u>	<u>7,064,798</u>
Liabilities			
Current liabilities			
Prepayments received from customers		22,626,820	9,990,257
Trade payables		3,381,133	500,087
Payables to group entities		0	345,175
Corporation tax		3,391,646	998,307
Other payables		506,966	2,186,359
		<u>29,906,565</u>	<u>14,020,185</u>
Total liabilities		<u>29,906,565</u>	<u>14,020,185</u>
TOTAL EQUITY AND LIABILITIES		<u>49,737,999</u>	<u>21,084,983</u>
Contingent assets, liabilities and other financial obligations			
	6		
Related parties and ownership	7		
Staff	8		

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of United Production ApS for 2016 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Revenue

Income comprising the sale of television productions to 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.

Production costs

Production costs comprise costs, including depreciation, 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 of intangible assets, depreciation on property, plant and equipment and impairment losses.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 is assessed on an ongoing basis and written down to the recoverable amount through the income statement if the carrying amount exceeds the expected future net income from the Company or the activity to which the goodwill relates.

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.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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 when there is an objective indication that an individual receivable has been impaired.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Work in progress

Work in progress is measured at the value of materials used, direct wages and salaries and indirect production costs less loan finance.

Prepayments

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

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. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

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 in the same legal tax entity. 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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Deferred income

Deferred income 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 Tax on profit for the year

DKK	2016	2015
Current tax for the year	3,643,384	1,341,689
Deferred tax for the year	-23,315	9,921
	<u>3,620,069</u>	<u>1,351,610</u>

Financial statements 1 January – 31 December

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3 Intangible assets

DKK	Goodwill
Cost at 1 January 2016	459,000
Cost at 31 December 2016	459,000
Amortisation and impairment losses at 1 January 2016	196,714
Amortisation for the year	65,571
Amortisation and impairment losses at 31 December 2016	262,285
Carrying amount at 31 December 2016	196,715

4 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	1,708,220	87,794	1,796,014
Additions for the year	526,442	19,500	545,942
Cost at 31 December 2016	2,234,662	107,294	2,341,956
Depreciation and impairment losses at 1 January 2016	885,149	14,325	899,474
Depreciation for the year	460,592	26,011	486,603
Depreciation and impairment losses at 31 December 2016	1,345,741	40,336	1,386,077
Carrying amount at 31 December 2016	888,921	66,958	955,879

Financial statements 1 January – 31 December

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5 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.

6 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 have a notice period of no more than six months. The rent for the notice period represents approx. DKK 730 thousand.

The Company has entered into agreements to lease equipment. The remaining term of the leases is 9 and 31 months and represents approx. DKK 560 thousand.

7 Related parties and ownership

Other related parties

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 shareholder is recorded in the Company's register of shareholders as a majority shareholder:

ITV Studios Nordic AB

8 Staff

	<u>2016</u>	<u>2015</u>
Average number of full-time employees	<u>58</u>	<u>40</u>