



Commercially focused
Creatively led

Annual Report
and Accounts 2015

STV is Scotland's leading digital media brand

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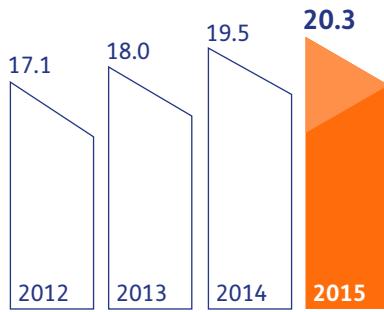
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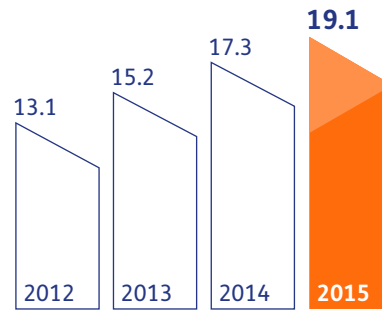
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Operating profit

(£ millions)*

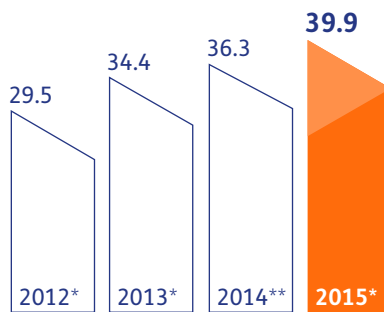
+4%



Pre-tax profit

(£ millions)*

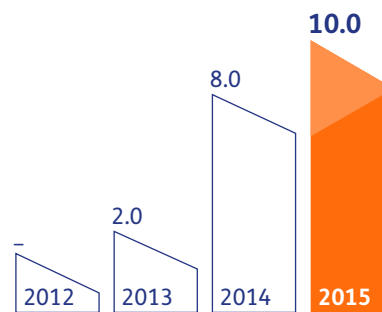
+10%



EPS

(pence)

+10%



Dividends per share

(pence)

+25%

* Pre-exceptionals and IAS 19

** Pre-exceptionals, pre IAS 19 and a normalised tax rate of 20% (see note 12)

2015

FINANCIAL HIGHLIGHTS

PROVIDING CHOICE SERVING CONTENT

The STV Family of consumer services showcases our commitment to ensure STV's content can be accessed free of charge anywhere, anytime – on air, on demand and online.

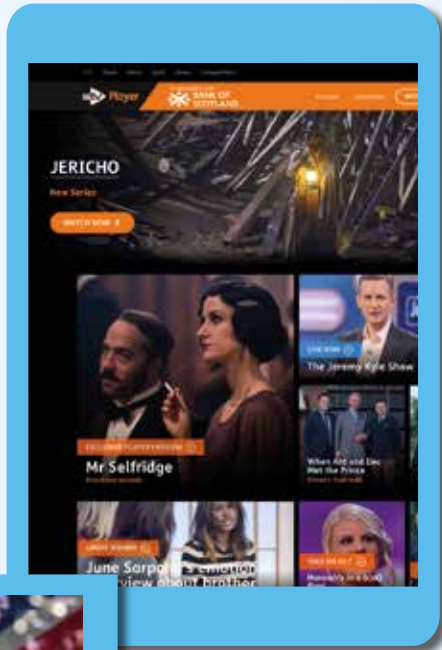
On air

Audience share continues to track above network



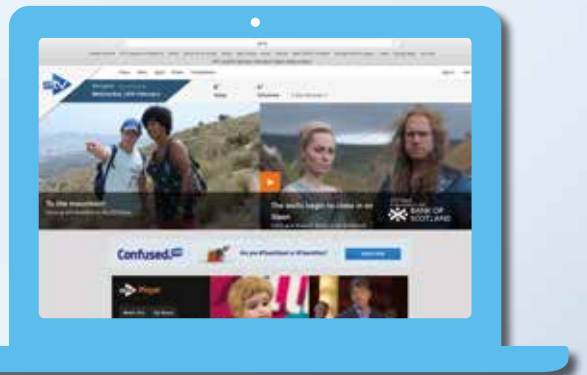
On demand

Enhanced Player offers content free of charge, anywhere, anytime



Online

Building audiences by integrating with social media



Chairman's statement



Baroness Margaret Ford
Chairman

At the beginning of 2015 we updated our strategic aims setting out our ambitions for the next phase of our growth strategy: to deliver a compound annual growth rate of 10% in pre-exceptional EPS during the period 2014 to 2017, underscoring our commitment to continue to create enhanced value and deliver returns to our shareholders.

Delivering on our strategic priorities

Supported by the KPI targets, good progress has been achieved against our strategic aims; building sustainable growth; creating further value for shareholders and strengthening the business to ensure we are well positioned to deliver organic growth and realise opportunities presented in the future.

The diversification of the business through the growth of non-broadcast activities, less subject to the volatility of cyclical trends of airtime advertising, continues to contribute to a more balanced earnings portfolio. In 2015, over one-fifth of earnings derived from non-broadcast activities representing significant progress over the past four years when these activities represented only one tenth of earnings. This is behind our target but reflects a stronger and more resilient core business than was forecast. Diversification to rebalance the business remains at the heart of our growth strategy.

The growth of the non-broadcast business has been driven primarily by the continued development of the digital business. This has now evolved into a core area of activity, delivering significant growth in revenues, up 25% year on year, in excess of target levels.

Stable platform for growth through strong financial performance

The robust financial performance delivered in 2015 combined with stability provided through a strong balance sheet have secured a backdrop of financial flexibility to pursue growth plans whilst creating investment certainty.

Our commitment to ensuring openness and transparency with all stakeholders is demonstrated through the use of our KPIs, providing a transparent and measurable yardstick of progress. The performance driven culture that prevails across the company has instilled a strong sense of discipline and a relentless focus on delivery of these KPI targets. Four of the eleven targets have been met or exceeded with a further two key consumer business targets relating to reach and engagement on track to meet targets set for the end of 2016.

Strong capital discipline has delivered a further reduction in net debt, down 13% to £25.7m (2014: £29.4m), resulting in a net debt:EBITDA ratio of less than one times, within key covenant targets.

Selective investment has been made in key growth areas. In the consumer business, this approach has supported the enhancement of existing digital services, including the STV Player, and the establishment of new services, specifically the start-up of City TV.

The triennial valuation of the company's two defined benefits pension schemes is due to be settled during 2016 and the company continues to progress a proactive programme of measures aimed at reducing the liabilities and costs of the schemes.

Consumer

Through the STV Family of consumer services, the company's unrivalled and growing position in the Scottish marketplace has been strengthened during 2015. Increased reach and deeper engagement across these multiple, complimentary, free to consume, branded services have enabled our share of the Scottish advertising market to grow.

The second of the City TV services, STV Edinburgh, was launched at the beginning of 2015 and along with its sister service STV Glasgow, they are building reach whilst providing a platform to develop creative talent for the future.

This investment in the creation of City TV has made STV accessible to a wider base of advertisers, significantly growing the range of commercial partners who are reaching their target markets through STV.

The services within the STV Family are future proofing the business as it develops an effective response to changes in demand patterns of consumers, as they seek increased accessibility to content anywhere and anytime.

STV Productions

STV Productions has expanded its customer base, securing commissions with new customers in the UK market, whilst continuing to deliver returnable series in daytime and entertainment. Despite this progress, fewer commissions and lower deliveries than forecast have resulted in the growth targets for the business not being met.

A significant strategic development partnership with GroupM Entertainment, announced in August 2015, will provide STV Productions with scale to enter new markets and recognises the capabilities and potential of the highly talented team who are focused on delivering growth and continuing to build a leading content production business of scale.

Dividend

Following the reinstatement of dividends in 2014 the Board has committed to grow shareholder returns through the implementation of a progressive dividend policy, I am pleased to recommend a final ordinary dividend of 7.0 pence per share, in line with previous guidance. This will result in a total dividend for the year of 10.0 pence per share, (2014: 8.0 pence per share)

up 25% on last year. It is proposed this final dividend will be paid on 20 May 2016 to shareholders on the register at close of business on 15 April 2016.

Board changes

There were two changes to the Board during 2015. In April, Jamie Matheson retired from the board after eight years during which he made a very significant contribution to the turnaround of the Group. We are very grateful to him. In October, I was delighted to announce the appointment of Ian Steele as Non-Executive Director.

Making a positive contribution

As an iconic brand at the heart of Scottish life we are uniquely positioned to use our multi-platform reach and the strong connections held with consumers to make a positive impact in the communities in which we serve. Through the STV Children's Appeal, our consumers and staff from all areas of the company, raised a record sum of £2.9m in 2015, with £11m raised since launch in 2011.

Working in partnership with The Hunter Foundation and an increasing number of corporate partners, these funds have been invested in projects across Scotland, targeted at improving the lives and prospects of children. As chair of the trustees of the STV Children's Appeal, it is a privilege to support this cause and I am extremely proud of this achievement and committed to building on this success in the year ahead.

Conclusion

Looking to 2016, the company is firmly positioned to realise its ambitious growth strategy; continuing to enhance shareholder value through our progressive dividend policy whilst maintaining capital discipline and a focus on growth.

On behalf of the Board, I would like to thank all shareholders for their continued support. I would also like to take this opportunity to thank Rob Woodward and the leadership team for their continued contribution to a successful year for STV and recognise the commitment and talent of all staff across the business. Their engagement and efforts are continuing to build a leading media company well positioned with further growth potential in 2016 and beyond.

Baroness Margaret Ford
Chairman

COMMERCIALY FOCUSED CREATIVELY LED

“Our strategy to deliver sustainable organic growth underpinned by our continuing and relentless focus on our growth KPIs is delivering value for shareholders.”

Rob Woodward Chief Executive Officer



2015 – a year of achievements

January

City TV channel STV Edinburgh launch

February

Digital revenues up 23%

£5.3m

March

STV awarded City TV licences for Aberdeen, Ayr and Dundee

STV confirms extensive General Election programming



May

Enhanced version of the Player launches

June

STV Glasgow celebrates 1st birthday

First commission for Sky1: *Prison: First & Last 24 Hours*



July

Transmission of documentary to mark 10th anniversary of the London bombings for ITV

Safeword on ITV2 hits screens and hits the headlines

Strategic growth aims to 2017

**Aim to achieve an EPS*
CAGR of 10% across 2014
to 2017 underpinned
by 11 KPI growth targets**

*excludes exceptionals IAS 19 and normalised for tax

In 2015, STV strengthened its position as the leading digital media business in Scotland.

Our strategy to deliver sustainable organic growth underpinned by our continuing and relentless focus on our KPIs was set out in early 2015.

Diversification of earnings continues to be a key strategic priority. Due to the strength and resilience of the core broadcast business our target of one third of earnings from non-broadcasting activities has yet to be met but the percentage of earnings generated from these growth activities has doubled since 2011.

At the beginning of 2015, we announced a new strategic growth aim to deliver a CAGR of 10% in EPS from 2014 to 2017. This rate of growth in EPS* has been achieved in 2015.

Non-Broadcast Earnings Share

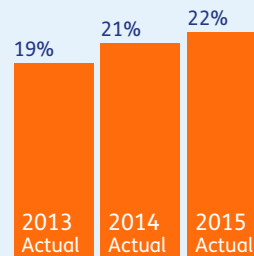
(%)

Why it's important

Our strategy is to diversify the Group's earnings from being over 90% driven by broadcast to a more broadly balanced base.

How we measure it

It is calculated as non-broadcast operating profit (digital and productions) divided by total operating profit and expressed as a percentage.



August

STV City TV channels' Edinburgh Festival coverage reaches

800,000

viewers



September

STV broadcasts *Rugby World Cup 2015* reaching

3.3

million Scots

STV becomes first broadcaster to televise a Scottish court hearing live and in full

October

STV Children's Appeal raises record

£2.9m

Australia's Nine Network finalises format deal for *Prison: First & Last 24 Hours*

November

ITV commissions new series of *Catchphrase*

Celebrity Antiques Road Trip returns to BBC Two

December

Antiques Road Trip returns to BBC One for new series

EXTENDING REACH AND ENGAGEMENT

Through our STV Family of consumer services we are successfully extending our reach and engagement.

On air

In 2015, our core channel's peak time audience exceeded that of the ITV network for the sixth consecutive year and aired 44 of the 50 most watched programmes on commercial television in Scotland (source: BARB 2015).

Alongside popular content including *Coronation Street*, *The X-Factor*, *Britain's Got Talent* and the final series of *Downton Abbey*, the highlight of the sporting calendar for STV was the channel's coverage of the *2015 Rugby World Cup*.

STV's coverage of the tournament reached a total of 3.3 million Scots, a 32% increase on coverage of the *2011 Rugby World Cup*. The Scotland rugby team secured a place in the quarter-finals and the resultant match coverage saw the STV television audience peak at 1.1 million viewers, making it the most watched rugby match in the country over the last 10 years.

“The City TV channels offer a place where STV can be more experimental with formats and create a destination where archive content can be accessed by new audiences.”

STV aired a number of strong home-grown productions. A new series, *Stopping Scotland's Scammers*, sponsored by The Royal Bank of Scotland, brought together people's experiences and expert opinion to educate viewers on how to guard against fraud. *Stopping Scotland's Scammers* was the best watched consumer affairs programme in Scotland across the whole of 2015 with an audience 56% greater than the time slot average. Based on this success a second series has been commissioned and will air in 2016.

Paul and Nick's American Food Trip followed top celebrity chefs Paul Rankin and Nick Nairn on a culinary road trip along the east coast of America. This eight part series produced for STV and UTV by Waddell was the best watched food show on STV in 2015.

In January 2015, STV launched a new City TV channel, STV Edinburgh, which joined its sister service, STV Glasgow, to create an average reach of 0.8 million viewers across Scotland per month. As a result of the introduction of this second service, revenues generated from City TV increased by 67%.

Ofcom awarded three further licences for Aberdeen, Ayr and Dundee presenting an opportunity to expand the reach of our city service. Advertising clients have

responded positively to this opportunity to reach their target markets through on air sponsorship and advertising.

Throughout 2015, STV Glasgow and STV Edinburgh brought consumers the best of local features, cooking, history and guests with magazine shows *The Riverside Show* in Glasgow and *The Fountainbridge Show* in Edinburgh.

In August the city channels joined forces to bring the Edinburgh Festival to our consumers. *Edinburgh Festival 2015* broadcast interviews and acts live every weekday during the month of August offering a unique insight into the iconic arts festivals providing arts and culture programming beyond the network schedule. The show's reach was extended as the programming was acquired by eleven other local television network channels across the UK.

The City TV channels offer a place where STV can be more experimental with formats and create a destination where archive content can be accessed by new audiences.

Peak time audience

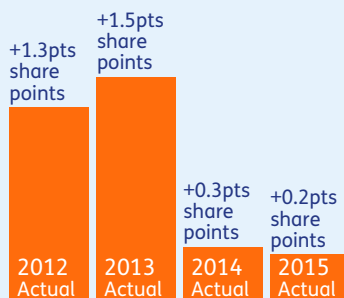
(v ITV Network)

Why it's important

Our programme strategy results in more Scottish based content appearing on screen and it is important that an audience share is delivered at least equivalent to that of the ITV Network.

How we measure it

Peak audience (18:00-22:30) for all adults is compared to the ITV Network.



The market for STV Consumer services

- ▶ Scotland has a population of 5.3 million people
- ▶ People in Scotland spend an average 3 hours 59 minutes per day watching TV
- ▶ 19% of TV households have a Smart TV
- ▶ Six in ten adults in Scotland own a smartphone
- ▶ Half of the adults in Scotland have a tablet in the household, a 10% increase since 2014

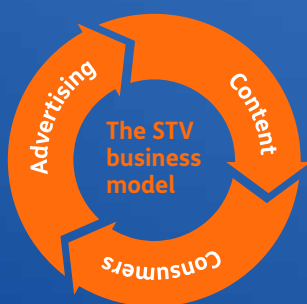
SCOTLAND
FILLED WITH
POTENTIAL

- ▶ 1 in 3 adults in Scotland are now registered with STV
- ▶ Every month STV reaches over 90% of Scots via its broadcast channel
- ▶ 56% of Scots engage with at least three STV services every month
- ▶ The re-launched STV Player is used by 1 million Scots every month for an average of 53 minutes per day per user
- ▶ Long form video streams increased by 14% in 2015

STV

ENGAGING WITH OUR AUDIENCE

Monetising Consumer engagement



STV Consumer

Delivers unique, high quality content to attract mass audiences which are sold to advertisers to generate revenues. This content is delivered across multiple platforms. The business aims to use its unique content to create communities of interest and to engage consumers.

Measurement

The key corporate KPIs are used to monitor and measure the progress of each division in fulfilling its strategy.

Chief Executive's review – Consumer

Consumer engagement by product

(mins per day per user)

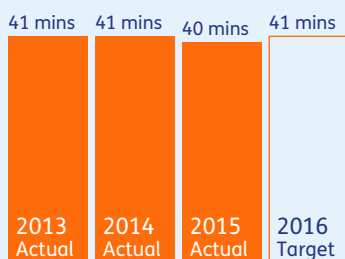
Why it's important

These measures indicate the depth of the consumer base of each of the services in the STV Family.

How we measure it

It is the average minutes per day that consumers spend on each service sourced from BARB and Adobe Analytics.

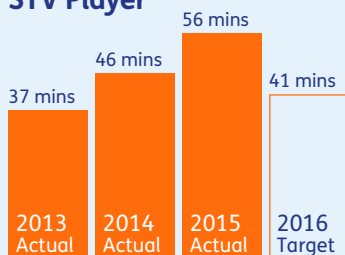
STV Audience



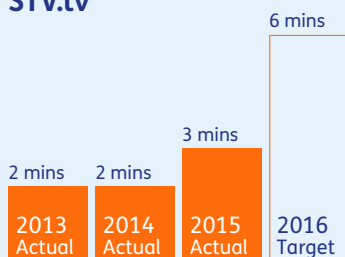
City TV



STV Player



STV.tv



On demand

The STV Player, STV's catch up and live TV service, is available online, on tablet and on smartphone and has now been enhanced making it more robust than ever, offering consumers the reliability they expect, so that they can watch STV content anytime, anywhere.

The range of devices and platforms from which the STV Player can be accessed continues to increase and includes iPhones and iPads, Android tablets and smartphones, Windows 8, Windows Phone, Samsung Smart TVs, YouView set-top boxes, Xbox 360 consoles, Amazon Fire TV, Amazon Fire tablets, Freeview Play devices and via player.stv.tv.

In 2015, access to quality content including *Broadchurch*, *Britain's Got Talent*, *X Factor* and the *2015 Rugby World Cup* supported an increase in the number of registered users.

In addition to strong broadcast viewing figures, the Rugby World Cup drove a more diverse profile of consumers to the STV Family of services with nearly half of registrations under the age of 35. The Player attracts a higher ABC1 audience and younger consumer profile than the traditional STV audience.

Across the *2015 Rugby World Cup*, the STV Player delivered 543,000 live streams – more than the total streams during the *2014 FIFA World Cup Brazil*. A further 110,000 catch up and short form streams of *Rugby World Cup* content were also provided by the STV Player.

Long form video streams

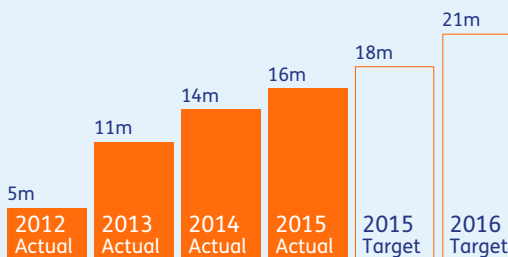
(millions)

Why it's important

Video streams are a key advertising currency and are directly related to generating advertising revenues.

How we measure it

Using analytical tools, the number of video streams across all platforms can be identified and collated and this is the annual total in millions.



This enabled the achievement of the KPI target of 1.6 million consumer registrations; an increase of 60% year on year. Our consumer data strategy continues to develop apace and one in three adults in Scotland are now registered with STV.

Whilst long form streams grew by 14% delivering 16 million streams over the year, this was short of our KPI target of 18 million streams.

Additional programme content has been made available via the STV Player through the live streaming of STV and STV's City channels and the STV Player app, for use on hand held devices, has seen a 33% increase in downloads during the year.

During 2015, consumer insights enabled our commercial team to offer targeted video on demand advertising for a broad base of clients. Further segmentation of the user base will be developed to be rolled out in 2016.

Consumer insights

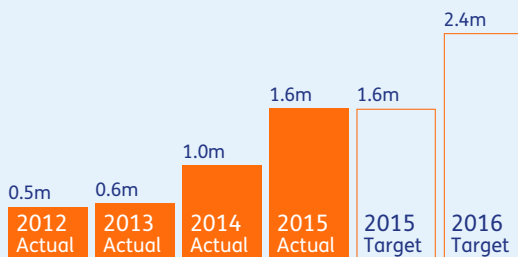
(millions)

Why it's important

Understanding the demographics, tastes and preferences of our consumers is key to developing successful consumer services.

How we measure it

It is the number (in millions) of unique consumer records held on our consumer database.



Consumer reach by product

(monthly average millions)

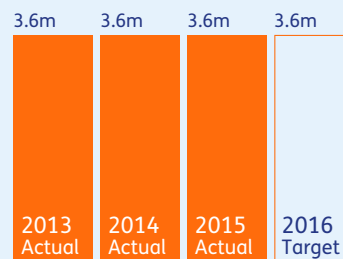
Why it's important

These measures indicate the breadth of the consumer base of each service in the STV Family.

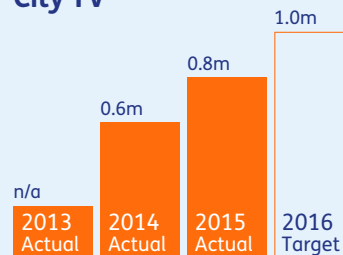
How we measure it

It is the monthly average audience in millions from sources including BARB and Adobe Analytics.

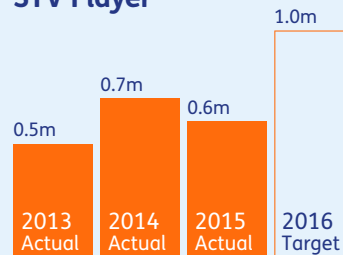
STV Audience



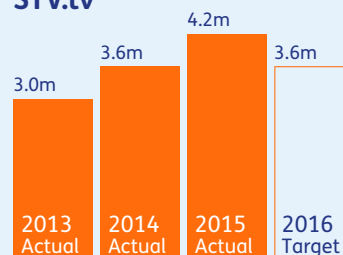
City TV



STV Player



STV.tv



Chief Executive's review – Consumer

Online

A key focus for STV is the growth of our digital business. In 2015 the average number of unique browsers on stv.tv increased by 17% to 4.2 million. Our consumer engagement strategy continues to develop with increased engagement across the STV Family and our product development strategy is structured to address the changes in consumer patterns. Key to achieving our targets is interaction with consumers accessing STV's trusted content via social media sites including Twitter and Facebook.

Two thirds of the Scottish population engage with STV digitally with STV News increasing its Twitter following by 42% year on year and Facebook likes by 87% year on year. This is set to rise significantly with the introduction of our enhanced digital news offering in early 2016.

As the largest Scottish commercial news provider online, the number of users of our news platforms has increased by 42% year on year with 2.5m unique browsers each month. 83% of our consumers now engage with stv.tv/news on mobile devices, a growth of 9%, while STV's share of news traffic via social media has grown to 57%, up 22% on 2014.

While the digital revenue KPI target of £7.7m was not met, the underlying profitability of the business continues to grow. The digital margin KPI target of 45% was exceeded, reaching 48%.

Digital revenues

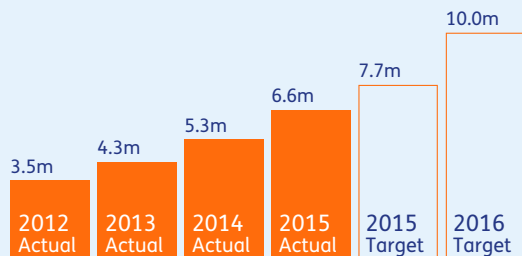
(£ millions)

Why it's important

Digital revenue growth is a key strategic objective and this measure tracks its delivery.

How we measure it

It is the value of digital revenues generated from the STV Family of services.



Consumer division margin

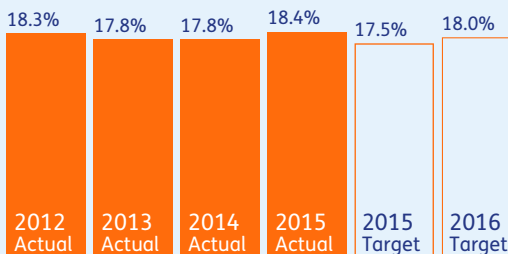
(%)

Why it's important

Margin improvement across the period provides evidence of profitable growth.

How we measure it

It is calculated as underlying operating profit divided by turnover and expressed as a percentage.



Digital margin

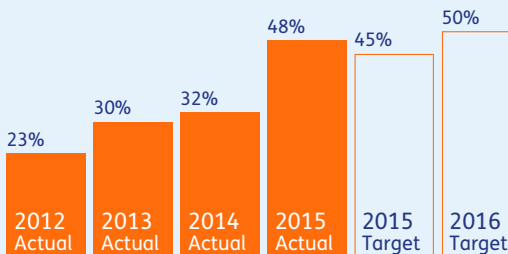
(%)

Why it's important

Margin improvement across the period provides evidence of profitable growth.

How we measure it

It is calculated as operating profit divided by turnover and expressed as a percentage.



STV News – local trusted news

STV's television news has long had a reputation for providing its consumers with locally focused, relevant, high quality news programming. Public Service Broadcasting (PSB) is at the heart of what we deliver to our consumers.

Across a month, an average of 2.9 million people watch STV News with seven bulletins on the core channel and eight local bulletins on our city channels.

The audience for the main bulletin, *STV News at Six*, was up year on year in 2015 and is one of the most watched regional news broadcasts across the UK – the audience for *STV News at Six* is 10 share points higher than regional news on ITV London.

Our flagship current affairs programme *Scotland Tonight*, provides viewers with a mix of studio debate, big name interviews and filmed reports. As well as covering politics and news stories, the programme also features personalities and issues in the world of sport, the arts and entertainment. Across 2015, the average audience for *Scotland Tonight* was double that of other channels in this slot.

Consumer research conducted in 2015 reaffirmed the strong identity of *STV News* at the core of our brand. This firm commitment to high quality public service content resulted in strengthening our focus on current affairs. By growing our political team in 2015 with new recruits, *STV News* continues to deliver relevant coverage for our consumers. Our city channels also air a weekly digest of the week's key debates in the Scottish Parliament.

In a UK television first, STV televised a court hearing live and in full. The transmission via special remote controlled cameras in court was an innovative way to provide consumers with an insight into the case and the dynamics of the courtroom, with coverage and expert analysis provided on air and online.

Our coverage of the 2015 UK General Election typifies our multi-platform approach as we seek to galvanise our position as the 'voice of Scotland'. STV secured the first Scottish leaders TV debate in front of a live studio audience, aired feature programmes on each of the UK party leaders, and provided a live overnight results programme with coverage from counts across Scotland.

STV has a sound track record of delivering for audiences on air and online which is the result of our firm commitment to our PSB output and a growth strategy embracing technological changes and innovation.

The effectiveness of this model is demonstrated in the large audiences *STV News* consistently delivers. This success was noted by Ofcom in its statement concluding its third PSB review which reported that audience satisfaction with news delivery by STV has increased significantly since the regulator's last PSB review published in 2008.

In 2016, STV will build upon this model with the launch of an enhanced online news service which will combine international, national and local news and up to the minute weather reports with the personality, quality and reliability of our existing services and will help us to achieve our continued aim to be a leading consumer focused company.

“STV has a sound track record of delivering for audiences on air and online which is the result of our firm commitment to our PSB output and a growth strategy embracing technological changes and innovation.”

BUILDING A LEADING CREATIVE CENTRE

The productions business continues to secure returning formats and is developing a strong pipeline of new commissions based on a strategy of diversity of genres.

Growing our client base

STV Productions continues to secure returning formats and to deliver new commissions.

In 2015, STV Productions business delivered revenues of £8.3 million, short of the KPI of £20.0 million, reflecting a shortfall in deliveries against target.

Production revenue

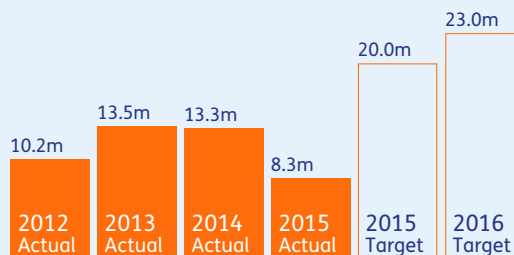
(£ millions)

Why it's important

Increasing production revenues is a key strategic aim which increases the diversification of the Group's revenue sources.

How we measure it

It is the value of revenues generated from external commissions and secondary sales.



New and returning formats

In April, the business partnered with Red Arrow Entertainment Group to produce a brand new format *The Lost Supper*. The series saw celebrities go in search of forgotten family recipes, working with renowned chefs to recreate their culinary experience.

Returning format commissions secured were a fifth series of *Catchphrase*, a twelfth series of *Antiques Road Trip* and a fifth series of *Celebrity Antiques Road Trip*.

2015 also saw STV Productions bring celebrity roast panel show *Safeword* to ITV2 which delivered good ratings and caused a substantial buzz in the print press and also among thousands of social media followers. As a result of this success, a second series has been recommissioned for delivery in 2016.

Purchasing from STV Productions for the first time, Sky1 commissioned the eight part documentary *Prison: First & Last 24 Hours* which revealed an unprecedented insight into Scotland's prisons and performed strongly in Sky 1's 10pm time slot. STV has now sold the show format to Australian broadcaster Nine Network.

In 2015, the number of hours produced totalled 125 (2014: 138) with a range of commissions and returning series.

STV Productions delivered *Secrets of the Scammers*, a three part series sponsored by NatWest which was the best performing programme in Channel 5's Wednesday 7pm time slot across the whole year. The format was built upon the previously successful *Stopping Scotland's Scammers* which had premiered on STV earlier in the year.

Documentaries

Two successful specialist factual documentaries aired on ITV and BBC One Scotland/BBC Four.

The 7/7 Bombing: Survivors Stories marked the tenth anniversary of the London terrorist attacks building on STV Productions reputation for providing quality, poignant documentary.

Rollermania: Britain's Biggest Boy Band aired on BBC One Scotland and on BBC Four.

Strategic partners

In August, a strategic development partnership with international media company GroupM Entertainment was announced. Together the two companies are working to co-invest, co-develop and co-produce production ideas over a broad range of genres including entertainment, factual entertainment, daytime and popular factual and drama. The projects are targeted at major broadcasters in the UK and internationally.

The innovative deal has involved substantial development investment from both companies and has been shaped to capitalise on the strengths of each business with both committed to extending their financial support into 2016.

The non-exclusive partnership has allowed both STV Productions and GroupM Entertainment to continue working with other channels, distributors and content creators.

Production margin

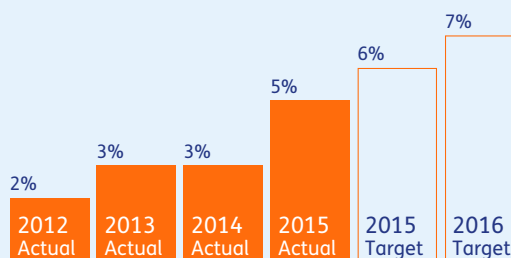
(%)

Why it's important

Margin improvement across the period provides evidence of profitable growth.

How we measure it

It is calculated as underlying operating profit divided by turnover and expressed as a percentage.



The market for STV Productions

- ▶ The estimated revenue for UK TV programmes and associated activities is £1.2bn*
- ▶ STV Productions and GroupM Entertainment have a partnership to co-invest, co-develop and co-produce ideas across a broad range of TV production genres
- ▶ In 2015, Nine Network bought jointly produced format *Prison: First & Last 24 Hours* to make an eight part series for Australia
- ▶ STV Productions and IPCN announced a deal to create a new factual entertainment format for China called *Journey to the Precious* based on *Antiques Road Trip*

STV

**A WORLD OF
POSSIBILITIES**

Returning series

Returning series are a key part of STV Productions’ business with BBC and ITV ordering new episodes of content that has proved popular with audiences



Catchphrase

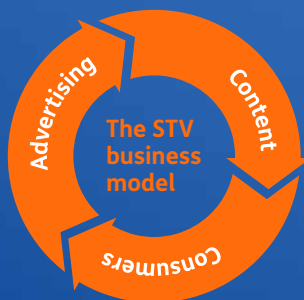


Safe word



Antiques Road Trip
Celebrity Antiques Road Trip

Monetising Productions output



STV Productions

Creates and produces high quality content for broadcast networks in the UK and overseas. Profit is made on initial sale and on the exploitation of back end rights in the UK secondary and overseas markets.

Measurement

The key corporate KPIs are used to monitor and measure the progress of each division in fulfilling its strategy.

*Source: PACT UK Television Exports FY 2014/2015
<http://www.thecreativeindustries.co.uk/media/311154/tv-exports-survey-fy-14-15.pdf>

Performance review

The Group delivered another year of strong growth in pre-exceptional profit before tax, earnings per share and cash generation. We have continued to invest in key growth areas such as our digital products and STV Productions as well as absorbing the losses from the launch phase of our City TV channels.

Revenue

Total revenue was down 3% at £116.5m (2014: £120.4m) with lower STV Production revenue, partly offset by strong growth in digital revenues and City TV.

Consumer division revenues were up 1% at £108.2m (2014: £107.1m) with national airtime revenues up 1%, behind the broader television market, and regional airtime revenue up 6%, with a particularly strong second half performance.

Digital revenues were up 25% at £6.6m (2014: £5.3m), below their KPI target, with strong growth in STV Player revenues partly offset by reduced transaction revenues.

Production division revenues amounted to £8.3m (2014: £13.3m) reflecting fewer commissions and lower deliveries.

Operating profit

Operating profit, before exceptional items, increased by 4% to £20.3m (2014: £19.5m). This performance was due to the Consumer division which increased operating profit, before exceptional items, to £19.9m (2014: £19.1m) and again delivered margins ahead of the KPI target and last year at 18.4% (2014: 17.8%). This result is after absorbing the initial start up losses of City TV which amounted to £1.0m (2014: £0.1m) but which will reduce in 2016 as the City TV business moves to break even in 2017. A major factor in growing the division's margin, despite the City TV losses, has been the expansion of the digital margin from 32% to an above target 48%, driven by high margin STV Player growth.

Productions operating profit was flat at £0.4m (2014: £0.4m) despite the revenue decline.

Exceptional items

There were four non-recurring events which have been classified as exceptional items in 2015 (2014: none). These included the goodwill writedown on STV Productions (£5.1m), the writedown of the Group's investment in Mirriad (£1.0m), a write-off of fixed assets related to City online services and redundant STV Player platforms (£1.0m) and costs related to management incentive plans (£1.7m). The combined tax impact from the latter three items was a credit of £0.2m. This was in part offset by the recognition of a deferred tax asset reflecting greater certainty over the use of the Group's available tax losses from prior years (£5.1m).

Finance costs

Net finance costs reduced again in 2015 to £1.2m (2014: £2.2m) due to a reduction in cash interest costs as net debt fell and the lower interest margin from the 2014 amendment and extension of the Group's bank facility impacted for a full year. The IAS 19 non cash pension finance charge amounted to £0.5m (2014: £nil).

Statutory result

The statutory result for the year after tax, exceptional items and IAS 19 interest was a profit of £11.4m (2014: £14.7m). The Group's effective tax rate increased to the standard rate of 20% (2014: 15%) and corporation tax payments are expected to resume in 2016.

Earnings Per Share (EPS)

EPS before exceptional items and IAS 19 interest increased by 10% to 39.9p (2014: 36.3p), on an equivalent tax rate of 20%. On a statutory basis EPS amounted to 29.8p (2014: 38.7p). (See Note 12 in the Notes to the Financial Statements).

Cashflow and net debt

Net debt fell by a further 13% to £25.7m (2014: £29.4m) with the key net debt EBITDA ratio target of below 1.0x on a covenant basis at the year end being met. The Group's measure of operating profit converted to free cashflow improved as anticipated in 2015 to 86% (2014: 79%), slightly below the ongoing 90% target due to working capital phasing.

Capital expenditure at £2.3m (2014: £5.0m) reduced to more normal levels in 2015 following significant investment in news equipment in the previous year. The debt reduction is also after higher pension deficit funding payments (£7.8m) and increased dividend payments (£3.4m).

Balance Sheet

The principal movements on the Group's balance sheet were the reduction in goodwill and net debt noted above, the reduction in the IAS19 pension deficit and movements in deferred tax.

Viability statement

The Group has a strategic plan for the next three financial years which the Directors review at least annually. The three year plan reflects the Group's strategy as set out on pages 6 to 19. The plan also includes a number of important assumptions about the necessary capital investments to implement the strategy and models the expected cash flows including dividends as well as other key financial and performance indicators over the period.

The Directors have used this planning period as the basis to assess the ongoing viability of the Group over the next three years, although the Group's business model is open-ended and there is no known threat to its viability beyond that period.

In making the viability statement the Directors have also considered the resilience of the Group to a number of severe but plausible scenarios. These scenarios took into account the aspects of the principal risks disclosed on pages 22 and 23.

This sensitivity analysis on the scenarios considered the potential impacts of these matters on the Group's businesses, future performance, solvency and liquidity over the planning period and the effectiveness of any mitigating actions that the Directors could take.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year planning period.

Principal risks and uncertainties

Like most businesses, STV Group plc is exposed to a number of risks which could have an impact on our operating results, financial condition and prospects and there are rigorous internal systems to identify, monitor and manage any risks to the business.

STV's risk register sets out the key risks that have been identified, allocating an owner to each, together with the risk impact and likelihood. These are scored both on a gross and, after the current mitigating controls have been taken into account, a net basis. The effectiveness of the current mitigating controls is graded as strong, adequate or weak and any additional controls required are also noted. The register is reviewed and updated on an ongoing basis both at an operational level and on a biannual basis by the Board, with the Audit Committee conducting an in-depth annual review.

The directors confirm they have carried out a robust assessment of the principal risks facing the Company.

All of the risks identified have been fully evaluated and taken into account in preparing the budgets and forecasts which support going concern, viability statement and impairment assessments. There have been no changes to the principal risks from 2014. The risks have also been reviewed and agreed with the internal auditors.

Regulatory environment

Our television business is operated under licences which are regulated by Ofcom and the key Channel 3 licences have been renewed for a further 10 year term through to the end of 2024. These Channel 3 licences contain conditions around contribution to public service broadcasting, programme production and compliance with Ofcom's codes. As licensees it is STV's responsibility to ensure that the terms of these licences are adhered to and measures have been put in place internally to ensure that this occurs. In the event of any serious or repeated breaches, Ofcom has powers to impose sanctions on licensees including, in the most extreme circumstances, financial penalties or revocation of licences.

Dependence on advertising

STV's sales, expenses and operating results could vary from period to period as a result of a variety of factors, some of which are outside STV's control. These factors include general economic conditions; conditions specific to general advertising markets including the commercial television market; trends in sales, capital expenditure and other costs, and the introduction of new services and products by us or our competitors. In response to an ever-changing operating and competitive environment, STV may elect from time to time to make certain pricing, service or marketing decisions that could have a material adverse effect on sales, results of operations and financial conditions.

Performance of the ITV Network

The majority of STV's programming content is provided by the ITV Network. Therefore, its ability to attract and retain audiences and the advertising airtime sales performance of ITV's sales house – which is responsible for the sale of STV's UK national airtime to advertisers – are factors that affect performance. This relationship is managed closely, with regular updates on programme and schedule developments being provided and through STV's Commercial Director who manages the sales relationship with ITV.

Pension scheme shortfalls

We believe that the STV pension schemes are relatively strong, and the investment strategy is calculated to reduce any market movement impacts. However, it is possible that the Group may be required to increase its contributions to cover an increase in the cost of funding future pension benefits or to cover funding shortfalls which could have an adverse impact on results and cash flow. This position is kept under regular review by the Board. During 2015 various exercises were carried out with the aim of reducing both risk and the liabilities of the defined benefit pension schemes.

Financial

The overall financial position of STV may be constrained by the Group's leverage and other debt arrangements. An increase in LIBOR interest rates could have an adverse impact on the financial position and business results. STV is exposed to a variety of financial risks that arise from and apply to its activities: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's borrowings are denominated in Sterling which is also the Group's intra-UK net currency flow. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

STV uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the Board with financial risks being identified, evaluated and hedged in close co-operation with the operating divisions. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity.

a) Currency risk

STV operates almost wholly within the UK and is exposed to minimal currency risk. The Group's borrowings are denominated in Sterling which is also the Group's intra-UK net currency flow. Currency risk arises primarily with respect to the Euro and US dollar and from future commercial transactions and trade assets and liabilities in foreign currencies.

b) Credit risk

STV has no significant concentration of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Derivative transaction counterparties are limited to high-credit quality financial institutions.

c) Liquidity risk

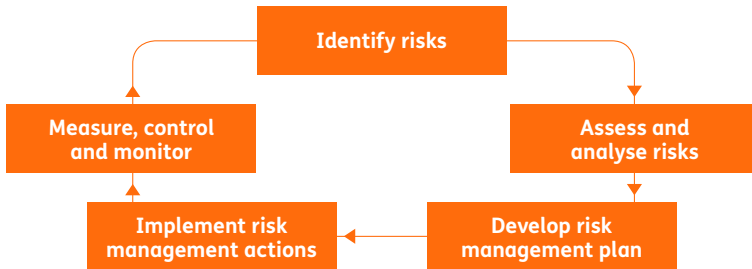
Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying business, the aim is to maintain flexibility in funding by keeping committed credit lines available.

d) Cash flow interest rate risk

STV has no significant interest bearing assets and its income and operating cash flows are substantially independent of changes in market interest rates.

Risk management

Risk management and internal control



The Board considers risk management to be a key business discipline designed to balance risk and reward and to protect the Group against uncertainties that could threaten the achievement of business objectives. It is inherent in the Company's business and activities and the review of risk and risk management is embedded throughout the Company. The ability to identify, assess, monitor and manage each type of risk to which the Company is exposed is an important factor in its financial soundness, performance, reputation and future success. The management of risk is considered to be of vital importance and as such, it is a matter for the full Board and not delegated to a committee. Accordingly, the Directors have overall responsibility for establishing and maintaining an adequate system of internal controls and risk management policies and also for reviewing the effectiveness of each. This is communicated to the Leadership Team and each member is accountable for all risks assumed in their respective areas of responsibility and for the execution of appropriate risk management discipline.

During the year a thorough review of STV's risk register was carried out, facilitated by Deloitte. The process involved one on one structured interviews with senior management and a half day workshop with the Leadership Team.

This was designed to challenge and update the current STV risk profile through:

- (i) identifying any new or emerging risks to STV's objectives reflecting the current environment and strategic priorities
- (ii) assessing and prioritising the impact and likelihood of the most significant risks
- (iii) considering the presence and operating effectiveness of key controls.

This has ensured that the risk register continues to be a current and relevant document allowing:

- the key risks facing STV to be easily identified and summarised
- actions taken to improve controls to be tracked
- changes to the risk portfolio to be monitored.

A formal risk management policy, approved by the Board, was put in place, which defines the objectives of and commitment to risk management. The policy sets out the Group's risk appetite together with how identified risks are managed and monitored as well as detailing how risk management is embedded within the Group.

During 2015, the following reviews were carried out by the internal auditors: (i) broadcasting licence compliance; (ii) data protection compliance; and (iii) digital revenue assurance.

The system is designed to manage rather than eliminate risk and internal control can only provide reasonable and not absolute assurance against material misstatement or loss. All points raised by the internal auditor were addressed and executive management believes that the control environment has been strengthened further by the actions taken. During the year a follow up review of all recommendations made by the internal auditor over the past 18 months was carried out. This involved liaising with those employees across the business who had been allocated the responsibility of executing the recommendations raised to ensure that these had been acted upon.

In addition to both the external and the internal audit, the following key controls are in place:

- a comprehensive financial review cycle, which includes a detailed budgeting process where business units prepare budgets for approval by the Board, monthly reporting of trading results for review and, where necessary, corrective action as well as detailed and regular re-forecasting
- clearly defined management structure and delegation of authority to committees of the Board, subsidiary boards and associated business units
- high recruitment standards and formal career development and training to ensure the integrity and competence of staff
- regular reviews of key performance indicators and business risks and consequent steps to manage any matters arising
- procedures for the approval of capital expenditure
- monthly monitoring and re-forecasting of results against budget, with major variances followed up and management action taken where appropriate
- ongoing procedures to identify, evaluate and manage significant risks faced by the business and procedures to monitor the control systems in place to reduce these risks to an acceptable level
- provision to the Board and management of relevant, accurate and timely information based on comprehensive management information systems, which are continually being improved and updated.

A highly detailed review process conducted on a multi-level basis ensures that the consolidated group accounts are prepared having taken into account the internal control procedures and risk management strategies outlined above.

The Company has a strong internal control and risk management system in place in relation both to the financial reporting process and the process for preparing the consolidated accounts. The purpose of these is to ensure that the internal and external financial statements are presented in accordance with the relevant reporting standards and the disclosure requirements for listed companies, as well as to ensure that the financial statements give a true and fair view, free from material misstatement.

The Board is satisfied that these responsibilities are met through applying the following procedures which are supported by the Group's system of internal control:

- using an appropriate system of accounting records, capable of operating with reasonable accuracy to be compliant with financial and legal reporting requirements. The basis used to prepare STV's financial statements is the International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company financial statements and Directors' Remuneration Report are prepared in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice
- using IFRS to ensure a true and fair view of the state of affairs of the Group, including the profit or loss for the period
- applying appropriate accounting policies within the framework of IFRS and ensuring these are consistently applied
- making judgements and preparing estimates that are reasonable and prudent
- operating within the guidelines of all the disclosure advice provided by UK statute
- considering whether adoption of the going concern basis is appropriate
- maintaining robust assurance processes and controls over financial reporting procedures
- extending these principles to half-yearly reports and other reports in the public domain.

Identified risks are mitigated through unambiguous business processes with integrated risk management activities, segregation of duties and appropriate delegation of authority. Each role within the Company is well-defined with clear responsibilities and a transparent reporting structure. The Company's business processes include financial controls regarding the approval and accounting of business transactions and the financial reporting process has controls regarding recognition, measurement and disclosure. These include the application of critical accounting policies and estimates, in individual subsidiaries as well as in the consolidated accounts.

Risk management

Regular review is vital to ensure that the risk culture continues to be embedded throughout the Company and that the risk framework is operating effectively. It also provides the Board and the Audit Committee with an overall view of the Company’s risk profile, identifying any major exposures and mitigating actions.

The Company has in place a Whistleblowing Policy through which staff can, in confidence, raise concerns about possible improprieties either in the conduct of others in the business or in the way the business is run. Concerns can relate to actual or potential breaches of law or Company policy, including those relating to accounting, risk issues, internal controls, auditing issues and related matters. All matters raised will be investigated and reported to the Audit Committee. No such concerns were raised by staff during the year.

The risk management framework and internal controls system across the Company, which are subject to continuous development, provides the basis on which the Company has complied with the Code provisions on internal control. These have been put in place in order that the Board can satisfy itself that management has understood the risks and has implemented and monitored appropriate policies and controls, enabling the Board to be provided with timely information so that it can discharge its own responsibilities.

Risk appetite

STV’s risk appetite can best be demonstrated through the following table:

	Unacceptable to take risks					Higher willingness to take risks				
	1	2	3	4	5	6	7	8	9	10
Reputation	<		>							
Compliance & regulatory	<	>								
Financial			<	>						
Technology	<		>							
Opportunities						<				>
TV Market			<		>					
Operational			<				>			
Pensions	<		>							
People & culture	<		>							

Reputation

STV places great importance on upholding its high reputation and therefore has a low appetite for risk in conducting any activities that puts its reputation in jeopardy, could lead to undue adverse publicity or could lead to loss of confidence by the Scottish and UK political establishments or by its shareholders and stakeholders.

are fully understood before developments are authorised and sensible measures to mitigate risk are established.

The above statements take priority over the statements made below

Technology

STV is reliant upon various forms of technology for the transmission of its programmes and the successful operation of its business and has a low appetite for risk in these areas.

Compliance and regulatory

It is critical that STV conducts itself in a compliant manner at all times, particularly in relation to its broadcasting licences and it has no appetite for any breaches of statute or regulation.

Opportunities

New opportunities, projects, collaborations, joint ventures, mergers and acquisitions are periodically considered by STV as means of growing its business and these inevitably involve some element of risk. STV has a strong appetite for the development of such opportunities provided always that the potential benefits and risks are fully understood and that appropriate mitigation measures are in place.

Financial

STV aims to maintain its long term financial viability and overall financial strength although recognises that sometimes taking a small amount of risk is necessary. However, STV is comfortable in accepting this risk provided always that the potential benefits and risks

TV Market

Various aspects of the tv market are, to an extent, outwith the control of STV, such as advertising revenue; Video on Demand (VoD); and pay tv but are vital to STV's success. Accordingly, STV has a modest appetite for risk in activities within this area.

Operational

STV faces various operational risks (inadequate or failed procedures, systems or policies) in the running of its business and accepts a medium level of risk around such areas provided that potential benefits and risks are fully understood and sensible measures are put in place to mitigate these.

Pensions

There are shortfalls in STV's two defined benefit pension schemes and while the investment strategy is calculated to reduce any material market movement impacts, various measures are being taken to reduce the deficit. STV has a low risk appetite in respect of its pension deficits.

People and culture

STV's directors and staff are the driving force behind its progress and achievements to date and accordingly it aims to employ the right people for the right job while developing the full potential of all staff. In this regard it considers equality, diversity, dignity and respect to be of paramount importance together with employee development and the health and safety of employees. It has a low appetite for any deviation from its standards in these areas.

Corporate responsibility



Rob Woodward
Chief Executive

Our people

As a creative, talent based business, the skills, capabilities and endeavour of our people are the key determinants of the company's success.

We recognise our people are the company's greatest asset and support them in fulfilling their potential by creating a clear sense of purpose and establishing a common set of values, defined as *The STV Way*: to be bold; stand together; and strive to surprise.

The STV Way underpins the company's people strategy providing a cultural framework for staff as they progress their goals and objectives. Activities delivered through *The STV Way* during 2015 include learning and development initiatives; opportunities to share and increase knowledge about the media and technology sectors; employee engagement and opinion surveys; business improvement discussion forums; activities to support staff in achieving 'Healthy Working Lives'; and reward and recognition programmes.

STV Learning

In addition to individual learning and development requirements identified through the annual employee performance and development process; a broad programme of learning opportunities has been delivered for staff during 2015 through STV Learning.

This broad programme ranges from a leadership development programme to informal staff drop in sessions where an insight can be gained into other areas of the business.

Throughout the year the activities of different areas of the business are highlighted through 'Spotlight on' sessions where a programme of activities are hosted to provide staff with an understanding of processes and priorities in other areas to build awareness and understanding of different challenges across the business and encourage greater collaboration.

A programme of internal work experience placements, designed to provide staff with an immersion experience of working in a different area of the business, has been introduced. 'Job drop' opportunities which provide short duration experiences have been developed by all operational areas.

A key aim of the STV Learning programme during 2015 has been technical skills development aligned to production and delivery requirements, particularly in camera skills, editing, writing skills, data protection, media law and music licensing, as well as a number of supported online learning opportunities, including financial awareness, coding development for mobile and desktop products.

Our 'Tomorrow's World' programme provides focus on media trends shaping and changing the industry with a series of speakers providing insights on topical issues exploring the future landscape. In late 2015, the company held its inaugural 'Hack Day' enabling staff from across the business to collaborate to identify solutions to address a range of product related and wider business challenges.

A key element of the company's programme to build capacity and strengthen the talent pipeline is the investment in and commitment to a leadership development programme. During 2015, 36 staff from across the company were invited to participate in this modular programme delivered in conjunction with an external executive coach and the University of Edinburgh Business School. The programme will continue for participants during 2016.

Developing the Young Workforce and investing in skills

The company continues to develop close relationships across secondary, further and higher education to support the development of future talent to the creative industry and to support the company's future resourcing requirements.

A broad programme of sessions involving secondary schools and aimed at providing an insight to the world of work has been delivered. As part of the company's commitment to the Developing the Young Workforce in Scotland, a formal partnership has been established with a secondary school in Glasgow as part of an initiative to partner every secondary school in the city with an employer organisation. This has enabled staff to volunteer to make a contribution to develop links between STV and school pupils to provide them with a greater appreciation of career opportunities within the creative industries and more generally, to support the development of employability skills. During 2016, this programme will be extended to other STV locations.

A strategic partnership between two leading Scottish universities, Glasgow Caledonian University and Edinburgh Napier University, and the City TV services in Glasgow and Edinburgh respectively, has been extended during 2015 providing over 380 work experience opportunities for students. Through these partnerships, students are being provided with opportunities to develop their skills in a live broadcast and production environment and engaging with consumers, particularly through social media.

The company is a significant employer of freelance talent providing employment opportunities that contribute towards building a skills base of scale. An average of 70 freelance employment opportunities per month have been created across STV Productions, STV Creative and supporting STV news and current affairs output each month during 2015. This is continuing to contribute to creating more stable employment opportunities for freelance staff working in television production in Scotland, supporting a larger talent pool and making a positive impact to the creative economy of Scotland.

A number of programmes supporting alternative entry routes to the industry have been provided, including apprenticeships in Digital Journalism and Engineering (in partnership with BBC), and a Year in Industry (YINI) scheme for Digital Design in conjunction with Glasgow City of Science and Engineering Development Trust.

Rewarding success

Remuneration is benchmarked and determined against a UK-wide media industry peer group. This approach has provided a transparent grading and remuneration banding framework against which all roles are evaluated relative to a peer group within STV and across the wider industry sector.

Base salary levels increased by an average of 3.1% in 2015 with awards in a range from 2% to 5% depending on each employee's position in their salary grade relative to the market rate. This approach represents a long term commitment made by the company three years ago to address the proportion of staff positioned on salary bands below the market rate for their role, a situation exacerbated by a previous phase of salary restraint during the economic downturn.

The company remains confident that the remuneration structure in place is achieving its goals of delivering market competitiveness, supporting retention and enabling employees to share in successful business performance. The company is accredited as a Living Wage employer and during 2015 signed up to the Scottish Business Pledge, having met the criteria for all nine components of this.

As the company's growth strategy has progressed during 2015, external recruitment has continued to build capacity in key growth areas of activity. During 2015, there has been an increase of 5% in permanent staff, the calibre of new recruits has tested the market competitiveness of the company's salary and benefits structure. Retention levels have been maintained during the year also supported by a planned programme of internal development moves.

Employee engagement

STV Pulse, the company's employee engagement tool has been used to conduct four engagement surveys during 2015 on a range of topics including employee rewards and benefits; working environment; and learning and development at STV. Engagement levels have averaged around 70%, which is in line with target levels and above benchmarks for the sector.

This 'pulse' style employee opinion survey is designed to provide staff with regular opportunities to express their views and opinions whilst providing the company with a tracking and measurement tool.

The STV Pulse also tracks employee perceptions of the extent to which the employee values: to be bold; stand together and strive to surprise, are being applied.

Corporate responsibility

Regular staff briefings are held by the leadership team to promote increased understanding and awareness of the wider business amongst staff and provide further opportunities for staff to have their say. Our senior leadership management forum, comprising the staff responsible for key growth and revenue targets, meets on a monthly basis to encourage collaborative working and facilitate the acquisition of knowledge of future trends impacting the sector.

The Chief Executive Officer conducts regular all staff sessions to provide updates on business performance, strategy and developments affecting the business, and to obtain feedback and suggestions on the development and growth of the business.

The partnership relationship with the trade unions recognised by the company for the purposes of collective bargaining has continued to develop and progress during 2015. This is maintained through the encouragement and facilitation of regular briefing on business priorities and progress.

Equal opportunities and diversity

The company is committed to a culture where everyone is treated with dignity and respect and has the opportunity to deliver their full potential. Policies to ensure that the company engages effectively with audiences and consumers and attracts a diverse pool of creative talent are monitored on an ongoing basis. The aim of these policies is to ensure that all employees and potential employees are treated in a fair and equitable manner regardless of their age, disability, marital status, family responsibility, race, colour, ethnic background, nationality, religion or belief, gender, gender identity or sexual orientation.

A diverse workforce enables the company to respond better to and reflect our audiences and consumers in all their diversity and it is important that a working environment is created which enables our employees to thrive and achieve their full potential.

A number of registered disabled persons are employed, all of whom have had equivalent access to training and career development opportunities as their able-bodied colleagues. No employees became disabled during the course of their employment in 2015.

The company is fully committed to fostering talent and supporting people from all backgrounds who wish to progress, however, appointments and promotions are and will continue to be made based on merit and in line with the skills and attributes identified for each post, including those identified by the Nomination Committee for the Board. Overall, the company is committed to appointing the best available person to a role, regardless of gender.

The overarching aim in making any new appointments to the Board must always be to select the best candidate to enhance functionality and to improve decision making as the primary focus is the strength of the Board. All appointments will continue to be based on merit, measured against objective criteria and the skills and experience the individual offers.

STV has chosen not to target a specific number or percentage of women for its Board, but to concentrate its efforts on encouraging more women to remain within the Company and progress through the ranks to senior positions. Three of the 10 members of the leadership team are female as is the Company Secretary and as at 31 December 2015, 47% of STV's staff were female, the same percentage as the previous year.

	2015		2014		% change
	Male	Female	Male	Female	
Directors	67%	33%	67%	33%	–
Leadership Team	70%	30%	70%	30%	–
Employees	53%	47%	53%	47%	–

Health and Safety

STV is committed to compliance with all workplace health and safety laws and regulations, to provide a safe and healthy working environment. Employee health and accidents are monitored closely and health promotion programmes designed to reduce health risk and enhance employee well-being are regularly undertaken. A proactive approach to improve the Company's management documentation systems, to provide suitable and sufficient information, instruction, training and supervision is in place.

First Aid training refreshers are carried out on a rolling basis and we have a full complement of 53 first aiders located throughout STV sites. There are defibrillators on site at Pacific Quay and Craigshaw and 12 of our staff are trained in their use.

STV has a proactive and responsible attitude towards occupational road risk management with clear procedures in place that are reviewed regularly so that they remain appropriate and to a high standard. Driving standards and rules are communicated to staff through STV's Drivers Manual and this helps maintain the Company's low accident rates.

We have continued to place our News and Creative Teams and our new STV Glasgow and STV Edinburgh channel teams on safety training with a Chartered Health and Safety Consultant who specialises in media safety training. A total of 18 staff this year have completed the safety training.

	2015	2014	2013
Total Vehicle accidents	13	11	29
Number attributable to driver error	8	6	24
Percentage attributable to driver error	62%	54%	83%

Health and Safety performance in 2015

STV reports work-related accidents, diseases and dangerous occurrences in compliance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulation 1995 (RIDDOR). Analysis of the causes of accidents provides valuable information for implementing improvements, if and when required, in working practices and procedures.

The Facilities Manager is the designated senior manager responsible for health and safety matters.

	2015	2014	2013
Seven-day reportable accidents	0	1	0
Total of all accidents	11	7	5

Our environment

STV recognises that its day-to-day activities can, and do, have an effect on the environment. The Company's environmental policy is aimed at reducing impacts on the environment and is part of the culture of the business. The Company is committed to the continuous improvement of its environmental performance and the reduction of pollution and is a member of The Prince's May Day Network, a collaboration of businesses addressing climate change which was founded by HRH The Prince of Wales.

Throughout 2015 we have again been able to recycle 100% of our waste (with the introduction of Refuse Derived Fuel via our waste management contractor), resulting in no waste being diverted to landfill.

STV's Green Travel Plan at the Glasgow headquarters encourages staff to use more sustainable means of transport to commute. To promote cycling, shower facilities, cycle parking and lockers are provided for employees. A car sharing initiative, matching up employees living in the same area, enabling them to travel to work together is managed. There are currently 38 members of staff taking part in this initiative. STV also took part in National Bike Week and had our own STV Cycle to Work Day on 19th June with approximately 25 staff participating.

STV continued recycling old mobile phones via SHP, who uplift all redundant mobiles, recycle them and then send us a cheque which was donated to the STV Children's Appeal. A total of 41 handsets were recycled in 2015.

During 2015 we have:

- installed electric car charging bays to encourage the use of electric vehicles
- enlisted the assistance and guidance from ESOS (Energy Savings Opportunity Scheme) and have taken on many of their recommendations to lower our CO₂ emissions
- reviewed pool and leased vehicles and agreed that new vehicles will be of a lower CO₂ rating.

Corporate responsibility

Reporting greenhouse gas emissions

Assessment parameters	
Boundary summary	All entities and all facilities either owned or under operational control were included
Materiality threshold	Materiality was set at 5%
Intensity ratio	Emissions per £m of revenue

Greenhouse gas emission source	FY2015		FY2014	
	(tCO ₂ e)	(tCO ₂ e/£m revenue)	(tCO ₂ e)	(tCO ₂ e/£m revenue)
Scope 1*	454.43	3.90	486.51	4.04
Scope 2**	2,105.27	18.07	2,095.94	17.40
Statutory total (Scope 1 & 2)	2,559.70	21.97	2,582.45	21.45

* Scope 1: emissions from activities and sources we own and control e.g. cars.

** Scope 2: emissions associated with our consumption of purchased electricity, heat, steam, and cooling, heating offices etc.

Explanations

SCOPE 1 Travel

Decrease in the travel emissions due to:

- less production travel and less international travel during 2015 (compared to 2014).

SCOPE 2 Energy

- gas usage has increased – previous gas invoices have been estimates for our Balmore site, actual readings meant a large invoice and exact usage figures issued.
- electricity usage has decreased due to older kit in the Aberdeen office being upgraded to more energy efficient kit. The temperature in the data room has also been increased resulting in reduced cooling requirement
- more lighting has been replaced with LED lights (rather than halogen) resulting in lower energy consumption.

The BMS programming has been refined to minimise the use of electricity.

Waste

Biffa recycle 100% of any of our waste via RDF (refuse derived fuel), so no waste is going to landfill;

GHG emissions statement

STV has reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

These regulations require us to state the annual emissions in tonnes of carbon dioxide:

- from activities for which we are responsible, including the combustion of fuel and the operation of our facilities; and
- resulting from the purchase of electricity, heat, steam or cooling by us for our own use.

There is no prescribed methodology under the regulations, but the independent standard we have chosen to use in order to ensure effective emissions management and transparency in reporting, is the UK Government's Environmental Reporting Guidance (2013 version).

STV must also express its emissions by way of an intensity ratio to allow the comparison of our Performance over time and also with other similar types of organisations.

GHG emissions are to be reported as a gross figure in tonnes of CO₂e and the intensity ration we have chosen is CO₂e per million pounds of revenue.

Rob Woodward

Chief Executive Officer

STV APPEAL 2015



STV Children's Appeal

The STV Children's Appeal is a charity committed to supporting Scotland's young people. Launched in 2011 by STV and The Hunter Foundation, the Appeal gained additional support from The Wood Foundation for projects in the North East in 2013. In 2015, the charity completed a rebrand to build on a successful first four years and to increase public awareness that Scotland's children remain at the forefront of everything we do.

In five years since launch, the STV Children's Appeal has raised £11m and made 476 big and small awards for projects across all 32 local authority areas in Scotland, providing much needed support to over 59,000 children.

A fundamental principal of the STV Children's Appeal is that every single penny raised is invested in Scotland and 100% of donations are spent on the children who need it most. All overheads are met by STV and The Hunter Foundation and in 2015, the Scottish Government once again committed to match fund the first £1.0m raised.

In a recent survey† it was established that awareness of the Appeal has doubled since launch in 2011, and nine out of ten people believe it is important that the money raised by the Appeal stays in Scotland. Tapping into this public support and awareness has been a key feature of the 2015 fundraising campaign. This increased focus on community engagement has led to partnerships being established with fundraisers across the country with the Appeal benefitting from comedy shows through to music events, and many schools, individuals and groups have shown their support by raising money for children in poverty. New and existing corporate partners such as Arcadia, Royal Bank of Scotland, Lidl, Standard Life and Optical Express also continued to show their support by encouraging their staff and customers to donate money to support Scotland's young people.

STV staff are great ambassadors for the Appeal and demonstrate this each year by donating their time and energy to fundraising. From holding bake sales, bag packs and quizzes to volunteering at fundraising events, staff are involved throughout the year and are able to visit the projects supported by the Appeal to distribute the awards, where they can see the difference their fundraising makes. A key event for staff this year was a three day challenge, set by the chief executive, involving an abseil, followed by a canoe trip and ending with a team of 60 staff, friends and family participating in Pedal for Scotland. Over the course of 2015, staff raised around £50,000 which was match funded pound for pound by the company.

The STV Children's Appeal is partnered with a number of mass participation events throughout the year. This year's Pedal for Scotland saw over 10,000 cyclists across Scotland get on their bikes, many of whom raised money for the Appeal. Pedal for Scotland was one of the fundraising activities and celebrity challenges which featured in one series of STV Children's Appeal programmes. STV Weatherman Sean Batty completed a Coast-to-Coast cycling challenge, and Lorraine Kelly donned her kilt to ceilidh across Scotland before hosting the Big Live show where the final total for 2015 was revealed.

Through its unique position, The STV Children's Appeal is able to use multi platform media channels to create partnerships, engage with the community and raise awareness to support Scotland's children.

† ScotPulse surveyed 954 adults, with results weighted to Scottish population by gender and age

RECORD £2.9M RAISED!





Board of Directors



Margaret Ford
Chairman

Appointed: June 2013

Committees: Nomination (Chair)

Margaret Ford has over 20 years experience as a non-executive Director and Chairman of private and listed companies and extensive experience of working with Government. She is currently a non-executive director of Taylor Wimpey plc, Segro plc and Chairman of Grainger plc and is the former Chairman of Barchester Healthcare Limited, the private healthcare provider. From 2009 to 2012, she was a member of the Olympic Board and Chairman of the Olympic Park Legacy Company. She was appointed to the House of Lords in 2006 and sits as an Independent Peer. Margaret is Chairman of the STV Children’s Appeal and in March 2015, was elected a Fellow of the Royal Society of Edinburgh.

Rob Woodward
Chief Executive Officer

Appointed: February 2007

Previously, Rob was Commercial Director of Channel 4 Television Corporation and on the main board. He achieved a dramatic turnaround of legacy businesses and built a set of successful new media and digital businesses. Rob was previously an MD of UBS Warburg and global COO of corporate finance in Media and Communications. Prior to this he was Managing Partner of Deloitte’s European Telecoms Media and Technology business and UK strategy consulting practice. Rob is a trustee of the STV Children’s

Appeal. He was appointed Pro-Chancellor and Chair of the Council of City University London in February 2012, is a Trustee of Nesta and a non-executive director of Regeneris plc. In November 2014 Rob was appointed Chairman of the Developing the Young Workforce National Group, which is leading work to support employer involvement in developing Scotland’s young workforce.

George Watt
Chief Financial Officer

Appointed: February 2001

Appointed to the Board in February 2001 as Group Finance Director. George is a member of the Institute of Chartered Accountants in Scotland. He joined the Company in 1998 as Group Financial Controller and Treasurer and prior to this worked with KPMG’s audit and assurance services practice in the UK and also in the US. George is a non-executive director of DeltaDNA Limited and SpaceandPeople plc. George is also an executive committee member of the Scottish Council for Development and Industry and a trustee of the STV Children’s Appeal.

David Shearer
Senior Independent Director

Appointed: February 2007

Committees: Audit (Chair); Nomination
David is an experienced non-executive director, corporate financier and turnaround specialist and was previously senior partner for Scotland & Northern Ireland and a UK Executive Board member of Deloitte LLP. He is Chairman of Liberty

Living Group, Aberdeen New Dawn Investment Trust plc and the Scottish Edge Fund and a director of Mithras Investment Trust plc. He was previously the Co-Chairman of Martin Currie (Holdings) Limited, Chairman of Mouchel Group and Crest Nicholson plc and a non-executive director of City Inn Limited in each case standing down after completing the successful restructuring of these businesses. He was also a non-executive director of Renold plc, Superglass Holdings plc and Scottish Financial Enterprise and a Governor of The Glasgow School of Art.

Michael Jackson
Non-Executive Director

Appointed: May 2009

Committees: Remuneration

Michael is an advisor, investor and director for digital and television businesses in the US and UK. Previously he was President of Programming at InterActiveCorp, the internet conglomerate, where he was responsible for overseeing the development, acquisition and distribution of content based websites. Prior to this Michael was Chairman of Universal Television Group, in charge of the creative and strategic direction of the television business. He served four years as Chief Executive Officer of Channel 4 Television, where, in addition to commissioning programmes, he refocused the channel to exploit digital opportunities and launched two new channels, FilmFour and E4. Before joining Channel 4, Michael worked as Controller of BBC One and Director of Television, and as Controller of BBC Two.



left to right by row, from top left

Margaret Ford
Rob Woodward
George Watt
Genevieve Shore
Anne Marie Cannon
David Shearer
Michael Jackson
Christian Woolfenden
Ian Steele

He was previously a non-executive director of EMI Group plc. Michael is a non-executive director of Nutopia, an independent TV production company based in the UK and USA and of Peters, Fraser & Dunlop, the UK literary agency. As a producer, he is responsible for the BBC's forthcoming television history of art "Civilisations."

Genevieve Shore
Non-Executive Director

Appointed: March 2012

Committees: Remuneration (Chair); Nomination

Genevieve is a non-executive Director of Santander UK Plc, Moneysupermarket Plc and Next Fifteen Communications Group Plc. She is a member of the Audit, Risk and Remuneration Committees for these companies, chairing the Remuneration Committee at Next Fifteen Communications Group Plc. Genevieve is also an advisory board member for Lego Education, Great Fridays, a digital design services company in San Francisco and of the education technology companies, Scoot & Doodle, the Education Appstore and Edukey. Previously Genevieve has held leadership roles with Pearson Group Plc including CIO, CPMO, Global Digital Director, and Group Sales Director, Penguin.

Christian Woolfenden
Non-Executive Director

Appointed: June 2014

Committees: Audit

Christian has extensive operational, consumer marketing and digital experience. He is Chief Marketing Officer

for Lyst.com, the online fashion retailer. Previously Christian was Managing Director for Paddy Power, the betting and gaming operator and prior to that he was Global Brand Director for Bacardi, responsible for marketing and product innovation in over 20 markets worldwide. Christian began his career at Procter & Gamble working in both finance and marketing roles across key European businesses.

Anne Marie Cannon
Non-Executive Director

Appointed: November 2014

Committees: Audit; Remuneration

Anne Marie has over 30 years experience in the energy industry and investment banking. For the past 14 years Anne Marie was a senior advisor at Morgan Stanley specialising in international upstream mergers and acquisitions. Anne Marie has previously held financial and commercial roles with Shell UK, J Henry Schroder Wagg and Thomson North Sea and was an executive director on the boards of Hardy Oil and Gas and British Borneo. She is currently a non-executive director with Premier Oil and Aker ASA and Deputy Chair of Det norske oljeselskap.

Ian Steele
Non-Executive Director

Appointed: November 2015

Committees: Audit; Remuneration

Ian qualified as a CA in 1980 with Arthur Young McClelland Moores. His subsequent career involved time with The British Linen Bank, Touche Ross, Rutherford Manson

Dowds and Deloitte. Ian recently retired as Senior Partner for Deloitte in Scotland and Northern Ireland. Prior to retiring, he had been on the UK Board of Deloitte LLP for over eight years. Ian was a Corporate Finance Advisory Partner with Deloitte and was Head of Global Advisory for some three years and has recently joined the Council of The Institute of Chartered Accountants of Scotland. Ian was appointed a non-executive director of Killinchy Aerospace Holdings Limited, the principal trading subsidiary of which is Martin-Baker Aircraft Company Limited, in January 2016.

Corporate governance report

Principles statement

STV Group plc is fully committed to the highest standards of corporate governance, believing that such standards are vital to overall business integrity and performance and considers it crucial that it conducts itself honestly, transparently and responsibly.

The Board has a critical role to play in shaping business performance while creating and delivering long term return for shareholders. This requires it to determine business strategy and the Company's appetite for risk; to monitor management's performance in delivering against that strategy and ensure that the risk management measures and internal controls put in place are appropriate and effective. The Board must ensure that the funding and talent available to the business will support it in the longer term and must remain aware of the Company's obligations to its shareholders and other stakeholders, responding to their needs with transparent reporting and active engagement.

Statement of compliance

The Board considers that, in respect to the financial year ended 31 December 2015, the Company has complied fully with the UK Corporate Governance Code 2014 (the Code) and this section, together with the report by the Directors on remuneration, set out on pages 50 to 69, describes in greater detail how the principles and provisions of the Code have been complied with. The Code is published by the Financial Reporting Council from whom paper and downloadable versions can be obtained via its website: www.frc.org.uk.

Risk management and internal control

Risk is inherent in the Company's business and activities and the review of risk and risk management is embedded throughout the Company. Further information can be found on the Risk Management section of the Strategic Report on pages 24 to 27.

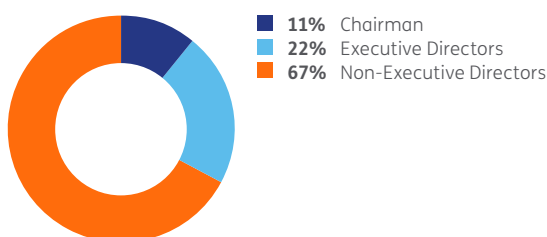
Board of Directors

The membership of the Board throughout the year and up to the date of signing the financial statements was as follows:

Chairman	Baroness Margaret Ford
Chief Executive Officer	Rob Woodward
Chief Financial Officer	George Watt
Non-Executive Directors	David Shearer (Senior Independent Director) Jamie Matheson (retired 30 April 2015) Michael Jackson Genevieve Shore Christian Woolfenden Anne Marie Cannon Ian Steele (appointed 1 November 2015)

The powers of the Directors (including in relation to the issue or buy back of shares) are exercisable in accordance with the Companies Act and the Company's Articles of Association. Any amendments to the Company's Articles of Association require a special resolution in accordance with the Companies Act 2006.

BOARD OF DIRECTORS



Board appointment, balance and independence

The Board has considered the independence of the Non-Executive Directors and regards all of the current Directors to be of independent character and judgement.

The Non-Executives mix of skills and wide-ranging business experience is a major contribution to the proper functioning of the Board and its committees, ensuring that matters are debated and that no individual or group dominates the Board's decision-making processes. Non-Executive Directors have a particular responsibility for ensuring that the business strategies proposed are fully discussed and critically reviewed and their collective experience and broad range of skills gained through a range of sectors means they can constructively challenge management in relation both to the development of strategy and performance against the goals set by the Board.

The Non-Executive Directors do not participate in any share option or pension scheme of the Company.

All Directors have access to the advice and services of the Company Secretary and, at the Company's expense, the Company's legal advisors. The Company Secretary is an employee of the Company and attends all meetings of the Board and its committees. She is responsible for making sure that all Board procedures are observed and for advising the Board on corporate governance matters. She also has responsibility for ensuring the flow of information within the Board, its committees and between senior management and Non-Executive Directors.

Board responsibilities

There is a well-established division of authority and responsibility within the Company through the separation of the roles of Chairman and Chief Executive which is set out in writing and has been approved by the Board.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that Directors receive accurate, timely and clear information, as well as setting the agenda. She provides a conduit for communication to and from shareholders and facilitates the contribution of the Non-Executive Directors while ensuring constructive relations between the Executive and Non-Executive Directors.

The Board has responsibility for making all key strategic, management and commercial decisions which are necessary for the conduct of the Company's business as a whole, including the approval of corporate strategy, annual budgets, interim and full year financial statements and reports, dividends, accounting policies and all significant capital projects, acquisitions and disposals. The Chief Executive and his management team are responsible for developing the appropriate business strategy and, once approved by the Board, for ensuring that the strategy is effectively implemented in accordance with the approved operating plan and within a sound system of internal controls to achieve the agreed objectives. He creates a framework of strategy, values, organisation and objectives to ensure the successful delivery of results, and allocates decision making and responsibilities accordingly. Compliance with policies and achievement against objectives is monitored by the Board through monthly and quarterly performance reporting and budget updates.

Corporate governance report

It is the duty of all Directors to promote the success of the Company for the benefit of its members as a whole, and in doing so, to have regard, amongst other matters, to the:

- likely long term-consequences of any decision
- interests of the Company's employees
- need to foster the Company's business relationships
- impact of the Company's operations on the community and the environment
- desirability of maintaining a reputation for high standards of business conduct
- need to act fairly as between members of the Company.

The Senior Independent Director is available to shareholders should they request a meeting or have concerns which they have been unable to resolve through normal channels or when such channels would be inappropriate. He provides a communication conduit between the Chairman and the Non-Executive Directors and is responsible for leading the Non-Executives discussion on the Chairman's performance at the annual performance review.

The Board recognises that it is accountable to the Company's shareholders for good governance to ensure efficient and effective management in order to deliver shareholder value over the long-term.

Board meetings

Attendance of Board members at Board and Committee meetings held in 2015 is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held:	8	3	3	3
Attendance:				
Margaret Ford	8	2*	2*	3
David Shearer	8	3	1*	3
Rob Woodward	8	3*	1*	1*
George Watt	8	3*	1*	
Michael Jackson	8		3	
Genevieve Shore	8		3	3
Christian Woolfenden	8	3	1*	
Anne Marie Cannon	8	1**	1**	
Jamie Matheson (retired 30 April 2015)	3	1	2	
Ian Steele (appointed 1 November 2015)	1		1*	

* Attended at the invitation of the respective Chairman.

** Appointed to Remuneration and Audit Committees on 24 August

The Board meets regularly, at least eight times a year with additional meetings taking place as and when required. The Board has adopted a schedule of matters reserved for its decision which can be found on the Company's website at www.stvplc.tv, the principal matters being approval of:

- financial statements and shareholder circulars; dividend policy; significant changes in accounting policies or practices
- Board and committee appointments and terms of reference; terms and conditions of Non-Executive and Executive Directors
- the Company's long-term objectives and commercial strategy; annual operating and capital expenditure budgets
- material contracts and significant variations in terms of the Company's borrowing facilities
- corporate activity, which is subject to the City Code on Takeovers and Mergers or of a material nature
- major changes to the Company's pension schemes, share schemes and treasury policy
- risk management, internal control policies and corporate governance arrangements.

All Directors attended the 2015 annual Strategy Day and agreed it was an extremely useful forum at which to discuss in detail STV's goals and objectives and its overall strategic direction.

When a Director is unable to attend or dial in to a Board or Committee meeting, he or she receives the papers for consideration at that meeting and has the opportunity to discuss any issues or make any comments in advance and, if necessary, follow up with the Chairman of the relevant meeting.

Board focus

The main areas of Board focus during 2015 included:

Operational and financial performance, including monitoring

- receipt of operational and financial updates at each Board meeting
- review of monthly finance reports, including details of performance against budget and the Company's financial position
- approval of the Annual Report and the full and half-year financial results
- approval and declaration of dividend
- approval of the 2016 Budget
- approval of two executive share schemes.

Strategy

- presentations on initiatives to grow revenue
- presentations on proposed new projects
- approval of the Company's strategy
- discussion on various regulatory issues.

Corporate development

- agreement of STV's corporate objectives and values for 2015.

Governance and risk

- consideration of the appropriateness of the financial statements being prepared on a going concern basis
- approval of the revised Risk Register
- consideration of the group's risk appetite and approval of a Risk Management Policy and Framework document
- approval of the internal audit plan for 2016
- approval of the 2016 AGM Resolutions
- approval of the appointment of Ian Steele
- performance evaluation
- review of the triennial pension scheme valuation process
- approval of revised Terms of Reference for the Audit Committee.

Investor relations

- review of institutional feedback following meetings between the Company's broker and shareholders after both the full and half year results
- review of the draft analysts' results presentations, when reviewing the Company's full and half-year financial results.

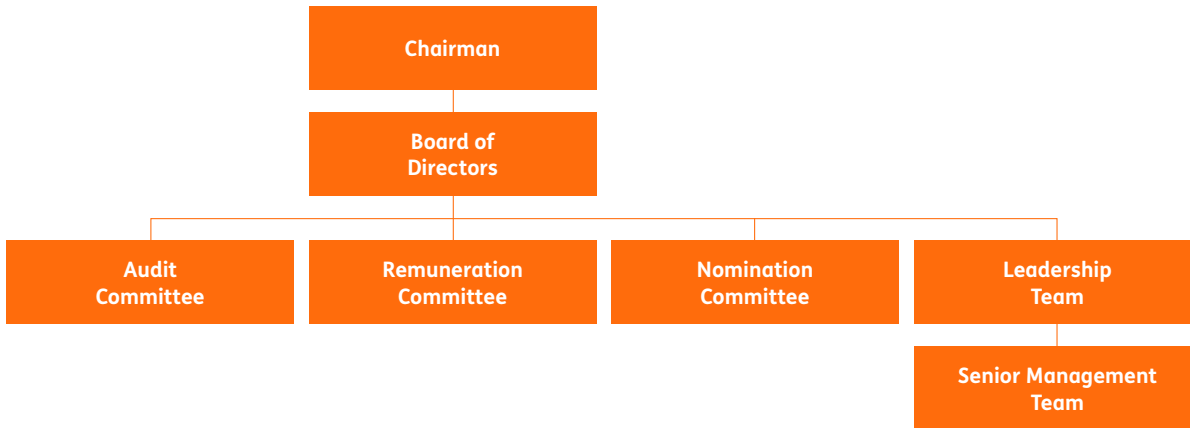
Corporate Social Responsibility

- involvement in the STV Children's Appeal 2015.

Corporate governance report

Board committees

The Board is supported by the Audit, Remuneration and Nomination Committees.



<p>Leadership</p> <p>Board of Directors</p>	<ul style="list-style-type: none"> • Determines long-term direction and strategic aims • Sets framework of appropriate and robust controls • Ensures efficient and effective operation of the business • Engages with shareholders and stakeholders
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<p>▼</p> <p>Audit Committee</p> <ul style="list-style-type: none"> • Monitors the integrity of the published financial statements • Reviews the effectiveness of internal financial controls • Reviews the operation of the risk management process • Discusses with the Company's auditors, matters arising from their work • Reviews the scope of work and reports produced by the internal auditors • Monitors and reviews the effectiveness of the internal audit function and the external auditors <hr/> <p>Page 43 Audit Committee Report</p>	<p>▼</p> <p>Remuneration Committee</p> <ul style="list-style-type: none"> • Determines and agrees with the Board the framework for the remuneration policy • Reviews the ongoing appropriateness and relevance of the remuneration policy • Approves the design of, targets for, and payments from any performance related pay schemes • Reviews the design of all share incentive plans • Determines the remuneration packages for Executive Directors and other senior executives • Reviews and notes annually the remuneration trends across the Company <hr/> <p>Page 50 Remuneration Committee Report</p>	<p>▼</p> <p>Nomination Committee</p> <ul style="list-style-type: none"> • Reviews the structure, size and composition of the Board • Reviews succession plans and makes recommendations to the Board • Identifies and nominates candidates for approval of the Board • Recommends to the Board membership of the Board Committees <hr/> <p>Page 43 Nomination Committee Report</p>
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Each of these Committees held an evaluation of their work and effectiveness during the year, the results of which were reported to the Board by the respective Committee Chairman. The reviews concluded that each Committee was operating in an effective manner and carrying out its respective delegated duties efficiently. The Board and its Committees will continue to review critically their procedures, effectiveness and development throughout the year ahead with any concerns or observations raised with the Chairman.

Remuneration Committee

The members of the Committee during the year were:

Genevieve Shore (Chairman)
 Michael Jackson
 Jamie Matheson (retired 30 April 2015)
 Anne Marie Cannon (appointed 25 August 2015)

The activities of the Remuneration Committee are described within the report by the Directors on remuneration which can be found on pages 50 to 69. The terms of reference of the Remuneration Committee are available on request and on the Company's website www.stvplc.tv

Report from the Nomination Committee

The members of the Committee during the year were:

Baroness Margaret Ford (Chairman)
 David Shearer
 Genevieve Shore

The Nomination Committee has written terms of reference which are available on request and on the Company's website www.stvplc.tv

At the start of the year, the Nomination Committee, having discussed succession in detail and with the assistance of the Chief Executive, recommended and the Board subsequently agreed, that an additional Non-Executive Director be sought to ensure progressive refreshing of the Board.

A candidate identified from the previous search process for Non-Executive Directors, Ian Steele, was approached. This previous process had been conducted by Bird & Co who has no other connection with STV. Ian Steele's appointment was recommended to the Board. This was unanimously agreed and he joined the Board on 1 November 2015.

Report from the Audit Committee

The members of the Committee during the year were:

David Shearer (Chairman)
 Christian Woolfenden
 Jamie Matheson (retired 30 April 2015)
 Anne Marie Cannon (appointed 25 August 2015)
 Ian Steele (appointed 17 December 2015)

The Audit Committee, chaired by David Shearer, who has recent and relevant financial experience, is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the Committee. The Audit Committee has written terms of reference and these were revised and updated during the year to better reflect the 2014 UK Corporate Governance Code. These now incorporate specific reference to the Committee's obligations to review the group's procedures for detecting fraud and review the systems and controls for the prevention of bribery. These terms of reference are available on request and on the Company's website www.stvplc.tv

Corporate governance report

At the invitation of the Committee, meetings are attended by the Chairman, Chief Executive Officer, Chief Financial Officer and the Group Financial Controller. Representatives from both the external and the internal auditors also attend each meeting and the Committee meets separately with senior management and the external auditors.

The Chairman of the Audit Committee reports to the subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting. The papers considered by the Committee are available to any Director who is not a member, should they wish to receive them. The Committee's effectiveness is reviewed annually as part of the Board evaluation process.

The Audit Committee and the Board place great emphasis on the objectivity of the Company's auditors PricewaterhouseCoopers LLP (PwC) in their reporting. PwC were appointed auditor in 2013 following a tender process. The audit partner and manager attend all Audit Committee meetings to ensure full communication of matters relating to the audit. The auditors have confirmed to the Committee that in relation to their services to the Company they comply with UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Practices Board and that their objectivity is not compromised.

The auditors are required each year to confirm in writing to the Committee that they have complied with the independence rules of their profession and regulations governing independence having taken into consideration matters such as the individual independence of members of the engagement team and the firm as whole and the nature of any non-audit work undertaken. Before PwC takes on any engagement for other services from the Company, careful consideration is given as to whether the project could conflict with its role as auditor or impair its independence. This includes consideration of the safeguards which are in place to mitigate the risks to independence.

In general, the auditor may not provide a service which:

- a) creates a mutuality of interest
- b) places the auditor in a position to audit their own work
- c) results in the auditor acting as a manager or employee of STV
- d) puts the auditor in the role of advocate for STV.

During the year the Committee reviewed the Company's interim and full year results prior to publication as well as its risk management procedures and the revised risk register, incorporating relevant, social, ethical and environmental risks.

Significant issues considered by the Audit Committee in relation to the 2015 financial statements included the following:

Deferred production stock

Deferred production stock forms part of inventory and is stated in the accounts at the lower of cost and net realisable value. Programme costs are expensed in line with expected future revenues which are a judgemental area. A detailed forecast of future secondary sales is prepared by management based on historic experience and expected future trends Management's treatment and disclosures in relation to deferred production stock were considered to be appropriate.

Pensions

The assumptions in relation to discount rate, salary increases, RPI and CPI were reviewed and were all within a range that management considered appropriate as well as being consistent with assumptions being used by other companies. Although the assumptions in relation to mortality had historically been higher than were typically used by other companies, STV's figures were supported by an independent report obtained by management and were unchanged from 31 December 2014. Management's treatment and disclosures in relation to IAS19 were considered to be appropriate.

Goodwill

At least annually management undertakes a detailed formal impairment review of goodwill. The most significant judgements are in setting the assumptions underpinning the calculation of the value in use of the cash generating unit, specifically the achievability of the short term financial budget assumptions underlying the valuation process. Specific focus is also given to the long term growth rate and discount rate. Business Plans and budgets are Board approved and underpin the cash flow forecasts. During the year, a £5.1m provision for impairment has been recognised against the carrying value of goodwill to reflect the historic trading performance in Productions.

Independence of the external auditor

The Audit Committee is responsible for approving non-audit work and in order to preserve auditor's objectivity and independence, the Company has a policy regulating the provision of non-audit services by the auditors. The Chief Financial Officer must obtain the approval of either the Chairman of the Audit Committee or another Committee member if the preference is to use the auditors and must provide an explanation as to why the auditors are the most suitable supplier of services. A case by case decision is therefore necessary and the auditors cannot be engaged for non-audit work without reference to the Audit Committee. It is felt that this process ensures shareholders receive value for money and the Audit Committee keeps this policy under review. PwC also has an internal process whereby pre-engagement approval of all non-audit services is required to be given by the Audit Partner.

During the year under review, the non-audit work carried out by PwC consisted mainly of advice in relation to tax developments and tax compliance. Given that much of the information was derived from the audited financial records, the Audit Committee agreed that PwC was the most suitable supplier. There will always be projects for which the external auditor is best placed to perform the work to the extent that its skills and experience along with its knowledge of the Company makes it the most appropriate provider. While it is important that the independent role of external auditors in reporting to shareholders is not compromised, it is equally important that the Company is not deprived of expertise when and where it is needed.

External audit effectiveness

With regard to the requirement for the Audit Committee to assess the effectiveness of the external audit process, feedback is sought from the Audit Committee, the Chief Financial Officer as well as STV's finance team. This covers various aspects of the external audit process, including the audit team; how the audit is both planned and executed; the role of management; and communication. Comments are considered by the Audit Committee and relayed to the auditors and to management. Following this process, the Audit Committee concluded that the external audit process operated effectively and efficiently.

Internal audit

Deloitte LLP (Deloitte) are the Company's internal auditors and the primary focus of its comprehensive internal audit programme is to provide assurance over key revenue streams and operating costs. Deloitte review systems and processes and ensure that the Company is operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards. Its work is designed to provide insights into the internal control environment and efficiencies of key processes, as well as providing feedback on the effectiveness of interfaces between the business and enabling functions.

Deloitte attends all meetings of the Audit Committee and provides update reports on which specific areas have been reviewed in terms of the planned internal audit for the year, together with an evaluation of the current controls and the key findings and recommendations.

The Board reviews the internal control process and its effectiveness on an ongoing basis to ensure it remains robust and to identify any control weaknesses and can confirm that no significant failings or weaknesses were identified in relation to the review.

Corporate governance report

Committee activities

The principal activities undertaken by the Board Committees during 2015 included:

Month	Committee	Activity
January	Nomination	Succession Planning
January	Remuneration	Proposed Remuneration Framework
February	Audit	Review of Year End Results Review of Auditor report on Year End Results Review of Prelim Announcement Review of Annual Report Review of Independence of Auditors Review of external audit/non-audit fees Approval of Internal Audit Plan for the year Review of internal controls/risk management Approval of Updated Terms of Reference
February	Remuneration	Approval of Remuneration Policy and Report
August	Audit	Review of Half Year Results Review of Auditor report on Half Year Results Internal Audit update Review of internal controls/risk management
August	Nomination	Succession Planning
October	Audit	In depth Business Risk Review Internal Audit Update Performance Evaluation
October	Nomination	Succession Planning – Ian Steele Performance Evaluation
December	Remuneration	Review of Remuneration Policy Performance Evaluation Approval of Executive Directors': – Bonuses – Salary and bonus for 2016 – Bonus Plan targets – LTIP Targets

Leadership team

The Leadership Team comprises the Executive Directors; Director of Channels; Deputy Director of Channels; Director of Content; Commercial Director; Director of Corporate Development; HR & Communications Director; Chief Technology and Platforms Officer; and the Head of Legal and Regulatory Affairs. The purpose of the team is to drive the implementation of the Company's strategic priorities while addressing critical business issues and opportunities. The team meets weekly and is focused on group-wide performance with the emphasis on collaboration and teamwork and ensures that there are clear lines of accountability.

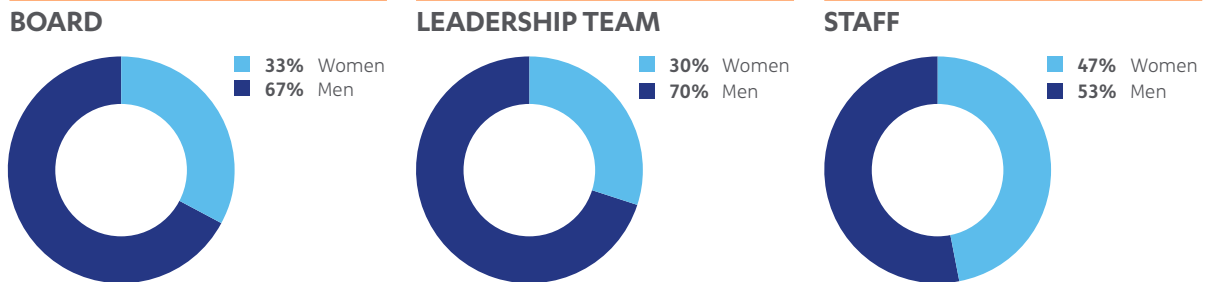
Senior Management Team

The Senior Management Team is made up of approximately 35 managers from around the Group who meet monthly to discuss strategy, share knowledge and address specific issues.

Diversity

STV takes the concept of diversity seriously and further details can be found on page 30.

Achieving the right mix of talent, skills and experience on the Board is critical for business and STV's aim is to have an appropriate level of diversity in the Boardroom to support the achievement of its strategic objectives. Diversity of perspective is vital and having Directors from different backgrounds and with different skill sets ensures that decisions are challenged in a credible manner and 'group think' is avoided. Each person is different and diversity is about recognising, respecting and valuing these differences.



STV has chosen not to target a specific number or percentage of women for its Board, although one third of its Directors is female, but to concentrate its efforts on encouraging more women to remain within the Company and progress through the ranks to senior positions. 47% of staff are female.

Training and development

All Directors are given a comprehensive introduction to the Company's business and continuing development is provided through briefing sessions in the course of regular Board meetings covering business specific and broader regulatory issues and including presentations from members of senior management. Directors are also provided with and encouraged to take up opportunities to meet major shareholders.

Development and training of Directors is an ongoing process. Throughout their period in office the Directors are regularly updated on the Company's business; legal matters concerning their role and duties; the competitive environments in which the Company operates; and any other significant changes affecting the Company and the market sector of which it is a part. In addition, the Board regularly receives presentations from senior managers within the Company to ensure that Directors' knowledge, skills and familiarity with the Company's businesses and people are updated and maintained. Board training and development is considered as part of the annual performance evaluation exercise and during the year the Chairman confirmed with each Director that they were content with the level of training and development given.

Performance evaluation

The effective functioning of the Board is key to the success of the Company and STV recognises that Board evaluation is extremely valuable in contributing to Board effectiveness: a formal appraisal encourages all Directors to reflect on what the Board has accomplished, as well as on what it should be doing, how it operates and whether any improvements can be made.

Accordingly, each year evaluation is undertaken in order to assess the Board, its committees, the Directors and the Chairman. The process aims to enhance effectiveness and also provides an opportunity for the Non-Executive Directors – through their exposure on other Company boards – to draw on their experience and to suggest areas of best practice. As in previous years, this is an internal exercise led by the Chairman and the Board considers this to be a sufficiently rigorous process.

The evaluation is conducted using a detailed questionnaire which canvasses the opinions of the directors on a wide range of matters including Board composition, Board meetings and processes, Board performance, the performance of individual Directors as well as the Board's communication both with external stakeholders and the Company's senior management. The performance evaluation questionnaire is followed by meetings

Corporate governance report

of the full Board, the Chairman with the Non-Executive Directors only, and Non-Executive Directors without the Chairman present. The Non-Executive Directors, led by the Senior Independent Director, are responsible for evaluating the performance of the Chairman, taking into account the views of the executive directors.

On completion of the 2015 performance evaluation during which open and frank discussions were held, the performance of each director was found to be effective and following the appointment of Ian Steele, the mix of skills and experience on the Board was felt to be appropriate.

Measured against the principal duties expected of it, and building upon the progress of previous years, the Board continued to operate effectively and to meet in full its obligations to support management, to monitor performance across a wide area, and to maintain its strategic oversight. Accordingly, the process concluded that the Board provides the effective leadership and control required for a listed company. It was recognised that there was open dialogue between all directors enabling issues to be raised and dealt with as they occurred rather than waiting for the next formal evaluation process and it was agreed that the stability and cohesiveness of the Board had been vital to the Board’s continued effectiveness. There were already in place appropriate Board processes, papers and agendas and there was good communication and interaction between the Board and the Leadership Team.

The evaluation process further concluded that the Board was made up of strong and independent minded Non-Executive Directors each of whom made a significant contribution to the overall success of the Company and who demonstrated full commitment in their respective roles. All were able to allocate sufficient time to the Company enabling them to discharge their responsibilities effectively.

The Chairman reported the results of the evaluations at the Board meeting held on 22 February 2016. The Nominations Committee confirmed to the Board that the contributions made by the directors offering themselves for re-election at the AGM in April 2016 continue to be effective and that the Company should support their re-election.

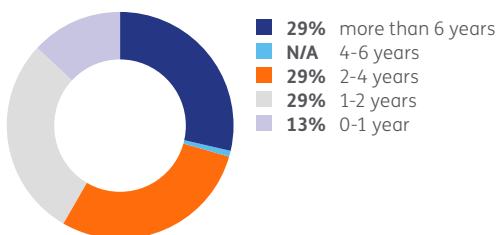
Re-election

Directors stand for election by shareholders at the first Annual General Meeting following their appointment and thereafter for re-election at intervals of no more than three years. At each AGM, at least one third of the Directors are required to retire. Copies of the Non-Executives’ letters of appointment are available for inspection at the Company’s registered office and will be available at the Annual General Meeting.

The Chairman and other members of the Board recommend that the Directors retiring be re-elected and their biographies can be found on pages 36 and 37. The Chairman has confirmed that the Directors retiring and seeking re-election have been subject to performance evaluation, apart from Ian Steele who joined the Board on 1 November 2015, and as part of this evaluation the Chairman confirms that they continue to demonstrate commitment to their role and continue to fulfil their functions responsibly.

In accordance with the Code, Mr Shearer is subject to annual re-election as he has served more than nine years on the Board. The Nomination Committee, having reviewed his performance as a director and his contribution to the operation of the Company, concluded that the Company benefitted from his services and his performance continued to be effective and demonstrated commitment to the role. The Committee has therefore recommended that a resolution be put to shareholders for his re-election as a Non-Executive Director.

TENURE OF NON-EXECUTIVE DIRECTORS AND CHAIRMAN

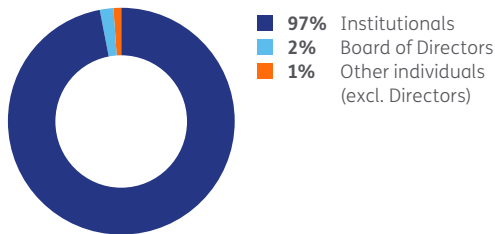


Relations with shareholders

STV believes that open and regular dialogue with investors is the basis for a trusted relationship. Its corporate website (www.stvplc.tv) has information for institutional and private shareholders alike and shareholders seeking information may contact the Company directly throughout the year. In addition, STV has an electronic communication facility to allow shareholders to receive information more quickly and in a manner more convenient for them.

The Board recognises the importance of having continual engagement with its shareholders and fully supports the principles of the Code which encourage open dialogue between companies and their shareholders. The Board welcomes and encourages the participation of all shareholders at the Company's Annual General Meeting at which the Chief Executive provides a detailed presentation on the activities and performance of the Group over the preceding year. All Directors attend the AGM so shareholders have the opportunity to meet with them to discuss particular areas of focus and ask any questions.

SHAREHOLDERS BY TYPE



Institutional shareholders

STV undertakes a comprehensive programme of meetings and events for institutional investors and research analysts throughout the year and the Board are kept fully informed of feedback given to the Chief Executive and Chief Financial Officer in the course of their extensive round of investor meetings. The Board routinely receives updates on significant movements on the share register, analysts' consensus forecasts and market sentiment.

The Chairman, the Senior Independent Director and other Non-Executive Directors are available to meet with shareholders to discuss governance and strategy, and develop a balanced understanding of their issues and concerns and various meetings have taken place with shareholders during the year. Discussions at these meetings are conveyed to all Directors in order that each can develop an understanding of major shareholders' views on the Company.

Communication with major shareholders, analysts and the financial press is maintained throughout the year and feedback from major shareholders is regularly sought and reviewed by the Board. Copies of analysts' research relating to the Company are circulated to all Directors upon publication and a brief analysis of the shareholder register is prepared for each Board meeting.

Detailed reviews of the Company's performance and financial position are included in the Chairman's statement, the Chief Executive's review and the Performance Review, which the Board uses to present a balanced and comprehensive assessment of the Company's position and prospects. Such communication is designed to establish a mutual understanding of objectives.

Private shareholders

We are always pleased to hear the views of our private shareholders and to answer queries by telephone or in writing through emailing our Company Secretary jane.tames@stv.tv. We encourage shareholders to make maximum use of our website to access Company reports, notices of meetings and general shareholder information. Shareholders can also check their shareholding at any time by visiting the Registrar's website at www.capitashareportal.com

Remuneration report



Genevieve Shore

Chairman of the Remuneration Committee

Annual Statement

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2015.

Last year the Committee undertook a comprehensive review of the executive remuneration structure resulting in the implementation of a new Remuneration Policy, which was approved by shareholders at the 2015 AGM.

The Committee reconfirmed the key principles which should underpin the executive remuneration framework as:

- closely aligning rewards with the delivery of Company strategy
- ensuring a significant proportion of awards are based upon long term success criteria
- reflecting changes in best practice and governance
- simplifying and streamlining the framework for clarity and effectiveness
- ensuring market competitiveness.

Aligning remuneration to our strategy

As set out earlier in this report, the Board has a clear strategic vision to achieve growth and create shareholder value. As we diversify earnings through our digital and production businesses, we will also continue to focus upon growing our share of the core business and advertising revenues.

Following the changes approved by shareholders at our AGM last year, we operate a simple and transparent remuneration framework aligned with our strategy and the interests of our shareholders as summarised below:

Salary/ Benefits/Pension	Annual bonus	LTIP
<ul style="list-style-type: none"> - Market competitive fixed pay - Salary increases of 2% for 2016 - Fixed benefits allowance (£16k) and cash pension allowance (20% of salary) 	<ul style="list-style-type: none"> - Maximum: 125% of salary - 20% of any bonus deferred for three years - Linked to challenging performance targets (currently operating profit, cash flow and personal objectives) 	<ul style="list-style-type: none"> - Maximum: 100% of salary - Shares vest after three years based on the delivery of stretching performance target ranges - 50% EPS growth - 30% Non-broadcast operating profit - 20% relative TSR vs FTSE Small Cap
Recovery provisions – apply to bonus and LTIP awards		
Shareholding guidelines – Executive Directors to build holding of 100% of salary		

With this revised framework in place and aligned to our strategic objectives, the Committee expects the new Policy to remain in place for the time being until a further Policy vote is required in 2018.

In reviewing the Policy last year, the Committee considered the time horizons in the incentive framework in the context of the stated views of some investors. The Committee concluded that a vesting/performance period of three years remains appropriate for the Company in the context of our business model, talent markets, shareholding requirements and the current shareholdings of our Executive Directors. The Committee will keep this area under review.

The Executive Directors received salary increases of 2% with effect from 1 January 2016. The average salary award to staff was 3.1%.

2015 Bonus plan outcomes

Payments have been triggered under the Bonus Plan for 2015 as a result of performance against operating profit, PBT and personal objectives targets. The Executive Directors received bonus payments of 61% of salary (49% of bonus potential maximum). The performance achieved and the plan targets are set out in the table on page 56.

Vesting of the 2013 Value Creation Plan (VCP)

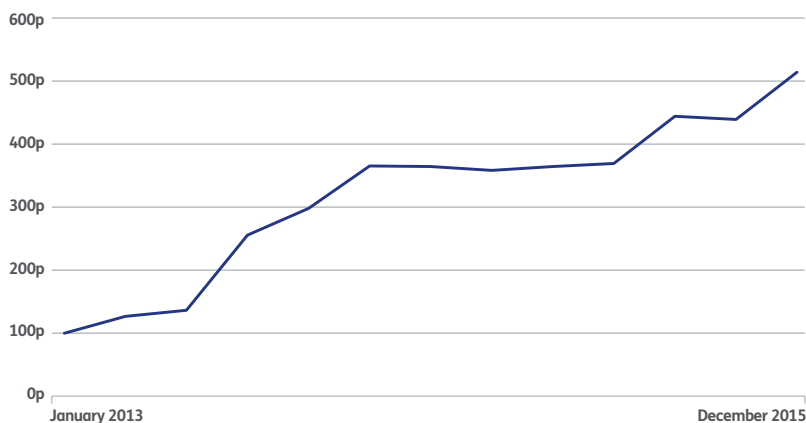
The VCP was a one-off long-term incentive awarded during 2013 aimed at driving the transformation of business performance by allowing executives to share in the value created for shareholders over a fixed three year performance period which ended on 31 December 2015. At the start of the VCP performance period, the STV share price was £1.00. Under the plan participants would receive their allocated share of 5% of the aggregate value created above a threshold price of £1.50 and 7.5% of the value above £2.00.

Over the life of the VCP, the Company has delivered outstanding business performance, which has translated into exceptional above-market returns for our shareholders, culminating in an average share price during December 2015 (the period used to determine vesting) of £4.60, significantly in excess of the VCP thresholds. This represents the creation of over £140 million of shareholder value over the period, representing around 70% compound annualised total shareholder return.

As a result of the exceptional share price performance, the initial application of the formula in the VCP indicated payouts of approximately £2.9m and £1.5m for the CEO and CFO, respectively. However, vesting was subject to an aggregate cap on the number of shares contained in the plan rules and therefore the value to be delivered (as shown in the single figure of remuneration table on page 63) is £1.5m and £0.8m, respectively.

No further awards have been or will be made under the VCP and we have now transitioned to the more conventional framework described above. The Committee believes the VCP served the business and shareholders well in terms of driving the exceptional performance and value delivered over the period.

STV Group plc –Share price performance January 2013–December 2015



Remuneration report

Correcting an error in our Remuneration Policy

Under the LTIP, the level of threshold vesting is 25% of the maximum. This was determined by the Committee based on market practice and was disclosed during the extensive shareholder consultation and in the Directors' Remuneration Report. Unfortunately, due to a typographical error, it was incorrectly stated as 20% in the Remuneration Policy which was approved by shareholders at the 2015 AGM. Given the binding nature of the Policy, it is important that it accurately captures the detail of our Policy and therefore this year we will utilise the provision in the regulations to seek your approval for a 'revision' to the Policy which will correct the error. For the avoidance of doubt, there are no changes to the Policy and this does not represent an increase in threshold vesting, but the correction of an error. The Policy will continue to expire in 2018.

The Annual Report on Remuneration provides additional detail on the payments and awards made to the Directors in the year and on our intentions for 2016. The Annual Report on Remuneration together with this Annual Statement is subject to an advisory shareholder vote at the AGM on 26 April 2016.

At last year's AGM we received over 98% support for both remuneration related resolutions. I look forward to receiving your continued support at our 2016 AGM.

Genevieve Shore

Chairman of the Remuneration Committee

Directors' Remuneration Policy

The Directors' Remuneration Policy was approved at the AGM held on 30 April 2015 and applied from that date. As described in the Annual Statement on page 52, due to a typographical error the level of threshold vesting under the LTIP was incorrectly stated in the 'Policy Table for Executive Directors' as 20% of the maximum. Therefore, at the AGM to be held on 26 April 2016 shareholders will be asked to approve a revision to the Policy in accordance with Section 439A of the Companies Act 2006 in order to effect the correction of the Policy. The revised Directors' Remuneration Policy (including the corrected level of threshold vesting in the table on page 55) is set out below. For the avoidance of doubt, there are no other changes to the Policy and the Policy will continue to expire in 2018.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with this Policy where the terms of the payment were agreed (i) before the Policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval.

Policy table for Executive Directors

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions
Base salary			
The Committee sets salaries as a retainer for the Executive Directors to recognise status and responsibility to deliver the strategy	<p>When determining the salary of the Executive Directors, the Committee takes into consideration a number of factors including:</p> <ul style="list-style-type: none"> the scale and complexity of the Company and the scope and responsibilities of the role the skills, experience and performance of the individual the Committee's assessment of the competitive environment including consideration of similar positions in organisations of broadly similar size and complexity, in particular companies within the media sector pay and conditions throughout the Company. Salaries are normally reviewed annually, with any changes effective from 1 January in the financial year 	<p>There is no prescribed maximum salary</p> <p>In general, any salary increase for Executive Directors will be in line with other employees in the Group</p> <p>The Committee retains discretion to award larger increases where considered appropriate to reflect the factors described in this table</p> <p>Salaries with effect from 1 January 2016 are set out on page 62</p>	None
Benefits			
To provide competitive levels of employment benefits consistent with role	<p>Executives are entitled to receive a taxable cash allowance in lieu of benefits in kind, including car and private medical insurance. This cash benefits allowance is excluded from the calculation of any other benefit provided by the Company</p> <p>The Executive Directors are eligible to participate in the Company's all employee share plans, as offered from time to time, on the same terms as all employees</p>	<p>Benefit values vary year-on-year, depending on premiums, and the maximum potential value is the cost of the provision of the benefits outlined</p> <p>Participation in all employee share plans is subject to HMRC plan rules and limits</p>	None

Remuneration report

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions
Pension			
To provide competitive levels of retirement benefit	<p>The Group operates a defined benefit (DB) scheme (closed to new members), a defined contribution (DC) scheme and a group personal pension plan</p> <p>Executive Directors have the option to receive a taxable cash allowance in lieu of pension benefits</p> <p>George Watt was a participating member of the Scottish and Grampian Television Retirement Benefits Scheme, which is an approved defined benefits occupational pension scheme, until 31 March 2010, when he became a deferred member.</p> <p>No benefits accrued under this scheme during 2015</p>	The maximum pension contribution or taxable cash allowance in lieu of pension is 20% of salary	None

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions and assessment
Annual bonus			
Aligns reward to the delivery of annual financial and strategic performance measures. Deferral creates long term alignment with shareholders	<p>This framework will apply with effect from the 2016 financial year (the Bonus Plan described on page 56 applied in 2015)</p> <p>Provides an opportunity for additional reward (up to a maximum specified as a % of salary) based on annual performance against targets set and assessed by the Committee</p> <p>A proportion of any bonus (20%) is deferred into Company shares under the terms of the STV Deferred Bonus Plan (DBP) and normally vest over three years, subject to continued employment</p> <p>Recovery and dividend equivalent provisions apply (see explanatory notes)</p>	125% of salary	<p>Payment is determined by reference to performance assessed over one financial year based on a range of financial and strategic performance measures</p> <p>These measures currently include:</p> <ul style="list-style-type: none"> operating profit cash flow personal objectives <p>As well as determining the measures and targets, the Committee will also determine the weighting of the various measures, which will normally be weighted towards the financial measures</p> <p>At threshold and target performance 12.5% and 50% of base salary, respectively, is currently payable</p> <p>The Committee has discretion to use different or additional measures, weightings or payout schedules to ensure that the bonus framework appropriately supports the business strategy and objectives for the relevant year</p> <p>The Committee has the discretion to adjust targets for any exceptional events that may occur during the year</p>

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions and assessment
Long Term Incentive Plan			
Aligns reward to the delivery of long-term financial performance delivered for shareholders	Awards are made under the terms of the STV Long Term Incentive Plan Awards are normally in the form of a right to acquire shares in the Company for a zero or nominal amount Awards vest over a period of at least three years, subject to the satisfaction of performance conditions A post-vesting holding period may apply Recovery and dividend equivalent provisions apply (see explanatory notes)	The maximum award in respect of a financial year is 100% of salary	Vesting is determined by reference to performance assessed over a period of at least three years, based on performance measures which the Committee consider to be aligned with the delivery of strategy and long term shareholder value The measures for the 2015 plan were: <ul style="list-style-type: none"> • earnings per share (EPS) 50% • non-broadcast operating profit 30% • relative total shareholder return 20% The Committee has discretion to use different or additional measures or weightings to ensure that the LTIP remains appropriately aligned to the business strategy and objectives The Committee has the discretion to adjust targets for any exceptional events that occur during the year The threshold for vesting is 25% of the maximum award
Shareholding requirement			
To strengthen long term alignment with shareholders	Executive Directors are required to hold shares equivalent to 100% of their annual salary	The required level of holding is 100% of salary	

Notes to the Policy table

Changes to remuneration policy from previous policy

The following changes have been made to the previous Policy:

- introduction of a new bonus framework to replace the Bonus Plan with effect from 2016. This includes an element of deferral under the Deferred Bonus Plan
- introduction of a new LTIP to replace the VCP
- introduction of recovery provisions.

Recovery provisions

Awards of variable remuneration made under the Policy Table for Executive Directors are subject to recovery provisions which allow the Committee to reduce or cancel unvested DBP/LTIP awards, or seek to reclaim paid or deferred cash or DBP/LTIP awards, in certain circumstances.

The recovery provisions for the annual bonus apply for three years from the date of payment of the bonus/grant of deferred shares, and two years from the date of vesting under the LTIP. The circumstances which may trigger the recovery provisions are as follows:

- a material misstatement of the Company's (or any Group members) audited financial results
- misconduct on the part of the participant
- an error in assessing a performance condition
- action by a participant or participants which resulted in a material breach and subsequent loss of the Company's Channel 3 licence(s).

Remuneration report

Dividend equivalents

The Committee may determine that the number of shares to which a participant's DBP or LTIP award relates shall increase to take account of dividends that would have been paid on vested shares on such terms as it determines, or that an equivalent amount should be paid in cash.

Performance measures and targets

The Committee selects performance measures for the annual bonus which appropriately support the business strategy and objectives for the relevant year. The financial metrics used (such as operating profit) are the key metrics used by the Directors to oversee the operation and performance of the business. Personal measures allow the Committee to reward the delivery of key strategic objectives. The performance measures for the LTIP are aligned with the delivery of strategy and long term shareholder value. The performance targets are determined annually by the Committee, and are set at an appropriately stretching level taking into account relevant business forecasts.

Discretion

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules.

Differences in remuneration policy for all employees

All employees of STV are entitled to base salary, pension and benefits. The maximum opportunity available is based on the seniority and responsibility of the role. Long-term incentive awards are only available to the leadership team and key senior staff by invitation.

Legacy incentive plans

The table below summarises the terms of the incentive plans approved by shareholders at the AGM on 24 April 2013 (and contained in the Remuneration Policy approved by shareholders at the AGM on 23 April 2014). These arrangements are due to expire based on performance up to the end of 2015 and no further awards will be made under these plans.

Objective and link to strategy	Operation	Maximum opportunity
Bonus Plan		
The Bonus Plan aligns reward to key strategic objectives over the short-medium term	<p>The Bonus Plan operates in respect of three Plan Years (2013, 2014 and 2015)</p> <p>Contributions to each participant's Bonus Plan account are made following the publication of the audited financial statements, based on the satisfaction of the performance targets</p> <p>Following the end of each of the three Plan Years, 50% of the balance in the account is paid out. The remaining 50% is deferred as shares</p> <p>The balance of the account pays out in the fourth year (payable upon confirmation of 2016 full year results)</p> <p>A forfeiture provision applies such that 50% of the account balance is forfeited if a minimum threshold target is not met in any financial year</p>	<p>The Maximum Annual Contribution is 125% of salary for all Executive Directors</p> <p>At threshold performance bonus payable is equivalent to 12.5% of base salary and at target performance, bonus payable is equivalent to 50% of base salary</p>

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions and assessment												
<p>Value Creation Plan</p> <p>The Value Creation Plan (VCP) was implemented to align the interests of the Executive Directors with those of shareholders by focusing on delivering superior returns to shareholders</p>	<p>Performance Units were granted to Executive Directors on 11 March 2013</p> <p>These Performance Units will convert into a Nil-Cost Option over sufficient shares to deliver the participant's share of the Maximum Incentive Value</p> <p>The Nil-Cost Option may be exercised until the tenth anniversary of the date of grant of the Performance Units</p>	<p>The number of Performance Units allocated to Executive Directors was:</p> <table border="1" data-bbox="762 478 1031 540"> <tr> <td>R Woodward</td> <td>330,000</td> </tr> <tr> <td>G Watt</td> <td>170,000</td> </tr> </table> <p>The aggregate number of Performance Units under option as a result of the VCP is limited to one million</p>	R Woodward	330,000	G Watt	170,000	<p>The Maximum Incentive Value for all participants will be conditional upon achieving an average share price of £1.50 or higher over the last 30 days of the three year performance period (the Measurement Price)</p> <p>The share price at date of grant on 1 January 2013 was £1.00. Provided the Measurement Price is above £1.50, a percentage of the additional value created is used to create a pool (the Incentive Value) in line with the table below:</p> <table border="1" data-bbox="1094 776 1415 917"> <thead> <tr> <th>Measurement price</th> <th>Contribution percentage¹</th> </tr> </thead> <tbody> <tr> <td>Below £1.50</td> <td>0%</td> </tr> <tr> <td>£1.50-£2.00</td> <td>5%</td> </tr> <tr> <td>Above £2.00</td> <td>7.5%</td> </tr> </tbody> </table> <p>¹ The contribution percentage is the proportion of the value created allocated to participants</p> <p>The Incentive Value, calculated in accordance with the table above will be multiplied by the number of shares in issue at the Measurement Date to determine the Maximum Incentive Value for all participants</p>	Measurement price	Contribution percentage ¹	Below £1.50	0%	£1.50-£2.00	5%	Above £2.00	7.5%
R Woodward	330,000														
G Watt	170,000														
Measurement price	Contribution percentage ¹														
Below £1.50	0%														
£1.50-£2.00	5%														
Above £2.00	7.5%														

Remuneration report

Non-Executive Directors

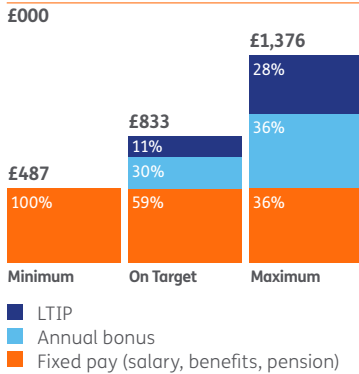
The table below sets out the key elements of the policy for non-Executive Directors:

Objective and link to strategy	Operation	Maximum opportunity
To attract Non-Executive Directors with the requisite skills and experience	<p>The fees of the Non-Executive Directors are determined by the Board based upon recommendations from the Chairman and Chief Executive Officer (or, in the case of the Chairman, based on recommendations from the Senior Independent Non-Executive Director and the Chief Executive Officer)</p> <p>The fee for Non-Executive Directors encompasses a basic fee and may also include supplementary fees for committee or other duties</p> <p>The Chairman receives a single fee for all duties</p> <p>Fees are normally reviewed annually with changes effective from 1 January</p> <p>Fees are paid in cash</p> <p>The Chairman and Non-Executive Directors do not participate in any bonus or share incentive scheme, nor do they participate in any pension arrangements</p>	<p>Fees are set at a level which reflects skills, experience, time commitment and appropriate market data</p> <p>Fees are set within the limits set by the Articles of Association</p> <p>Fees with effect from 1 January 2016 are set out on page 63</p>

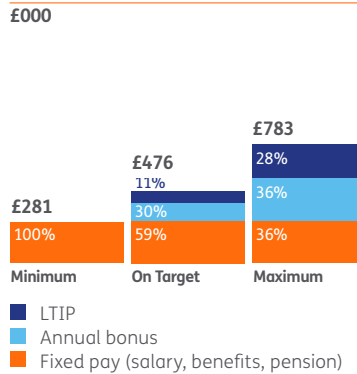
Illustrations of application of remuneration policy

The graphs below seek to demonstrate how pay varies with performance for the Executive Directors based on the Policy Table for Executive Directors.

Rob Woodward



George Watt



Assumptions used in determining the level of pay-out under given scenarios are as follows:

- Minimum – reflects fixed pay only (base salary as at 1 January 2015, benefits, and cash in lieu of pension contributions at 20% of salary)
- Target – reflects fixed pay, target bonus (62.5% of salary) and LTIP awards (100% of salary) vesting at threshold performance (25% of maximum)
- Maximum – reflects, maximum bonus (125% of salary) and LTIP awards vesting in full (100% of salary).

Recruitment remuneration policy

The Committee's approach to recruitment remuneration is to pay no more than it considers necessary to secure appropriate candidates to the role.

The principle is that the pay of any new recruit would be assessed following the same principles as for the Executive Directors. The structure of the remuneration package would therefore normally include the components, and be subject to relevant maxima, as set out in the Policy Table for Executive Directors. Salaries would typically be set at an appropriately competitive level to reflect skills and experience. They may be set at a level to allow future salary progression to reflect performance in role. The Executive Director would be eligible to participate in the annual bonus and LTIP for the year subject to a maximum level of variable remuneration which may be awarded (excluding any compensatory awards referred to below) at 225% of salary.

Where an individual forfeits remuneration with a previous employer as a result of appointment to the Company, the Committee may make compensatory payments or awards to facilitate recruitment. In determining the structure of these commitments, the Committee will normally seek to replicate, as far as practicable, the timing and performance requirements of remuneration foregone. Such payments or awards could include cash (where cash-based remuneration is forfeited) as well as share awards. There is no limit on the value of such compensatory awards, but the Committee's intention is that the value awarded would be no more generous than a broadly equivalent economic value of the forfeited remuneration.

In instances where the new Executive Director relocates from one workbase to another, the Company may provide compensation to reflect the cost of relocation. The level of relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences, housing allowance and schooling in accordance with the Company's normal relocation package for employees.

Where an existing employee is promoted to the Board, the policy would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, existing elements of the remuneration package of the employee would be honoured and form part of the ongoing remuneration for the person concerned.

Service contracts

When setting notice periods the Committee has regard to market practice and corporate governance best practice. Notice periods will not be greater than 12 months.

Director	Date of contract/ letter of appointment	Unexpired term	Notice period by Company or Director
Executive			
R Woodward	28 February 2007	Rolling contract	12 months
G Watt	27 February 2001	Rolling contract	12 months

Director	Date of contract/ letter of appointment	Date(s) of (re)appointment	Unexpired as at March 2016
Non-Executive			
Baroness Ford	1 June 2013	23 April 2014	1 year 1 month
D Shearer	28 February 2007	23 April 2014	1 year 1 month
M Jackson	1 May 2009	30 April 2015	2 years 1 month
G Shore	1 March 2012	30 April 2015	2 years 1 month
C Woolfenden	1 June 2014	30 April 2015	2 years 1 month
A M Cannon	1 November 2014	30 April 2015	2 years 1 month
I Steele	1 November 2015	–	2 years 8 months

Remuneration report

Policy on payment for loss of office

When determining any loss of office payment the Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time.

In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances Executive Directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary, pension supplements, and benefits that the Executive would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss within a 12 month period of their departure from the Company.

The treatment of incentive awards would be determined by the relevant plan rules. If the individual is a 'good leaver', the treatment of awards will be as set out in the table below (which also describes the Committee's areas of discretion). The 'good leaver' circumstances are death, ill-health, injury, disability, the sale of the business or entity that employs the participant out of the Group, or for any other reason at the Committee's discretion (redundancy, and retirement by agreement with the Company are also 'good leaver' terms under the Bonus Plan and VCP). If the individual is not a good leaver, unvested awards will lapse in full. It is the Committee's policy to only apply its discretion to determine an individual is a 'good leaver' where the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.

Treatment of awards for a 'good leaver'

Annual bonus	The Committee has discretion to make a payment under the annual bonus in respect of the year of cessation. This would reflect performance in the year and be pro-rated to reflect the period worked in that year.
DBP	Unvested DBP awards will usually continue, unless the Committee determines that the award should vest as soon as reasonably practicable following the date of cessation. An award will normally vest in full but the Committee retains discretion to determine the extent to which it vests, taking account of the period of time that has elapsed since the award was granted until the date on which the participant ceases to hold office or employment with the Group.
LTIP	Unvested LTIP awards will usually continue, unless the Committee determines that the award should be released as soon as reasonably practicable following the date of cessation. The Committee will decide the extent to which an unvested award vests in these circumstances, taking into account the extent to which any performance condition is satisfied and, unless the Committee in its discretion determines otherwise, the period of time that has elapsed since the award was granted until the date of cessation.

There is no contractual provision agreed prior to 27 June 2012 that could impact the quantum of payment.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's discharge of office or employment.

Change of control

DBP	An award will normally vest in full but the Committee retains discretion to determine the extent to which it vests, taking account of the period of time that has elapsed since the award was granted until the date on which the participant ceases to hold office or employment with the Group.
LTIP	Awards will vest, taking into account the extent that any performance condition has been satisfied, and, unless the Committee determines otherwise, the period of time which has elapsed between the grant date and the relevant event. Alternatively, the Committee may permit participants to exchange awards for equivalent awards which relate to shares in a different company.

Consideration of employment conditions elsewhere in the Company

In making annual pay decisions the Committee gives consideration to pay and employment conditions in the rest of the Company. The Committee is provided with data on the remuneration structure for the Executive leadership team, and uses this information to work with the HR team to ensure consistency of approach throughout the Company.

To appraise itself of conditions elsewhere in the Company, the Committee invites the HR & Communications Director to present on the proposals for salary increases for the employee population generally, and on any other changes to remuneration policy within the Company.

The Committee actively considers the relationship between general changes to employees pay and conditions and any proposed changes in the remuneration packages for Executive Directors to ensure it can be sufficiently robust in its determinations in light of the position of the Company as a whole.

Although the Committee takes into account the pay and conditions of other employees, the Company did not consult with employees when developing the Policy. No comparison metrics were used by the Committee.

Consideration of shareholder views

The views of the Company's shareholders are very important and the Committee welcomes constructive feedback with respect to the remuneration policies or structure which we take on board to formulate our arrangements.

Remuneration report

Annual Report on remuneration

This section of the report sets out how the Policy will be implemented in 2016 and how it was implemented during 2015. Some sections of this report, where indicated, have been audited.

Statement of implementation of remuneration policy for 2016

Executive Directors

The salaries for 2016 are set out below:

Executive Director	2015 Salary £000	2016 Salary £000	% increase
R Woodward	388	395	2%
G Watt	218	223	2%

Salary levels of employees throughout the Company were increased by an average of 3.1% in 2016.

Benefits and pension will be provided for as set out in the Policy Table for Executive Directors.

For 2016, the Executive Directors will participate in the annual bonus framework as described in the Policy Table for Executive Directors on page 53. The bonus will be based on stretching targets set for the performance measures in the table below. The Committee is of the opinion that the performance targets for the Bonus Plan are commercially sensitive, and that it would be detrimental to the interests of the Company and its shareholders to disclose them at this time. It is the Committee's intention to disclose the targets after the end of the financial year if the Committee is satisfied they are no longer commercially sensitive.

Performance measure	Weighting	Threshold bonus contribution (% of salary)	Maximum bonus contribution (% of salary)
Operating profit	50%	6.25%	62.5%
Cash flow	25%	3.125%	31.25%
Personal objectives	25%	3.125%	31.25%
Totals		12.5%	125%

In 2016, the Executive Directors will receive awards under the LTIP approved by shareholders at the 2015 AGM and described in the policy table on page 53. The awards made to Executive Directors will be made at the level of 100% of salary and will vest after three years subject to the following performance targets.

Performance measure	Calibration of targets	Weighting	Threshold vesting (25% of maximum)	Maximum vesting
EPS*	Annualised growth in adjusted EPS from FY15 to FY18	50%	7%	12%
Non-broadcast operating profit	Operating profit for non-broadcast activities in FY18	30%	£4.0m	£9.0m
Relative TSR	Ranked position of the Company's total shareholder return (TSR) against the constituents of the FTSE Small Cap Index (using 3 month averaging)	20%	Median	Upper quartile

*pre-exceptional

There is no vesting for below threshold performance and straight-line vesting between threshold and maximum.

Non-Executive Directors

The fees for the Chairman and Non-Executive Directors will remain unchanged from 2015, effective at 1 January 2016:

Non-executive Director	£
Chairman fee	95,000
Basic NXD fee	32,500
Additional fees:	
Senior Independent Director	12,500
Sitting on the Company's Audit and/or Remuneration Committees	5,000
Chairing the Audit or Remuneration Committee	2,500

Single total figure of remuneration

Executive Directors (audited)

The table below sets out the single total figure of remuneration for each Executive Director for the 2015 financial year. Comparative figures for 2014 are also shown.

Executive Director		Salary (£000)	Taxable benefits (£000)	Annual bonus (£000)	Long-term incentives (£000)	Pension (£000)	Total (£000)
R Woodward	2015	388	16	237	1,552	76	2,269
	2014	380	16	189	n/a	76	661
G Watt	2015	218	16	134	799	43	1,210
	2014	214	16	106	n/a	43	379

Notes

Taxable Benefits – Includes a taxable cash allowance in lieu of benefits-in-kind, including car and private medical insurance.

Annual Bonus – this includes the value of bonus earned in respect of the relevant financial year (including any amount deferred under the Bonus Plan and re-valued in accordance with the plan rules).

Long-term incentives – value of the VCP vested with respect to performance over the period 31 December 2015.

Pension – Both Executive Directors receive a taxable cash allowance in lieu of pension. George Watt is a deferred member of the defined benefits scheme and as such no additional value was accrued by him under this plan during the year.

External appointments

During 2015, Rob Woodward received £41,000 as a non-executive director of Regeneris plc and George Watt received £20,000 as a non-executive director of SpaceandPeople plc. In accordance with STV's policy, each was entitled to retain their respective fees.

Remuneration report

Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration for each non-Executive Director. Non-Executive Directors do not participate in any of the Company's incentive arrangements nor do they receive any benefits.

Non-Executive Director	Financial year	Basic fees £	Additional fees ¹ £	Total fees £
Baroness Ford	2015	95,000	–	95,000
	2014	95,000	–	95,000
D Shearer	2015	45,000	7,500	52,500
	2014	43,333	7,500	50,833
J Matheson ²	2015	10,833	1,667	12,500
	2014	31,667	5,000	36,667
M Jackson	2015	32,500	5,000	37,500
	2014	31,667	5,000	36,667
G Shore	2015	32,500	7,500	40,000
	2014	31,667	5,000	36,667
C Woolfenden ³	2015	32,500	5,000	37,500
	2014	15,958	3,000	18,958
A M Cannon ^{3,4}	2015	32,500	1,763	34,263
	2014	5,417	–	5,417
I Steele ⁵	2015	5,417	628	6,045
	2014	–	–	–

Notes

- 1 Additional fees relate to a fee of £5,000 per annum for sitting on one or more of the Company's Audit and Remuneration Committees and an additional fee of £2,500 per annum to reflect the additional duties involved in chairing the Audit and Remuneration Committees.
- 2 Jamie Matheson retired by rotation in April 2015
- 3 Christian Woolfenden was appointed to the Board on 1 June 2014 and Anne Marie Cannon on 1 November 2014
- 4 Anne Marie Cannon was appointed to both the Audit and Remuneration Committees on 24 August 2015
- 5 Ian Steele was appointed on 1 November 2015

Annual bonus (audited)

The table below sets out the targets and achieved performance against the performance targets for the Bonus Plan for the year ended 31 December 2015.

Performance condition	Weighting	Annual contribution (% salary)		Performance targets		Actual performance outcome	Contribution to Plan account for 2015 (% salary)	Contribution to Plan account for 2015 (£000)	
		Threshold	Maximum	Threshold	Maximum			R Woodward	G Watt
Operating Profit*	25%	3.125%	31.25%	£18.5m	£23.6m	£20.3m	14%	55	31
Group									
PBT*	25%	3.125%	31.25%	£17.2m	£21.9m	£19.1m	16%	61	34
Cash flow	25%	3.125%	31.25%	£11.9m	£15.2m	£11.4m		Target Not Met	
Personal objectives	25%	3.125%	31.25%			See below	31%	121	68
Total	100%	12.5%	125%	–	–	–	61%	237	133

*pre-exceptional

The personal objectives were set at the start of the year by the Committee. These targets related to key strategic business targets; reduction of key strategic risks to increase financial stability and investment certainty and progress against KPIs. The Committee assessed performance against these targets and concluded that they had been fully satisfied at the end of the financial year, resulting in a bonus payment equal to 31% of salary to each Executive Director. The Committee considers that the actual performance targets and outcomes relating to the personal objectives are commercially sensitive at this current time and are therefore not disclosed.

Bonus deferred under the Bonus Plan (audited)

Under the Bonus Plan, the earned bonus for the year is added to each individual Executive Director's plan account. Half of the balance on the plan account at the end of the financial year is released and 50% deferred in accordance with the terms of the plan (see page 55). The deferred balances on each Executive Director's plan account are set out below.

	A	B	C	D	E	F	G	H
Executive Director	Plan account brought forward (shares)	Plan account brought forward (£)	Contribution into plan account for 2015 (£)	Plan account balance following contribution for 2015 ¹ (£)	Amount released following contribution for 2015 (£)	Amount released from plan account for 2015 (50% of Column D) (£)	Plan account carried forward (£)	Plan account carried forward (shares)
R Woodward	51,705	188,726	236,879	503,164	266,285	251,582	251,582	48,850
G Watt	29,145	106,383	133,524	283,626	150,102	141,813	141,813	27,536

1 Plan account balance following contribution for 2015 includes revaluation of plan account brought forward (b) as per plan rules.

The plan account balance carried forward is subject to an annual performance condition related to the Forfeiture Threshold. Where the Forfeiture Threshold is not achieved in the following Bonus Plan year, 50% of the balance of the plan account earned in respect of previous Bonus Plan years but not paid will be forfeited.

The Committee considered the Forfeiture Threshold and determined that none of the plan account should lapse.

2015 was the final year of operation of the Bonus Plan described above. The amount shown under each plan account will be deferred for a further year and then released to the participants (ie in early 2017). From 2016 onwards, the executive directors will participate in the more conventional annual bonus and deferred bonus plan.

Vesting of the 2013 VCP

The VCP granted performance units which would convert into nil-cost options over sufficient shares to deliver the participants' share of the 'Incentive Value'. This was based on the extent to which the average share price during December 2015 (the 'Measurement Price') exceeded certain thresholds. The VCP included a cap such that nil cost options could not be granted over more than one million shares. The CEO and the CFO were granted 330,000 and 170,000 performance units, respectively from a total grant of one million performance units. The Committee confirmed that the Measurement Price was £4.60 and as the number of shares required (1,843,629) was in excess of the cap, the maximum number of nil-cost options which could be granted was limited to one million. The Executive Directors will receive nil-cost options equal to their proportionate share of the maximum, as shown in the table opposite.

Remuneration report

Measurement price	Percentage accruing to Incentive Value	Amount accruing to Incentive Value based on Measurement Price of £4.60
£1.50 - £2.00	5%	£982,456
Above £2.00	7.5%	£7,685,752
	TOTAL	£8,668,207
	STV shares required to deliver value using Measurement price	1,843,629 (i.e. £8,668,207/£4.60)

Executive Director	Number of Performance Units	Share of aggregate Performance Units	Number of nil-cost options to be granted (Share of Performance Units x one million cap)	Value (number of nil-cost options x Measurement price) £000
R Woodward	330,000	33%	336,735	1,552
G Watt	170,000	17%	173,470	799

Under the rules of the VCP, the nil-cost options will be exercisable until the tenth anniversary of the original grant of the performance units and have no further performance conditions. It is anticipated that the nil-cost options will be granted during March 2016 and will be disclosed in next year's report.

The table below shows awards made to the Executive Directors during 2015 under the LTIP:

Executive Director	Award type	Basis of award	Face value of award*	Amount vesting at threshold	Performance period
R Woodward	LTIP	100% of salary	£388k	25% of maximum	1 January 2015-31 December 2017
G Watt	LTIP	100% of salary	£218k	25% of maximum	1 January 2015-31 December 2017

*calculated using the closing share price (£4.25) on the date prior to the date of award (10 June 2015)

The awards are subject to the following performance conditions:

Performance measure	Calibration of targets	Weighting	Threshold vesting (25% of maximum)	Maximum vesting
EPS	Annualised growth in adjusted EPS from FY15 to FY18	50%	7%	12%
Non-broadcast operating profit*	Operating profit for non-broadcast activities in FY18	30%	£4.0m	£9.0m
Relative TSR	Ranked position of the Company's total shareholder return (TSR) against the constituents of the FTSE Small Cap Index (using 3 month averaging)	20%	Median	Upper quartile

*pre-exceptional

Scheme interests awarded in 2015 financial year (audited)

No scheme interests were awarded to the Executive Directors during 2015.

Payments to past Directors (audited)

No payments to past Directors were made during the year.

Payments for loss of office (audited)

No payments for loss of office were made during the year.

All employee share plans

A new three year Savings Related Share Option Plan (SAYE) was launched in November 2015 at a price of 402p. Rob Woodward was granted 2,238 options. George Watt was already fully subscribed under the 2014 SAYE scheme so did not participate in the 2015 plan.

Statement of Directors' shareholding and share interests (audited)

Executive Directors are required to build up a shareholding equal to 100% of salary. The table below summarises the Directors' interests in shares and the extent to which the shareholding requirements have been achieved. A policy was put in place in February 2016 whereby Non-Executive Directors are required to hold shares equivalent to 100% of their annual fee and are given a period of three years in which to do this.

Director	Number of beneficially owned shares ¹	Number of deferred Bonus Plan shares subject to conditions	Number of SAYE options subject to conditions	Number of unvested LTIP awards at 31/12/15	Total interests held at 31/12/15	Monetary value of shares at 31/12/15 ²	Shareholding requirements (% salary)	Current shareholding (% salary)	Requirement met
Executive									
R Woodward	419,322	48,850	4,900	91,200	419,322	£2,159,508	100%	557%	Yes
G Watt	265,769	27,536	5,325	51,408	265,769	£1,368,710	100%	628%	Yes
Non-Executive									
Baroness Ford	25,958	-	-	-	25,958	£133,684	-	-	n/a
D Shearer	100,000	-	-	-	100,000	£515,000	-	-	n/a
M Jackson	-	-	-	-	-	-	-	-	n/a
G Shore	16,063	-	-	-	16,063	£82,724	-	-	n/a
C Woolfenden	-	-	-	-	-	-	-	-	n/a
A M Cannon	-	-	-	-	-	-	-	-	n/a
I Steele	-	-	-	-	-	-	-	-	n/a

Notes

1 Beneficial interests include shares held directly or indirectly by connected persons.

2 Based on shares beneficially held.

Dilution

The following table sets out the current level of dilution against the limits in the Bonus Plan and VCP and sets out the commitments to issue shares made during the financial year reported:

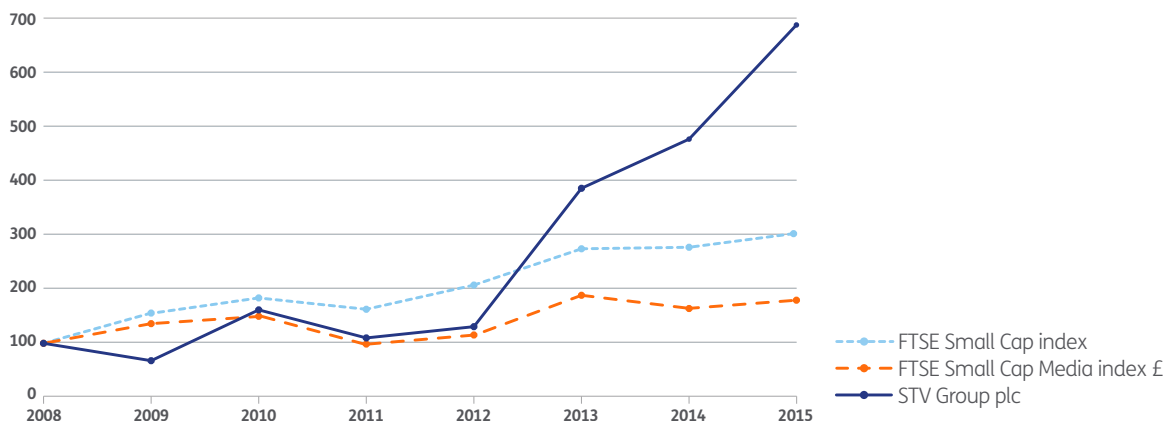
Maximum	Current dilution	Additional dilution during the year in question
10% dilution in ten years	7.09	1.02
5% dilution in ten years	4.36	0.07

The DBP and LTIP are subject to a limit of 10% in ten years.

Remuneration report

Performance graph and table

The graph below shows the Company's performance, measured by total shareholder return (TSR), compared with the performance of the FTSE Small Cap and FTSE Small Cap Media indices. The FTSE Small Cap index will be used for performance measurement under the new LTI plan and the FTSE Small Cap Media index provides a comparison of performance in the media sector.



The table below shows the Chief Executive Officer's remuneration over the past six years:

Year	Single figure of total remuneration (£000) R Woodward	Bonus pay-out (as % maximum opportunity) ¹	Long-term incentive vesting rates (as % maximum opportunity)
2015	2,269	49	100%
2014	661	46	-
2013	601	54	-
2012	696	31	100%
2011	958	15	-
2010	472	90	-

Notes

1 Maximum potential bonus opportunity has varied in the period between 2010 and 2015 and therefore this is not a like-for-like comparison.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage increase in the salary, benefits and annual bonus of the Chief Executive Officer and all employees (on a per capita basis) between 2014 and 2015:

	Salary	Taxable benefits	Bonus
Chief Executive Officer	2%	0%	49%
All employees	3.1%	0%	n/a

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2014 and 2015 financial years. These were the most significant outgoings for the Company in the last financial year:

Significant distributions	2015	2014	% change
Overall spend on pay	£19.6m	£19.4m	1%
Dividend or share buyback	£3.5m	£1.6m	119%

Consideration by the Directors' of matters relating to Director's remuneration Members of the Committee

During the year, the Committee comprised of the following Independent Non-Executive Directors: Genevieve Shore (Chairman), Michael Jackson, Jamie Matheson (retired 30 April 2015), Anne Marie Cannon (appointed 25 August 2015) and Ian Steele (appointed 1 November 2015). The Committee met three times during the year.

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and senior management and for setting the remuneration packages for each Executive Director. The Committee also has oversight of the remuneration policy and packages for other senior members of staff. The Committee has formal terms of reference which describes its full remit and which can be downloaded from the STV website.

Advisors to the Committee

The Committee seeks independent advice to assist in considering executive remuneration. This includes updating the Committee on trends in compensation and governance matters and advising the Committee in connection with the design and operation of the Company's incentive arrangements.

During the year, the Committee received advice from Deloitte LLP. Deloitte LLP is a member of the Remuneration Consultants' Group and has signed up to that Group's Code of Conduct on executive remuneration consulting. On that basis, the Committee is satisfied that the advice received was objective and independent. Deloitte LLP was also the Company's internal auditor during the period. The Committee reviewed the nature of the services provided and was satisfied that no conflict of interest existed in the provision of these services, and that the advice provided was objective and independent. The total fees paid to Deloitte LLP during the year for advice to the Committee were £33,000.

In the course of its deliberations during the period under review, the Committee sought the assistance of the Chairman and Chief Executive Officer on matters relating to Directors' performance and remuneration. The Chairman, Chief Executive Officer and the HR & Communications Director attend meetings by invitation except when their individual remuneration arrangements are discussed.

Statement of voting at general meeting

The table below shows the remuneration related votes at the AGM held on 30 April 2015.

	Votes for	%	Votes against	%	Total votes cast	Votes withheld*
2014 Remuneration Report	29,492,885	99.30	208,321	0.70	29,702,735	1,529
2014 Remuneration Policy	27,047,231	98.47	421,063	1.53	29,702,735	2,234,441

* A vote withheld is not a vote in law and counts neither for nor against a resolution.

Genevieve Shore

Remuneration Committee Chairman

14 March 2016

Directors' report

The Directors present the Directors' report, together with the audited accounts for the year ended 31 December 2015. The Directors' report comprises pages 70 to 72 and the sections of the annual report incorporated by reference are set out below:

Directors during 2015 financial year – See page 38
Greenhouse gas emissions – See page 32
Employee equality and diversity – See page 30

Principal risks – See pages 22 and 23
Corporate governance report – See pages 38 to 49
Employee involvement – See pages 28 to 30

Dividends

The proposed total dividend for 2015 is 10.0p per share – an increase of 25% on 2014 (8.0p). During 2015 the final 2014 dividend of 6.0p per share was paid together with the interim dividend for 2015 of 3.0p per share. A final dividend of 7.0p per share has been declared which, subject to approval at the AGM in April, will be paid on 20 May 2016, to shareholders on the register at 15 April 2016.

Share capital

On 14 March 2016, there were 39,298,231 ordinary shares of 50p each in issue, each with one vote. There were no shares held in treasury at that date. The rights and obligations to the Company's shares are set out in its Articles of Association.

As at 14 March 2016, the Group had been notified of the following interests of 3% or more in its shares:

Shareholders	Shares	%
UBS Global Asset Mgt	3,229,274	8.22
Crystal Amber Asset Mgt	2,827,996	7.20
Miton Group plc	2,683,701	6.83
JP Morgan Asset Mgt	2,600,664	6.62
Odey Asset Mgt	2,467,000	6.28
Artemis Fund Managers Ltd	2,311,434	5.88
Columbia Threadneedle Asset Mgt	1,984,001	5.05
AXA Investment Mgt	1,867,940	4.75
Slater Investments	1,814,436	4.62
Cavendish Asset Mgt	1,786,640	4.55
Blackrock Inv Mgt	1,406,035	3.58

Principal Activities

The principal activities of the Group are the production and distribution of content across multiple devices and platforms, including television broadcasting, and the sale of advertising airtime and space in these media. The Group continues to focus on its television and digital media businesses and is also involved in charitable activities.

Compliance

Part of the information that fulfils the Companies Act requirements of the Directors' Report can be found in the Performance Review on pages 20 and 21. The Group's subsidiaries are listed in note 17 of the Company financial statements and details of the principal risks and uncertainties facing the Group can be found on pages 22 and 23.

Directors and officers of the Company and its subsidiaries have the benefit of a Directors' and Officers' liability insurance policy. The Company's Articles of Association also provide that every Director and other officer of the Company is to be indemnified out of the assets of the Company against any liability he or she incurs in defending any proceedings brought against them (provided that judgement is not given against them).

Directors have a statutory duty to avoid situations where they have or can have, any interest that conflicts or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors. The Directors confirm that there have been no such conflicts during the year to 31 December 2015.

Annual General Meeting

Details of the 2016 AGM, together with the Notice of AGM can be found on pages 112 to 120.

Directors

The Directors of the Company and their profiles are detailed on pages 36 and 37. All of these Directors served throughout the year under review with the exception of Jamie Matheson, who retired on 20 April 2015, and Ian Steele who was appointed to the Board on 1 November 2015. The Articles of Association of the Company require Directors to submit themselves for re-election every three years. In addition all Directors are subject to election at the first opportunity after their appointment to the Board.

Donations

The Group made no political donations (2014: £nil) during the year.

Share capital

On 31 December 2015 there was a single class of 39,298,231 ordinary shares of 50p in issue, each with one vote. There were no shares held in treasury at that date. Details of Directors' interests in shares can be found on page 67.

Voting rights and restrictions on transfer of shares

None of the ordinary shares carry any special rights with regard to control of the Company. There are no restrictions on transfers of shares other than certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing and pursuant to the Company's share dealing code, whereby the Directors and designated employees require approval to deal in the Company's shares.

The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights. Further details of the rights, restrictions and obligations attaching to the share capital of the Company, including voting rights, are contained in the Company's Articles of Association. The Articles may only be amended by special resolution at a general meeting of shareholders. Copies are available by writing to the Company Secretary and are also open to inspection at Companies House.

The STV Group plc Employee Benefit Trust, which is used to acquire and hold shares in the Company for the benefit of employees, waives its right to vote and to dividends on the shares it holds which are unallocated.

Change of control

All of the Company's employee share plans contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Company's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time. Certain of the Company's credit facilities and banking arrangements contain change of control clauses under which lenders may cancel their commitments and declare all outstanding amounts immediately due and payable. The Channel 3 broadcasting licences require STV, as the license holder, to notify Ofcom on a change of control. Ofcom would thereafter require to determine that any proposed new license holder was a fit and proper person to hold the licence. There are no other significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

Statement of Directors' Responsibilities

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

Directors' report

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the affairs of the Group and Company and the profit and loss of the Group and Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the Group and parent company financial statements respectively
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors consider that the annual report and accounts for the year ending 31 December 2015, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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 the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors and Disclosure of Information

So far as the directors are aware there is no relevant audit information (that is information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are not aware. Each director has taken all steps that he or she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Directors' Statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on pages 36 and 37 confirm that, to the best of his or her knowledge and belief:

- the Group financial statements which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for the maintenance and integrity of the Group's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Rob Woodward
Chief Executive Officer

14 March 2016

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STV Group consolidated financial statements

Independent Auditors' report to the Members of STV Group plc

Report on the financial statements

Our opinion

In our opinion:

- STV Group plc's group financial statements and company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group and company financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Consolidated and Parent Company Balance Sheet as at 31 December 2015;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Parent Company Statement of Cash Flows for the year then ended;
- the Consolidated and Parent Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the group and company financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview



- Overall group materiality: £914,848 which represents 5% of profit before tax and exceptional items (as noted on page 80).
- We performed audit work over both segments of the business.
- Taken together, the segments and functions where we performed our audit work accounted for 100% of group revenues and 100% of group profit before tax.
- Retirement benefit obligations.
- Productions inventory carrying value.
- Goodwill impairment assessment.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p>Retirement benefit obligations (refer to page 43 (Audit Committee Report), page 84 (Accounting Policies) and page 106 (Notes)).</p> <p>The group has a net retirement benefit obligation of £7.6m (2014: £14.9m). This balance is significant in the context of the group balance sheet and is dependent on key judgemental assumptions, including discount rate, inflation rate and mortality rates adopted by the directors in the actuarial valuation. Given the judgements involved and that slight movements in these assumptions can have a significant impact on the overall obligation this was an area of significant focus in our audit. In particular, the mortality assumption was outside the range that we would typically expect to see and hence additional focus was placed on the consideration of this assumption.</p>	<p>We considered the reasonableness of the key assumptions used in the actuarial valuation, being the discount rate, inflation rate (based on the Retail Price Index and the Consumer Price Index) and mortality rates, assessing if they were a range acceptable by specialists.</p> <p>All actuarial assumptions, with the exception of the mortality assumptions, fell within our expected range based on our knowledge and experience. For the mortality assumptions, which fell outside of the range we would typically see, we used our specialist knowledge and experience to challenge the Directors on their rationale and what evidence they had to support it. Taking into account factors caused by the specific industry and location of the business, which the Directors evidenced through mortality studies they had commissioned, we agreed that the judgements made by the Directors was reasonable.</p>
<p>Productions inventory carrying value (refer to page 43 (Audit Committee Report), page 84 (Accounting Policies) and page 100 (Notes)).</p> <p>Productions inventory of £14.7m (2014: £14.7m) relates to associated costs incurred in the production of programming which is deferred on the Balance Sheet at the point of initial sale and charged to the income statement in line with the associated forecast future revenue. This is an area of focus because the charge to the income statement, and the carrying value of the deferred production inventory are based on judgements made by the Directors of associated future revenue.</p>	<p>We analysed the Directors' assessment of each production in the catalogue to determine, based on the past history of sales and licence periods, the appropriateness of their projected future revenues for each production individually, which are expected to be generated through associated sales in the UK and overseas, including digital sales.</p> <p>We considered the actual sales in 2015 against last year's forecast to establish the level of accuracy in management's forecasting, and also reviewed management's calculations of forecast revenues to arrive at a net present value.</p> <p>We also performed sensitivities on the key assumptions about future associated sales to determine how much they would need to change before a further impairment was indicated. We consider any such changes to be unlikely. We concluded that the assumptions were appropriate and there was sufficient headroom, with the carrying value of inventory not greater than its net realisable value.</p> <p>From the testing performed, we consider that the judgements exercised by the Directors are reasonable and supportable, and that the carrying value of deferred production inventory is not materially misstated.</p>
<p>Goodwill impairment assessment (refer to page 43 (Audit Committee Report), page 84 (Accounting Policies) and page 97 (Notes)).</p> <p>The Group goodwill balance of £2.8m at the year-end (2014: £7.9m) relating to the Productions business is assessed for impairment on an annual basis or where there is an impairment trigger as required by IAS36. Goodwill has been tested for impairment by the Directors, as a result of the poor financial performance in 2015. This requires the Directors to prepare a value-in-use calculation that incorporates a number of significant judgements about the future profitability of the Productions business. The audit risk that we focussed on is that the goodwill balance may be overstated and that an impairment charge may be required.</p>	<p>We evaluated the Directors' future cash flow forecasts for the Productions business and their underlying assumptions, including comparing them to the latest budgets, and testing the underlying calculations.</p> <p>We challenged the discount rate by assessing the cost of capital for the company and comparable organisations and found it to be in line with our expectations of long term inflation.</p> <p>We also considered the long term growth rate of 2% beyond the three year cash flows as being in line with our expectations.</p> <p>When assessing the projected future cash flows of the Productions business it was determined by management that there was insufficient evidence, when comparing to historic trading to support the carrying value of goodwill. An impairment charge of £5.1m has been booked, which based on the audit procedures highlighted above, we agree is reasonable.</p> <p>Based on our evaluation of the evidence obtained, we considered the remaining goodwill balance of £2.8m, to be sufficiently supported.</p>

STV Group consolidated financial statements

Independent Auditors' Report to the Members of STV Group plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

We performed audit work over both the Consumer and Productions segments of the business.

Taken together, the segments and functions where we performed our audit work accounted for 100% of group revenues and 100% of group profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£914,848 (2014: £864,946).
How we determined it	5% of profit before tax and exceptional items (as disclosed on page 80).
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £45,742 (2014: £43,247) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 84, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group and company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

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; and
- the information given in the Corporate Governance Statement set out on pages 38 to 49 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| <ul style="list-style-type: none"> • information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and company acquired in the course of performing our audit; or – otherwise misleading. | We have no exceptions to report. |
| <ul style="list-style-type: none"> • the statement given by the directors on page 72, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company acquired in the course of performing our audit. | We have no exceptions to report. |
| <ul style="list-style-type: none"> • the section of the Annual Report on page 44, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <ul style="list-style-type: none"> • the directors' confirmation on page 22 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> • the directors' explanation on page 21 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

STV Group consolidated financial statements

Independent Auditors' Report to the Members of STV Group plc continued

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 71, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Kenneth Wilson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

March 2016

- The maintenance and integrity of the STV Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

Year ended 31 December 2015

	Note	2015 £m	2014 £m
Revenue	6	116.5	120.4
Net operating expenses	7	(105.0)	(100.9)
Operating profit		11.5	19.5
Analysed as:			
Operating profit before exceptional items		20.3	19.5
Exceptional items	9	(8.8)	-
Operating profit		11.5	19.5
Finance costs – borrowings	10	(1.2)	(2.2)
– IAS 19 pension	10	(0.5)	-
		(1.7)	(2.2)
Profit before tax		9.8	17.3
Tax credit/(charge)	11	1.6	(2.6)
Profit for the year		11.4	14.7
Earnings per share			
Basic	12	29.8p	38.7p
Diluted	12	29.0p	37.6p

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

Consolidated statement of comprehensive income

Year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit for the year		11.4	14.7
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	29	(0.6)	(22.1)
Deferred tax (charge)/credit thereon	23	(0.2)	4.4
Other comprehensive expense		(0.8)	(17.7)
Total comprehensive income/(expense) for the year		10.6	(3.0)

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

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account or statement of comprehensive income. The profit for the parent company for the year was £87.7m (2014: £9.4m).

Consolidated and parent company balance sheets

at 31 December 2015

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	Note	Group		Company	
		2015 £m	2014 £m	2015 £m	2014 £m
Non-current assets					
Goodwill	14	2.8	7.9	–	–
Other intangible assets	15	1.7	1.6	–	–
Property, plant and equipment	16	7.5	8.8	–	–
Investments	17	0.7	1.2	47.9	48.4
Deferred tax asset	23	9.6	7.4	1.4	1.9
		22.3	26.9	49.3	50.3
Current assets					
Inventories	18	19.2	18.3	–	–
Trade and other receivables	19	22.1	23.1	214.1	152.8
Cash and cash equivalents	20	13.7	19.8	–	–
		55.0	61.2	214.1	152.8
Total assets		77.3	88.1	263.4	203.1
Equity attributable to owners of the parent					
Ordinary shares	25	19.6	19.6	19.6	19.6
Share premium	25	101.8	101.8	101.8	101.8
Merger reserve		173.4	173.4	–	–
Other reserve		0.9	0.6	0.9	0.6
Accumulated (losses)/profit		(284.8)	(291.9)	108.4	25.0
Total equity		10.9	3.5	230.7	147.0
Non-current liabilities					
Borrowings	22	39.4	49.2	–	–
Derivative financial instruments	21	0.1	0.2	–	–
Retirement benefit obligations	29	7.8	14.9	–	–
Provisions	24	0.5	0.6	–	–
		47.8	64.9	–	–
Current liabilities					
Trade and other payables	21	18.3	19.3	32.7	56.1
Provisions	24	0.3	0.4	–	–
		18.6	19.7	32.7	56.1
Total liabilities		66.4	84.6	32.7	56.1
Total equity and liabilities		77.3	88.1	263.4	203.1

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

The consolidated financial statements on pages 80 to 108 were approved by the Board on 14 March 2016 and were signed on its behalf by:

Rob Woodward
Chief Executive

George Watt
Chief Financial Officer

Consolidated and parent company statement of changes in equity

Year ended 31 December 2015

	Equity attributable to owners of the parent					Total Equity £m
	Ordinary shares £m	Share premium £m	Merger reserve £m	Other reserve £m	Accumulated (losses)/profit £m	
Group						
Balance at 1 January 2015	19.6	101.8	173.4	0.6	(291.9)	3.5
Profit for the year	–	–	–	–	11.4	11.4
Other comprehensive expense	–	–	–	–	(0.8)	(0.8)
Total comprehensive income for the year	–	–	–	–	10.6	10.6
Own shares acquired	–	–	–	–	(0.9)	(0.9)
Equity-settled share-based payments	–	–	–	0.3	–	0.3
Deferred tax credit on other post employment benefits	–	–	–	–	0.8	0.8
Dividends	–	–	–	–	(3.4)	(3.4)
Balance at 31 December 2015	19.6	101.8	173.4	0.9	(284.8)	10.9
Balance at 1 January 2014	19.5	112.0	173.4	0.3	(297.6)	7.6
Profit for the year	–	–	–	–	14.7	14.7
Other comprehensive expense	–	–	–	–	(17.7)	(17.7)
Total comprehensive expense for the year	–	–	–	–	(3.0)	(3.0)
Share premium reduction	–	(11.0)	–	–	11.0	–
Issue of share capital	0.1	0.8	–	–	–	0.9
Own shares acquired	–	–	–	–	(0.9)	(0.9)
Value of employee services	–	–	–	–	0.2	0.2
Equity-settled share-based payments	–	–	–	0.3	–	0.3
Dividends	–	–	–	–	(1.6)	(1.6)
Balance at 31 December 2014	19.6	101.8	173.4	0.6	(291.9)	3.5
Company						
Balance at 1 January 2015	19.6	101.8	–	0.6	25.0	147.0
Profit for the year	–	–	–	–	87.7	87.7
Total comprehensive income for the year	–	–	–	–	87.7	87.7
Own shares acquired	–	–	–	–	(0.9)	(0.9)
Equity-settled share-based payments	–	–	–	0.3	–	0.3
Dividends	–	–	–	–	(3.4)	(3.4)
Balance at 31 December 2015	19.6	101.8	–	0.9	108.4	230.7
Balance at 1 January 2014	19.5	112.0	–	0.3	6.9	138.7
Profit for the year	–	–	–	–	9.4	9.4
Total comprehensive income for the year	–	–	–	–	9.4	9.4
Share premium reduction	–	(11.0)	–	–	11.0	–
Issue of share capital	0.1	0.8	–	–	–	0.9
Own shares acquired	–	–	–	–	(0.9)	(0.9)
Value of employee services	–	–	–	–	0.2	0.2
Equity-settled share-based payments	–	–	–	0.3	–	0.3
Dividends	–	–	–	–	(1.6)	(1.6)
Balance at 31 December 2014	19.6	101.8	–	0.6	25.0	147.0

Consolidated and parent company statement of cash flows

Year ended 31 December 2015

	Note	Group		Company	
		2015 £m	2014 £m	2015 £m	2014 £m
Operating activities					
Cash generated by operations	26	20.0	20.9	0.2	3.7
Interest paid		(1.2)	(1.8)	–	(1.8)
Pension deficit funding – recovery plan payment		(7.8)	(5.5)	–	–
Net cash generated by operating activities		11.0	13.6	0.2	1.9
Investing activities					
Purchase of investment		(0.5)	(0.3)	(0.5)	(0.3)
Capitalised web development spend		(1.2)	(1.0)	–	–
Purchase of property, plant and equipment		(1.1)	(4.0)	–	–
Net cash used in investing activities		(2.8)	(5.3)	(0.5)	(0.3)
Financing activities					
Purchase of treasury shares		(0.9)	–	(0.9)	–
Borrowings (repaid)/drawn		(10.0)	4.3	–	–
Dividends paid		(3.4)	(1.6)	(3.4)	(1.6)
Net cash (used by)/generated from financing activities		(14.3)	2.7	(4.3)	(1.6)
Net (decrease)/increase in cash and cash equivalents		(6.1)	11.0	(4.6)	–
Cash and cash equivalents at beginning of year		19.8	8.8	–	–
Cash and cash equivalents at end of year	26	13.7	19.8	(4.6)	–

Although not required under IFRS the Directors have provided the following reconciliation of net debt for further clarity. Net debt represents Group borrowings less cash and cash equivalents.

Reconciliation of movement in net debt Year ended 31 December 2015

	Note	Group	
		2015 £m	2014 £m
Opening net debt		(29.4)	(35.7)
Net (decrease)/increase in cash and cash equivalents		(6.1)	11.0
Movement in debt financing		9.8	(4.7)
Closing net debt	26	(25.7)	(29.4)

Notes to the financial statements

for the year ended 31 December 2015

1. General information

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

2. Adoption of new and revised standards

There are no new IFRS or IFRICs that are effective for the first time this year that have a material effect on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted: IFRS 15, "Revenue from contracts with customers"; IFRS 9, "Financial instruments"; and IFRS 16, "Leases".

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention. The Group adopted IFRS for the preparation of the parent company financial statements for the first time during the year. The transition to IFRS did not result in any changes to previously reported results.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Going concern

The Group continues to review forecasts to determine the impact of both the short term and long term liquidity position. After making appropriate enquiries the Group considers it appropriate to adopt the going concern basis in preparing its consolidated financial statements.

Consolidation

The financial statements comprise a consolidation of the financial statements of the Company and all its subsidiaries up to 31 December each year. Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. Subsidiaries are included in the consolidated financial statements of the Company from the date control of the subsidiary commences until the date that control ceases. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive.

Foreign currency translation

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Property, plant and equipment

The Group's policy is to state property, plant and equipment at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost of tangible non-current assets, less estimated residual values, by equal annual instalments as follows:

Leasehold buildings	between 5% and 10%
Plant, technical equipment and other	between 10% and 20%

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal.

Any impairment in value is charged to the income statement.

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and assessed for impairment annually or more frequently as triggering events occur. Any impairment is recognised immediately in the income statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment. Goodwill written off to reserves under UK GAAP prior to 1998 has not been restated and is not included in determining any subsequent profit or loss on disposal.

Other intangible assets

Other intangible assets are held at cost less accumulated amortisation and any provision for impairment. Included within intangible assets are assets in the course of construction which comprise primarily web development projects including directly attributable costs to bring the assets into use and may include capitalised borrowing costs. Amortisation is provided at the following rates per annum to write off the costs of other intangible assets, less residual value, on a straight line basis from the date on which they are brought into use:

Internally generated software	between 10% and 25%
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Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested at least annually or whenever there is an indicator of impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying value exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the financial statements

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Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less estimated costs of completion and the estimated selling costs.

Recorded programmes and films

Recorded programmes are valued at direct cost including labour and overheads, less appropriate provisions, and are written off after the first transmission or sale. Programming made for third parties is valued at cost, less appropriate provisions, and is charged to the income statement against related income.

The carrying value of inventory is assessed each year at the balance sheet date.

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

i) Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. A provision is established for trade receivables if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

ii) Investments

Investments are measured at cost, less, where appropriate allowances for impairment. The investments is measured at cost because the fair value cannot be reliably measured.

iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iv) Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest rate. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

v) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

vii) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to fluctuations in interest. Instruments accounted for as hedges are designated as a hedge at the inception of contracts.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at the end of each quarter end to ensure that the hedge remains highly effective.

The fair value of interest rate swaps is based on the market price (LIBOR) of comparable instruments at the measurement date.

The fair value of the interest rate swap contracts are calculated on a discounted cash flow basis using market forward rates. Gains or losses arising from the movement to fair value are taken to the income statement.

Taxation

Taxation expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity.

Current tax is based on taxable profits for the financial period using tax rates that are in force during the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is calculated using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pensions

For defined benefit pension schemes, the difference between the fair value of the assets and the present value of the defined benefit obligation is recognised as an asset or liability in the balance sheet. The defined benefit obligation is actuarially calculated using the projected unit credit method.

The defined benefit cost is made up of three categories:

- i) The service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to operating profit in the year.
- ii) The net interest expense or income is recognised within finance costs. Net interest expense includes a credit representing the expected return on the assets of the retirement benefit schemes and a charge representing the expected increase in the liabilities of the retirement benefit schemes during the year.
- iii) Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Notes to the financial statements

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Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Fair value is measured by use of the Black & Scholes model or Monte Carlo model as relevant. The expected lives used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Provisions

Onerous contracts

Provisions for onerous contracts are recognised when the Group has a detailed forecast of future losses from the contract.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT. Revenue from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership and control of the goods sold and the amount of revenue can be measured reliably. Key classes of revenue are recognised on the following basis:

Airtime revenue	on transmission
Sponsorship	evenly over the life of the contract
Programme production	on delivery

Revenue on barter transactions is recognised only when the goods or services being exchanged are of a dissimilar nature.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Leasing

All leases are operating leases and the costs in respect of operating leases are charged on a straight-line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, a rent free period) is recognised as deferred income and is released over the life of the lease.

Dividend distribution

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results.

4. Financial risk management

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the bank loans disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 £m	2014 £m
Total borrowings (note 22)	39.4	49.2
Cash and cash equivalents (note 20)	(13.7)	(19.8)
Net Debt	25.7	29.4
Total equity	10.9	3.5
Total capital	36.6	32.9
	70%	89%

Covenants

The Group is subject to two financial covenants in respect of its committed borrowing facilities at the balance sheet date. The terms of the Facility Agreement contain the following covenants (i) the ratio of average net debt to adjusted earnings (pre exceptional) before interest, tax, depreciation and amortisation (EBITDA) and (ii) the ratio of adjusted EBITDA to cash interest, both of which are tested quarterly. The Group complied with all the covenants in each of the test periods to the balance sheet date.

Derivative financial instruments

The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of floating and fixed rates. The Group's primary funding is at floating rates through its bank facilities. In order to manage its associated interest rate risk, the Group uses interest rate swaps to vary the mix of fixed and floating rates. Interest rate swap contracts of £15.0m (2014: £15.0m) were entered into on 9 July 2014 and expire in July 2016. Fair value is based on the market price of these instruments at the balance sheet date. In accordance with IFRS 7, the interest rate swaps are considered to be level 2 with the fair value being calculated at the present value of the estimated future cash flows using market interest rates.

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the Board with financial risks being identified, evaluated and hedged in close co-operation with the Group's operating divisions. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity.

Notes to the financial statements

continued

i) Currency risk

The Group operates almost wholly within the UK and is exposed to minimal currency risk. The Group's borrowings are denominated in Sterling which is also the Group's intra-UK net currency flow. Currency risk arises primarily with respect to the Euro and the US dollar and from future commercial transactions and trade assets and liabilities in foreign currencies. No further active management of currency risk is required.

The Group has minimal exposure to currency risk and it is Group policy to ensure that all material payments or receipts are fully hedged. At 31 December 2015 the Group had no forward foreign currency contracts in place (2014: £nil).

ii) Credit risk

Credit risk is the risk of losses due to the failure of the Group's customers to meet their payment obligations towards the Group. The Group has no significant concentration of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Independent credit ratings are sought for all potential customers and based on the outcome of the feedback from the ratings agency a judgement is made on the appropriate level of credit to be given. Derivative transaction counterparties are limited to high-credit/quality financial institutions.

iii) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations. Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying business, the aim is to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises of the undrawn borrowing facility (note 22) and cash and cash equivalents (note 20)) on the basis of expected cash flow. This is generally carried out at a group level. In addition, the Group's liquidity management policy includes projecting cash flows and considering the level of liquid assets necessary to meet these: monitoring balance sheet liquidity ratios against internal targets and bank facility requirements; and maintaining debt financing plans.

iv) Cash flow interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at short-term floating rates expose the Group to cash flow interest rate risk. Group policy is to maintain between 30% and 50% of its core borrowings in hedged instruments.

A monthly sensitivity analysis is carried out, and on the level of borrowings of the Group at 31 December 2015, a movement of 0.25% in interest rates would change the level of interest paid in the year by +/- £0.1m (2014: £0.1m). 0.25% is considered a reasonably possible change.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowing from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rate directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. An interest rate swap was entered into on 9 July 2014 and expires in July 2016.

5. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 3, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which the goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the impairment testing are set out in note 14.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. In the event of the pension liability becoming a surplus, the company legally has an unconditional right to that surplus and this has been agreed with the scheme trustees.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 29.

Inventory

Deferred production stock forms part of inventory and is stated in the accounts at the lower of cost or net realisable value. Programme costs are expensed in line with expected future revenues which are a judgemental area. A detailed forecast of future secondary sales is prepared by management based on historic experience and expected future trends. £2.3m was expensed through the income statement in the year (2014: £2.5m).

Deferred tax asset recognition

Deferred tax assets are recognised if sufficient future taxable profit is available. Management evaluates the recoverability of deferred tax assets based on projected future taxable profits and as future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. £5.1m was recognised during the year (2014: £nil) in respect of tax losses previously unrecognised.

Notes to the financial statements

continued

6. Business segments

The Group's Chief Executive, the chief operating decision maker, considers the business primarily from a product perspective. Under IFRS 8, the reportable segments are therefore Consumer and Productions.

The performance of the segments is assessed based on a measure of adjusted operating profit.

Segment revenues	External revenue	
	2015 £m	2014 £m
Consumer	108.2	107.1
Productions	8.3	13.3
	116.5	120.4

Revenue in 2015 includes £0.9m of revenues from sources outside the UK (2014: £0.8m).

Segment result	2015 £m	2014 £m
Consumer	19.9	19.1
Productions	0.4	0.4
	20.3	19.5
Exceptional fixed/intangible asset write off attributable to Consumer	(1.0)	-
Exceptional goodwill impairment attributable to Productions	(5.1)	-
Other exceptional items attributable to Group:		
Investment write-down	(1.0)	-
Management incentive plan	(1.7)	-
Operating profit	11.5	19.5
Financing	(1.7)	(2.2)
Profit before tax	9.8	17.3
Tax charge	1.6	(2.6)
Profit attributable to owners of the parent	11.4	14.7

Operating profit in 2015 includes £0.4m arising outside the UK (2014: £0.4m).

Segment assets and liabilities	Assets		Liabilities	
	2015 £m	2014 £m	2015 £m	2014 £m
Consumer	38.8	39.2	13.4	13.5
Productions	29.1	32.5	2.0	3.9
Total of all segments	67.9	71.7	15.4	17.4
Unallocated corporate	9.4	16.4	51.0	67.2
Consolidated	77.3	88.1	66.4	84.6

	Consumer		Productions	
	2015 £m	2014 £m	2015 £m	2014 £m
Other segment information				
Capital additions	2.3	5.0	–	–
Depreciation and amortisation	2.5	2.0	–	–

Segment assets consist primarily of goodwill, property, plant and equipment, inventories and trade and other receivables and cash and bank deposits.

Segment liabilities comprise operating liabilities including trade and other payables and provisions. They exclude Group borrowings, retirement benefit obligations, tax liabilities and other non-current liabilities.

All the net assets in 2014 and 2015 were held in the UK and therefore operate in a single geographical segment.

7. Operating expenses by nature

	2015 £m	2014 £m
Programming costs	51.0	55.0
Staff costs	24.4	23.2
Other external charges	15.8	18.4
Depreciation and amortisation	2.5	2.0
Operating lease charges	2.4	2.1
Other operating charges	0.1	0.2
	96.2	100.9
Exceptional items	8.8	–
	105.0	100.9

Services provided by the Group's auditors

During the year the Group obtained the following services from the Company's auditors:

Group

Fees payable to Company auditors for the audit of parent company and consolidated financial statements	82	77
Fees payable to the Company's auditors and it's associates for other services:		
– The audit of Company's subsidiaries pursuant to legislation	21	21
– Audit-related assurance services	24	24
– Tax advisory services	69	91
– Tax compliance services	33	41
– Other services	8	51
	237	305

Included in the audit fees payable is £5,000 (2014: £5,000) paid in respect of the parent company.

Other services comprise employee benefit advisory services.

	2015 £000	2014 £000
Fees in respect of STV Group plc pension schemes		
Audit	21	21

Notes to the financial statements

continued

8. Staff

The average monthly number of employees (including executive directors) was:

	2015 Number	2014 Number
Consumer and Productions		
Established	451	411
Contract	45	34
	496	445

Contract staff numbers consist of employees on fixed-term contracts.

Their aggregate remuneration comprised:

	2015 £m	2014 £m
Wages and salaries	19.6	19.4
Social security costs	1.8	1.8
Other pension costs	3.0	2.0
	24.4	23.2

Details of directors' remuneration is provided in the Remuneration Report on pages 50 to 69.

9. Exceptional items

The tax effect on exceptional items during the year was £0.2m credit (2014: £nil).

Goodwill impairment

During the year a provision for impairment of £5.1m has been recognised against the carrying value of goodwill to reflect the historic trading performance in Productions.

Investment write-down

A provision of £1.0m has been made against the carrying value of the Group's investment in MirriAd Limited. MirriAd failed to complete a strategically important fundraising round in April and required immediate funding to continue trading. The Group supported a rescue of the business with £0.5m of new investment as part of two funding packages totalling £10.6m. However, the price of that investment fully recognised the parlous state of MirriAd and resulted in the existing investment being impaired.

Fixed/intangible asset write off

£1.0m of fixed and intangible assets has been written off during the year. The write off is in relation to City Online services and redundant STV Player platforms.

Management incentive plan

A provision of £1.7m for costs in relation to one off discretionary management incentive plan payments and related national insurance has been made during the year.

10. Finance costs

	2015 £m	2014 £m
Bank borrowings	1.2	2.2
Pension finance charge	0.5	–
	1.7	2.2

11. Tax charge

	2015 £m	2014 £m
Current tax:		
Current year	–	–
Adjustments in respect of prior years	–	–
	–	–
Deferred tax (see note 23)	(1.6)	2.6
Tax (credit)/charge for the year	(1.6)	2.6

The (credit)/charge for the year can be reconciled to the profit per the income statement as follows:

	2015 £m	2014 £m
Profit before tax	9.8	17.3
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	2.0	3.7
Tax effects of:		
Other expenses not deductible for tax purposes	1.5	0.1
Movement in losses not recognised	(5.1)	–
Impact of changes in tax rates	–	(0.2)
Adjustments in respect of prior years	–	(1.0)
Tax (credit)/charge for the year	(1.6)	2.6

Notes to the financial statements

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12. Earnings per share

Basic earnings per share (EPS), is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

In order to calculate diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one type of dilutive potential ordinary shares namely share options granted to employees.

	Earnings £m	2015 Weighted average number of shares (m)	Per share Pence	Earnings £m	2014 Weighted average number of shares (m)	Per share Pence
EPS (pre-exceptional items):						
Earnings attributable to ordinary shareholders	20.0	38.3	52.2p	14.7	38.0	38.7p
Basic EPS	20.0	38.3	52.2p	14.7	38.0	38.7p
Potential dilutive shares		1.0			1.1	
Diluted EPS	20.0	39.3	50.9p	14.7	39.1	37.6p
EPS (including exceptional items):						
Earnings attributable to ordinary shareholders (including exceptional items)	11.4	38.3	29.8p	14.7	38.0	38.7p
Basic EPS	11.4	38.3	29.8p	14.7	38.0	38.7p
Potential dilutive shares		1.0			1.1	
Diluted EPS	11.4	39.3	29.0p	14.7	39.1	37.6p
EPS (pre-exceptional items and deferred tax, pre-IAS 19 and normalised tax rate):						
Earnings attributable to ordinary shareholders (pre-exceptional items)	20.0	38.3	52.2p	14.7	38.0	38.7p
Add back: IAS 19 (net of tax)	0.4		1.0p	–		–
Deduct: one off recognition of deferred tax asset	(5.1)		(13.3p)	–		–
Adjust to equivalent tax rate of 20%	–		–	(0.9)		(2.4p)
Basic EPS	15.3	38.3	39.9p	13.8	38.0	36.3p
Potential dilutive shares		1.0			1.1	
Diluted EPS	15.3	39.3	38.9p	13.8	39.1	35.3p

The adjusted result represents a like for like comparison with the statutory result adjusted for material one off items and an adjustment to the prior year result to reflect an equivalent year on year tax rate of 20%.

13. Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014 of 6.0p (2013: 2.0p) per share	2.3	0.8
Interim dividend for the year ended 31 December 2015 of 3.0p (2014: 2.0p) per share	1.1	0.8
	3.4	1.6

A final dividend of 7.0p per share (2014: 6.0p per share) has been proposed and is subject to approval by shareholders. It is payable on 20 May 2016 to shareholders who are on the register at 15 April 2016. The ex dividend date is 14 April 2016. This final dividend, amounting to £2.8m (2014: £2.4m), has not been recognised as a liability in these financial statements.

14. Goodwill

	£m
Cost	
At 1 January 2015 and 31 December 2015	10.6
Provisions for impairment	
At 1 January 2015	2.7
Impairment write-down	5.1
At 31 December 2015	7.8
Net book value at 31 December 2015	2.8
Net book value at 31 December 2014	7.9

Goodwill comprises capitalised goodwill on acquisitions completed since 1 January 1998. Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. All goodwill recognised at the year end and previous year end relates to Productions.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. During the year a £5.1m provision for impairment has been recognised against the carrying value of goodwill to reflect the historic trading performance in Productions.

The recoverable amount of a CGU is determined based on value-in-use calculations. The key assumptions used for value-in-use calculations are as follows:

Revenue and margin growth (short term)	Based on three year financial forecasts
Growth rate (long term)	2%
Discount rate	10%

These calculations use pre-tax cash flow projections based on after tax cash flows of £0.8m, £1.3m and £1.5m for the next three years respectively. A terminal value is calculated for cash flows beyond the three year period. The growth rate is not considered to exceed the long-term average growth rate for the media business in which the CGU operates.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. A 1% movement in the discount rate would result in a write-down of £2.1m to the carrying value of goodwill.

Management determined Net Cash Flow based on past performance and its expectations of market development.

Notes to the financial statements

continued

15. Other intangible assets

	Web development and branding £m
Cost	
At 1 January 2014	0.7
Additions	1.0
At 1 January 2015	1.7
Additions	1.2
Write offs	(1.1)
At 31 December 2015	1.8
Accumulated amortisation and impairment	
At 1 January 2014	–
Amortisation	0.1
At 1 January 2015	0.1
Amortisation	0.3
Write offs	(0.3)
At 31 December 2015	0.1
Net book value at 31 December 2015	1.7
Net book value at 31 December 2014	1.6

16. Property, plant and equipment

	Leasehold buildings £m	Plant, technical equipment and other £m	Total £m
Cost			
At 1 January 2014	0.1	24.8	24.9
Additions	–	4.0	4.0
Write offs	–	(1.6)	(1.6)
At 1 January 2015	0.1	27.2	27.3
Additions	–	1.1	1.1
Write offs	–	(0.3)	(0.3)
At 31 December 2015	0.1	28.0	28.1
Accumulated depreciation and impairment			
At 1 January 2014	0.1	18.1	18.2
Charge for year	–	1.9	1.9
Disposals	–	(1.6)	(1.6)
At 1 January 2015	0.1	18.4	18.5
Charge for year	–	2.2	2.2
Write offs	–	(0.1)	(0.1)
At 31 December 2015	0.1	20.5	20.6
Net book value at 31 December 2015	–	7.5	7.5
Net book value at 31 December 2014	–	8.8	8.8

17. Investments

	£m		
Group			
Cost			
At 1 January 2015			1.2
Additions			0.5
At 31 December 2015			1.7
Provisions for impairment			
At 1 January 2015			–
Impairment write-down			1.0
At 31 December 2015			1.0
Net book value at 31 December 2015			0.7
Net book value at 31 December 2014			1.2
	Subsidiaries	Other	Total
	£m	£m	£m
Company			
Cost			
At 1 January 2015	47.3	1.1	48.4
Additions	–	0.5	0.5
At 31 December 2015	47.3	1.6	48.9
Provisions for impairment			
At 1 January 2015	–	–	–
Impairment write-down	–	1.0	1.0
At 31 December 2015	–	1.0	1.0
Net book value at 31 December 2015	47.3	0.6	47.9
Net book value at 31 December 2014	47.3	1.1	48.4

Notes to the financial statements

continued

17. Investments continued

Subsidiary undertakings

A full list of subsidiary undertakings as at 31 December 2015 is as follows::

Undertaking	Country of incorporation or registration and operation	Principal activity
STV News Services Limited *	England	Investment holding undertaking
STV Television Limited	Scotland	Investment holding undertaking
STV Central Limited	Scotland	Television broadcasting
STV North Limited	Scotland	Television broadcasting
STV Productions Limited	Scotland	Programme production
Ginger Television Productions Limited	England	Programme production
SKA Ginger Productions Limited (50%)	England	Programme production
STV Glasgow Limited	Scotland	Television broadcasting
STV Edinburgh Limited	Scotland	Television broadcasting
Altissimo Music Limited	Scotland	Music rights
stv.tv Limited	Scotland	Dormant
Solutions.tv Limited	Scotland	Dormant
STV Aberdeen Limited	Scotland	Dormant
STV Dundee Limited	Scotland	Dormant
STV Ayr Limited	Scotland	Dormant
Grampian Television Limited	Scotland	Dormant
STV Services Limited *	Scotland	Group services undertaking
Scottish News Network Limited	Scotland	Dormant
STV SIP Trustees Limited	Scotland	Dormant
Rise & Shine (Television) Limited *	Scotland	Investment holding undertaking
STV Publishing Limited	Scotland	Dormant
STV Out of Home Limited	Scotland	Dormant
Peopleschampion Limited	Scotland	Dormant
Scottish Media Group (Jersey) Limited	Jersey	Dormant
The Ginger Media Group Limited	England	Dormant
STV Appeal *	Scotland	Holding undertaking for charity
STV Appeal Trading Company Limited	Scotland	Trading undertaking for charity
STV Elm Limited *	Scotland	Group services undertaking

*directly held

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The investments are stated in the balance sheet at cost less amounts written off for impairment in value. All shares are ordinary shares. All of the above investments are 100% shareholdings within the Group except where stated.

18. Inventories

	2015 £m	2014 £m
Recorded programmes and films	19.2	18.3

19. Trade and other receivables

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Current				
Trade receivables	12.3	14.0	–	–
Amounts owed by group undertakings	–	–	213.3	151.8
Prepayments and accrued income	8.1	8.4	0.8	1.0
Other receivables	1.7	0.7	–	–
	22.1	23.1	214.1	152.8

As of 31 December 2015, trade receivables of £0.8m (2014: £1.5m) are past due. These are net of a provision for bad debts of £nil (2014: £nil). Trade receivables relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of the trade receivables is as follows:

	2015		2014	
	Gross £m	Provision £m	Gross £m	Provision £m
Up to 3 months	12.3	–	14.0	–

The directors consider that the carrying amount of trade and other receivables approximates their fair value. All receivables are expected to be recovered.

Amounts owed by group undertakings of £141.0m (2014: £129.4m) fall due after more than one year. A loan to a subsidiary undertaking of £80.0m (2014: £80.0m) is included within this amount.

All remaining amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Notes to the financial statements

continued

20. Cash and cash equivalents

	2015 £m	2014 £m
Cash and cash equivalents	13.7	19.8

21. Trade and other payables

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Current				
Trade payables	5.1	2.9	–	–
Accrued expenses	9.9	12.2	0.1	–
Amounts owed to group undertakings	–	–	28.0	56.1
Bank overdraft	–	–	4.6	–
Social security and other taxes	3.3	4.0	–	–
Other payables	–	0.2	–	–
	18.3	19.3	32.7	56.1
Non-current				
Derivative financial instruments (note 4)	0.1	0.2	–	–

The directors consider that the carrying amount of trade and other payables approximates their fair value.

22. Borrowings

	2015 £m	2014 £m
Bank loans	39.4	49.2

The borrowings are repayable as follows:

Expiring in 2 to 5 years	39.4	49.2
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All undrawn committed borrowing facilities are repayable within 2 to 5 years (2014: 2 to 5 years). The amount of bank loans is net of £0.6m unamortised borrowing costs (2014: £0.8m).

The effective interest rates were as follows:

	2015 %	2014 %
Bank loans (floating)	2.0	3.4

At 31 December 2015, the Group had revolving credit and overdraft bank facilities in place totalling £60.0m (£60.0m at 31 December 2014). At 31 December 2015, £40.0m of the facility was drawn down.

The £60.0m revolving credit and overdraft facility has a maturity date of June 2019. Security is provided to the debt providers by way of cross guarantees and a share pledge.

The Group has hedged its exposure to fluctuations in interest rates with interest rate swaps of £15.0m (2014: £15.0m). The notional principal amount of the outstanding interest rate swap contracts at 31 December 2015 was £15.0m (2014: £15.0m). A fair value on the interest rate swaps of £0.1m (2014: £0.2m) has been recognised at 31 December 2015.

23. Deferred tax

The analysis of the current deferred tax balances is as follows:

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Deferred tax asset:				
Deferred tax to be recovered after more than one year	(8.2)	(4.7)	(1.4)	-
Deferred tax to be recovered within one year	(1.4)	(2.7)	-	(1.9)
	(9.6)	(7.4)	(1.4)	(1.9)
Net deferred tax asset	(9.6)	(7.4)	(1.4)	(1.9)
Deferred tax asset not recognised	(2.2)	(8.1)	-	(1.4)

A deferred tax asset has been recognised in respect of these temporary differences as it is probable that the Group will generate sufficient taxable profits in the future against which these temporary differences can be offset.

The deferred tax asset of £2.2m (2014: £8.1m) which has not been recognised relates to a combination of trading tax losses and non-trade debits.

The movement in deferred tax assets and liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax trading losses £m	Other temporary differences £m	Group		Total £m	Company	
			Accelerated tax depreciation £m	Retirement benefit obligations £m		Tax trading losses £m	
At 1 January 2015	(2.6)	(0.2)	(1.5)	(3.1)	(7.4)	(1.9)	
(Credit)/charge to income	(2.8)	(0.4)	0.2	1.4	(1.6)	0.5	
(Credit)/charge to equity	-	(0.8)	-	0.2	(0.6)	-	
At 31 December 2015	(5.4)	(1.4)	(1.3)	(1.5)	(9.6)	(1.4)	

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

24. Provisions

	Onerous lease provisions	
	2015 £m	2014 £m
At 1 January	1.0	1.4
Utilised during the year	(0.2)	(0.4)
At 31 December	0.8	1.0
The provisions are expected to be utilised:		
Within one year	0.3	0.4
Greater than one year	0.5	0.6
	0.8	1.0

Notes to the financial statements

continued

25. Share capital and premium

	Number of shares (thousands)	Ordinary shares £m	Share premium £m	Total £m
At 1 January 2015 and 31 December 2015	39,298	19.6	101.8	121.4

The total authorised number of ordinary shares is 63 million shares (2014: 63 million shares) with a par value of £0.50 per share (2014: £0.50 per share). All issued shares are fully paid.

26. Notes to the consolidated statement of cash flows

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Operating profit/(loss)	11.5	19.5	(1.6)	(0.5)
Adjustments for:				
Depreciation (note 16)	2.2	1.9	–	–
Amortisation (note 15)	0.3	0.1	–	–
Goodwill impairment charge (note 14)	5.1	–	–	–
Investment write-down (note 17)	1.0	–	1.0	–
Fixed/intangible asset write down (notes 15,16)	1.0	–	–	–
Past service cost – pension	(0.7)	–	–	–
Share based payment	0.3	0.3	0.3	0.3
Management incentive plan	1.7	–	–	–
	22.4	21.8	(0.3)	(0.2)
Increase in inventories	(0.9)	(0.7)	–	–
Decrease/(increase) in trade and other receivables	1.0	(1.7)	0.2	(0.2)
(Decrease)/increase in trade and other payables	(2.5)	1.5	0.1	–
Increase in intra group balances	–	–	0.2	4.1
Cash generated by operations	20.0	20.9	0.2	3.7

	At 1 January 2015 £m	Cash flow £m	Non-cash movements £m	At 31 December 2015 £m
Group analysis of movements in net debt				
Cash and cash equivalents (note 20)	19.8	(6.1)	–	13.7
Bank borrowings (note 22)	(49.2)	10.0	(0.2)	(39.4)
Net debt	(29.4)	3.9	(0.2)	(25.7)

Non-cash movements relate to the amortisation of borrowing costs.

27. Operating lease commitments

At 31 December the Group had minimum commitments in respect of non-cancellable operating leases for leasehold buildings payable as follows:

	2015 £m	2014 £m
Within one year	1.7	1.7
Between two and five years	5.9	6.1
After five years	6.3	7.8
	13.9	15.6

28. Transactions with related parties

During the year £1,700 (2014: £16,000) income was received from related parties and a balance of £1,110 was owed by related parties at 31 December 2015 (31 December 2014: £2,400). These amounts relate to fees received from the Group's investment companies.

Key management personnel are deemed to be the executive and non-executive directors of the Group, as they have authority and responsibility for controlling the Group's activities.

Key management remuneration is detailed as follows:

	2015 £m	2014 £m
Short-term employee benefits*	1.3	1.3

*See Remuneration Report page 50 to 69 for details.

There have been no other transactions with key management personnel as defined under IAS 24.

Notes to the financial statements

continued

29. Retirement benefit schemes

Defined contribution schemes

The Group operates two money purchase schemes, the STV Pension Scheme and the Pearl & Dean Cinemas Pension Scheme, for which the pension cost charge for the year amounted to £1.1m (2014: £0.9m).

Defined benefit schemes

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

The schemes are the Scottish and Grampian Television Retirement Benefit Scheme and the Caledonian Publishing Pension Scheme. They are closed schemes to new entrants and therefore under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

A full actuarial valuation of the schemes was carried out at 1 January 2012 and resulted in an actuarial deficit to be funded by the Group of £83.0m as at 31 March 2014. A recovery plan period of 11 years was agreed with payments of £5.5m in 2014 and between £7.0m and £7.75m from 2015 to 2025 inclusive. These payments are tax deductible.

The 1 January 2012 valuation has been updated to 31 December 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

Key assumptions	2015	2014
Rate of increase in salaries	nil%	1.00%
Rate of increase of pensions in payment	2.90%	2.90%
Discount rate	3.90%	3.60%
Rate of price inflation (RPI)	2.90%	2.90%

Mortality assumptions:

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each scheme.

The average life expectancy in years of a pensioner retiring at age 65 is as follows:

	2015 Years	2014 Years
Retiring at balance sheet date:		
Male	15.5	15.5
Female	18.1	18.0
Retiring in 25 years:		
Male	18.7	18.6
Female	21.5	21.4

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 3%
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by 1%
Rate of mortality	Decrease by 1 year	Increase by 4%

Amounts recognised in the income statement in respect of these defined benefit schemes is as follows:

	2015 £m	2014 £m
Current service cost – defined benefit	(2.1)	(1.1)
Past service cost – defined benefit	0.7	–
Net interest expense	(0.5)	–
	(1.9)	(1.1)

Of the total charge £1.4m (2014: £1.1m) has been included in operating expenses and £0.5m (2014: £nil charge) has been included in finance costs (see note 10).

The £0.7m net past service gain is made up of a gain of £1.7m in the Scottish and Grampian Television Retirement Benefits Scheme relating to the introduction of benefit changes and £1.0m loss (£0.4m relating to the Scottish and Grampian Television Retirement Benefits Scheme and £0.6m relating to the Caledonian Publishing Pension Scheme) relating to pension incentive exercises in both schemes.

Amounts recognised in the statement of comprehensive income are as follows:

	2015 £m	2014 £m
Actuarial losses arising from changes in financial assumptions	(0.6)	(22.1)

The amounts recognised in the balance sheet were as follows:

	2015 £m	2014 £m
Present value of defined benefit obligations	(320.9)	(336.2)
Fair value of schemes' assets	313.1	321.3
Deficit in the schemes	(7.8)	(14.9)

A related offsetting deferred tax credit of £1.5m (2014: £3.1m) is included under non-current assets. Therefore the net pension scheme deficit amounts to £6.3m at 31 December 2015 (£11.8m at 31 December 2014).

Notes to the financial statements

continued

29. Retirement benefit schemes continued

The movement in the defined benefit obligation over the year is as follows:

	2015 £m	2014 £m
At 1 January	336.2	295.7
Current service cost	0.4	0.3
Past service cost	(0.7)	–
Interest cost	11.7	13.1
Contributions from plan participants	0.1	0.1
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	(11.3)	28.3
Actuarial gains and losses arising from changes in demographic assumptions	4.8	15.9
Actuarial gains and losses arising from experience adjustments	–	(0.2)
Benefits paid from plan	(20.3)	(17.0)
At 31 December	320.9	336.2

The movement in the fair value of the schemes' assets during the year is as follows:

	2015 £m	2014 £m
At 1 January	321.3	297.0
Interest income	11.4	13.1
Remeasurement (loss)/gain:		
Return on plan assets (excluding interest income)	(7.0)	21.9
Contributions from the employer	9.3	7.0
Administrative expenses paid from plan assets	(1.7)	(0.8)
Contributions from plan participants	0.1	0.1
Benefits paid from plan	(20.3)	(17.0)
At 31 December	313.1	321.3

Plan assets comprised the following:

	2015		2014	
	£m	%	£m	%
Equities	155.0	49	154.8	48
Debt instruments and cash	158.1	51	166.5	52
	313.1	100	321.3	100

30. Share-based payments

Long-term incentive plans

The long-term incentive plans are for executive directors and other senior executives. The performance criteria for these schemes are based on a combination of earnings growth and total shareholder return and as such have been valued using a Monte Carlo model.

Value creation plan

The value creation plan is for executive directors and other senior executives and was granted in 2013. The performance criteria for this scheme is based on achieving an average share price of £1.50 or higher over the last 30 days of the three year performance period and as such has been valued using a Monte Carlo model.

Employee share plans

The employee share plans are open to all employees. They provide for a grant price approximately equal to 80% of the middle market quotation of a share on the dealing day last preceding the relevant date of invitation as derived from the London Stock Exchange daily office list and can be purchased once a year. There are currently 3 employee share plans outstanding and the exercise prices for options under these plans range from £1.84 to £4.02. At 31 December 2015 there were 512,899 (2014: 460,609) options outstanding under the plans. The employee share plans are valued using the Black and Scholes model.

Five year summary

For the year ended 31 December 2015

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	IFRS				
	2011 £m	Restated* 2012 £m	2013 £m	2014 £m	2015 £m
Results					
Revenue	102.0	102.7	112.1	120.4	116.5
Profit from operations before exceptional items	15.0	17.1	18.0	19.5	20.3
Profit on ordinary activities before taxation and exceptional items	14.0	11.7	14.3	17.3	18.6
Assets					
Non-current assets	32.9	28.2	22.6	26.9	22.3
Current assets	53.8	41.9	47.8	61.2	55.0
Total assets	86.7	70.1	70.4	88.1	77.3
Equity and liabilities					
Current liabilities	82.3	22.5	62.0	19.7	18.6
Non-current liabilities	34.1	68.5	0.8	64.9	47.8
Equity	(29.7)	(20.9)	7.6	3.5	10.9
Total equity and liabilities	86.7	70.1	70.4	88.1	77.3
Key statistics					
Earnings per ordinary share* – basic	38.0p	13.0p	32.2p	38.7p	29.8p
– diluted	36.1p	12.5p	31.2p	37.6p	29.0p
Dividends per ordinary share	–	–	2.0p	8.0p	10.0p

*The 2012 results have been restated to disclose amendments resulting in applying updated IAS19 and also for investments previously held in current assets.

Shareholder information

Registrars

Capita Asset Services
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Tel: 0871 664 0300*
Tel: (overseas) +44 20 8639 3399
Fax: +44 (0) 1484 601 512
Email: shareholderenquiries@capita.co.uk
Website: www.capitashareportal.com

Independent auditors

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Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow G2 7EQ

Solicitors

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2HS

Burness Paull LLP
120 Bothwell Street
Glasgow G2 7JL

Principal bankers

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Regent's Place
London NW1 3AN

Stockbrokers

Peel Hunt
Moor House
120 London Wall
London EC2Y 5ET

Secretary and registered office

Jane E A Tames
STV Group plc
Pacific Quay
Glasgow G51 1PQ
Tel: 0141 300 3074
Email: jane.tames@stv.tv

Company registration number

SC203873

Annual Report on internet

The 2015 Annual Report of STV Group plc including the financial statements is available at: www.stvplc.tv

Amalgamation of accounts

Shareholders who receive duplicate sets of Company mailings because they have multiple accounts should write to the Registrars to have the accounts amalgamated.

Investor relations

For investor enquiries please contact:

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PR Manager
STV Group plc
Pacific Quay
Glasgow G51 1PQ
Tel: 0141 300 3670
Email: eleanor.marshall@stv.tv

Share price information

The share price of STV Group plc is published in most newspapers and the current price of the Company's shares (delayed by up to 15 minutes) can be obtained from the Company's website www.stvplc.tv

Individual Savings Accounts (ISAs)

The Company has Maxi and Mini ISAs which offer United Kingdom resident shareholders a simple, low-cost and tax efficient way to invest in the Company's shares. Full details and an application form are available from Stocktrade, a division of Brewin Dolphin Securities Limited, on: 0131 240 0441.

Dividend Reinvestment Plan

STV Group plc operates a Dividend Reinvestment Plan to provide United Kingdom shareholders with a facility to invest cash dividends by purchasing further STV Group plc shares. Further details are available from the Registrar on: 0371 664 0381.**

Your shareholding

You can check your shareholding at any time by visiting the Registrar's website at: www.capitashareportal.com

Capita share dealing services

Capita offer a quick and easy share dealing service to buy or sell STV Group plc shares. An online telephone dealing facility is available providing STV Group plc shareholders with an easy to access and simple to use service. There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing services allow you to trade 'real time' at a known price which will be given to you at the time you give your instruction. For further information on this service, or to buy and sell shares, please contact: www.capitadeal.com (online dealing); 0871 664 0445*** (telephone dealing).

- * Calls cost 12p per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales.
- ** Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales.
- *** Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 8am-4:30pm, Monday to Friday excluding public holidays in England and Wales.

Notice of Annual General Meeting

THIS INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in STV Group plc (the 'Company'), please pass this document, together with the accompanying documents to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

The Annual General Meeting is an important opportunity for all shareholders to express their views by asking questions of the Directors and voting on the resolutions.

The Directors consider that each of the proposals detailed in the Notice of Annual General Meeting will be of benefit to and are in the best interests of the Company and the shareholders as a whole. The Directors therefore unanimously recommend that shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own holdings of shares in the Company.

Notice is hereby given that the Annual General Meeting of the Company will be held at Pacific Quay, Glasgow G51 1PQ on Tuesday 26 April 2016 at 11 am for the purpose of considering and, if thought fit, passing the resolutions below.

Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions and Resolutions 12 to 14 (inclusive) shall be proposed as special resolutions.

Ordinary resolutions

1. To receive the annual accounts of the Company for the financial year ended 31 December 2015 which includes the reports of the Directors and the report by the auditors on the annual accounts and the auditable part of the Directors' remuneration report.
2. To approve the Directors' remuneration report in the form set out on pages 50 to 69 of the Annual Report and Accounts for the financial year ended 31 December 2015.

As required by the Directors' Remuneration Report Regulations 2002, the Company's auditors, PricewaterhouseCoopers LLP, have audited those parts of the Directors' remuneration report capable of being audited.

3. To approve a revision to the remuneration policy. The current remuneration policy was approved by shareholders at the Annual General Meeting held on 30 April 2015 and applied from that date. However, due to a typographical error, the level of threshold vesting under the LTIP was incorrectly stated in the 'Policy table for Executive Directors' as 20% of the maximum whereas it ought to have been 25% to reflect the rules of the LTIP. Shareholders are accordingly being asked to approve this revision to the policy in accordance with Section 439A of the Companies Act 2006. For the avoidance of doubt, there are no changes to the policy or the rules of the LTIP and this does not represent an increase in threshold vesting, but the correction of an error. The policy will continue to expire in 2018.
4. To declare a final dividend of 7.0p per ordinary share for the year ended 31 December 2015.

The Board proposes a final dividend of 7.0p per ordinary share for the year ended 31 December 2015 which, if approved, will be paid on 20 May 2016 to all holders of ordinary shares who are on the register of members of the Company at close of business on the record date of 15 April 2016.

5. To elect Ian Steele as a Director of the Company, having been appointed since the last Annual General Meeting.

Ian Steele is standing for election following his appointment as a Non-Executive Director on 1 November 2015. The Articles of Association require that a Director appointed by the Board since the last Annual General Meeting should retire at the next Annual General Meeting and stand for election to the Board in order to give shareholders a chance to confirm the appointment.

Biographical details of Ian Steele can be found on page 37 and the Board confirms that he meets the independence criteria as set out in B.1.1 of the UK Corporate Governance Code.

Resolutions 6 to 8

The Articles of Association require that every year a proportion of our Directors retire and that all Directors have to stand for re-election on the third anniversary of their election or re-election. This gives you the chance to confirm their appointments. In the case of David Shearer, due to his length of tenure as a Director, he will be submitting himself for annual re-election.

6. To re-elect Baroness Margaret Ford as a Director of the Company.

Biographical details of Baroness Ford can be found on page 36 and the Board confirms that she meets the independence criteria as set out in B.1.1 of the UK Corporate Governance Code.

Following formal performance evaluation, Baroness Ford's performance continues to be effective and to demonstrate commitment to the role.

7. To re-elect George Watt as a Director of the Company.

Biographical details of George Watt can be found on page 36 and following formal performance evaluation, Mr Watt's performance continues to be effective and to demonstrate commitment to the role.

8. To re-elect David Shearer as a Director of the Company.

Biographical details of David Shearer can be found on page 36.

Following formal performance evaluation, Mr Shearer's performance continues to be effective and to demonstrate commitment to the role.

9. To re-appoint PricewaterhouseCoopers LLP as the auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid.
10. To authorise the Audit Committee to fix the remuneration of the auditors of the Company.

Notice of Annual General Meeting

11. That for the purpose of Section 551 of the Companies Act 2006, the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of that Act):
 - (a) up to an aggregate nominal amount of £6,549,705; and
 - (b) up to an aggregate nominal amount of £6,549,705 in connection with a rights issue in favour of the ordinary shareholders of the Company where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them in the Company, or in favour of the holders of other equity securities as required by the rights of those securities, subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matters, provided that this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of the resolution, but so that the Directors may at any time prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired; and all unexercised authorities previously granted to the Directors to allot equity securities are revoked.

The Directors require the authority of shareholders to allot the Company's shares and the first part of this resolution extends for a further year the general authority for the Directors to allot a limited number of ordinary shares (13,099,410 being shares representing one third of the ordinary issued share capital of the Company as at 14 March 2016, excluding treasury shares, none of which are held by the Company) to provide the flexibility to take advantage of business opportunities as they arise. The second part of this resolution allows the Directors to allot a limited number of ordinary shares (13,099,410 being shares representing one third of the ordinary issued share capital of the Company as at 14 March 2016, excluding treasury shares, none of which are held by the Company) pursuant to a fully pre-emptive rights issue of the Company. The authority will terminate at the next Annual General Meeting of the Company, which must be held no later than 30 June 2017. The Directors do not have any present intention of exercising this authority except to satisfy awards of shares under the Company's employee share schemes and no issue of ordinary shares will be made which would effectively alter control of the Company without the prior approval of the Company in general meeting.

Special resolutions

12. That subject to the passing of Resolution 11, the Directors be and are hereby empowered, pursuant to Section 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of that Act) for cash either pursuant to the authority conferred by Resolution 11 or by way of a sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 11 by way of rights issue only) in favour of ordinary shareholders of the Company and other persons entitled to participate therein where the equity securities respectively attributable to the interest of all such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange or by virtue of shares being represented by depositary receipts or any other matter.

- (b) the allotment of equity securities (otherwise than pursuant to paragraph (a) above) having a nominal value not exceeding in the aggregate £982,455,

and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired.

When ordinary shares are issued for cash, they normally have to be offered, in the first instance, to existing holders of ordinary shares in proportion to their respective shareholdings. This resolution renews (although in different terms, as described below) a similar power granted at last year's annual general meeting to grant authority to the Directors to allot a limited number of ordinary shares other than to existing shareholders in proportion to their existing shareholdings.

In previous years this power has been limited (other than in connection with a rights issue or similar pre-emptive issue) to the allotment of ordinary shares representing 5% of the Company's issued share capital. However, in March 2015 The Pre-Emption Group issued a revised Statement of Principles (the 'Statement') which, among other things, refers to the grant of a power in relation to shares representing up to an additional 5% of the Company's issued share capital, provided that such shares are to be allotted only in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue of the relevant shares or which has taken place within the preceding six month period.

The power to be granted by this resolution will therefore be limited, otherwise than in connection with a rights issue or similar pre-emptive issue, to 3,929,823 ordinary shares, representing 10% of the ordinary issued share capital of the Company as at 14 March 2016 and the Board confirms that ordinary shares in excess of an amount equivalent to 5% of the Company's issued share capital will not be allotted for cash on a non pre-emptive basis pursuant to this power other than in connection with an acquisition or specified capital investment of the type referred to in the Statement

It also allows the Directors to allot shares up to a nominal amount of £13,099,410 (representing two thirds of the Company's issued share capital) on an offer to existing shareholders on a pre-emptive basis. However, unless the shares are allotted pursuant to a rights issue, the Directors may only allot shares up to a nominal value of £6,549,705 (representing one third of the Company's issued share capital). The authority will terminate at the next Annual General Meeting, which must be held no later than 30 June 2017. No issue of ordinary shares will be made which would effectively alter control of the Company without the prior approval of the Company in general meeting. The Board also confirms that no more than 7.5% of the issued share capital would be issued on a non pre-emptive basis in any three-year period.

13. That the Company be and is hereby generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693(4) of that Act) of ordinary shares of 50p each in the capital of the Company ('Shares') and the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to purchase the Shares, provided that:
- (a) the maximum number of Shares acquired pursuant to this authority shall not exceed 3,929,823 Shares, the aggregate nominal value of which is £1,964,911.
 - (b) the minimum price (excluding expenses) which may be paid by the Company for a Share purchased pursuant to this authority shall be 50p.
 - (c) the maximum price (excluding expenses) which may be paid by the Company for a Share purchased pursuant to this authority shall not be more than the higher of: (i) 5% above the average of the middle market quotations for a Share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Share is purchased; and (ii) the price stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation (EC2273/2003).

Notice of Annual General Meeting

- (d) unless renewed, the authority conferred by this resolution shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and the expiry of 12 months from the date of passing this resolution, save that the Company may before such expiry make a contract to purchase which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of such Shares after such expiry pursuant to such contract.

This resolution seeks the authority of shareholders to allow the Company to purchase its own shares. The authority sought extends to 3,929,823 Shares, representing 10% of the ordinary share capital of the Company in issue as at 14 March 2016. The maximum price, which may be paid per Share, amounts to not more than 5% above the average of the middle market quotations of the Company's shares for the five business days immediately preceding the date of purchase. The power will only be used if the Board is satisfied that it will be in the best interests of the shareholders generally.

In exercising the authority to purchase the Company's shares, the Directors intend to cancel any shares purchased but may, however, treat the shares that have been bought back as held in treasury and to the extent that any such shares are held in treasury, earnings per share will only be increased on a temporary basis, until such time as the shares are resold out of treasury stock.

As at 14 March 2016 warrants and options to subscribe for 981,860 ordinary shares in the capital of the Company were outstanding, representing 2.50% of the Company's issued ordinary share capital as at 14 March 2016 (excluding treasury shares held by the Company). If the authority to purchase the Company's ordinary shares was exercised in full, these warrants and options would represent 2.78% of the issued ordinary share capital of the Company (excluding treasury shares held by the Company).

14. That the Company be entitled to hold general meetings of the shareholders of the Company (with the exception of annual general meetings) on the provision of 14 clear days' notice to the Company's shareholders.

The Companies Act 2006 (following the implementation of the EU Shareholder Rights Directive) permits the holding of general meetings on 14 clear days' notice provided a special resolution is passed at the Company's Annual General Meeting approving this notice period. The shorter notice period would not be used as a matter of routine for such meetings but only where this was merited by the nature or urgency of the business of the meeting and was thought to be to the advantage of shareholders as a whole.

By order of the Board

Jane E A Tames
Company Secretary

STV Group plc
Pacific Quay
Glasgow G51 1PQ

14 March 2016

Notes

1. Information regarding the meeting, including the contents of this notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the meeting, details of the totals of the voting rights that members are entitled to exercise at the meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, is available from the Investor Centre at www.stvplc.tv
2. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.
3. A proxy need not be a shareholder of the Company but must attend the meeting to represent you. Your proxy could be the Chairman or other person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form.
4. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Capita Asset Services on 0871 664 0300 or shareholderenquiries@capita.co.uk (Calls cost 12p per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales). Alternatively, you may appoint a proxy electronically at www.capitashareportal.com. Please see the notes to the form of proxy for further details.
5. To be valid any proxy form or other instrument appointing a proxy must be received by post or online or (during normal business hours only) by hand at Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF no later than 11.00am on 24 April 2016 or 48 hours before the time of any adjournment of the meeting.
6. The return of a completed proxy form, in writing or online or any CREST Proxy Instruction (as described in paragraph 11 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
7. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The right to appoint a proxy cannot be exercised by a Nominated Person. However, a Nominated Person may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6pm on 24 April 2016 (or, in the event of any adjournment, at 6pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting or the adjourned meeting.
9. As at 14 March 2016 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 39,298,231 ordinary shares of 50p each, carrying one vote each. The Company does not hold any ordinary shares in the capital of the Company in treasury. Therefore, the total voting rights in the Company as at 14 March 2016 are 39,298,231.

Notice of Annual General Meeting

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications, and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrars, Capita Asset Services (IDRA10) by 11.00am on 24 April 2016 or 48 hours before the time of any adjournment of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services on 0871 664 0300 or shareholderenquiries@capita.co.uk (Calls cost 12p per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales). If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
15. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:
 - by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice
 - by sending an e-mail to shareholderenquiries@capita.co.uk

In either case, the revocation notice must be received by Capita Asset Services no later than 8am on 26 April 2016 or 3 hours before the time of any adjourned meeting thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Annual General Meeting and voting in person. If you have appointed a proxy and attend the Annual General Meeting in person, your proxy appointment will automatically be terminated.

16. The Company must answer any question asked which relates to the business being dealt with at the meeting unless:
- (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (ii) the answer has already been given on a website in the form of an answer to a question; or
 - (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
17. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to:
- (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or
 - (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company cannot require the shareholders requesting any such website publication to pay its expenses. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

18. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless it:
- (i) would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise);
 - (ii) is defamatory of any person; or
 - (iii) is frivolous or vexatious.

The business which may be dealt with at the Annual General Meeting includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the Annual General Meeting.

Notice of Annual General Meeting

19. Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless it:
 - (i) is defamatory of any person or
 - (ii) is frivolous or vexatious.

A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the Annual General Meeting.
20. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
21. Copies of Executive Directors' service agreements and copies of the letters of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours from the date of this notice until the close of the Annual General Meeting (Saturdays, Sundays and public holidays excepted) and will be available for inspection at the place of the meeting for at least 15 minutes prior to and during the meeting.
22. Except as provided above, members who have general queries about the Annual General Meeting should call our shareholder helpline on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales).

You may not use any electronic address provided either:

- in this notice of Annual General Meeting
- any related document (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.



The STV Appeal 2016 is here

Visit www.stv.tv/appeal to see how you can help.

STV Group plc
Pacific Quay
Glasgow G51 1PQ
Tel: 0141 300 3000
www.stv.tv

Company Registration Number SC203873