ANNUAL REPORT AND ACCOUNTS 2020

RESILIENCE AND PROGRESS IN AN EXTRAORDINARY YEAR

While 2020 was a challenging year, the pandemic crisis strengthened our connection with our audience. We achieved record viewing numbers as people turned to Scotland's public service broadcaster for news, information and entertainment.

STV Studios production *Celebrity Catchphrase* was the first UK entertainment show to get back into studio after the Covid-19 lockdown. The safety of everyone involved was the utmost priority, but it was good to see our cameras and lights back in action.

The resilience of our people, culture, operations and business strategy came to the fore across all divisions. We continued to deliver for our viewers, communities and commercial partners; to diversify; and to deliver a strong performance.

Contents

View our Annual Report and Accounts and other information about STV at

STVPLC.TV

2020 FINANCIAL AND OPERATIONAL HIGHLIGHTS

REVENUE
(£ millions)

£107.1m

2019: £123.8m

OPERATING PROFIT[1]
(£ millions)

£18.2m

2019: £22.6m

TOTAL ADVERTISING REVENUE
(£ millions)

£90.9m

2019: £101.6m

NON-BROADCAST PROFIT
(%)

34%

2019: 28%

EPS[2]
(pence)

37.5p

2019: 45.8p

DIVIDEND PER SHARE[3]
(pence)

9.0p

2019: 6.3p

[1] Before exceptional items.
[2] Before exceptional items and IAS19 finance costs (note 30); 2019 restated to reflect the bonus issue in December 2020 (note 10).
[3] Dividend of 21p was disclosed in Annual Report in FY19. This comprised interim dividend of 6.3p plus proposed final dividend of 14.7p, the latter subsequently cancelled in order to retain cash in the business in the face of the Covid-19 pandemic.

THE STV INVESTOR PROPOSITION

STV Group plc has consistently delivered strong progress against its strategic objectives originally set out in its three year plan in 2018 and has demonstrated clear advancement even against the backdrop of Covid-19.

Therefore, we begin 2021 in a strong position to build on these foundations and deliver the next stage of strategic growth for stakeholders.

Our offering is clear and strong and delivered across three business divisions:

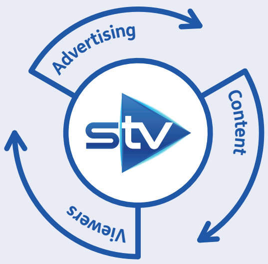
- We are the home of news and entertainment in Scotland, holding a unique and privileged position as Scotland's commercial Public Service Broadcaster, trusted and relied upon by our viewers and commercial partners alike. Our commercial USP is our impressive reach of four out of five adults every month in Scotland.
- Our digital streamer, the STV Player, is now available on all major platforms UK-wide, with 3,000 hours of Player-only content alongside a compelling network schedule, creating a unique content offering. It is the fastest growing broadcaster video on demand service in the UK.
- With the creative and organisational renewal of STV Studios now complete, and strong momentum in commissions from a wide range of broadcasters, the production business is now in a position to deliver a real profit contribution to the Group.

Our people sit at the heart of our business and their health and wellbeing, working within an inclusive and empowering environment, is of critical importance.

STV's role as a Public Service Broadcaster and pre-eminent marketing platform, combined with the high levels of trust in the brand, means the business holds a unique position to raise awareness of environmental issues and challenges and positively influence consumer behaviour. In early 2021, we confirmed our commitments on sustainability, with a new target to be net-zero carbon by 2030.

Our creative and commercial goals, with vital objectives around diversity and inclusion, mental health and sustainability, will make us a more successful business for the long term.

STV business model



THE STV OFFER

A FAMILY OF STRONG BRANDS, CONTENT AND PRODUCTS

CLEAR, PROVEN STRATEGIC OBJECTIVES DELIVERING RESULTS

MAXIMISING THE OPPORTUNITIES IN OUR MARKET PLACE

WORKING IN PARTNERSHIP TO DELIVER GROWTH

KEY TARGETS TO MEASURE SUCCESS

WE BEGIN 2021 IN A STRONG POSITION TO DELIVER THE NEXT STAGE OF STRATEGIC GROWTH FOR STAKEHOLDERS

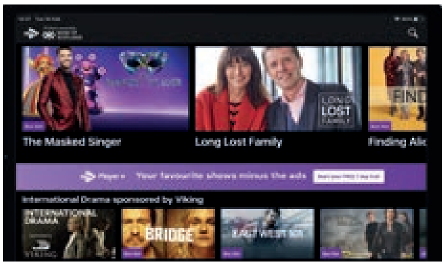
BROADCAST

MAXIMISE THE VALUE OF OUR BROADCAST BUSINESS

NO.1

Scotland's No.1 peak time TV channel

DIGITAL



DRIVE DIGITAL GROWTH VIA A UNIQUE, WIDE-REACHING PROPOSITION

FASTEST

UK's fastest-growing broadcaster VOD service

STUDIOS

BUILD A WORLD CLASS PRODUCTION BUSINESS

BIGGEST

Scotland's biggest production company

Our key diversification target has been to increase the proportion of the Group's operating profit from non-broadcast earnings. In 2020 we achieved our target of at least one third, hitting 34%; **our target for the next three years will be to increase that further to at least 50%.**

CHAIRMAN'S STATEMENT

The last 12 months have been extraordinary and extremely challenging for everyone.

At our 2019 results, announced on 10 March 2020, STV's key performance metrics were at historic highs following the successful implementation of the new growth strategy put in place by the CEO and his management team, with strong digital and regional growth driving a double digit increase in operating profit. However, at that time there had been little effect on the business from Covid-19. Following the onset of the pandemic, the priority was to ensure the safety of our people and that STV was well positioned to continue its successful growth strategy even in a downside scenario.

Covid-19

The economic impact of the Government's lockdown measures was significant and STV responded proactively to mitigate the commercial impacts of Covid-19 by maximising cash retention and saving costs, which included the Management Board and STV directors taking a voluntary 25% pay cut. Like many other companies, our final FY19 dividend was cancelled and Directors agreed that a complementary and balanced package of debt (through increasing the current bank facility) and equity (from conducting a share placing) would strengthen the balance sheet and was the most appropriate action to take.

All parts of our business were impacted but our teams have shown incredible resilience. The Studios business joined forces with broadcasters to help introduce new industry wide guidance for producing TV safely. As a trusted source throughout 2020, *STV News at Six* cemented itself as the best watched news programme in Scotland and our digital strategy to expand STV Player continued throughout the pandemic, demonstrating considerable growth.

Nurturing our people

Although the focus during 2020 was on costs, cash and performance, protecting our staff has been equally important and while many were placed on furlough, all received 100% of their salary during that time. Our management team was conscious of the mental health of employees and in addition to there being significantly more communication, both within business areas/teams and also across the whole company, employees were encouraged to make use of STV's Employee Assistance Programme, which provides a 24/7 telephone counselling service; Occupational Health; a team of Mental Health First Aiders and other resources available through our '*Wellbeing from STV*' programme.

In terms of workplace planning to ensure the safety and wellbeing of all staff and that STV was Covid-19 secure, guidance was issued on the measures put in place to achieve physical distancing and maintain safe working environments. The capacity of each office was reduced and new safety measures, including distance markers, signage and a strict cleaning routine were introduced with employees' temperatures being taken before entry could be gained.

I am particularly grateful to all our staff for their resolve and commitment through this testing time and for their determination and hard work in helping to tackle this public health emergency while supporting our communities and customers.

Corporate social responsibility

I am proud that STV has been there for its viewers every step of the way during the pandemic, at the same time as taking care of its advertisers through the STV Growth Fund and its local communities, through the STV Appeal. STV is committed to driving the Scottish economy by championing Scottish SMEs, providing a platform to grow their businesses and build their brands on television and it has an unrivalled connection with consumers, reaching at least 80% of Scots every month. In March 2020, we announced the doubling of our STV Growth Fund to £20 million to make advertising even more affordable and accessible for Scottish SMEs looking to bounce back from Covid-19.

During 2020, working closely with the Scottish Government, STV Children's Appeal was able to commit a total of over £3.6 million to tackling the impacts of child poverty, making more than 860 awards and reaching every Local Authority in Scotland which was an extraordinary outcome given the lack of mass participation events. We were overwhelmed by the incredible generosity of STV viewers – particularly at a time when donating may be harder to do than normal. Their support, along with that of our community heroes and corporate fundraisers, will make a real difference to the one in four children living in poverty throughout the country.

2021 and beyond

Having taken proactive steps to strengthen the business and support our people, the focus is now on accelerating our successful strategy to grow and diversify STV. While there has been a significant impact from Covid-19, the crisis has reinforced the fundamentals of STV's diversification strategy, with delivery accelerating (i) continued record audience growth on TV and online; (ii) clear market leadership in Scottish advertising; (iii) a digital business going from strength to strength; and (iv) tangible progress in Studios with a pipeline converting into significant new commissions and talent deals. We will continue to manage cash and costs carefully, with our variable broadcast cost base offering ongoing protection, but we are confident in the resilience of our business and its future prospects. Therefore we are delighted to

‘I AM PROUD THAT STV HAS BEEN THERE FOR ITS VIEWERS EVERY STEP OF THE WAY DURING THE PANDEMIC’

Baroness Margaret Ford OBE

propose a final cash dividend of 6p per share to shareholders for approval at the AGM. In advance of this payment, and as a reflection of our stronger than expected financial performance in 2020, we will repay all furlough grants received from the UK Government. Finally, I would like to thank Simon Pitts, our CEO; Lindsay Dixon, our CFO; and our management team for their efforts and dedication over this past difficult year. Many thanks also to my Board colleagues for their considerable contribution and above all, I would like to thank our loyal shareholders for their ongoing support. A particularly warm welcome is extended to Paul Reynolds and Aki Mandhar, who joined as non-executive directors on 1 February this year.

I have served as Chairman for over seven years and will be retiring at the forthcoming AGM. Paul Reynolds will take up the role of Chairman following the AGM and I wish him every success – I know I leave STV in capable hands and that it is well positioned to resume its successful growth strategy with its strong track record of delivery.

Baroness Margaret Ford OBE
Chairman

↑
Antiques Road Trip gets back on the road under strict new Covid-19 safety protocols.

↑
Daily Record Pride of Scotland Awards, in partnership with TSB is STV’s biggest ever advertiser-funded single programme.

↑
Scottish rock royalty Biffy Clyro perform as part of STV Children’s Appeal show, which, across 2020, raised £3.6 million.

STV 2020 STRATEGIC PROGRESS

2020 has been exceptional in so many ways. I have never felt prouder of our people than this past year. In the most challenging of circumstances, they have shown creativity, resilience, good humour and, most important of all, a real sense of support for one another, whatever the last few months has thrown at them.

It has, however, been challenging for everyone, whether on furlough, working from home or coming into our studios as key workers. But we have not only survived this pandemic, we have in many ways thrived while proudly serving our viewers and customers, and this is down to the incredible STV team, our shareholders and all our partners.

Broadcast
Our broadcast channel has delivered a record breaking performance this year with viewing up 14% year on year. People have been staying at home and our broadcast schedule has provided them with a compelling mix of entertainment, top quality drama and informative Scottish news and current affairs. But the strong audiences haven't just been down to the lockdown effect. We have been winning share versus our competitors and stretching our lead as the most watched peak time TV station in Scotland. We also achieved our highest all time share in 12 years, and are now neck-and-neck with BBC One across the whole day, quite an achievement given the BBC's far greater funding.

Our news team have worked tirelessly and with endless creativity to bring viewers the story of Coronavirus in Scotland in a way that they can relate to and trust, day in day out. With more than half a million tuning in each evening, *STV News at Six* has this year cemented its position as the most watched news show in Scotland, as well as winning another RTS Scotland award for Best News Programme.

The mission of STV's Commercial team is to help drive the Scottish economy and never has there been a more important year for us to step up to help Scottish SMEs. We are very proud of our partnerships with hundreds of businesses right across the country and, shortly after the pandemic hit, we doubled the STV Growth Fund to £20 million to help local businesses recover from the bleak lockdown period. We also created STV's Local Lifeline which allocated £1 million of free airtime to businesses and charities that were helping the most vulnerable in our communities and deserved to have their brands put up in lights.

Studios
Making TV shows is all about creativity but our Studios team have had to take this to new heights in 2020 to keep our shows in production. We were very proud that *Celebrity Catchphrase* was the first major entertainment show in the whole of the UK to get back into the studio in July under strict new Covid-19 safety protocols, and *Antiques Road Trip* was back on the road by the end of the summer. Their innovation and meticulous attention to detail to keep shows safely in production has been reassuring and impressive in equal measure, and in many cases I think our viewers would be hard pressed to tell the difference on screen between a show made pre and post Covid-19, which is quite a feat.

After the safety of our people, our next biggest priority in STV Studios has been to maintain the creative momentum we had been building pre pandemic and I'm delighted we were able to do that with a record 19 new commissions (16 series and three single programmes), the largest number ever in a single year. This includes a major new prison drama series for Channel 4, *Screw*, a four part series on the Royal family for Channel 5 – commissioned, produced and delivered during lockdown, no less – and an ambitious new series for Sky Arts, *Landmark*, Primal Media's first commission as part of the STV Studios family.

Digital
We heard a lot of talk about the success of Netflix and Disney+ during lockdown, but our streaming service, STV Player, is now the fastest growing broadcaster VOD service in the UK, with online viewing up 68% year on year. 2020 was the year STV Player broke out of Scotland for the first time in a meaningful way, increasing our addressable audience twelvefold to around 51 million adults by launching on all major platforms including Virgin Media, Freeview and most recently Sky. We've worked hard to improve our content offer outside Scotland, building a library of 3,000 hours of Player-only content with a particular focus on high quality drama boxsets from around the world. We therefore entered 2021 with confidence and excitement as we seek to further accelerate our digital growth and build a brand new audience.

A force for good
STV's position as a Public Service Broadcaster (PSB) with a strong marketing 'shop window' allows us to use the power of television to do good things and effect change. And never has that been more important than in 2020.

As we all know, the impact of this pandemic has not been felt evenly across Scotland or the UK, with the vulnerable in society particularly challenged. In close partnership with the Hunter Foundation and the Scottish Government, the STV Children's Appeal has raised £3.6 million to support hundreds of charities across Scotland to help those who need it most.

The impact this pandemic is having on the nation's mental health is undeniable and will be felt long after the immediate medical threat of the virus recedes. The health and wellbeing of our people is paramount and we have worked particularly hard to ensure STV colleagues feel supported, but there is plenty more that needs to be done. To that end we have agreed a long term partnership with Scotland's mental health charity SAMH to pool our resources in a number of areas including wellbeing and resilience training for our STV colleagues, and raising awareness for both our viewers and business partners. On screen we've been

'IN MANY WAYS WE HAVE NOT ONLY SURVIVED THIS PANDEMIC, WE HAVE THRIVED WHILE PROUDLY SERVING OUR VIEWERS AND CUSTOMERS'

Simon Pitts

delighted to build on our partnership with ITV on the Britain Get Talking campaign, with Ant & Dec fronting a major push to encourage families and friends to talk as well as raise money for mental health support lines.

In the summer, against the backdrop of the death of George Floyd and the Black Lives Matter movement reverberating around the world, we set out a renewed public commitment to using our privileged position as an employer, producer and public service broadcaster to address the longstanding and systemic issue of racism and improve the representation of Black, Asian and Minority Ethnic people both on and off screen. As a company we are making progress on diversity across the board, through the STV Open Access Charter, with our Diversity & Inclusion Steering Committee, and with our network of peer groups all empowered to make impactful and lasting changes to the way we run our business. However, we can and must do more and our action plan – containing specific on and off screen targets over the next three years – is intended to be a catalyst for long term, positive change to the benefit of our people, our audiences and our partners.

STV's role as a PSB and pre-eminent marketing platform, combined with the high levels of trust in the brand, means the business holds a unique position to raise awareness of environmental issues and challenges and positively influence consumer behaviour. In early 2021, we confirmed our commitments on sustainability, with a new target to be net zero carbon by 2030.

The Covid-19 pandemic has thrown the importance of Public Service Broadcasting firmly into the spotlight, with this year's record audience levels demonstrating a very strong case for the continuation of PSB. But there is a need to change the regulatory landscape in order to safeguard the benefits of the UK's broadcast regime for the future. Our regulator Ofcom, together with the UK Government, has begun a review of PSB and as part of that we will continue to argue that free-to-air, high quality, impartial local news must be protected; that decisive action must be taken to ensure PSB content is prominently displayed and easy for viewers to find on all platforms; and that a level regulatory playing field is required with online competitors, particularly in advertising regulation.

As a business, I am confident we have taken all the necessary steps to mitigate against the impact of Covid-19. We strengthened our balance sheet to enable the ongoing investment in our successful growth strategy by completing a share placing in the summer and raising net proceeds of £15.5 million from our supportive shareholder base, as well as increasing our bank facilities from £60 million to £80 million. We also swiftly implemented cost and cash savings, and accessed the furlough scheme where necessary, topping colleagues up to 100% of salary.

Looking ahead

Overall, we ended the year in a far better position than we could have hoped. Our continued digital growth, tight cost management and the strong recovery of STV-controlled local and digital advertising post lockdown meant that our operating profit and net debt position for 2020 finished comfortably ahead of market expectations, providing a strong foundation for a return to growth in 2021, pandemic permitting. These foundations are supported by the refinancing of bank facilities in March 2021, providing flexibility to invest for future growth.

I'm more convinced than ever that we have the right long term growth strategy for the business, and our focus is firmly on accelerating that diversification strategy over the next three years to the end of 2023, with a view to:

- Doubling digital viewing, users and revenues;
- Quadrupling production revenues; and
- Delivering at least 50% of operating profit from outside traditional broadcasting.

Overall, we have strong foundations to build on over the years to come as we transition from a linear broadcast business towards becoming a digital-first, IP-focused entertainment company.

I would like to thank our Chairman, Baroness Margaret Ford, who has served on our board for almost eight years and steps down as planned at this year's AGM. Margaret has been an outstanding Chair and we will all miss her expert stewardship, guidance and unstinting support, particularly through these unprecedented times. I am also very grateful to the rest of the Board for their wise counsel and tireless support this past year. And I'm delighted that Paul Reynolds will succeed Margaret in April, having joined the board alongside new Non-Executive Director Aki Mandhar on 1 February this year.

Finally I'd like to say another huge thank you to our STV team who all stepped up so magnificently in 2020. Making the progress we have in this most challenging of years fills me with confidence and excitement for the years to come, whatever the future holds.

Simon Pitts
Chief Executive Officer

DAILY RECORD PRIDE OF SCOTLAND AWARDS, IN PARTNERSHIP WITH TSB

Exclusive performance from Tom Walker and the Red Hot Chilli Pipers as part of STV's Hogmanay show, *Daily Record Pride of Scotland Awards, in partnership with TSB.*

DES

Biggest new drama launch in 18 years on STV.

ANTIQUES ROAD TRIP

STV Studios secured a bumper commission for four series of *Antiques Road Trip* and two series of *Celebrity Antiques Road Trip* for the BBC and production got back on the road with strict Covid-19 safety measures in place.

I'M A CELEBRITY... GET ME OUT OF HERE!

First episode of the series was most watched single transmission on STV in 2020 with more than 1.2 million viewers.

LANDMARK

Primal Media's first commission as part of STV Studios – a groundbreaking seven-part series for Sky Arts to create the next great British landmark.

IN CONVERSATION WITH BERNARD PONSONBY

New series exclusively produced for STV Player.

STV NEWS AT SIX

Most watched news programme in Scotland achieving the highest average audience and viewing share in its history.

LORRAINE KELLY STV CHILDREN'S APPEAL

The programme and the channel takeover reached over 1.3 million Scots.

BRITAIN'S GOT TALENT

Dance group Diversity's performance on *Britain's Got Talent* in response to Black Lives Matter movement.

SEAN BATTY

Weatherman Sean set up a Mini Met team of children and young people who provided weather observations across the country with 800 members joining during lockdown.

GRACEPOINT

Acquired box set dramas on STV Player helped boost viewing by 65% in 2020.

OPERATING REVIEW – BROADCAST

Bobby Hain
Managing Director

+14%
A record viewing performance on STV, with all time audience up 14% year on year

19.2%
highest all time share in 12 years

4 out of 5
adults watch STV every month

↓
The Chase
Daytime audience has soared with *The Chase* up 21% in 2020 – the highest audience ever for the show.

Audiences for our broadcast channel have soared in 2020. With people staying at home and seeking trusted facts, information and entertainment in equal measure, we anticipated an increase in viewing – but the record breaking performance for linear viewing has surpassed our expectations and the fact we have been consistently winning share from our competitors shows this isn't just the lockdown effect.

With an extremely strong content offering, STV has retained its position as the most watched peak time TV channel in Scotland – 10% higher than the nearest competitor. Our all time audience saw year on year growth in every month of 2020 except January, with the biggest month in terms of all time audience growth being April (+27%), at the height of the first lockdown.

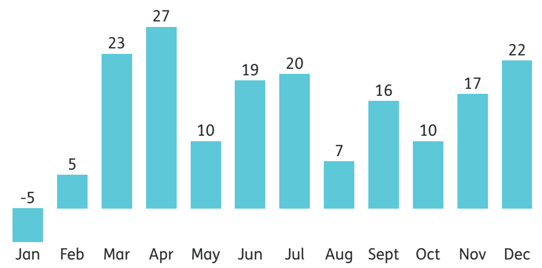
We've maintained much of that momentum during the year and, across all time, STV has the biggest year on year share gain of any channel in Scotland, up 0.9 share points or +5% year on year. Indeed, we've achieved our highest all time share in 12 years (19.2%, compared with 19.7% in 2008). We finished the year with a record viewing performance on our broadcast channel, up 14% year on year (which compares very favourably to the ITV network, which was +5% year on year).

Much needed entertainment

Entertainment juggernaut *I'm A Celebrity... Get Me Out Of Here!* is always a winter winner and this year, despite swapping sunny New South Wales for rainy South Wales, was no different. The first episode was the most watched single transmission on STV this year, with more than 1.2 million viewers – the highest opening transmission in the show's 20 year history.

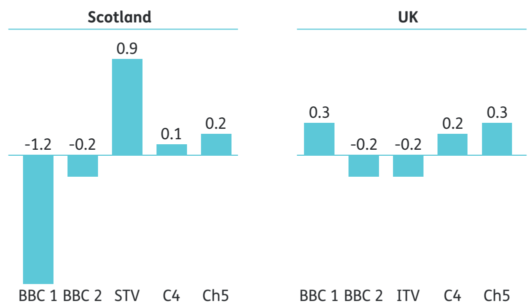
Drama provided much needed escapism for viewers in 2020. Network production, *Des*, based on real life murderer Dennis Nilsen played by David Tennant, was the biggest new drama launch in 18 years on STV and remains the most watched drama of the year across all channels in Scotland (863k average audience). The remake of classic detective drama, *Van der Valk*, was released at the height of lockdown and is one of the top ten shows of the year.

All time average audience YoY (%)



Source: BARB Jan-Dec 2019, Jan-Dec 2020, individuals

YoY change in share (share points)



Source: BARB Jan-Dec 2019, Jan-Dec 2020, individuals

With more people at home during the day, our daytime audience has soared – upwards of 55% in April, June and July. All of our major daytime shows increased their audience year on year: *Lorraine* was up 27% and *This Morning* up 44%, with quiz shows *Tipping Point* and *The Chase* up 25% and 21% respectively – all of these shows had their biggest yearly audiences ever. This significant growth in daytime viewing, +26% year on year, has seen us attracting new audiences to daytime viewing with ABC1s +19% and 35-55s up 50%.

Resilience of local advertising

Like all media businesses our advertising revenues have been seriously impacted by the pandemic. At the height of the uncertainty in April, May and June, we saw unprecedented declines, with the quarter finishing down nearly 40%, worse than anything seen in the 60+ year history of commercial television.

But with restrictions easing across the summer, TV advertising showed its resilience and came back strongly, illustrating the important part it will play in the economic recovery post Covid-19. Local advertising in Scotland proved particularly resilient, boosted by our Growth Fund which makes advertising on TV more cost effective and accessible, with several new advertisers choosing to book with us for the first time, along with the Scottish Government also making TV first choice for their vital public information campaigns around Covid-19. >>

SPOTLIGHT: THE STV GROWTH FUND AND LOCAL LIFELINE

The STV Growth Fund is an investment fund introduced in 2018 to make advertising more accessible and affordable for SMEs. It's less than three years old but has already delivered more than 550 deals, with over 200 clients new to television advertising.

When lockdown hit, we launched Local Lifeline – £1 million worth of free airtime from the Growth Fund for charities and businesses who were working tirelessly to sustain their organisations whilst helping the most vulnerable in our communities. In total, 105 local heroes were celebrated on air. From football clubs delivering prescriptions and walking dogs, an engineering company donating face masks and a zoo bringing its experience online for kids to enjoy – the campaign truly marked the community spirit across Scotland.

The STV Growth Fund was doubled to £20 million when the pandemic hit and the commercial team has never been more committed to supporting the Scottish business community and boosting the economy as the country seeks to recover from Covid-19. Commended by the Scottish Government and the advertising industry alike, our ambition to continue to grow the Fund into 2021 and make it even more accessible to SMEs is a priority.

Overall, total advertising revenue finished 10% down across 2020, a very creditable performance given the circumstances, with national advertising down 14%. We were pleased that STV-controlled advertising in particular (local advertising and sponsorship plus digital advertising and sponsorship) actually finished slightly ahead of last year, which is a real testament to the creativity and commitment of STV's commercial team.

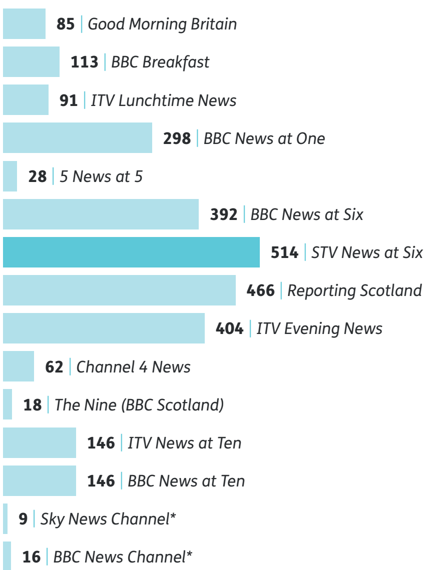
A must-watch television schedule

Our USP remains the same: the consistent delivery of mass audiences to a high quality, must-watch television schedule containing a unique combination of flagship network titles and bespoke Scottish content – every day of the week. We reach four out of five adults every month (3.2 million), making us the most effective medium for advertisers to market to their audiences. 97% of the programmes on commercial TV attracting audiences greater than half a million viewers in Scotland in 2020 were on STV, and we still offer the highest reach of any channel in Scotland for 'Main Shoppers' and the hard-to-reach 16-34 audience. The fact that TV viewing is 14% higher in Scotland compared with the rest of the UK, and our peak time audience (345k) is higher than the top 10 commercial channels combined, helps too.

Tribute to Donald John MacDonald

We very sadly lost a valued member of our STV News team this year with the passing of Donald John MacDonald. Donald was Editor of STV North, where he worked for 36 years with a passion for journalism and dedication to serving our audiences in the north of Scotland. He is greatly missed by all of our colleagues. We will be marking his significant contribution to STV and journalism in 2021.

All major news programmes (thousands)



* Average audience across a day (09.30-24.00) Source: BARB Jan-Dec 2020, individuals, Mon-Fri

SPOTLIGHT: STV NEWS AND OUR PUBLIC SERVICE ROLE

Public Service Broadcasting has come into its own during this pandemic, and high quality regional news is at its heart. In a climate of uncertainty, against an upsurge in misinformation and so-called fake news, people have sought news they trust and is relevant to them.

2020 has been an exceptional year for the STV News team, who have demonstrated incredible resilience, commitment and talent in providing a much-valued service.

STV News at Six, which was already the most-watched news programme in Scotland, has seen its audience rise and – more importantly – retain that loyal viewership across the year. In 2020, the programme achieved the highest average audience (514k) and viewing share (34.8%) in its history, and is now tracking 10% higher than the competition (previously +3%). The 2020 audience is a significant improvement on 2019 – average audience +32% from 390k and viewing share up 16% (or +5 share points).

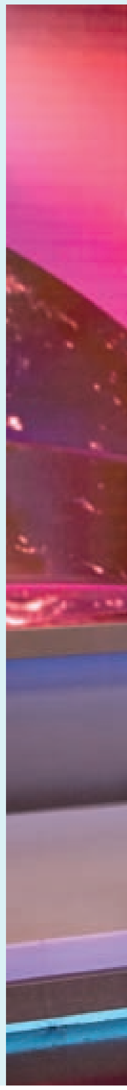
In 2019, five editions of *STV News at Six* attracted over half a million viewers; in 2020 this figure was 152, more than half our output. Our enhanced website, which we re-launched in January 2020, has seen almost 200 million views this year.

The health and safety of our news teams and contributors is paramount and as such, we moved temporarily to a combined pan-Scotland programme during lockdown and across the summer. Throughout this period, journalists and presenters from both our licence areas contributed to every programme ensuring a familiar and reliable service representing the whole of Scotland.

Despite the restrictions, the team covered meticulously all the breaking news of 2020. In addition to full and regular updates on Covid-19, our teams presented live on location from the Glasgow City Centre stabbing and shooting incident and the train derailment outside Stonehaven.

Out of necessity, our current affairs programme, *Scotland Tonight*, was reduced to one episode per week during the height of the pandemic. This programme was broadcast in peak time to make it accessible for viewers, delivering a strong average audience in excess of 200k. A special edition featuring the First Minister early on in the pandemic delivered an outstanding average audience of 435k. *Scotland Tonight*'s top 22 performing episodes in terms of average audience across its nine year history were broadcast in 2020.

Our programming must reflect the diversity of our audience, with fair and diverse representation of minority groups on air and within the news room. We have set stretching targets in these areas. We've committed to a minimum of 8% Black, Asian and Minority Ethnic (BAME) representation among contributors in news by the end of 2021 (doubling where we were) and maintaining a minimum of 12% of BAME contributors in *Scotland Tonight*. STV works closely with *Women in Journalism*, seeking at least 50% representation of women on air; and the *Pass the Mic* initiative, aimed at increasing visibility of expert women of colour on air.



↗
Kelly-Ann Woodland, reporting on Covid-19 impact on Skye tourism.

→
Sports presenter, Raman Bhardwaj reports from Celtic Park during a football season like no other.

↓
Scotland Tonight provided trusted insight and analysis during the height of the pandemic in a weekly peak time programme.

OPERATING REVIEW – DIGITAL

Richard Williams
Managing Director

+68%
online viewing in 2020

3,000
hours Player-only content

+50%
active monthly users

Take the High Road
1,517 episodes of the classic Scottish soap are being introduced to a new generation on STV Player so far attracting over 2 million streams.

2020 has been a year of accelerated growth for STV Player. We have been able to offer something for everyone, which has been particularly important given the amount of time our viewers have been spending at home. But our digital viewing gains certainly haven't just been a lockdown phenomenon. Our successful UK-wide roll-out, the launch of thousands of hours of Player-only content on our platform and the introduction of technical improvements to enhance the user experience, have all combined to propel STV Player to become the fastest-growing broadcaster VOD service in the UK.

The growth figures are exceptional. Online viewing is up 68% for 2020 year on year – VOD viewing +57%, with live simulcast viewing +97%.

The network schedule continues to drive visitors in their millions, with shows such as *I'm A Celebrity... Get Me Out of Here!*, drama series *Des* and *White House Farm*, and soaps *Emmerdale* and *Coronation Street*, all delivering record-breaking audiences. But notably, our carefully-selected acquired Player-only content – which crucially remains free to watch – is making a real impact, with the digital viewing numbers vindicating our strategy. One in three streams in 2020 was to our Player-only titles. Across the year, active monthly users are up 50% year on year – which means more people, watching more content, more often.

Despite very tough trading conditions for advertising, VOD advertising revenue on STV Player continued its strong growth in 2020, up 11% in H2, up 12% for the full year, and finishing 2020 with four consecutive months of growth.

Content strategy

Our high-quality mix of premium UK and international drama box sets, live sports and music channels, addictive reality TV formats, gripping factual series and a broad range of entertainment and lifestyle shows, are all inviting viewers in and encouraging them to stay.

Our top quality drama box sets are leading the way. Eight out of the top 15 best-watched shows were STV Player-only content. *The Bridge* was our top drama in 2020 beating all Network drama titles with two million streams in total.

New live channels complemented the mix. Our offering for sports fans was increased, with a host of shows covering a vast range of sports analysis and documentaries appearing alongside live channels, FreeSports and EDGEsport.

We're also proud to host a vault of home-grown Scottish classics on STV Player, such as gritty crime dramas *Taggart* and *Rebus*, travelogue *Weir's Way* and more recent regional titles *Scotland Revealed* and *Sean's Scotland*, all of which are hugely popular. The decision to re-publish classic Scottish soap, *Take the High Road*, from its beginning during lockdown was a strong one – more than two million people have escaped to the fictional town of Glendarroch on STV Player in 2020 and with over 1,500 episodes in total, we expect them to stay with us well into 2021. We were also proud to bring exclusive Scottish acquisitions to STV Player, including travelogue *North Coast 500* and underdog football documentary, *Brave Calling*.

Our Player-only content now totals 3,000 hours, with around 1,200 of these newly acquired in 2020, and is regularly refreshed to continue to pique fans' interest. Total streams for these titles are hugely encouraging and for the first time ever, Player-only content has started appearing in our top 10 most-watched shows alongside linear network programming.

We have secured strong relationships and key content deals with a number of distribution partners such as DCD Rights, Banijay, Fred Media, Broken Arrow and all3media International, and we will continue to enhance these partnerships going forward. >>

SPOTLIGHT: STV PLAYER – MORE CONTENT AND NEW PARTNERS

Key to our expansive content offering is strong distributor partnerships. In 2020, we have:

- Signed 19 new content deals
- Worked with 12 new distribution partners
- Acquired around 1,200 hours of STV Player-only content
- Added two live channels
- Offered 28 drama box sets, 21 new in 2020

↓
The Bridge
US drama which has attracted two million streams.

↓
Striking Out
Irish legal drama box set starring Neil Morrissey.

↘
Janet King
Award-winning Australian drama starring Marta Dusseldorp.

STV Player top ten programmes 2020
(Player-only titles highlighted)

Programme	Streams
Coronation Street	9.2m
Emmerdale	6.2m
Take the High Road/High Road	2.1m
The Bridge	2.0m
Des	1.4m
White House Farm	1.3m
I'm A Celebrity... Get Me Out of Here!	1.3m
Striking Out	1.1m
Liar	1.1m
Janet King	1.0m

SPOTLIGHT: STV PLAYER AND THE UK-WIDE STRATEGY

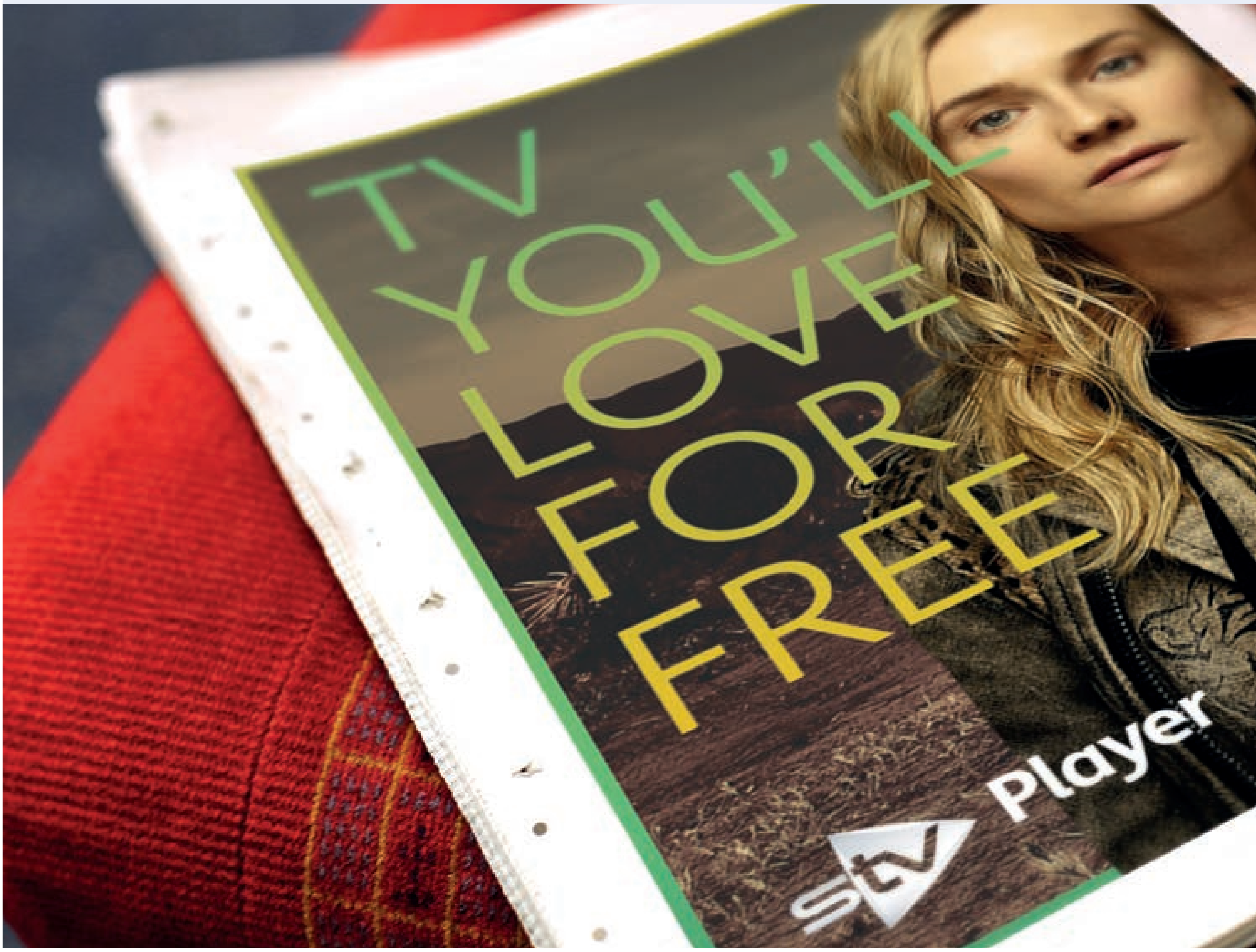
Increasing our addressable audience is a critical part of our expansion strategy. We've made great strides in this area in 2020, with STV Player now available on all major platforms across the UK.

The Player's audience increased considerably after being added to Sky Q across the UK in December, following UK-wide launches on Freeview Play and Virgin Media earlier in the year. This led to the Player kicking off 2021 with a record-breaking performance. The platform delivered 12.5 million streams in January, an increase of 115% on the same month in 2020. Online viewing was also up 99% year-on-year, with a total of 6 million hours spent consuming content on STV Player throughout the month. The number of monthly active users on the service grew by 20% in January alone.

STV's streaming service grew faster than any other broadcaster VOD platform in 2020 – up 65% – thanks in large part to the growing popularity of our Player-only content which makes up around one third of all digital viewing as at January 2021.

Our strategy of constantly refreshing the service with new Player-only titles from around the world will continue throughout 2021, with a range of exciting content deals in the pipeline.

sky · Virgin media · NOW TV · youview · iOS · FreeviewPlay · Roku · Samsung SMART TV · chromecast · Freesat



UK-WIDE DISTRIBUTION OFFERS ANOTHER BIG GROWTH OPPORTUNITY FOR STV PLAYER

↓
Marketing campaign kicked off in early 2021 as STV Player becomes universally available across all major UK platforms.

UK-wide strategy

Our ambitious content strategy has gone hand in hand with the extension of STV Player outside of Scotland for the first time. Rolling out STV Player to a UK-wide audience has been a strategic priority, and one that has considerably expanded our addressable audience.

In summer 2020, we extended our partnership with Virgin Media to enable their customers across the UK to watch STV Player via their set top boxes.

In August, Freeview Play became the fourth connected TV platform on which STV Player was automatically installed UK-wide following YouView, Freesat and Virgin. With their 13 million devices in homes across the UK, this was a significant development.

We concluded the year with the important news that STV Player is now available for Sky+, Sky Q and Now TV customers across the UK, extending our reach to millions of extra homes. With key STV Player content appearing in the On Demand section of customers' Sky Q home pages, we're confident of considerable viewing growth through 2021.

Going forward

With STV Player's presence now secured on all major platforms UK-wide, planning has begun to tell our story to our new audiences. 2020 saw clever, creative marketing on the STV broadcast channel and Out Of Home to Scottish audiences. 2021 will see us significantly ramp up our STV Player promotion at a UK-wide level, with an ambitious marketing and PR campaign to drive awareness and consumption.

We'll continue to forge and develop the partnerships we have cultivated with international distributors of premium content to increase our free Player-only hours and deliver must-see TV for existing and new viewers – with the overriding aim of attracting them to STV Player, and once they're with us, keep them watching more for longer.

2020 has been an extraordinary year of digital growth for STV. Going forward, we'll continue to grow with more premium international content, continued improvements and enhancements to STV Player and an ambitious promotional plan to capture the imagination of our UK-wide audience.

OPERATING REVIEW – STUDIOS

David Mortimer
Managing Director

19
new commissions (16 series and 3 single programmes)

57.5 hours
of programming delivered in 2020

9
awards won including an International Emmy

The Victim
Sold in over 130 territories.

I am incredibly proud of the extraordinary resilience and creativity that the STV Studios team has demonstrated in 2020. The pandemic has impacted all of our productions in one way or another, but our people have worked tirelessly with a positivity and determination that has made this year our most successful yet in terms of commissions, with 19 in total (16 series and 3 single programmes).

2019 was a year of organisational and creative change, which meant that we started 2020 with a strong, talented team in place and a healthy development slate. A bumper commission for four new series of our popular long running show, *Antiques Road Trip*, for BBC One and two series of *Celebrity Antiques Road Trip* for BBC Two, got us off to a flying start.

When lockdown hit in March, all of our productions were suspended. We became key drivers of policy proposals to Government alongside our peers to enable a safe return to production, aiming to help our freelance community, the TV industry and the wider creative economy. Development slates were quickly revamped to serve new broadcaster requirements and productions were redesigned so that we could stay safe.

Our production managers became experts on the strictest Covid-19 Health and Safety protocols to ensure the wellbeing of all crew and contributors, with all eyes on *Celebrity Catchphrase* as the first major UK entertainment show to get back in the studio in the summer, with *Antiques Road Trip* following swiftly behind, by successfully resuming production in July.

This was no easy task, but one that was embraced by the STV Studios team and that they delivered on brilliantly – keeping TV shows in production and on air, winning a record number of new commissions and ensuring an incredibly strong pipeline, including shows for a wider range of buyers than ever before, which promises to make 2021 our most successful year yet.

Innovation, resilience and recognition

Under the direction of Craig Hunter, the Factual team has thrived. Newly green-lit shows include *The Yorkshire Auction House* with antiques expert Angus Ashworth for Discovery-owned channel, Really; plus a Scottish version of the series for STV, entitled *Clear Out Cash In*. A second series of *Inside Central Station* aired on BBC Scotland, with a third commissioned and in production by year end.

The team pitched and produced a four-part factual documentary series for Channel 5 remotely during lockdown, *The Tabloids and The Royals* – an innovative approach to a fresh exploration of the Royal Family and their compelling and often troubled relationship with the British press.

Then followed the commission of four part series *Our Family Farm Rescue* for Channel 5, helping farmers diversify their businesses; and hard-hitting investigative documentary *Is Covid Racist?* for Channel 4, presented by Dr Ronx and airing in the winter.

Under our Creative Director of Drama, Sarah Brown, 2020 saw our Drama team win a hugely significant new commission – six-part prison drama, *Screw*, for Channel 4. Written by Rob Williams, the creator of our 2019 BBC One hit, *The Victim*, production takes place in Scotland from Q1 2021. Critically, this series has returnable potential and represents a considerable boost to our divisional revenues.

The team has enjoyed ongoing critical acclaim and success for our 2019 TV film, *Elizabeth is Missing* for BBC One. Our adaptation of Emma Healey's novel has gone on to win nine major awards this year alone, including Best TV Movie at the C21 Drama Awards and Banff Media Rockie Awards; an RTS Award for writer Andrea Gibb; and a plethora of plaudits for Glenda Jackson's exceptional performance, including an International Emmy and a BAFTA. >>

IN 2020 INTERNATIONAL TAPE SALES HIT RECORD HIGHS, ACCOUNTING FOR OVER 40% OF OUR TOTAL REVENUE

↑
Elizabeth is Missing
Sold in 90 territories.

↓
Antiques Road Trip and ***Celebrity Antiques Road Trip*** remain perennial favourites worldwide.

SPOTLIGHT: INTERNATIONAL GROWTH FROM OVERSEAS SALES

We continue to drive our international strategy via overseas sales and our relationship with WME in the US.

Covid-19 has inevitably created many delayed and cancelled productions throughout 2020. With broadcasters looking to fill their schedules with acquisitions, and SVOD platforms continuing to expand their territorial footprints, international tape sales hit record highs.

Studios beat its 2019 record for secondary sales by delivering sales revenue contributing more than 40% of the division's total for the year. Margins remain high as we increasingly service key sales in-house, and as a result of our IP ownership.

Sales highlights include worldwide package deals with SVOD giant Acorn TV, new buyer Britbox UK and catalogue deals with ITV, UKTV and Discovery. Our drama catalogue and *Antiques Road Trip/Celebrity Antiques Road Trip* remain perennial favourites worldwide.

Elsewhere, NBCU secured exceptional sales of the multi-award winning, critically acclaimed film *Elizabeth is Missing* with key buyers including PBS Masterpiece USA, HBO Latin America & Asia and Telecine Programaceo Brazil, recouping all investment finance and bringing the film into profit within 6 months. To date *Elizabeth Is Missing* has now sold to 90 territories and our other 2019 drama hit, *The Victim*, to over 130 territories.

Our distribution neutral status remains a critical advantage as we can create a bespoke finance and sales plan for each new commission.

SPOTLIGHT: THE STV STUDIOS REBRAND AND OUR CREATIVE LABELS

We rebranded to STV Studios this summer, reflecting the growing portfolio of businesses which are now part of the STV Studios family and the diverse multi-genre output of the company. Crucially, the rebrand was a clear statement of intent about STV's future growth.

We now have four independent production labels sitting alongside STV Studios' three in-house divisions. In addition to our exclusive deal with Tod Productions, run by respected drama producer Elaine Collins, and the majority stake we hold in entertainment specialists Primal Media, we have added two further labels to our stable:

- We acquired a stake in high end drama producer Two Cities in January 2020, the company behind critically acclaimed *Patrick Melrose* starring Benedict Cumberbatch, commissioned by Sky Atlantic and Showtime. The company is led by Michael Jackson, formerly BBC1 Controller and Channel 4 CEO, and award winning producer Stephen Wright (*Line of Duty, The Fall*), and has an impressive pipeline of drama projects and scripts at an advanced stage.
- Factual entertainment producer, Barefaced TV, joined us in autumn 2020 and is focused on formats targeting younger audiences. Founded by Rosie Bray and Lucy Golding, the team behind *Snog Marry Avoid*, Barefaced TV has already built a reputation for original and surprising content, with their most recent production being *Naked Beach* for Channel 4.

Entertainment dynamos Primal Media won their first commission as part of the STV family in 2020 – *Landmark* for Sky Arts, a groundbreaking seven-part series that is sure to grab attention and headlines.

With exceptional development slates featuring a number of well advanced projects, we're expecting big things from our partners in 2021.

Studios / Entertainment

Studios / Factual Studios / Drama

TWO CITIES TELEVISION

elaine collins TOD productions

PRIMAL

BAREFACED TV

The film made its debut in the USA in January 2021, where it launched the 50th anniversary season of MASTERPIECE on PBS and has received rave reviews across international media, including the Hollywood Reporter and Variety.

'GETTING TO SEE JACKSON IN THIS SINGULAR TWIST ON A TRAGIC ROLE MAKES FOR A DEEPLY AFFECTING EXPERIENCE – AND EVEN IF YOU FORGET THE SPECIFICS, THE CRUSHING SADNESS OF IT WILL LINGER ON'

Variety, January 2020

Under the creative direction of Gary Chippington, our Entertainment team has continued to deliver Saturday night ratings winner, *Celebrity Catchphrase*, for ITV across the year. Not content with being the first entertainment show successfully and safely back into production post lockdown, the team was commissioned by ITV to produce a compilation series for the winter and won its biggest celebrity series commission yet – 13 episodes for delivery in 2021. *Celebrity Catchphrase* remained a ratings winner for ITV in 2020, with the shows reaching 18.6 million people across the UK.

2020 commissions

2020 was an exceptional year for commissions despite the global pandemic, with the team winning 16 series and three single productions. A mix of brand new titles and valuable returning series, we're incredibly proud of these achievements.

The commissions represent an exciting mix across genres for a wide range of broadcasters, from our new high end drama for Channel 4, alongside more episodes of ratings winner, *Celebrity Catchphrase* for ITV; to two new factual entertainment productions for Channel 5, and Primal's first commission as part of the STV Studios family with the groundbreaking *Landmark* for Sky Arts.

Looking ahead

Early 2021 saw STV Studios win a series commission via Channel 4's Contestable Pot, a ring-fenced amount to find the next innovative, channel-defining format. *Murder Island* is a six-part immersive competition format that blends factual entertainment and crime drama, and sees the team forging exciting new ground.

With multiple commissions under our belt and major productions underway, 2021 looks to be a promising year for the Studios business.

STV Studios commissions in 2020

Screw
6 hours (6 x 60’ for Channel 4)

Inside Central Station
6 hours (6 x 60’ for BBC Scotland)

Celebrity Catchphrase
10 hours (10 x 60’ for ITV)

Antiques Road Trip/Celebrity Antiques Road Trip
115 hours/140 episodes (100 x 45’ + 40 x 60’ respectively for BBC)

Clear Out Cash In
4 hours (8 x 30’ for STV)

The Yorkshire Auction House
10 hours (10 x 60’ for Really)

The Tabloids and The Royals
4 hours (4 x 60’ for Channel 5)

Landmark
7 hours (7 x 60’ for Sky Arts)

Is Covid Racist?
1 hour (1 x 60’ for Channel 4)

Our Family Farm Rescue
4 hours (4 x 60’ for Channel 5)

Daily Record Pride of Scotland Awards, in partnership with TSB
1.5 hours (1 x 90’ for STV)

Catchphrase: Catchiest Moments
3 hours (3 x 60’ for ITV)

Wonders of Scotland
2 hours (4 x 30’ for ITV)

STV Children’s Appeal
1 hour (1 x 60’ for STV)

↗
Images from top:

Is Covid Racist?
Celebrity Catchphrase
The Tabloids and The Royals
The Yorkshire Auction House

←
Inside Central Station

FINANCE REVIEW

For the year ended 31 December 2020

The Group entered 2020 on a significant, positive growth trajectory having delivered its strongest year ever in 2019.

Good strategic progress has continued throughout 2020, however the financial position and performance of the Group has been shaped by a combination of the impact of Covid-19 on our markets, our response to the pandemic and the resilience we've shown as a business.

Results summary

	2020	2019
Adjusted results (pre exceptional items and IAS19)*		
Advertising revenue (£m)	**90.9**	101.6
Total revenue (£m)	**107.1**	123.8
Operating profit (£m)	**18.2**	22.6
Operating margin	**17.0%**	18.2%
Profit before tax (£m)	**16.6**	21.0
Earnings per share (p)**	**37.5**	45.8
Statutory results		
Total revenue (£m)	**107.1**	123.8
Operating profit (£m)	**17.7**	22.6
Profit before tax (£m)	**6.7**	19.0
Profit after tax (£m)	**7.7**	15.9
Effective tax rate	**(14.9%)**	16.6%
Earnings per share (p)**	**18.2**	41.7

* Refer to note 30.
** 2019 restated to reflect bonus issue in December 2020 (note 10).

Trading summary

Total advertising revenue at £91 million for the full year was down 10% on 2019, a marked improvement on the H1 position of -20%, with Q4 broadly flat year on year. Within this full year result, regional and digital advertising continued to out-perform national advertising (down 14%) with regional down only 5%, and VOD advertising on STV Player growing 12% year on year. Despite a hiatus in programme production activity in Q2, the Studios business continued to build momentum with a number of commissioning successes although its ability to deliver programmes during the year was significantly reduced, with revenues of £9 million supported by high margin library sales into the secondary market. Total revenues for the Group were £107 million (2019: £124 million).

In order to mitigate the impact of the reduction in revenue on the profitability of the Group, we took a number of actions that reduced planned spend in the year by £7 million, resulting in an adjusted operating profit ahead of consensus expectations at £18.2 million.

The Broadcast division returned a resilient performance in the face of the most difficult advertising market in its 63 year history, delivering an operating profit of £15.5 million (2019: £19.9 million), driven by the relative strength of regional advertising and the benefit of the protective arrangements in place with ITV, the latter delivering a saving of almost £5 million year on year.

The Digital division grew revenues year on year, albeit not at the levels we would have expected to see in a Covid-free world. Despite this slower revenue growth, we continued to invest in the strategy in line with our original plan, in the interests of building the division for the medium term, and this resulted in a decrease in operating profit to £6.5 million (from £7.3 million in 2019), albeit margins remained at a very healthy 48%.

In Studios, the impact of the significant reduction in revenues was mitigated at a profit level with the division making a small loss in the year of £0.3 million, compared to a loss of £0.1 million in 2019. Unallocated corporate expenses reduced by over 20% to £3.5 million (2019: £4.5 million).

Adjusted profit before tax of £16.6 million (2019: £21.0 million) was after charging net finance costs of £1.5 million (2019: £1.6 million). Interest payable on the Group's borrowings was £1.2 million during the year (2019: £1.3 million) with the balance of finance costs being non-cash items in relation to the Group's operating leases. These adjusted results are before finance costs in relation to the Group's defined benefit pension schemes.

‘OUR 2020 FINANCIAL PERFORMANCE HAS BEEN SHAPED BY A COMBINATION OF THE IMPACT OF COVID-19 ON OUR MARKETS, OUR RESPONSE TO THE PANDEMIC AND THE RESILIENCE WE’VE SHOWN AS A BUSINESS’

Lindsay Dixon

Response to Covid-19

Over the early part of Q2 2020, we identified and executed on a suite of measures designed to save costs, maximise cash retention and strengthen the balance sheet for the medium-term.

As noted above, we identified actions to reduce planned spend by £7 million, through reductions in all areas of discretionary spend, outdoor marketing, the regional programming budget and people-related costs. The savings in relation to people were delivered through non-payment of bonuses for 2020, a 25% voluntary salary reduction by the Management Board and plc directors, non-fulfilment of vacancies and grants received from the UK Government’s Coronavirus Job Retention Scheme (‘CJRS’).

We principally accessed the CJRS during Q2 2020, at which point we were under the tightest of lockdown restrictions, resulting in total advertising revenue down 38% year on year and no programme production activity possible. As restrictions eased over the summer months, programme production re-started, commercial activity began to pick up, and we significantly reduced our access to the scheme, with no claims made from mid-September to the end of the year. Throughout the period, we topped-up all our people who were on furlough to 100% of salary and safeguarded the jobs of all our team. The total benefit received through accessing the scheme was £1.6 million.

Cash retention measures enabled us to retain £11 million within the business principally through cancelling the final dividend in respect of 2019, pausing non-essential capital expenditure projects, and deferring VAT payments from Q2 2020 to Q1 2021. In addition, we agreed with the trustees to postpone the payment of contributions into our defined benefit pension schemes from Q2 2020 to December 2020, providing further flexibility during the key second quarter.

Reconciliation of net debt

	£m
1 January 2020	**(37.5)**
EBITDA	23.8
Working capital incl. leases	(3.3)
Capital expenditure	(2.1)
Interest and tax	(2.3)
Defined benefit pension schemes	(10.5)
Placing proceeds	15.5
Investment in Two Cities	(1.1)
31 December 2020	**(17.5)**

We also took action to increase our bank facilities with existing lenders and raise capital through a placing of new ordinary shares, to provide the necessary headroom to enable us to trade through a severe downside scenario as well as continue to invest in the business for future growth.

We increased the size of our bank facility from £60 million to £80 million and secured certain covenant relaxations, and the placing of new ordinary shares with existing and new investors raised net proceeds of £15.5 million for the Group. The combination of all the measures taken to protect the business has meant that we have not needed to access the additional loan facility or avail ourselves of the covenant relaxations.

Cash flow and net debt

At the balance sheet date, the Group had net debt of £17.5 million, significantly lower than the opening position of £37.5 million, as a result of positive operating cash flow, receipt of the placing proceeds, and the other cash retention measures discussed previously. Operating cash conversion was 108% for the year (2019: 93%).

On 8 January 2020, the Group acquired a 25% stake in drama producer Two Cities for a cash consideration of £1.1 million. The Group has a path to sole ownership over a period of time, assuming profitability targets are achieved.

The Group’s covenants are in relation to leverage (net debt : EBITDA) and interest cover. At the end of the year, the Group’s leverage was 0.7 times (2019: 1.29 times) and interest cover was 27.7 times (2019: 24.9 times), both metrics well within the covenant limits of 3 times (maximum) and 4 times (minimum) respectively. The leverage metric was below the Group’s self-imposed target range of 1 to 1.5 times as a result of the measures taken.

Our improved financial position, seen in both the low year end net debt and leverage, was a strong basis from which to refinance our bank facilities (due to mature in June 2022) and this was completed in early March 2021. We now have in place a £60 million revolving credit facility, with a £20 million accordion, for a minimum of three years, with two one-year extension options. These facilities will provide the headroom and flexibility required to drive forward with the next stage of our growth strategy.

Non-statutory measures

This Annual Report includes both statutory and non-statutory (or adjusted) performance measures, the latter intended to better reflect the underlying performance of the business and provide a more meaningful comparison of performance from one period to the next. The combination of these statutory and adjusted measures is useful to investors as it provides them with a basis for measuring our operational performance. The non-statutory measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP, and the non-statutory measures used in this Annual Report may not be directly comparable with similarly named amounts reported by other companies.

FINANCE REVIEW

For the year ended 31 December 2020

In calculating adjusted operating profit, profit before tax and EPS, the Group excludes exceptional items and amounts in relation to IAS19, as well as the tax charge or credit on those amounts.

Exceptional items are items of income or expense which, because of the nature, size and/or infrequency of the events giving rise to them, are considered to be one-off and do not necessarily directly relate to the underlying trading of the Group. These items are excluded to reflect performance in a consistent manner and in line with how the business is managed on a day-to-day basis. They are also shown separately on the face of the primary financial statements.

IAS19 related items, principally the net interest expense included in the income statement, are excluded from non-statutory measures as they are non-cash items that relate to historical defined benefit pension schemes.

Exceptional items and the STV ELM

The Group announced in March 2020 that it had started a process to divest of the STV ELM, its external lottery management company, having undertaken an operational review of that business and concluded it was not core to the future growth prospects of the Group. The divestment process has continued throughout the year, albeit at a slower pace than originally intended as a result of the broader macroeconomic environment brought about by the Coronavirus pandemic. At the end of the year, the disposal process was ongoing and post year end we have reached agreement in principle for the sale of the business, the deal being subject to approval by the UK Gambling Commission as at the date of this report.

A total exceptional charge of £8.7 million has been charged against profits in 2020, with a related tax credit of £1.6 million, relating to the disposal of the STV ELM. The most significant component of this charge is an exceptional finance cost of £8.8 million, which has been recognised to reflect an increase to full provision for the debtor due from the Scottish Children's Lottery (SCL) at the year end. This represents a marginal increase of £0.1 million on the provision made in the Group's interim results, as a result of a number of actions taken to reduce the cost base of the ELM in the second half which, in turn, enabled the SCL to repay a greater proportion of its operating costs.

Disposal costs associated with the sale transaction have been accrued as operating exceptional items (£0.5 million) and we have also recognised VAT recoverable on sales invoices written off totalling £0.6 million. This claim was well progressed at the balance sheet date, and has been completed with the cash received subsequent to the year end.

Notwithstanding the corporate transaction underway, the STV ELM continued to provide lottery management services to the Scottish Children's Lottery ('SCL') throughout the year on a breakeven basis. Ticket sales during the year were impacted by the pandemic, although mainly those sold through the network of retail outlets, with £5.1 million of sales achieved compared to £5.9 million in 2019. Over 2020, just over £1 million was donated to children's charities at what has been a particularly challenging time for many.

Tax

A total tax credit of £1.0 million has been recognised in the year (2019: charge of £3.1 million). This comprises a tax charge on profits before exceptional items of £0.6 million (2019: £3.2 million) and a tax credit on exceptionals of £1.6 million (2019: £0.1 million). The total tax credit of £1.0 million on profit before tax of £6.7 million represents a negative effective tax rate (ETR) of -14.9%. The ETR in 2019 was 16.6%.

The tax charge on profits before exceptional items at an ETR of 4.0% is lower than the standard rate of tax principally as a result of the change to the rate at which deferred tax has been recognised at the end of the year. This follows the decision by the UK Government to hold the rate of corporation tax at 19% rather than reduce it to the rate of 17% as previously indicated. As the Group has deferred tax assets (in relation to pension scheme deficits and losses), the increase to the rate results in a tax credit of £1.4 million in the consolidated income statement. In addition, there are current and deferred tax adjustments in respect of prior years where the estimates made for the purposes of group reporting were more prudent than the final position submitted in the tax computations.

The impact of Covid-19 on trading results combined with the tax credit on exceptional items resulted in the Group making a total payment of only £0.4 million in corporation tax in 2020 (2019: net inflow of £0.1 million).

Dividends

Following cancellation of the final dividend in respect of 2019 in May 2020, and payment of an interim dividend for FY20 by way of a bonus issue of shares in December 2020, the Board is recommending a return to cash dividend for the final dividend in respect of 2020. The Board is confident in the long-term prospects for the Group and in its ability to continue to deliver on the growth strategy, although remains cautious given the uncertainty that remains in key markets, and more broadly. With an improved financial position and good growth prospects, the Board has also recommended a return to cash dividend payments and a final dividend of 6p per share, giving a full year dividend of 9p per share for 2020.

Earnings per share ('EPS')

The EPS metric for 2020 has been impacted by the issue of new shares during the year, with the calculation being diluted by comparison to previously reported numbers.

This dilution is principally due to the placing of new ordinary shares completed in July 2020, with a smaller impact from the bonus issue of shares in December 2020, made in lieu of a cash dividend. The 2019 reported EPS metrics have been restated, in accordance with IAS 33 'Earnings per share', to reflect the bonus issue, which has been assumed to have taken place at the start of the comparator period.

Adjusted EPS (before exceptional items and IAS 19 finance costs) was 37.5p (2019 restated: 45.8p), reflecting the lower profits of the Group in 2020 but benefitting from the significantly lower effective tax rate. On a statutory basis, EPS was 18.2p (2019 restated: 41.7p), reflecting the exceptional charge taken during the year in relation to the STV ELM.

Pensions

The Group has two defined benefit pension schemes, both of which are closed to new entrants and only one of which has a small number of active employees. The IAS19 accounting deficit across both of these schemes was £70.3 million at the end of the year (2019: £64.0 million), a reduction in the position seen at 30 June 2020 when the deficit was £76.9 million. The increase in the deficit year on year is a result of the lower discount rate, driven by the significant fall in corporate bond yields as a result of the Covid-19 economic backdrop. This impact of the lower discount rate more than outweighed the benefits from contributions paid and the return on scheme assets, the latter being higher than expected due to the hedging strategies of the schemes which saw the value of liability-driven investments increase over the year.

The next triennial valuation is due as at 31 December 2020 and we are in the early stages of that process.

Lindsay Dixon
Chief Financial Officer

CORPORATE RESPONSIBILITY – PEOPLE

Our people strategy aims to provide an environment that attracts the best creative talent, enables creativity to flourish, ensures equality of opportunity, and is fun and supportive.

During 2020, we reprioritised our plans to ensure we provided the support colleagues required to respond to remote working and new ways of interacting and communicating to fulfil their roles during a period of exceptional change and uncertainty. Greater emphasis was placed on wellbeing and resilience and communication and engagement.

Wellbeing and resilience

Our wellbeing programme has ensured all colleagues feel supported and safe at work, whether working remotely or in the workplace. Encouraging colleagues to talk about feelings of isolation and concerns arising from Covid-19 has been the focus of internal communications campaigns, prompted by managers and supported by occupational health and our network of mental health first aiders.

We extended the service provided by our employee assistance programme, delivered by BUPA, to include confidential one to one counselling. This additional confidential service is also available to our freelance colleagues.

Supporting our freelance colleagues who have been most severely impacted by the effect of Covid-19 on the production sector, and whose contribution is so vital to the success of STV Studios, is a key aim of Wellbeing from STV. We have trained additional mental health first aiders to provide dedicated support during production. Additionally access to our occupational health service is now provided to freelancers for a period of one month after their contract with STV has concluded. This will ensure support is available during the often challenging transition period when employment concludes.

STV Studios is delighted to partner with the Film & TV Charity to pilot their newly designed toolkit, *Mentally Healthy Productions*, aimed at ensuring productions are mentally – as well as physically – safe and healthy to improve the working environment of freelancers across the industry.

In October we announced the formation of a three-year strategic partnership with SAMH. Drawing on SAMH's expertise and guidance whilst using STV's reach and connection with communities across Scotland, both organisations aim to increase and improve awareness of mental health and wellbeing. The partnership will include support for colleagues, production teams and participants in our programming. In early 2021, SAMH will deliver a comprehensive training programme, Wellbeing & Resilience, to provide all managers with support and tools to improve their mental wellbeing and the wellbeing of their teams, colleagues, families and friends.

We were delighted to be invited to participate in ITV's Mental Health Advisory Group. The Group provides ITV, STV and ITN with external guidance and support on all aspects of their approach to mental health and wellbeing. Chaired by Ruth Davidson MSP, membership of the group includes representatives from Mind, YoungMinds and SAMH.

Despite the limitations imposed by lockdown restrictions, a range of options to promote physical wellbeing have been provided including online exercise sessions and a programme of yoga classes.

We retained Gold Award status from the Scottish Government's 'Healthy Working Lives' standard, providing a benchmark to measure the effectiveness and impact of Wellbeing from STV.

We started 2021 by setting wellbeing priorities and challenging all colleagues to support a collective effort to make further changes to live a healthier work life, increase flexibility and improve work-life balance to build a more successful and sustainable business in the long term.

These priorities include reducing email communication out of conventional working hours, with emails after 7pm by exception only; ensuring meeting-free time each day between 12.30pm and 2pm; encouraging everyone to take 'Me Time' introduced in October to focus on taking time for non-work activities including exercise or relaxation during each working day; further training for managers in wellbeing and resilience to ensure they are able to provide effective mental health support for their teams. Additional investment in a planned IT system upgrade to accelerate the roll-out of this was also confirmed to aid remote working.

Communication and engagement

Keeping connected with colleagues to maintain motivation and address feelings of isolation was one of the highest priorities of the management board in responding to the impact of Covid-19 on the business. In addition to our existing range of communication channels, additional measures to increase connectedness and social interaction and create opportunities for collaboration were introduced.

Daily email updates and weekly all-colleague video conference briefings were hosted by the CEO, informal engagement sessions with a representative from each area of the business were introduced to provide facilitate cross-business communications and provide a substitute for the loss of spontaneous meetings that occur in a workplace setting. Additional meetings with the senior management group were held and each responsible for ensuring an effective cascade of information to their team.

wellbeing
from STV

←
Wellbeing from STV provides resources and activities to promote general wellbeing, including mental health awareness to staff.

Additionally, a programme of social events, held over video platforms, was quickly put in place to provide fun and relief from our adjusted work environments.

In addition to proactively sharing information, we recognise the importance of providing colleagues with the opportunity to express their views and opinions and deliver feedback. We conducted two employee opinion surveys during 2020. *Have Your Say* enables the formal measurement of engagement and the survey is open to all staff and freelancers. Engagement levels increased year on year with over 70% of colleagues participating in the survey and providing feedback on wellbeing, working environment, communication, reward and development opportunities.

The survey results confirmed a strong sense of pride in working for STV (82% of respondents). Results also confirmed high awareness of the company's objectives and a high level of understanding of the contribution made to these at an individual level. Results and follow up actions were communicated through a campaign called: *Words into action*. The survey results were also presented to the company's designated 'employee director', senior independent non-executive director, Simon Miller, to provide an additional opportunity for the Board to have an understanding of the company's approach to engagement and, more generally, activities relating to our people.

The survey feedback on working environment will also be used in planning future working arrangements, including flexible working, once Covid-related workplace restrictions are removed.

The positive partnership working the company has established with its recognised trade unions was maintained throughout the year with additional meetings held with full-time officials and local representatives.

Learning and development

A number of our planned learning and career development activities had to be postponed due to the impact of Covid-19 on working arrangements and the ability of training partners to deliver their planned programmes.

The Pathway programme, targeted at colleagues in their early stage career who have been identified as having the potential to undertake a more senior role, has continued in STV News and the Digital division. A total of 35 colleagues across both divisions have completed the programme in 2020.

The launch of a career acceleration programme, *Getting On*, was postponed and will commence in Q2 of 2021. The programme has been designed to support achievement of our gender balance targets and to improve representation of colleagues with a disability or from a BAME background in senior roles.

The need to increase leadership capability in our key growth areas of digital and production was identified through the annual succession and development planning review and this will be addressed in 2021 through the introduction of a future leader programme.

We maintained our commitment to widen access into our industry through apprenticeship programmes, offering a directly entry route to the business from secondary education.

Future talent

Although unable to provide in-work experience opportunities for supported learning during 2020, we maintained our commitment to build strong talent pipelines to support our future growth ambitions through the extension of our bursary scheme delivered in partnership with the Royal Television Society.

Currently, twenty bursaries are being provided to students from Scottish universities and colleges. The scheme is designed to improve social mobility and is open to students from lower income backgrounds studying journalism, television production and technology-related courses. In addition to bursary funding for each year of their degree course, students receive a comprehensive programme of work placements and mentoring opportunities at STV and, through RTS Scotland, are given access to a wider programme of activities including networking opportunities and industry insight sessions.

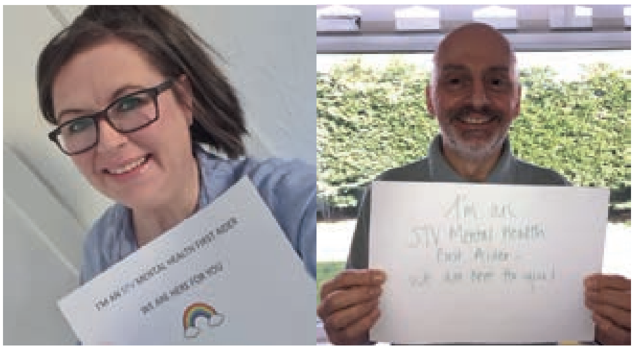
Reward and benefits

We continue to benchmark our reward and benefits through our participation in Towers Watson UK-wide media sector remuneration survey. This provides our company-wide grading structure which ensures transparency in the determination of remuneration and ensure reward and benefits are market competitive, supporting recruitment and retention. Full details of executive remuneration is included in the Directors' Remuneration Report on pages 67 to 84.

Employee involvement in the company's performance is encouraged through the annual Save As You Earn scheme which also promotes employee share ownership and encourages saving. Currently 33% of colleagues are participating in a scheme. As confirmed in the Directors' Remuneration Report, an all-employee share plan will be granted in Q1 of 2021 to support a collective focus on achievement of key financial targets as the business embarks on a period of post-Covid-19 recovery.

Diversity and inclusion

We are committed to creating an environment where all our people can thrive, develop and succeed and are treated with dignity, respect and fairness. All employees have participated in unconscious bias training and all managers are coached in inclusive leadership through workshops held throughout the year.



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STV has a team of trained mental health first aiders to support colleagues across the business.

CORPORATE RESPONSIBILITY – PEOPLE

Each division has a diversity and inclusion action plan which identifies activities to contribute towards building an inclusive culture and achieving our diversity related targets specifically in relation to gender balance; ethnicity of our people; increasing the proportion of colleagues with a registered disability and increasing social mobility. Our performance against these targets is assessed annually by Ofcom.

A dedicated diversity and inclusion advisor, Femi Otitoju, has been appointed, reporting to the Chief Executive, to support the implementation of all areas of the company's inclusion strategy.

A number of registered disabled persons are employed, all of whom have equivalent access to training and career development opportunities as their able-bodied colleagues. No employee became disabled in 2020 during the course of their employment.

SPOTLIGHT: DIVERSITY AND INCLUSION

As Scotland's commercial public service broadcaster, we have a responsibility to use our platform not only to entertain but to educate, spark conversation and reflect the diversity of our audience both on screen and within our organisation – and we take this responsibility very seriously.

We are committed to building an inclusive culture and have a strategy in place to ensure we deliver equality of opportunity for all.

Our activities across Diversity and Inclusion are focused on our Open Access Charter which has been in place since 2018, and captures the commitments we have identified to improve diversity and inclusion for three main groups – our people, our audiences and our partners. We have a Diversity and Inclusion Steering Committee and a network of peer groups who meet regularly and are charged with sparking debate, facilitating conversation and effecting positive change for the groups they represent.

In 2020, STV confirmed a renewed commitment to using our privileged position as an employer, PSB and producer to address the longstanding and systemic issue of racism and improve the representation of Black, Asian and Minority Ethnic people both on and off screen. Our plan will see us double the number of Black, Asian and Minority Ethnic colleagues at STV by 2023, improve on screen representation in the programmes STV makes for itself and others, and ring-fence £1 million from the STV Growth Fund for advertising campaigns that champion diversity in Scotland. Our action plan is intended to be a catalyst for sustainable, long-term, positive change and we will measure our progress against it.

In summer 2020, we launched an on-air campaign offering a platform for Black voices to share their experiences of racism and their vision for the changes they believe should happen.

Our News and Current Affairs colleagues have committed to: doubling the proportion of Black, Asian and Minority Ethnic people within the team to 8% in Scotland and 33% in London by 2023; and doubling the percentage of Black, Asian and Minority Ethnic people appearing on STV news programmes to at least 8% by the end of 2021. In autumn, this team also announced a partnership with gender equality organisation, Pass the Mic, aimed at increasing the number of expert women of colour appearing across the media. In depth training sessions and mentoring are well underway.

Through the year, our peer group for accessibility, Access All Areas, and colleagues across the organisation have worked together to address practical issues identified as barriers to progress and effect lasting change for disabled people in all parts of our business, both on and off screen.

We are open and transparent about the challenges faced in eliminating the gender pay gap and recognise this requires meaningful and sustained change. Key to this will be increasing the proportion of women in senior roles, and we aim to achieve gender balance in the top 25% of roles by earnings by 2023. Across the other 75% of roles within STV, the gender pay gap is significantly lower at 7.7%.

We have also committed to the TV Coalition for Change to improve working practices for the freelance community. Along with our fellow Public Service Broadcasters, PACT, Bectu and other industry bodies, we are exploring and addressing issues such as employment and recruitment practices, workplace culture, race and diversity, training and talent progression, mental health and wellbeing.

We have begun making changes to our recruitment and career development programmes, and we appointed Femi Otitoju as Diversity and Inclusion Advisor in 2021. In this newly created role, Femi will work across the business to help shape, accelerate and support the delivery of STV's wide-reaching inclusion strategy by providing training, guidance and new insight to STV's people, its Diversity & Inclusion Committee and network of peer groups. Femi will also work closely with production teams to increase representation both on screen and behind the camera and will help address any areas of under-representation.

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Black History Month programming celebrated the contribution of black people to television, comedy, history and our wider culture.

Diversity and inclusion: Gender pay report

This gender pay report is calculated as at 5 April 2020 in line with legislative requirements. Compulsory reporting of gender pay data was suspended by the Government's Equalities Office due to Covid-19, however, we did submit our report as below.

Understanding our profile

There has been a 26% reduction year on year in the mean gender pay gap, from 21% in 2019 to 15.6% in 2020. We have also seen a 32% reduction in our mean gender pay gap over 3 years since 2018.

The mean gender pay gap arises as a result of a higher proportion of men than women in senior roles. To address this, the Company has set a target to achieve gender balance across the top 25% of roles (defined by earnings) by 2023.

To support attainment of this target, a range of measures have been implemented to continue to support women to progress through the organisation into senior roles. In April 2020, 45% of the top 25% of roles (defined by earnings) were held by women, an increase of 5% year on year. This increase in the number of women in senior roles has resulted in a 43% reduction in the mean gender pay gap in the upper pay quartile from 21% in 2019 to 11.9% in 2020.

Outwith the top 25% of roles (defined by earnings), the mean gender pay gap reduces significantly to 7.7%.

The increase in the median pay gap is driven by an increase in the proportion of women in the lower and lower middle pay quartiles (an increase of 6.5% year on year).

Bonus pay

There has been a 29.4% reduction year on year in the mean bonus gender pay gap and a 21% increase in the proportion of females receiving a bonus.

Our gender pay profile

15.6%
2020 mean

21.0%
2019 mean

The mean gender pay gap is the difference in average hourly rates of pay between men and women as at the snapshot date of 5 April 2020, expressed as a percentage of male earnings.[1]

14.6%
2020 median

11.9%
2019 median

The median gender pay gap shows the difference in the midpoints of the ranges of hourly rates of pay for men and women by ordering individual rates of pay from lowest to highest and comparing the middle value.

Proportion of men and women awarded bonus

16.2%
men

20.1%
women

Bonus gender pay gap

44.6%
mean

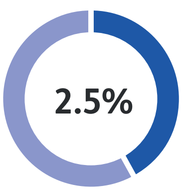
46.4%
median

The Company's bonus gender pay profile is also influenced by a higher proportion of men than women holding senior roles. These roles, which attract higher levels of remuneration, have a higher bonus opportunity.

Quartile pay bands

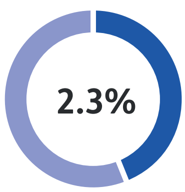
Mean gender pay gap and proportion of women and men in each pay quartile.

Lower



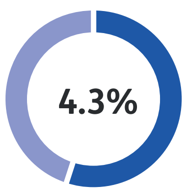
42% Men
58% Women

Lower middle



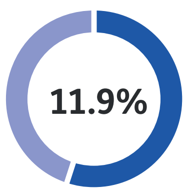
44% Men
56% Women

Upper middle



55% Men
45% Women

Upper



2.3% excl. management board

55% Men
45% Women

The mean gender pay gap is 7.7% across 75% of all roles

Figures are based on all permanent and fixed term STV employees.

[1] The Management Board and PLC Board volunteered to take a reduction to their base salaries/fees as part of a programme of measures implemented to conserve costs in response to the impact of Covid-19. These reductions were in place at the reporting date of 5 April 2020 and have the effect of reducing the mean gender pay gap by 1.6% to the reported figure of 15.6%.

CORPORATE RESPONSIBILITY – PEOPLE

Open Access Charter

To support our target of achieving gender balance across the top 25% of roles (defined by earnings) by 2023, a range of measures have been implemented to encourage more women to remain with the Company and to support them in progressing through the organisation to the most senior roles.

Talent acceleration	Diverse talent pipeline	Work life balance	Culture
• Regular succession planning is undertaken to assess and strengthen our talent pipeline for senior roles • We continue to enhance our leadership capability through divisional leadership and management development programmes • Development programmes including *Pathway News* and *Pathway Digital* are focused on developing potential and providing skills and experience to support an individual's future career path in the business • All career development programmes strive to achieve 50:50 gender profile in each cohort • The *STV Career Enhancement Programme* will provide placement opportunities with STV Growth Fund businesses to support development of commercial skills	• The introduction of a new online application form, available in accessible formats, enables all candidate profiles to be anonymised • Contacts 'hack' events held at a divisional level to expand talent networks and pipelines • Through our Open Access Training Programme we partner with *Equate Scotland* to provide two STEM (Science, Technology, Engineering & Maths) placements in our Digital business to encourage women to consider a career in a STEM related role • In partnership with *Women In Journalism* we are developing female contributor talent for our News & Current Affairs programming by offering media and studio familiarisation training and networking opportunities • Partnership with *Rise Up*, an industry-led schools outreach programme designed to educate children about engineering and technology opportunities in broadcasting • The STV/RTS Bursary Scheme has entered its second year and is supporting 20 students studying Journalism, TV Production and Technology with financial and career development support	• Our *Returners* programme supports primary carers in achieving a smooth return to work from maternity, shared parental or adoption leave • *Returners* includes meetings with key stakeholders, the offer of a mentor and access to a peer support network • Partnerships with *Take Two* and *Share My Telly Job* to promote job sharing opportunities across production based roles • Support for colleagues in balancing their career with parental or carer responsibilities through promotion of family friendly policies • All managers receive training to support them in delivering our commitments within our family friendly policies	• An extensive Diversity & Inclusion awareness programme provides regular updates on progress and reinforces the role and responsibilities of all colleagues in ensuring an inclusive culture • Inclusive hiring training will be rolled out to all managers across the business • Equality and diversity has been incorporated into our induction for new joiners and has become an established criterion of all recruitment selection processes • Our Balance peer group provides a forum for open conversation around culture and development opportunities for women and its mission is to support our target to achieve gender balance in the top 25% of roles by 2023

Modern Slavery Act

The Company is committed to preventing human trafficking and slavery in its corporate activities and ensuring that it acts ethically and with integrity in all business relationships. Through the approach set out in the Company's anti-slavery statement, effective systems and controls are implemented and enforced to ensure to every extent possible human trafficking and slavery do not take place within the business or across any of its supply chains.

An annual assessment of the Company's operations and supply chains, which is incorporated into the risk assessment processes, is undertaken. This has not identified any activities that are deemed to represent a high level of potential for human trafficking or slavery. The Company's anti-slavery initiatives include:

- the proactive review of policies and operating processes to ensure these provide protection against discrimination, a fair working environment and fair trading conditions that do not violate human rights;
- a rigorous process to identify, monitor and manage the principal risks that have been identified through the business and its supply chains and which are set out in the Company's risk register;
- training which is delivered to staff on an ongoing basis to ensure that responsibilities to achieve compliance with the company's policies are understood and fulfilled. During 2019, staff with responsibility for procurement undertook training designed to raise awareness of human trafficking and slavery risks.

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 wellbeing 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 is carried out on a rolling basis and we have a full complement of 27 first aiders located throughout STV sites. There are defibrillators on site at Pacific Quay in Glasgow and Craigshaw in Aberdeen and our First Aiders 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. Driving standards and rules are communicated to staff through STV's Drivers Manual and this helps maintain the Company's low accident rates.

No training was carried out during 2020 due to the Covid-19 pandemic.

	2020	2019	2018	2017	2016
Total vehicle accidents	**9**	13	14	16	14
Number attributable to driver error	**6**	8	10	10	7
Percentage attributable to driver error	**66%**	62%	71%	62%	50%

Health and Safety performance in 2020

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 used to implement improvements, if and when required in working practices and procedures.

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

	2020	2019	2018	2017	2016
Seven day reportable accidents	**–**	–	–	–	–
Total of all accidents	**1**	6	7	2	11

CORPORATE RESPONSIBILITY – ENVIRONMENT

During 2020 extensive work was undertaken to understand and assess the carbon impact of the business. Energy use, including business travel, and waste are the most significant contributors to the environmental impact of the business with these principally arising from the company's property estate and programme making activities.

This analysis helped inform a new sustainability strategy – STV Zero – launched in early 2021, which sets down our commitment to reduce STV's environmental impact and improve the environmental sustainability of all aspects of our business activities in response to the climate crisis.

Our headline commitment is to be a net-zero carbon business by 2030.

This will be achieved through changes to current business processes, the adoption of new ways of working and behavioural change. Our programme of activities and related targets to reduce the carbon impact of the business covers five key areas: energy consumption; waste reduction; programme making; promoting sustainability using STV's reach; and achieving a sustainable supply chain.

Our short term target is to become carbon neutral by 2021. This will be achieved through offsetting all emissions from business operations, energy use and business travel through the purchase of certified carbon offsetting credits in sustainability projects in Scotland.

We will also use our unique position as a public sector broadcaster and Scotland's pre-eminent marketing platform to inform and raise awareness of environmental issues and challenges and positively influence consumer behaviour through our relationships with our audience and our advertisers and commercial partners.

Target setting and delivering on our commitments

The sustainability strategy will be reviewed quarterly by the Management Board. Each member of the Management Board will have a personal objective to support achievement of the company's sustainability targets.

To create engagement and support a collective drive to improve environmental sustainability, the STV Sustainability Group, which brings together colleagues from across each area of the business, was formed in 2020. This group will champion sustainability; working in partnership with the business to develop and implement sustainability initiatives and activities and monitor progress. The group meets monthly creating a forum within the business for ideas, discussion and development of actions.

OUR HEADLINE COMMITMENT IS TO BE A NET-ZERO CARBON BUSINESS BY 2030.

Five key areas to reduce our carbon impact

Energy consumption

Targets:
- Achieve 100% of electrical energy used from renewable sources by the end of 2022
- Reduce business travel by 50% by the end of 2025

Our properties and business travel are the principal contributors to the Company's energy usage with over 1,042 tonnes of CO_2 emitted from our properties in 2020. In 2020, c.10% of electrical energy used is generated from renewable sources.

Further work will be undertaken in 2021 to assess our energy consumption using the Science-Based Target Initiatives criteria as the basis for our future measurement and reporting and disclosure.

To achieve our headline target we will:

- Secure all electricity from renewable sources upon expiry of current electricity supply contracts during 2022
- Implement a comprehensive programme of measures to reduce energy consumption from 2021. This will include a behaviour change programme, investment in 'smart building' infrastructure, including LED lighting installation, and temperature control measures
- Introduce a new business travel policy in early 2021
- Convert the company's car fleet to be hybrid/electric by end 2021

Waste reduction

Target:
STV will become a zero waste business by 2030

We will achieve our headline target through a programme of 'avoid', 'reuse' and 'recycle' which will include:

- Remove all single use plastics by corporate catering suppliers in early 2021
- Remove waste paper bins at each desk across our offices to encourage recycling and a general reduction in litter in early 2021
- Install 'smart' photocopiers to drive reduction in paper usage and improve monitoring of waste
- Launch an internal communication campaign to increase understanding of opportunities to 'avoid', 'reuse' or 'recycle' and to enable each area of the business to begin to develop action plans to achieve waste reduction

Programme making

Target:
Achieve net zero carbon emissions on all programming, including commercial production, produced by STV and STV Studios by 2030

An industry wide initiative, led by BAFTA, has established a recognised benchmark and standard for the production sector to measure emissions arising from its activities. Project albert is successfully supporting the film and TV industry to make positive contributions to the environment by actively seeking to eliminate waste and carbon emissions.

From 2021, all programmes produced by STV Studios will be registered with albert which enables a calculation to be made to assess the carbon impact of a production. Where required by the commissioner, productions will attain albert certification. This further commitment requires the production to use carbon offsetting to become net zero.

Programmes made by STV's broadcast business, including the output of STV News, will also become albert certified by 2022.

STV's in-house commercial production business, STV Creative, delivered over 450 advertising and promotional campaigns in 2020. STV Creative has committed to become an active supporter of Ad Net Zero, the UK's response to achieving environmental sustainability, which shares STV's headline target to become net-zero carbon by 2030.

To achieve our headline target:

- STV Studios will register all productions on albert and, where required, attain albert certification for all productions by 2021
- STV will commit to albert certification for all of its programming, including news and current affairs, by 2022
- STV Creative will support sustainability within the advertising industry by becoming an active supporter of Ad Net Zero

Promoting sustainability

Target:
We will use STV's reach to inform and raise awareness of environmental sustainability with our viewers and to support our advertisers to embrace sustainability

As a trusted public service broadcaster, we have a strong platform to encourage behavioural change by raising awareness, stimulating discussion of environmental issues and promoting sustainable lifestyles and behaviours. We will achieve this through our programming and self-promotional airtime.

We will also work with our advertisers and commercial partners to support them in making their organisations, products and services more environmentally sustainable.

To achieve our headline target we will:

- Ensure environmental sustainability is represented in the editorial content of our programming
- Use promotional airtime to celebrate STV's commitment to environmental sustainability and encourage positive behaviour change from our viewers and advertisers
- Support our advertisers and commercial partners in becoming environmentally sustainable businesses through the launch of the STV Green Fund in early 2021

Achieving a sustainable supply chain

Target:
Our supply chain will be 100% sustainable by 2030

Currently, suppliers providing c.80% by value of our procured goods and services have confirmed sustainability commitments consistent with our overall objectives.

During 2021 we will develop criteria addressing sustainability and ethical requirements that all suppliers will be expected to meet by 2030. As we develop these criteria, we will undertake a review of our supplier base and our procurement and sourcing processes to ensure these are efficient, streamlined and aligned with our sustainability and ethical values, including the Modern Slavery Act and diversity and inclusion principles.

The review of our supplier base will therefore be focused on the remaining suppliers, estimated to represent c.20% of the value of goods and services purchased by the company.

To achieve our target we will:

- Develop environmental sustainability criteria for all suppliers
- Undertake a review of sourcing and procurement processes to ensure sustainability and ethical criteria can be incorporated into the supply chain in the long term
- Perform a supplier data base cleanse to remove dormant suppliers, and focus our activities on those suppliers who are actively engaged with the business at present

CORPORATE RESPONSIBILITY – ENVIRONMENT

Streamlined Energy and Carbon Reporting

Under the requirements of Streamlined Energy and Carbon Reporting (SECR), STV Group plc is required to report energy and emissions data annually arising as a result of activities for which we have operational control.

2020 energy and carbon emissions

	2020		2019	2018	2017	2016
Scopes and categories	**Energy data* (kWh)**	**Greenhouse gas emissions* (tonnes of CO_2e)**	Greenhouse gas emissions* (tonnes of CO_2e)	Greenhouse gas emissions* (tonnes of CO_2e)	Greenhouse gas emissions* (tonnes of CO_2e)	Greenhouse gas emissions* (tonnes of CO_2e)
Scope 1	**2,057,373.09**	**396.31**	454.85	437.27	433.89	501.46
Scope 2	**3,135,556.33**	**731.02**	1,050.31	1,251.94	2,055.77	2,039.95
Total Scope 1 and 2 (SECR minimum)	**5,192,929.42**	**1,127.34**	1,505.16	1,689.21	2,489.66	2,541.41
Total Scope 1 and 2 Intensity Ratio			12.16	13.41	21.28	21.10
Scope 3	**209,399.40**	**158.98**	n/a	n/a	n/a	n/a
Total Scope 1, 2 and 3	**5,402,328.83**	**1,286.32**	n/a	n/a	n/a	n/a
Intensity ratio (all scopes) tonnes of CO_2e per £m revenue**		**12.02**				

A range of energy efficiency measures have been successfully implemented during 2020 in support of the Group's commitment to sustainability. These measures include:

Installation of LED lighting in all offices (except for Pacific Quay); replacement of fleet vehicles to transfer to hybrid fuel (41% of overall fleet); IT investment programme to replace desktops with laptops and introduce 'smart printers' to reduce both paper and energy.

A sustained programme of energy reduction measures will continue during 2021 to include: transfer to all electricity usage from renewable sources; costing of installation of LED lighting at Pacific Quay, Glasgow; implementation of a new travel policy to support reduction in business travel by 50% by 2025; completion of IT upgrade which will ensure use of more energy efficient equipment; and the conversion of the remaining vehicles to low emissions vehicles.

Scope 1: Emissions from stationary and mobile combustion together with operation of facilities. This includes the consumption of fuel in company owned vehicles (satellite trucks) and leased fleet vehicles.

Scope 2: Emissions from purchased grid electricity.

Scope 3: Emissions from business travel including all vehicles (including employee owned and hired), train, air and hotel stays.

* The methodologies used in calculating energy data and greenhouse gas (GHG) emissions include the GHG Protocol Corporate Standard, the 2019 HM Government Environmental Reporting Guidelines and the 2020 UK Government's Conversion Factors for Company Reporting.

** The selected intensity measurement is tonnes of CO_2e per total £m sales revenue. The intensity ratio was calculated by dividing total GHG emissions (tonnes) by total sales revenue for the financial year 1 January 2020 to 31 December 2020.

FTSE4Good

FTSE Russell

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that STV Group has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

CORPORATE RESPONSIBILITY – COMMUNITY

STV Children's Appeal

The STV Children's Appeal was launched in 2011 by STV and The Hunter Foundation with a commitment to making a difference to the lives of Scotland's children and young people. The money raised is distributed to provide practical help like food and warm clothes, create opportunities for training and employability, and enable social and emotional support for those who need it most.

STV and the Hunter Foundation meet all overheads, meaning every penny of donations received goes directly to helping those in need. In 2013, The Wood Foundation pledged its support for projects in the North East of Scotland.

Since the Appeal was launched, the Scottish Government has match funded the first £1 million raised by the Appeal, and this continued in 2020.

STV Children's Appeal in 2020

As Scotland faced massive challenges in the wake of the coronavirus, STV Children's Appeal recognised the vital role we could play. When the STV Children's Appeal was set up the trustees ensured the charity had the flexibility to respond to any situation to help those most in need. In mid-March when the pandemic was beginning to be felt but before lockdown, we distributed £400,000 in immediate funding from donations made to the Appeal, to food charity FareShare to help vulnerable families meet their most basic of needs by providing food supplies. The STV Children's Appeal also contacted all previously funded projects to offer support and help, to make them aware of additional funding streams and to provide a flexible approach to how they might use their funding from us if their needs had changed to meet the needs of their communities in the face of Covid-19.

As part of a coalition of independent funders, STV Children's Appeal assisted in the distribution of the Scottish Government Community Wellbeing Fund, meaning 283 community groups and voluntary organisations whom we had previously funded received £2,000 grants to allow a rapid response to the social impacts of the pandemic.

As the pandemic worsened and lockdown commenced, an Emergency Coronavirus Campaign was launched in partnership with National Emergencies Trust (NET), an organisation that collaborates with charities and other bodies to raise and distribute money and support victims at times of domestic disasters. Fronted by TV presenter Lorraine Kelly, this encouraged supporters and STV audiences to donate what they could to help children and families struggling because of the effects of Covid-19.

A grand total of £3.6 million has been raised by the STV Children's Appeal throughout 2020, bringing the total amount raised by the Appeal since its formation in 2011 to over £25 million.

Connecting with communities

With many of our usual fundraising events cancelled, new virtual forms of Covid-secure fundraising such as virtual games were introduced, and our supporters were encouraged to take part in a virtual 2.6 Challenge where individuals up and down the country took part in a whole range of challenges.

Creative approaches and new ways of fundraising, organising challenges and events in a virtual or socially distant way, ensured individuals, schools, businesses and community groups were still able to get involved with the charity and make a difference within their communities.

Corporate supporters of the Appeal have included supermarket chain Lidl. Its customers and staff helped to raise £73,000 this year – bringing the total amount Lidl has raised for the Appeal to over £500,000.

To ensure the Appeal continued to reach new supporters, a series of virtual concerts called *Songs for Scotland* hosted by STV presenter Polly Bartlett, were also recorded and streamed on Facebook including exclusive sets from Annie Lennox, Tom Walker, KT Tunstall and Amy Macdonald.

The STV Children's Appeal is a fundraising partner for Kiltwalk and although all events became virtual in 2020, an incredible amount was raised that was further boosted thanks to a generous 100% top up from the Hunter Foundation. These funds have provided vital support to charities in each of the four cities the events would have taken place.

Employee engagement

STV employees continued to be great ambassadors for the Appeal in 2020 even while working remotely. Recognising that no one would be hit harder by the coronavirus than our most vulnerable communities STV staff continued their unwavering support for the charity by taking part in various virtual fundraising events across the year such as Kiltwalk, 2.6 Challenge and hosting a Big Scottish Breakfast.

AS SCOTLAND FACED MASSIVE CHALLENGES IN THE WAKE OF THE CORONAVIRUS, STV CHILDREN'S APPEAL RECOGNISED THE VITAL ROLE WE COULD PLAY.

↑
Lorraine Kelly hosts the STV Children's Appeal annual telefundraiser which this year saw stars including Andy Murray and KT Tunstall encouraging Scots to donate funds for vulnerable children and young people across Scotland.

↖
"Frank, get the door!" First Minister Nicola Sturgeon makes a memorable appearance in this year's Appeal show, starring in a specially-recorded sketch alongside comedian Janey Godley.

←
Inverness schoolboy Shaun Maclean, 8, features in Appeal programming after he ran 200 laps of his garden to raise £966.

↓
Tom Walker headlined *Songs for Scotland: Summer Festival* – a star-studded online music festival to help fundraise.

→
An Emergency Coronavirus Campaign was launched in partnership with National Emergencies Trust (NET), to encourage donations to support children and families struggling because of the effects of Covid-19.

CORPORATE RESPONSIBILITY – COMMUNITY

↓
The STV Children's Appeal is a fundraising partner for Kiltwalk, and although all events became virtual in 2020, an incredible amount was raised.

↓
STV Children's Appeal funding supported a mental health awareness training programme for youth workers in partnership with the charity Place2Be.

Place2Be

Programming

STV uses its platform as Scotland's commercial public service broadcaster to shine a light on the issues faced by so many people across Scotland.

A busy year of fundraising culminated in a telefundraiser broadcast on STV in October. The programme, hosted by Lorraine Kelly, saw stars including Andy Murray and KT Tunstall encouraging Scots to donate funds for vulnerable children and young people across Scotland. Viewers saw the impact their generous donations on the lives of children and young people across Scotland.

A series of poignant films explored the devastating impact of Covid-19 on mental health, food and fuel poverty, and Scotland's widening digital divide, whilst also highlighting how the STV Children's Appeal has supported those hit hardest by the pandemic throughout 2020. The programme had the biggest average audience of all live Appeal shows in the last five years, and Appeal messaging across both the show and the channel takeover reached over 1.3 million Scots.

Scottish Children's Lottery

Established in late 2016, the STV External Lottery Manager (ELM) provides operational services including ticket sales and marketing to charitable society lottery, the Scottish Children's Lottery, with monies raised distributed to children and young people's charities and projects across Scotland.

In 2020, The Scottish Children's Lottery distributed just over £1 million in funding. Proceeds raised by the Lottery provided grants to local projects across Scotland and also enabled Lottery trustees to make over £400,000 in emergency funding available to charities such as Barnardos, Children 1st, One Parent Families Scotland , Home Start and FareShare offering them greater flexibility to respond to the urgent needs of vulnerable families and children dealing with the impact of Covid-19.

Since launch the Lottery has distributed almost £6 million in funding for children and young people's charities working in all 32 of Scotland's local authorities to support four key areas of early years' intervention, education and health, employment skills and employability, and community development and citizenship.

Baroness Margaret Ford OBE
Chairman

←
Annie Lennox performed an exclusive live set from her living room as part of the Appeal's *Songs for Scotland* online music series.

SECTION 172 STATEMENT

The Board and its individual Directors consider that, in the decisions taken during 2020, they have acted in the way most likely to promote the success of STV for the benefit of its members as a whole, having regard to the stakeholders and matters set out in S.172 of the Companies Act 2006.

Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider would most likely promote the success of the Company for the benefit of its members as a whole and the matters they are required to take into account are set out on page 57. In addition to these matters, Directors are also cognisant of other factors which they consider relevant to the decisions being made and these include the interests and views of STV's employees and viewers, and the relationship with Ofcom.

This success must be for the benefit not only of STV's shareholders but also for all of its other stakeholders and this has never been more relevant than during the on-going Covid-19 pandemic. The following table provides some insight into how the Board discharges its duties under S.172, in particular with its stakeholder groups. The Directors believe this demonstrates how seriously the Board takes these responsibilities.

Investors

Why important to us?

- Our shareholders provide funds which aid the growth of our business and are vital to our future success.

Key priorities of the stakeholder group

- Strong financial performance.
- Good governance practices.
- Transparency and openness.
- Trust and a good relationship with management.

Engagement with stakeholder group

- Meetings between Executive Directors and major shareholders are held immediately following publication of the interim and final results. During the current Covid-19 environment, these were conducted via video conference.
- There is a dedicated Investor section of the corporate website where RNS announcements, reports and publications and general shareholder information can be found.
- A comprehensive consultation exercise is carried out with major shareholders on any significant changes to remuneration practices.
- Meetings are held between the Executive Directors and current and potential significant shareholders.
- The Annual General Meeting, which all Directors attend, offers the opportunity for shareholders to directly engage with the Board. While the 2020 AGM was held as a closed meeting due to lockdown measures in place at that time, investors were able to submit questions in advance, via our corporate website.

Impact on Board decisions

- All comments made by major shareholders are carefully considered by the full Board.
- Shareholder input has helped to shape the proposed remuneration policy.
- The views of major shareholders on the key actions to take during the pandemic were considered, specifically in relation to the Placing and interim dividend for 2020 and also on the appointment of the new Chair and Non-Executive Director.

Colleagues

Why important to us?

- Our colleagues are vital to STV and nurturing them is essential to the success of the business.

Key priorities of the stakeholder group

- Development and training of our colleagues.
- Safety and wellbeing of our people, including their mental health.
- Good employment conditions, culture and opportunities.
- Transparency and openness.

Engagement with stakeholder group

- There is a designated employee director who is STV's Senior Independent Director.
- Significant employee communication particularly during 2020 including the 'Monday Minute', an all company informal discussion led by the CEO that covered what's happening within STV and its financial and operational performance; regular 'check-ins' with line managers; and several company/departmental social events, all undertaken in compliance with social distancing measures in force at the time.
- Annual employee surveys.
- Share ownership is promoted through the Save As You Earn scheme.
- Provision of many resources to promote general wellbeing, including mental health, available through the 'Wellbeing from STV' programme of activities.
- Broad range of benefits provided including discounted gym membership and cinema tickets and a car salary exchange scheme where employees can lease a car through salary sacrifice.

Impact on Board decisions

- Topped up furlough payments so all employees received 100% of salary, and additional holidays for those not furloughed.
- In response to the most recent employee survey, a number of measures have been introduced to support employees during the pandemic, including a curfew on emails after 7pm, meeting-free periods from 12.30 until 2pm, home workstation assessments, access to wellbeing and resilience training and confidential meetings with healthcare professionals on request.
- Establishment of a 24/7 telephone counselling service and additional Mental Health First Aiders trained.
- Continually enhanced range of benefits.

Suppliers

Why important to us?

- Having good relationships with our suppliers provides comfort over the continuity of our supply chain and is therefore important to our long-term success.

Key priorities of the stakeholder group

- Timely payment practices.
- Open and transparent negotiations.
- Compliance with laws, regulations and industry regulators.

Engagement with stakeholder group

- STV's largest supplier is ITV: a significant proportion of the broadcast schedule is produced or procured by ITV and made available to STV through long term agreements, and ITV is also the Group's sales agent for national airtime and sponsorship. The relationship with ITV is managed closely, with weekly revenue reporting and discussions between ITV and STV

Commercial Directors, regular updates on programme and schedule developments and meetings with the ITV Council held at least quarterly, attended by the Director of Change, Director of Policy & Regulatory Affairs, Head of CRR Compliance & Third Party Sales, Commercial and Online, Director of Viewer Marketing and the Content, Media and Entertainment Director from ITV together with the CEO, MD of Broadcast, Head of Consumer Insights, Director of Programme Strategy & Marketing and the Head of Legal from STV.
- The Digital division has sought content suppliers with titles which reflect the audience of STV Player and built solid relationships with the distributors and producers which has resulted in them all coming back for further deals.

Impact on Board decisions
- The Board is regularly updated on the working relationship with ITV in order that this operates smoothly and that any issues can be discussed and resolved efficiently.

Customers

Why important to us?
- Our viewers, subscribers, advertisers and commissioners are all key to STV's continued success.
- STV must deliver quality content on air, online and on demand to ensure viewers and subscribers continue to want to watch STV and in turn, strong viewing figures and a strong commercial proposition encourages advertisers to the channel which is vital for STV's growth as a business.

Key priorities of the stakeholder group
- Broadcasting and producing programmes that appeal to a wide variety of viewers.
- A trusted and impartial news service.
- Providing awareness of key social and topical issues.

Engagement with stakeholder group
- The Viewer Enquiries team deals with viewer queries and escalates any issues.
- Customer surveys are carried out through Scotpulse.
- Provision of a rich variety of content.

Impact on Board decisions
- Strategic decision to acquire more programmes and box sets, with significantly more Player-only content.
- The Board receives regular compliance reports as well as viewing figures and channel performances.
- Investment in new creative labels within Studios, to widen appeal and enable the Group to place more creative bets with a broader range of commissioners.

Community and environment

Why important to us?
- As Scotland's public service broadcaster, a strong sense of social purpose is fundamental in all we do.
- STV is committed to continuous improvement of its environmental performance and to becoming a net-zero carbon business by 2030.

Key priorities of the stakeholder group
- Support for local causes and community projects.
- Supporting local business and local high streets.
- Reduce waste and protect the environment in all activities.

Engagement with stakeholder group
- Online campaigns targeting mental health, exercise, healthy eating and public health.
- £1 million campaign to celebrate local business and charity heroes.
- Range of new STV Growth Fund partnerships to boost the local economy.
- On screen Black Voices campaign in response to Black Lives Matter movement.
- The STV Children's Appeal team has distributed over £2.7 million to help children and young people living in poverty who have been hit hardest by the pandemic.

Impact on Board decisions
- Doubling of STV Growth Fund to £20 million to make advertising more affordable and accessible for Scottish SMEs and support their recovery from Covid-19.
- Commitment to ring fence £1 million for diverse advertising campaigns.
- New target to double BAME colleagues by 2023 plus on screen representation targets.
- Establishment of the STV Sustainability Group and the resultant sustainability strategy with the over arching target to achieve net zero carbon emissions by 2030.

Government and regulators

Why important to us?
- Active engagement with government bodies and regulators is important to allow us the opportunity to input on matters relating to our industry and to ensure we are able to put in place appropriate measures to comply with laws and regulations.

Key priorities of the stakeholder group
- Compliance with laws and regulations.
- Ethical operations and practices.
- Strong governance credentials.
- Provide good quality employment opportunities.

Engagement with stakeholder group
- Participation in a range of consultations affecting our industry and practices.
- Attendance at meetings and forums to engage with policy makers relevant to our operations, e.g. Department of Digital, Culture, Media & Sport (DCMS).
- Discussions with Ofcom regarding renewal of our licences and our PSB obligations.
- Engaging with the London Stock Exchange regarding the listing of shares.
- Government lobbying in relation to matters impacting public service broadcasting.

Impact on Board decisions
- Involvement with other UK broadcasters and PACT to design industry wide guidelines for producing television safely during Covid-19.
- Decision on which government initiatives available to the company during the pandemic should be applied for.
- The Board is regularly updated on discussions with regulators and government bodies.

RISK MANAGEMENT

Risk management and internal control

Introduction

Risk is inherent in the Company's business and activities and the ability to effectively identify and manage risk is a vital element of business success. Risk management takes place across many different processes and operations throughout the Company and the Board considers this to be a fundamental business discipline, designed to balance risk and reward and to protect the Group against the potential impact of uncertainties that could threaten the achievement of its business objectives.

The comprehensive and consistent management of risk is a fundamental part of the culture in STV and while all employees are responsible for risk management, the Directors have overall responsibility for monitoring and reviewing the effectiveness of the risk management activities from a strategic, financial and operational perspective. They must satisfy themselves that the Company's risk management policies and procedures are consistent with its strategy and risk appetite.

Risk agenda

The Board reviewed the effectiveness of the systems of risk management and internal control and the principal risks affecting the Group in line with its Risk Appetite Statement. These activities meet the Board's responsibilities in connection with Risk Management and Internal Control as set out in the UK Corporate Governance Code.

The aim of the Risk Appetite Statement is to highlight the risks that we should be willing to take, as well as those which we would not. The statement includes a series of risk assertions that are aligned to our strategy, together with the risk parameters within which we expect our people to work. Compliance with the Risk Appetite Statement is monitored through the Group's functional and front line controls including oversight and reporting mechanisms. The Risk Appetite Statement was recently updated to include 'Corporate Sustainability' and the Board will continue to review and update this document on an annual basis.

The Report from the Audit & Risk Committee includes further detail on the work undertaken during the year to review the internal control and risk management systems of the Group.

Risk management process

The outbreak of Covid-19 has made risk management more challenging, requiring first an understanding of the short and longer term impacts on STV's business before then assessing how best to deal with each of these pandemic-triggered problems.

The Board's focus on risk has been much wider than that relating purely to shareholder value, with Directors considering their role in mitigating the impact of risks to a broad set of stakeholders, including employees, customers, viewers, shareholders and wider society. More information on how STV has supported its local community can be found in the Chief Executive Officer's report on pages 6 and 7 and in the Corporate Social Responsibility report on pages 39 to 41.

The Board has approved a formal risk management policy, 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.

The risk management process is designed to identify, assess, respond to, report on and monitor the risks that threaten the Company's ability to achieve its business strategy and objectives, within its agreed risk appetite. It is an important factor in the Company's financial soundness, performance, reputation and future success which is why the review of risk and risk management has been embedded throughout the Company.

While the Board has overall responsibility for risk management, each divisional managing director has day-to-day ownership of the risks relevant to their respective areas of responsibility. In conjunction with their team, they ensure that identified mitigating actions and controls are being operated effectively, and they also continually assess the risk landscape to determine changes in likelihood or significance of identified risks, and the emergence of any new risks.

Following the first lockdown in March 2020, the Board took the decision to hold weekly audio-video calls in order to discuss fully the risk implications of Covid-19 to the business, and be available to make decisions real time, in what was a fast-moving environment. At these meetings the Board was provided with information on Government measures taken or likely to be taken as well as verbal updates from both the Chief Executive Officer and the Chief Financial Officer. These updates included insight on the Company's liquidity position, latest trading and financial data, viewing figures and a range of people matters covering mental health, general wellbeing, communications and similar items, together with the measures taken by the Executives to support employees during that time. The Board was also advised of the new protocols in place across all office premises for those who were unable to work from home, including appropriate safety measures such as a one way system, increased sanitation, mandatory mask wearing and appropriately distanced desks for the small number of colleagues who were required to be in the office to ensure operational continuity.

The economic impact of the Government's lockdown measures has been significant, and STV responded proactively to mitigate the commercial impact of Covid-19 by maximising cash retention and saving costs. Key decisions taken by the Board during that time, following receipt of advice from advisers, included execution of a complementary and balanced package of debt and equity that strengthened the balance sheet and provided greater medium term flexibility. Accordingly, the bank facility was increased from £60 million to £80 million, coterminous with the existing facility maturing in June 2022, and £15.5 million (net of expenses) was raised through the placing of 7,050,665 new ordinary shares. In March 2021, the bank facilities were fully refinanced with an RCF of £60 million and accordion of £20 million in place for a minimum term of three years.

Risk management cycle

Risk register

A risk register formalises the consideration of risk and opportunities in a way that enables wider consideration and discussion within management and at a board level, and is the culmination of a bottom-up assessment of risk by operational management and a top-down assessment by the Board. It helps to ensure that all significant risks have been suitably identified and assessed and are being actively managed.

Although a risk register tends to focus on negative risks it can also address the opportunities that face the business and assist both management and the Board in ensuring that their risk policies are appropriate. Not all risks are controllable or foreseeable, for example natural disasters. Our response to such risks is having controls which lessen the impact to our business should they occur, including up to date business continuity and disaster recovery plans.

For each risk identified, we quantify the gross risk by considering the potential impact and likelihood of occurrence. Then, incorporating the impact of the existing mitigating actions and controls, the net risk is quantified. If the net risk is not acceptable and is not in line with our Risk Appetite, further mitigating actions and controls are identified as necessary. All risks are assigned to an appropriate risk owner and the Board is provided with risk updates as part of the normal process by which the Audit & Risk Committee provides reporting on its activities.

STV's risk register was refreshed in 2019 and the structure now in place mirrors the divisional structure of the Group with each division and the central functions (taken together) having their own individual risk register, owned by the divisional managing director (or the Chief Financial Officer in the case of the central functions).

During 2020, given the pandemic and the rapid pace of change, the Board elected to take a greater role in risk oversight and the corporate issues that affected risk rather than delegating these to the Audit & Risk Committee. Risk issues were discussed at the weekly audio-video Board meetings with proposals considered and solutions implemented.

Going forward, these registers will be reviewed and the consideration of risk and risk management plans will be executed through the divisional board governance structure. The Audit & Risk Committee will review these registers twice each year with updates provided to the Board thereafter.

The Group risk register comprises those risks from the divisional risk registers that the Board considers to be the most significant and/or likely and the Board will review this twice each year, with a focus on internal control and to ensure that all risks have been captured and areas of emerging risk considered.

A separate cyber risk register is also in place. It is owned by the Group's Cyber Risk Committee, reviewed regularly and represents a further input into the Group risk register that is reviewed by the Audit & Risk Committee and the Board.

Internal controls

The system of internal control is designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss. By further developing and operating an annual and ongoing risk management process to identify, report and manage significant risks, the Board seeks to provide a reasonable assurance against material misstatement or loss.

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 divisional boards
- 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 with 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.

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

RISK MANAGEMENT

Risk management and internal control continued

Roles and responsibilities

The key roles and responsibilities for risk management comprise three layers. Each role within the Company is well-defined with clear responsibilities and a transparent reporting structure.

The first line of defence is our divisional management who are responsible for managing their business to ensure divisional strategic objectives are achieved and there is compliance with Group policies and standards throughout their division. Issues are escalated to the Management Board as required.

Our second line of defence is the Management Board with overall responsibility for managing the Group to ensure it meets its strategic objectives. It is responsible for managing the risks that may have the potential to impact the delivery of the Group's strategic objectives, monitoring business performance, taking strategic decisions in accordance with the authority delegated to it by the Board, and escalating issues to the Board as required.

The third line of defence comprises internal audit, the Audit & Risk Committee and then the Board. The Audit & Risk Committee has delegated authority from the Board to review the effectiveness of the Group's risk and internal control frameworks. It performs an annual assessment of the effectiveness of the risk management and internal control frameworks, reviews reports from the internal and external auditors and reports to the Board on the outcome of the work performed.

The Board has overall responsibility for the Group's risk management and internal control frameworks, and strategic decisions within the Group. It undertakes an annual review and ongoing monitoring of the effectiveness of the risk management and internal control frameworks, as well as an annual review of the Risk Appetite Statement. All Directors receive the minutes of Audit & Risk Committee meetings and at the Board meeting following each Audit & Risk Committee meeting, the Committee Chairman provides a comprehensive and detailed verbal update on discussions that have taken place.

Risk appetite

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

	Unacceptable to take risks					Higher willingness to take risks				
Risk category	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Reputation	<	>								
Compliance and regulatory	< >									
Returns and profitability		<		>						
Technology	<		>							
Opportunities						<			>	
TV market			<		>					
Operational			<				>			
Pensions	<	>								
People and culture	< >									
Corporate sustainability	<	>								

Reputation

STV places great importance on upholding its high reputation and therefore has a low appetite for risk in conducting any activities that put 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 other stakeholders.

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.

Returns and profitability

STV aims to deliver strong growth through the strategic options it identifies, ensuring that these are for appropriate returns, with a focus on market median margins (as a minimum target), clear return on investment and good working capital management together with cash generation. While opportunities may be taken that result in some dilution to the operating margin in the short term, these would be expected to generate margin enhancing results within the plan period.

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.

Opportunities

New opportunities, projects, collaborations, joint ventures, and mergers and acquisitions are periodically considered, as is technology innovation, if they are aligned with our strategic direction. These inevitably involve an 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.

TV market

Various aspects of the TV market are, to an extent, beyond the control of STV, such as national airtime advertising revenue and the increasing number of SVoD services now available to consumers, 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 funding deficits in STV's two defined benefit pension schemes and while the investment strategy is determined to reduce the impact of material market movements, various measures are being taken to reduce the deficit. STV has a low risk appetite in respect of its pension obligations.

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. STV is committed to building a diverse and inclusive culture and through its Open Access Charter, has a strategy in place to ensure it represents the communities it serves. 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 no appetite for any deviation from its standards in these areas.

Corporate sustainability

STV is striving to become a sustainable business, creating long-term value by taking into consideration how it operates in the ecological, social and economic environment. It has integrated sustainability into its strategy and at the start of 2021 launched its Sustainability Policy. Using its current carbon footprint as a backdrop, a series of targets have been established in order to become a net zero carbon business by 2030. STV has a low appetite for risk in this area.

Principal risks and uncertainties

As in any business, there are risks and uncertainties that could have an impact on the Group's operating results, financial condition and prospects. The Group's risk management and assurance framework is designed to make this less likely by clearly identifying and seeking to mitigate key risks.

The Covid-19 pandemic had a significant impact on the macro-economic environment in which the Group operated throughout much of 2020, which continues to evolve with its full effect not yet known. It has also affected the way in which the business operates, with a wholesale pivot for the workforce to home-working, as well as different means of communication being sought to continue engagement with key stakeholders, and new measures put in place to protect and look after our employees. There remains an amount of uncertainty associated with Covid-19, which may still have the potential to impact a number of our principal risks. It remains unclear as to how quickly economic activity will resume to pre-pandemic levels. However, the resilience shown across the operating divisions, particularly since Summer 2020 when restrictions began to lift, combined with the benefits from the suite of measures taken during Q2 2020 to maximise cash retention and save costs, are a good barometer for the Group's ability to continue its growth strategy and respond positively to the challenges it faces. The Board and management continue to closely monitor the position.

The Directors confirm they have carried out a robust assessment of the principal risks facing the Company and the risks identified have been fully evaluated and taken into account in preparing the budgets and forecasts which support going concern, the viability statement and impairment assessments. The principal risks and uncertainties set out below are those believed to have the greatest potential to impact our ability to achieve the Group's strategic objectives, or which have the greatest potential impact on the Group's solvency or liquidity.

RISK MANAGEMENT

Principal risks and uncertainties continued

Operational risks

Risk area: Regulatory environment

Potential impact	Mitigation
STV's linear broadcast business is operated under licences that are regulated by Ofcom, and the key Channel 3 licences have a term that runs 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. 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.	As licensee, 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 this happens. There is a dedicated compliance function and a compliance mentality has been embedded within all relevant areas of the business. There is frequent contact with the regulator to ensure awareness and understanding of any updates or changes to the codes/rules and that appropriate changes to internal processes are implemented as required. There is also regular staff training.

Risk area: Market volatility and advertising spend

Potential impact	Mitigation
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 STV or its 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.	STV's national advertising is sold by ITV and the contract requires ITV, as agent, to maximise revenue through 'best endeavours'. ITV send a weekly performance report to STV and regular meetings are held between the senior commercial management from both companies to understand current forecasts, trends, and other related matters. STV's London-based marketing team is responsible for monitoring the digital advertising market and selling Video on Demand advertising for STV Player to customers from across the UK. STV aims to create greater value for advertisers through focusing on targeted opportunities and new ways to engage with consumers. STV's regional Scottish advertising is sold by a further, dedicated team who pursue a range of initiatives designed to ensure the effectiveness of our sell, driven by the STV Growth Fund through which we provide matched-funding and other support to make TV advertising affordable and enable businesses to grow their brand awareness. The strength of the relationships that the commercial teams have with their clients is crucial in selling advertising services, and in maintaining those sales levels during periods of uncertainty.

Risk area: Post Brexit uncertainty

Potential impact	Mitigation
The continuing macroeconomic uncertainty associated with the Brexit process and impact that the new trade deal will have on all areas of UK businesses is considered to be a risk to STV, to the extent it affects the UK advertising market, upon which STV is dependent.	Where this uncertainty results in a decline in national advertising revenues, the Group receives a partial offset to this impact through its arrangements with ITV in the Network Affiliate Agreement.

Risk area: Reliance on ITV

Potential impact	Mitigation
The majority of STV's Channel 3 programming content is provided by the ITV Network. Therefore, its ability to attract and retain audiences is dependent on the quality, variety and diversity of programming available, which, in turn, impacts the ability of STV to attract regional advertisers. In addition, the performance of ITV as STV's national advertising sales agent is a significant factor that affects the financial performance of the Group.	This relationship is managed closely, with regular updates on programme and schedule developments being provided through STV's Head of Consumer Insights with STV's Commercial Director having responsibility for the sales relationship with ITV. Contracts are in place for all network functions performed by ITV with agreed consultation processes for any changes to arrangements. Regular dialogue includes formal quarterly ITV Council meetings with minutes provided to Ofcom. With regard to ITV acting as the Group's national sales agent, there are regular meetings between the Commercial Directors of both businesses to discuss latest forecasts, booking trends and similar factors. In addition, there is profit protection for STV by virtue of the contractual arrangement in place with ITV, whereby STV's costs are pegged to national advertising revenues with costs only increasing in the event that national advertising revenues also increase.

Impact from Covid-19 and Group response

While Covid-19 boosted viewing figures for public service broadcasters, with the STV News audience up 32% year on year and the STV daytime audience up 27%, the crisis also reinforced STV's strong sense of social purpose as Scotland's public service broadcaster with campaigns for health & wellbeing; driving the local economy and diversity & inclusion. Despite the many challenges faced during 2020, STV maintained its PSB credentials in accordance with Ofcom's codes and regulations and adhered to its licence terms.

STV adjusted programme output particularly during the summer lockdown, broadcasting a single news programme across Scotland instead of the regular pattern contributions from both licence areas and transmitted fewer non-news programmes than usual, returning to normal when lockdown eased. These decisions were taken on health and safety grounds to protect staff and contributors and reflected the fact that the news was dominated by Covid-19, a story common to all of Scotland. Although output was reduced, STV remained within the terms of its licences which include a force majeure condition for exceptional circumstances. Ofcom advised all broadcasters that it considered this clause to be in effect and the regulator was kept updated on progress through regular dialogue.

Impact from Covid-19 and Group response

Although the Covid-19-driven lockdown in Q2 2020 resulted in many advertisers temporarily ceasing or reducing spend, when those restrictions began to be lifted, there was a broad based return to television advertising across all sectors, demonstrating the business's resilience. There were also a number of advertisers who increased spending during lockdown, principally across financial services, food retail and home improvements, and TV has been the medium of choice for both the UK and Scottish governments as they have needed to share public health messages with a mass audience. In order to manage the increased risk to advertising revenues associated with Covid-19, the frequency of meetings with ITV was increased to ensure information available was as current as possible at all times, and the STV Growth Fund was doubled to £20 million to support local businesses and enable them to continue to promote their brand and product/service, and boost the local economy. Lastly, the variable cost arrangement with ITV offers profit protection in times of declining national advertising revenue. Over the course of the year national advertising revenues declined by 14% and so there was an equivalent reduction in the cost STV pays for the Channel 3 national programming budget, saving the business c.£5 million during the year.

Impact from Covid-19 and Group response

The positive benefit of these arrangements with ITV where the broadcast business is partly shielded from adverse national advertising performance was demonstrated well during 2020, albeit the primary cause of the market downturn was the Coronavirus pandemic rather than the crystallisation of any risk associated with Brexit.

Impact from Covid-19 and Group response

All broadcasters found 2020 to be a difficult year with productions having to be halted and postponed due to lockdown measures. However, following the introduction of Covid-19 safety protocols, both the UK and Scottish governments confirmed that television production could recommence, and this remains the case in the current lockdown. Restrictions on movement meant more people were watching television and STV set new viewing records on screen and online, with television viewing up 14% and STV Player viewing up 65% in 2020. With regard to the effect on advertising sales, please refer to comments made under the 'market volatility and advertising spend' risk above.

RISK MANAGEMENT

Principal risks and uncertainties continued

Operational risks continued

Risk area: Cyber

Potential impact	Mitigation
Cyber risk commonly refers to any risk of financial loss, disruption or damage to a company's reputation resulting from the failure of its information technology systems. STV is dependent on technology for the smooth running of its business and a cyber-security incident could lead to a loss of commercially sensitive data, a loss of data integrity within our systems or loss of financial assets through fraud.	There are cyber risk policies in place covering information security, data retention and data incident reporting. The IT infrastructure is protected by firewalls and software restricting use to authorised persons only. Regular internal and external network penetration tests are performed by a third-party specialist to ensure the level of protection is maintained. The Group has a Cyber Risk Committee which meets regularly to discuss the internal controls framework in place, any incidents that have arisen and further enhancements to the control environment that could be implemented.

Financial risks

Risk area: Defined benefit pension scheme shortfalls

Potential impact	Mitigation
The STV defined benefit pension schemes' investment strategy is aimed at reducing 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 and the ability to invest in key growth areas.	This position is kept under regular review by the Board. The trustees appointed River & Mercantile Solutions as investment manager for the schemes' assets and this is intended to increase returns and meet the schemes' long-term funding objectives.

Risk area: Group funding

Potential impact	Mitigation
The overall financial position of STV may be constrained by the Group's leverage and other debt arrangements in particular in relation to its ability to invest in strategic growth areas.	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. There are 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.

Impact from Covid-19 and Group response

With the majority of staff working from home and accessing systems remotely, management was alert to the increased risk of fraud, especially cyber fraud. Payment processes and banking approvals for payments are conducted through an online portal with agreed workflows and approval levels and this continued during the pandemic with a small number of processes being tightened. There were no known phishing attacks and the Finance Manager for Group and Corporate Development attended training courses on this subject after which the information and advice provided was shared with the broader team in order that they were all alert to the common forms of cybercrime and how to detect them.

A cyber simulation exercise was carried out in Q1 2020, designed to test the Group's business continuity plans in the event of a virus spreading to both IT and Broadcasting networks, resulting in key systems offline and/or unavailable. The Business Continuity team was tasked with implementing the Business Continuity/Disaster Recovery plans to provide intermediate solutions to isolate the simulated virus, keep STV on air, maintain live streaming and return to a stable situation as quickly as possible. The rehearsal was successful with all observations recorded and actions assigned where appropriate.

Within Broadcast, the earlier introduction of new technology in news – cameras, laptops and 4G connectivity – had already made it easier for people to work from home. Remote workflows were created and tested and processes adapted to enable secure remote working within promos, creative and post production. Transmission largely remained on the premises with a remote workflow created enabling people to operate remotely.

Impact from Covid-19 and Group response

There has been constructive engagement by the Chief Financial Officer with the trustees during 2020, with the agreement to postpone certain contributions payable during Q2 2020 until the end of the year as part of the Group's initial response to Covid-19. In addition, the risk weighting of the investment portfolio has been rebalanced to increase the proportion allocated to return-seeking asset classes, in order to benefit from the anticipated rebound in markets once the uncertainty surrounding Covid-19 settles. The overall financial position of the defined benefit schemes has benefitted from the hedging strategies put in place by the investment manager although there has been an adverse impact on the overall deficit as a result of a fall in corporate bond yields. The 2020 triennial valuation process has recently commenced, and is required to be completed by the end of March 2022.

Impact from Covid-19 and Group response

Maximising cash retention and reducing costs were key objectives in the Group's response to Covid-19. In order to enable the business to continue to invest in its growth areas, and trade through a potential, severe downside scenario, a number of actions were taken to secure liquidity and manage leverage. The Group's bank facilities, with a maturity date of June 2022, were increased from £60 million to £80 million and relaxations to the leverage covenant were secured during the period of anticipated higher leverage. In addition, an equity placing was completed on 7 July 2020, when c.7 million new ordinary shares were admitted to trading, realising net proceeds of £15.5 million. Other cash retention measures were taken, and cost savings of c.£7 million identified. The combination of resilience in the broadcast business, digital revenue growth, strong cash collection and management actions has resulted in a significantly reduced net debt position at the end of 2020, and leverage below 1 times. Subsequent to the year end, the Group refinanced its bank facilities (see page 27 for more details).

The reputational and financial risk of the lottery operation has been removed as a principal risk. During 2020 the Board took the decision to divest itself of the STV ELM in order to focus fully on progressing its successful growth strategy. As noted in the Finance Review on page 28, an agreement in principle has been reached, and is subject to Gambling Commission approval.

Baroness Margaret Ford OBE
Chairman

RISK MANAGEMENT

Long term viability statement

In accordance with the UK Corporate Governance Code 2016, the Directors are required to perform an assessment of the Group's viability over a period longer than the twelve months required for the going concern statement.

This year's viability assessment covers a three-year period, a duration that has not changed since the requirement for this viability reporting was introduced. The Directors consider that three years continues to be the most appropriate time frame for assessing the Group's longer-term viability, after consideration of the following factors:

- Visibility over the broadcast advertising business is relatively short term; advertising remains cyclical and closely linked to UK economic growth;
- The programme development lifecycle for programmes tends to be more medium term, however over time there is less visibility due to changes in viewer demand;
- The speed of innovation in the digital landscape continues to drive changing viewer and consumer habits, with limited visibility beyond the short-term;
- One of the Group's key funding obligations is payment of contributions to its defined benefit pension schemes, which are dependent on independent valuations undertaken every three years; and
- Capital expenditure requirements do not require consideration over a period beyond three years.

This year's assessment covers the period from 1 January 2021 to 31 December 2023.

The viability assessment evaluates the potential financial impact of the principal risks and uncertainties that are faced by the Group, to assess its ability to withstand them. The analysis takes as its starting point the Group's 2021-2023 Strategic Plan which was prepared over November and December 2020. These plans are the result of detailed consideration of all areas of the business including the business model, opportunities, potential risks and uncertainties faced over that timeframe and include profit and loss and cash flow forecasts.

In assessing the viability of the business, the Board considered a number of factors that may have a material impact on long-term viability, principally falling under the risk of 'Market volatility and advertising spend'. Specific consideration was also given this year to the identification of any medium or long term impacts on the business of the Covid-19 pandemic, and any changes that were required to the Group's strategy or risk management activities in support of its longer term viability. The main points of consideration were:

a) The performance of the national and regional advertising markets is significantly adverse to forecast;
b) The projected growth in digital advertising is significantly adverse to forecast, including the impact from the inability to grow the STV Player outside Scotland; and
c) The projected growth in programme commissions and therefore revenue in STV Studios is significantly adverse to forecasts, and is insufficient to leverage fully the fixed cost base.

The Board does not consider any of these factors to individually threaten the viability of the business and therefore the viability assessment focused on a range of potential scenarios in which there was a compounding effect from all factors crystallising simultaneously. These scenarios included a severe but plausible downside scenario, and more extreme scenarios in which the Group would breach borrowing and/or covenant levels. The Group reflected on its experiences in Q2 2020 in particular when considering severe but plausible outcomes, given advertising revenue declines during that time were the most significant seen by the business in its history.

The severe downside scenario modelled assumed that the significantly reduced advertising revenues seen in Q2 2020 recurred in H1 2021 with the return to more normal levels of trading taking much longer than experienced in H2 2020. Furthermore, a production hiatus was modelled over the first half of the year, with the resultant impact of delays to programme deliveries over the immediately following 12-18 months. Even in these extreme circumstances, the Group would remain within its banking facility (both those in place at the year end and those agreed with lenders in March 2021) and comply with all financial covenants.

In evaluating these models, the Directors took into account a number of the available mitigating actions that the business would reasonably take to manage the impact, specifically in relation to cost reduction, management of working capital, capital investment and returns to shareholders.

Having conducted the above exercise and taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties along with the Group's current financial position, the Directors are satisfied that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period under review.

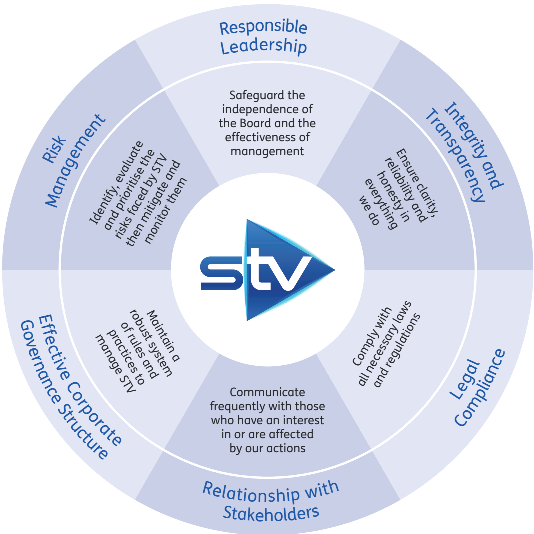
INTRODUCTION TO GOVERNANCE

Corporate governance at STV

STV is committed to business integrity, high ethical values and professionalism in all of its activities. The Board of Directors' remit is to provide direction to help shape STV's strategy and ensure that it is being executed effectively within a structure that is well controlled, mitigates risk and is compliant with corporate and social responsibility. Good governance comes from an effective Board which provides strong leadership and engages well with both management and stakeholders and your Board supports the highest standards in all aspects of governance. We are accountable to our stakeholders not only for ensuring that governance processes are in place, but that these are effective as we believe this underpins good business performance.

As Directors, we are also mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of STV for the benefit of its members as a whole, as set out in S.172 of the Companies Act 2006 and further details of how we have achieved this can be found on pages 42 and 43.

STV's corporate governance



Board effectiveness

Under the Code, the Board is required to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In December 2020 the Board conducted an internally facilitated evaluation and details of the process and its outcome are covered in the Corporate Governance report. Following this, I am satisfied that the Board and its Committees are carrying out their duties efficiently and particularly following the appointments of Paul and Aki on 1 February this year, that there is an appropriate balance of skills, experience, knowledge and independence on the Board.

Stakeholder engagement

While the lockdown measures implemented by the Westminster and Scottish Governments have meant much reduced in-person engagement with our stakeholders, these relationships are vital in ensuring we can work together to successfully deliver our strategic plan and further details of how we do this can be found in the S.172 Statement on pages 42 and 43.

One recent example of the Board's engagement with stakeholders has been the triennial review of the remuneration policy this year, for which we consulted with our largest shareholders. Full details of the revised Directors' Remuneration Policy, which will be submitted to shareholders for consideration at the company's AGM in April, can be found on pages 69 to 76 in the Directors' Remuneration Report.

Although the Board welcomes engagement and dialogue with its shareholders, in view of the current restrictions, it has concluded that shareholders will not be permitted to attend the AGM in person and accordingly the meeting will take place virtually as a closed meeting. The Board thanks shareholders for their understanding in these exceptional times and looks forward to returning to an open AGM format in future years. We are always happy to receive shareholders comments and answer any questions and the email address to which these should be sent is set out in the Notice of Meeting accompanying the Annual Report and Accounts 2020.

Sustainability

Sustainability plays an important role in STV's vision and that of its Board. The Company is committed to reducing its environmental impact and improving the sustainability of all aspects of its business activities. Its Environmental Sustainability Policy, further details of which can be found on pages 36 to 38, will help STV deliver greater value to all its stakeholders in a way that is economically, environmentally and socially responsible. This policy sets out STV's initial response to the climate crisis, and includes a developing programme of activities and initiatives to enable STV to be a more environmentally sustainable business and to achieve an ambition to become net-zero carbon by 2030.

Compliance with the UK Corporate Governance Code

The Board considers that, in respect of the financial year ended 31 December 2020, the Company has complied fully with the UK Corporate Governance Code 2018 (the Code) and this section, together with the Directors' Remuneration Report, set out on pages 77 to 84, 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.

Baroness Margaret Ford OBE
Chairman

BOARD OF DIRECTORS

At 14 March 2021









From top left:

Baroness Margaret Ford OBE
Simon Pitts
Lindsay Dixon
Simon Miller
Anne Marie Cannon
Ian Steele
David Bergg
Paul Reynolds
Aki Mandhar

Baroness Margaret Ford OBE 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 Chairman of NewRiver REIT plc and a non-executive director of Deloitte UK Oversight Board and a member of the North and South European Board. Margaret was previously a non-executive director of Taylor Wimpey plc and Segro plc and the former chairman of Grainger plc, May Gurney plc and Barchester Healthcare Limited. Margaret is a trustee of the British Olympic Association and National President of the British Epilepsy Association. She was appointed to the House of Lords in 2006 and sits as a Crossbench Peer. Margaret is Chairman of the STV Children's Appeal and, a Fellow of the Royal Society of Edinburgh.

Simon Pitts Chief Executive
Appointed: January 2018

Previously, Simon was a member of the executive board of ITV plc, holding the position of Managing Director, Online, Pay TV, Interactive & Technology. Over a 17 year career there, He held a range of senior roles and, as Director of Strategy, was one of the main architects of the company's transformation under Archie Norman and Adam Crozier and also oversaw strong growth in ITV's digital businesses. Simon was also on the board of ITN for eight years and prior to ITV, worked in the European Parliament. He is Vice Chair of the Royal Television Society and a trustee of the STV Children's Appeal and literary charity Oscar's Book Prize.

Lindsay Dixon Chief Financial Officer
Appointed: May 2019

Lindsay is a Chartered Accountant with extensive commercial experience gained across a range of sectors covering the FTSE 100, 250 and large private companies. Previously, Lindsay held the role of Group Financial Controller at William Grant & Sons Limited and prior to that was Group Financial Controller of The Weir Group plc. In addition to her core financial responsibilities she has wide ranging M&A, investor relations and international experience. After qualifying at Deloitte, she held senior finance roles with Johnston Press plc.

Simon Miller Senior Independent Director
Appointed: December 2016
Committees: Audit & Risk, Remuneration, Nomination

Simon is an experienced director and chair with exposure to a wide range of financial, commercial and manufacturing businesses, holding both executive and non-executive roles. He is currently chairman of Blackrock North American Income Trust plc and chairman of Hampden & Co. He was formerly chairman of Brewin Dolphin Holdings PLC and a non-executive director of Scottish Friendly Assurance Limited. Simon read Law at Cambridge and is a Barrister at Law.

Anne Marie Cannon Non-Executive Director
Appointed: November 2014
Committees: Remuneration (Chair); Audit & Risk

Anne Marie has over 35 years' experience in the energy industry and investment banking and is an experienced director, holding executive and non-executive roles. She is currently Deputy Chair at Aker BP ASA, Senior Independent Director at Premier Oil plc and a non-executive director at Aker Energy AS. In addition, she is a Senior Advisor in the Strategic Advisory business at PJT Partners. Anne Marie was previously a Senior Advisor at Morgan Stanley and has also held financial and commercial roles at Shell UK, Schroder Wagg and Thomson North Sea, as well as executive director positions on the boards of Hardy Oil and Gas and British Borneo.

Ian Steele Non-Executive Director
Appointed: November 2015
Committees: Audit & Risk (Chair); Remuneration; Nomination

Ian qualified as a Chartered Accountant 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 retired as Senior Partner for Deloitte in Scotland and Northern Ireland in 2015 and prior to retiring, 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. He is on the Advisory Board of Visible Capital and is Chairman of Iomart Group plc.

David Bergg Non-Executive Director
Appointed: May 2018
Committees: Remuneration; Audit & Risk

David has worked in the broadcasting industry for over 30 years – at ITV, the BBC, Sky, TV-am and Channel Five. He started his career in a number of ITV regional audience research teams (including Grampian Television), before moving into marketing and programme acquisition roles and then embarking on a succession of senior scheduling positions. David was Director of Programme Strategy at ITV for 20 years from 1997 to 2017 and retains extensive contacts at senior levels in the broadcasting and programme production sectors in the UK and USA.

Paul Reynolds Non-Executive Director and Chair Elect
Appointed: February 2021

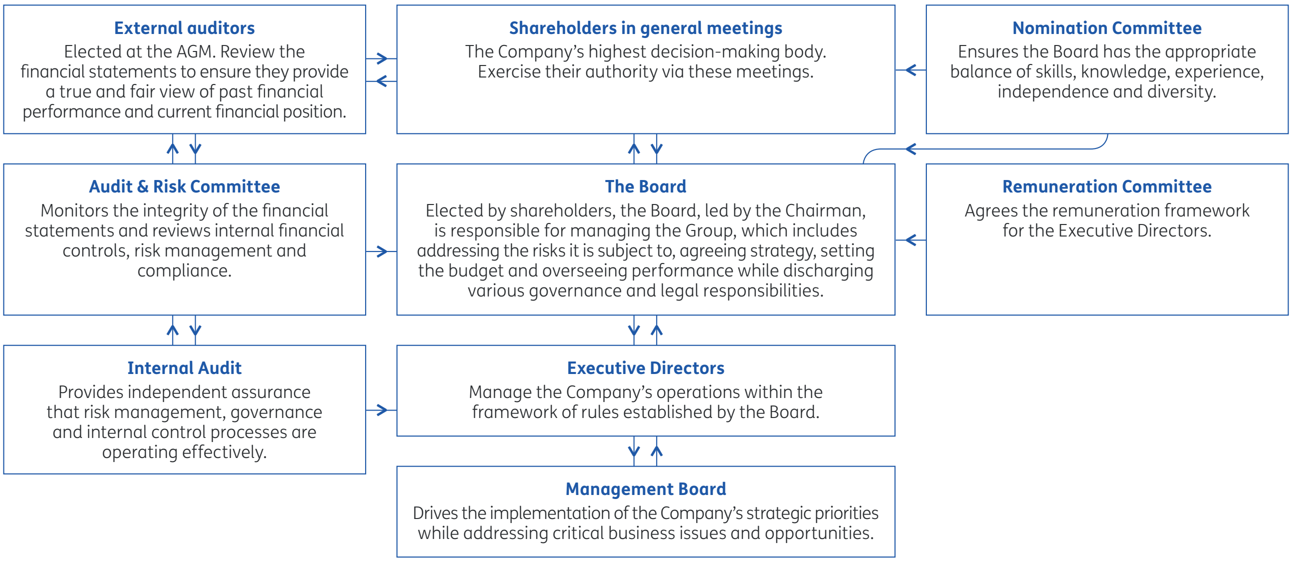
Paul has over 30 years international public-company experience as a Chair, non-executive Director and senior executive, including tenures as Chief Executive of BT Wholesale and Executive Director of BT Group plc and Chief Executive of Telecom New Zealand Ltd. He is currently a non-executive Director of TalkTalk Telecom Group plc, and was previously Chair of its subsidiary, FibreNation Limited. Paul is also active in financial services, as a non-executive director at Computershare Ltd in Melbourne and Chair of data-analytics fintech, 9Spokes Ltd. He has held previous roles as a non-executive Director at Eircom Ireland Limited, XConnect Global Networks Ltd and Japan-based telecommunications company, eAccess Ltd.

Aki Mandhar Non-Executive Director
Appointed: February 2021
Committees: Audit & Risk

Aki has built a successful executive career across the advertising, marketing and digital media sectors and is currently UK General Manager of subscription-based sports news website, The Athletic. Prior to joining The Athletic in early 2020, she was Chief Operating Officer of Telegraph Media Group, responsible for delivery of the strategy to transform the business from a traditional publisher model into a successful, sustainable subscription-based business. Aki was UK Managing Director of Omnicom Group Agency, OMD from 2015 until 2017 and prior to this held executive roles within MediaCom over a period of nine years. Aki's early career was established with employment website Monster.com from 1999 until 2006 where she rose to become General Manager.

CORPORATE GOVERNANCE REPORT

Governance structure



Principles statement

STV Group plc is fully committed to the highest standards of corporate governance, believes that such standards are vital to overall business integrity and performance, and considers it crucial that it conducts itself honestly, transparently and responsibly. During the financial year ended 31 December 2020, the Company was subject to the provisions of the UK Corporate Governance Code 2018 (the 'Code'), available at https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code, and the Board's view is that it has complied with all relevant provisions of the Code.

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 the risk management measures and internal controls in place are appropriate and operating effectively. 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.

Board of Directors

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

Chairman	Baroness Margaret Ford OBE
Chief Executive Officer	Simon Pitts
Chief Financial Officer	Lindsay Dixon
Non-Executive Directors	Simon Miller (Senior Independent Director) Christian Woolfenden (resigned 9 March 2020) Anne Marie Cannon Ian Steele David Bergg Paul Reynolds (appointed 1 February 2021) Aki Mandhar (appointed 1 February 2021)

Board of Directors*

11% Chairman
22% Executive Directors
67% Non-Executive Directors

* Current composition of the Board

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-Executive Directors' mix of skills and wide-ranging business experience is a major contributing factor towards 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 from across a variety of sectors means they can constructively challenge management in relation 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 the Non-Executive Directors.

Board responsibilities

The roles of Chairman and Chief Executive are separate with a clear division of responsibility that is set out in writing and approved by the Board. The Board delegates responsibility for the day to day running of the business through the Chief Executive to executive management, while the Board provides the constructive challenge to management that is necessary to create accountability and drive performance. This results in an environment that creates and preserves value for shareholders.

The Chairman is responsible for the leadership of the Board, setting the highest standards of governance, ensuring its effectiveness (including the timely dissemination to Directors of clear and accurate 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 that 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, capital allocation (covering dividends, significant capital projects, and acquisitions and disposals), and key accounting policies. 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 implemented effectively 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 performance reporting and budget updates, as well as updates on strategic progress across all business areas.

S.172 of the Companies Act 2006 states that 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; and
- need to act fairly as between members of the Company.

Pages 42 and 43 of the Strategic Report set out how Directors have implemented S.172 during the year, taking into account the above factors.

The Senior Independent Director is available to shareholders should they request a meeting or have concerns that 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-Executive Directors' discussion on the

CORPORATE GOVERNANCE REPORT

Chairman's performance in the annual performance review. The Senior Independent Director is STV's Employee Director and his role is to engage with employees and the wider workforce to enhance the 'employee voice' in the boardroom.

The Board is accountable to shareholders for the efficient and effective management of the Company's operations and for the adherence to corporate governance standards in accordance with the strategy. Furthermore, the Board is held to account in the maximisation of shareholder value over the long term, within a framework of sound business ethics, and while taking into account all stakeholder groups.

Each Director is able to devote the time necessary to discharge their respective responsibilities effectively.

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held in 2020:	**21**	**3**	**3**	**2**
Attendance: Baroness Margaret Ford OBE	21	3*	2*	2
Simon Pitts	21	3*	2*	–
Lindsay Dixon	21	3*	–	–
Simon Miller	19	1*	–	2
Anne Marie Cannon	21	3	3	–
Ian Steele	21	3	3	2
David Bergg	21	2	3	–
Christian Woolfenden (resigned 9 March 2020)	1	1	–	–

* Attended at the invitation of the respective Chairman.

The Board meets regularly, usually at least eight times a year, with additional meetings taking place as and when required. Following the outbreak of Covid-19, which represented a unique challenge for Directors, the frequency of meetings was increased during April, May and June 2020 with weekly online audio-video meetings held in addition to the scheduled meetings. These meetings included discussions on remuneration related matters. From March 2020, all Board and Committee meetings were held online via audio-video conferencing.

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.

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 policy, internal control policies and corporate governance arrangements.

The Board's strategy day is a significant event within the annual calendar and provides the Board with the opportunity to come together and discuss in detail STV's strategy and implementation plans. Usually taking place in Q4, the 2020 annual strategy day was postponed until February 2021, when it took place online and by which time both Paul Reynolds and Aki Mandhar, the two newest non-executives, had joined the Board and were able to participate.

The agenda for the strategy discussion focused on the Group's three year plan, including the setting of new targets against which performance would be measured, and the capital investment required in order to deliver the plan.

Board focus

During Q2 2020 in particular, discussions on the business's response to Covid-19 constituted the majority of each board meeting, with the weekly discussions held during that time having a particular focus on risk management and value protection.

These weekly calls were vital to ensure that the impact of the pandemic on STV's business was understood and that all possible actions were being taken to mitigate its impact. The list of operating issues was considerable and the priority was to ensure that STV was well positioned to continue its successful growth strategy even in a severe downside scenario.

All of these weekly meetings were formally minuted, and at them the Board was provided with information on Government measures taken or likely to be taken as well as verbal updates from both the Chief Executive Officer and the Chief Financial Officer on the Company's liquidity position, latest trading and financial data, viewing figures, and a range of people matters covering mental health, general wellbeing, communications and similar items, as well as the measures taken by the Executives to support employees during that time. The Board was also advised of the new protocols in place across all office premises for those who were unable to work from home, including appropriate safety measures such as a one way system, increased sanitation, mandatory mask wearing and appropriately distanced desks for the small number of colleagues who were required to be in the office to ensure operational continuity.

Key decisions taken by the Board during that time, following receipt of advice from its advisers, included execution of a complementary and balanced package of debt and equity that would strengthen the balance sheet and provide medium term flexibility. Accordingly, the bank facility was increased from £60 million to £80 million, coterminous with the existing facility maturing in June 2022, and £15.5 million (net of expenses) was raised through the placing of 7,050,665 new ordinary shares.

In addition to these specific Covid-19-response measures, the Board executed its responsibilities across the full suite of core activities with the main focus across those areas being:

Operational and financial performance, including monitoring
- operational and financial updates for each business area at each Board meeting
- monthly finance reports, including details of performance against budget and latest forecast and the Company's financial position
- approval of the Annual Report & Accounts
- approval and declaration of a bonus issue in replacement of an interim cash dividend in respect of 2020
- approval of the 2021 Budget
- approval of the Viability Statement
- monitoring of share trading and liquidity

Strategy
- discussion on growth plans for each business areas
- discussion on Covid-19 measures across the business
- approval of share placing
- approval of extension to existing bank facility, and covenant relaxations
- consideration of acquisition opportunities
- approval of the Company's strategy
- discussion on various regulatory issues
- discussion around the divestment of the lottery
- approval of the Group's Sustainability Strategy and long-term targets

Governance and risk
- consideration of the appropriateness of the financial statements being prepared on a going concern basis
- approval of the 2021 AGM Resolutions
- approval of revised terms of reference for Nomination Committee
- discussion on the Board's annual performance evaluation
- approval of the Group's risk appetite and discussion on risk management processes
- update on shareholder meetings with the Remuneration Committee chairman following shareholders votes against the Remuneration Report resolution at the previous AGM

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
- review of placing materials

Corporate Social Responsibility
- involvement in the STV Children's Appeal 2020

CORPORATE GOVERNANCE REPORT

Board committees

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

Leadership

Board of Directors

- 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

Audit & Risk Committee

- 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
- considers the Group's risk appetite

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Audit & Risk Committee Report

Remuneration Committee

- 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
- reviews and notes annually the remuneration trends across the Company
- reviews workforce remuneration and related policies, including alignment with the Company's culture

Page 77
Remuneration Committee Report

Nomination Committee

- 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 taking diversity into account
- recommends to the Board membership of the Board Committees

Page 61
Nomination Committee Report

Remuneration Committee

The members of the Committee during the year were:

Anne Marie Cannon (Chairman)
Ian Steele
David Bergg
Simon Miller (appointed 4 March 2021)

The activities of the Remuneration Committee are described within the Directors' Remuneration Report which can be found on pages 67 to 84. The written terms of reference of the Remuneration Committee set out various considerations that must be made when determining the Company's remuneration policy, such as ensuring:

- Executives are provided with appropriate incentives to encourage enhanced performance in line with the risk appetite of the Company and its long-term strategic goals;
- individuals are rewarded in a fair and responsible manner for their individual contributions to the success of the Company without being paid more than is necessary and having regard to the views of shareholders and other stakeholders;
- a significant proportion of Executive Director remuneration is structured so as to link reward to corporate and individual performance and is designed to promote the long-term success of the Company.

The Committee is obliged to ensure that contractual terms on termination and any payments made are fair, that failure is not rewarded and that the duty to mitigate loss is fully recognised. It will review and note annually the remuneration trends across the Group taking these into account when setting remuneration for the Executive Directors, especially with regard to salary increases. The Committee also reviews workforce remuneration and policies and ensures that these are aligned with the Company's culture.

Copies of the Committee's terms of reference 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 OBE (Chairman)
Simon Miller
Ian Steele

The Nomination Committee has written terms of reference which are available on request and on the Company's website www.stvplc.tv. These were revised during 2020 to better reflect the increased governance responsibilities of this committee.

The Committee met twice during the year and at its February 2020 meeting agreed that, while the Board had an appropriate balance of skills and experience, it was likely that one of the non-executive directors would be retiring within the next few months and accordingly the appointment of an additional non-executive director should be considered. In terms of the skills, experience and knowledge, a good all-rounder with clear experience in corporate governance would be sought and Russell Reynolds, which has no other connection with STV, was appointed to lead the search for suitable candidates. Following the decision of Baroness Margaret Ford OBE not to put herself forward for re-election as non-executive Chairman at the Annual General Meeting in April 2021, Russell Reynolds was also asked to lead the search for a new chairman.

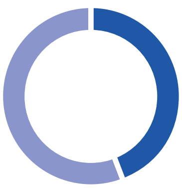
Role specifications were discussed and prepared. The Committee is conscious that diversity of social, professional, international and ethnic backgrounds as well as of cognitive and personal strengths is as important as gender diversity and the role specifications reflected the Committee's desire for broader diversity on the STV Board taking all these into account.

Diversity: STV is committed to building an inclusive culture and has a strategy in place to ensure it represents the communities it serves, both on and off screen and to create an inclusive culture that ensures equality of opportunity for all. Activities in this area are focused on the Open Access Charter which captures the commitments that have been identified to improve diversity and inclusion for employees, audiences and partners. STV has also confirmed a renewed commitment to using its privileged position as an employer, public service broadcaster and producer to address the longstanding and systemic issue of racism and improve the representation of Black, Asian and Minority Ethnic people both on and off screen.

Succession planning: a comprehensive report was prepared by STV's HR and Communications Director in late 2019, assessing organisational resilience and succession strength to senior roles and other key operational roles and identifying successors. The report also assessed the development needs of Directors and other senior executives and reviewed progress towards achievement of the 2023 target to achieve gender balance across senior roles.

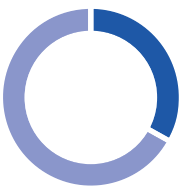
The report included input from divisional managing directors and considered readiness to progress on different time horizons. The results were set out in the 2019 Nomination Committee Report and are still relevant. The HR & Communications Director will attend one of the four Nomination Committees scheduled for 2021 to discuss talent management and succession planning for the Board and Management Board.

Board



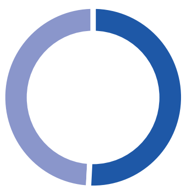
44.4% Women
55.6% Men

Management Board



33.3% Women
66.7% Men

Staff



51% Women
49% Men

Report from the Audit & Risk Committee
The members of the Committee, all of whom were independent, during the year were:

Ian Steele (Chairman)
Anne Marie Cannon
David Bergg
Christian Woolfenden (resigned 9 March 2020)
Simon Miller (appointed 4 March 2021)
Aki Mandhar (appointed 4 March 2021)

The Audit & Risk Committee is chaired by Ian Steele who has recent and relevant financial experience. The Committee members have, through their other business activities, significant experience in financial and risk management matters. They have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Committee's responsibilities.

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

CORPORATE GOVERNANCE REPORT

once during the year. These separate meetings with the internal and external auditors provide the Committee with the opportunity for any issues to be raised by, or with, the auditors.

The Committee met three times during the year and once since the year end and the Chairman of the Committee provides a full verbal report on the Committee's activities at each subsequent Board meeting. The Board receives a copy of the minutes of each meeting, and the papers considered by the Committee are available to any Director who is not a member, should they wish to receive them.

The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employee, with employees directed to co-operate with any request made by the Committee. No such requests were made in 2020. The Audit & Risk Committee has written terms of reference and these are available on request and on the Company's website www.stvplc.tv.

The Committee's effectiveness is reviewed annually as part of the Board evaluation process.

The work of the Audit & Risk Committee focuses on the four areas of (i) financial reporting; (ii) internal control and risk management; (iii) internal audit; and (iv) external audit.

(i) Financial reporting

The Committee's principal responsibility in this area is the review and challenge of the actions and judgements of management in relation to the interim and annual financial statements before submission to the Board. The Committee has a particular focus on:

- critical accounting policies and practices (including any changes);
- decisions requiring significant judgements, areas of significant estimate, or where there has been discussion with the external auditor;
- the existence of any errors, adjusted or unadjusted, arising from the audit;
- the clarity and compliance of disclosures with accounting standards and relevant reporting requirements;
- assessment of the going concern basis of preparation and review of the process and financial modelling underpinning the Viability Statement; and
- the processes surrounding compilation of the Annual Report and Accounts from the perspective of presenting a fair, balanced and understandable assessment of the Group's position and prospects.

Formal reports were received from the Chief Financial Officer and the external auditor summarising the main discussion points for both the interim report at the August 2020 meeting and the Annual Report in the February 2021 meeting. The significant financial reporting matters discussed during the current year, in addition to recurring agenda items, were as follows:

Accounting for defined benefit pension schemes: The valuation of pension liabilities can be materially affected by the assumptions used and the Committee challenged management on the key assumptions underpinning the valuation, specifically the discount rate, RPI and mortality. The Committee also considered the treatment and disclosure of the insurance policies held for some individual members of the Scottish & Grampian scheme, and challenged management on the work that had been done to reflect the related assets and liabilities in the year end accounting valuation. Assurance was taken from the fact that external advice had been provided to the Company, including from its actuary. The Committee received PwC's report on the work they carried out in respect of pension liabilities and their conclusions (which are set out in their report on page 89). On this basis, the Audit & Risk Committee was satisfied with the assumptions and related pension disclosures.

Accounting for the debtor due by the STV ELM from the Scottish Children's Lottery (SCL): At the half year, the Group fully provided for the debtor due from the SCL in light of the ongoing process to divest of the STV ELM. Over the second half of the year, the debtor balance increased by a further £0.1 million, which has also been provided for with the total exceptional charge for expected credit losses of £8.8 million during the year. Also related to the disposal of the ELM business, operating exceptional costs of £0.5 million have been recognised during the year representing costs associated with the transaction, as has a VAT recoverable of £0.6 million, reflecting amounts due to be recovered from HMRC following the write-off of sales invoices in the ELM. Management presented to the Committee on the status of negotiations with prospective buyers both as at the year-end and the extent of developments subsequent to the balance sheet date, as well as the status of the VAT reclaim process over the same period. On the basis of those representations, the Committee was satisfied that full provision for the debtor was appropriate, as was recognition of both the accruals for costs to complete the transaction and the VAT debtor. It was confirmed by management that the amounts due from HMRC had been received post year end.

Deferred programme production stock: Deferred programme production stock forms part of inventory and is stated in the financial statements at the lower of cost and net realisable value. The assessment of net realisable value is based on projections of future secondary sales which is an area of judgement by management. The Audit & Risk Committee received reports from management on the basis of assumptions underpinning the projections as at the end of the year, and a reconciliation of the deferred programme production stock balance from the previous to the current balance sheet date. The Committee challenged management on the basis of the assumptions and whether the approach was consistent year on year.

The Committee also received reporting from PwC on the work they had carried out in this area, and discussed their decision not to classify this item as a significant risk for the purposes of the 2020 audit. The reasons included:

- The balance was significantly reduced from prior years so the possibility of a material misstatement is also reduced;
- The methodology for calculating the related amortisation was well understood and has not changed in many years;
- Most of the balance was in four key productions and in all cases these continue to sell well in the UK and abroad; and
- The balance has been subject to several years of audit as a significant risk and not led to any significant adjustments being proposed.

On the basis of the discussions held, the Committee was satisfied that the balance was recoverable and no provision was required. Furthermore, members agreed that it was appropriate for the Committee to continue to focus on this area given the judgement involved by management in the underlying assumptions.

(ii) Internal control and risk management

Overall responsibility for the Group's risk management and internal control frameworks rests with the Board. The Committee's role with regard to risk management has been delegated by the Board and is to review the effectiveness of the Group's risk and internal control frameworks. This work is supported by reporting from the internal auditor on the results of the programme of internal audits completed, the overall assessment of the internal control environment and any reporting, either verbal or written, from senior management covering any investigations into known or suspected fraudulent activities.

During 2020, the Committee received formal reporting, as well as verbal updates, from the Chief Financial Officer on key aspects of the risk control framework. These updates were principally to provide assurance to the Committee that the operational changes adopted as a result of Covid-19 and the shift to home-working had not had an adverse impact on the quality of the internal control environment. The topics discussed included payment processes and approval routes, credit control, payroll, and finance resource.

The Audit & Risk Committee also receives reporting on the process conducted to ensure that the Group financial statements are prepared having taken into account the internal control procedures and risk management strategies of the Group. The purpose of these processes 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 and are free from material misstatement.

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 are investigated and reported to the Audit & Risk Committee. No concerns were raised during 2020.

(iii) Internal audit

Deloitte LLP (Deloitte) is the Company's internal auditor. The primary focus of its internal audit programme is to provide assurance over key revenue streams and operating costs. 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 undertakes its work via a programme of audits that is agreed in advance with the Audit & Risk Committee, and which seeks to provide assurance over key financial processes on a rotational basis as well as give assurance over other areas, at the request of the Committee. A full report on each internal audit carried out is shared with the Audit & Risk Committee with discussion in the meetings focused on high priority findings, recurring items and management responses to address these areas. These reports and discussions give the Committee a broad coverage of the activities of Internal Audit and a good sense of the control environment. They also allow the Committee to ensure the function is effective.

A comprehensive 2020 internal audit plan was approved at the Audit & Risk Committee meeting in February 2020 but this was temporarily paused during the mid-part of the year as the transition to home-working was facilitated and the Company's response to the crystallisation of a number of risks arising from the Coronavirus pandemic was determined and executed.

As part of that response, management focused on the potentially heightened risk of fraud and specifically cyber fraud, given that the majority of staff were working from home and accessing systems remotely. The Committee received reporting from management that provided assurance that payment processes were continuing as normal as they were facilitated through a banking online portal via agreed workflows and that the location of the approver was not relevant. The same was also true for payroll processes and controls.

Deloitte attended two out of the three meetings of the Committee in 2020 and at the February meeting reported on the Payroll financial controls review that had been completed with five Priority 3 recommendations made. The detailed findings were discussed and it was noted that management had addressed several of these already. The Committee was pleased that a relatively clean report had been given for this important area and all recommendations had been implemented.

Internal audit recommenced in Q4 2020 with completion of a review of key financial controls within the Studios division. Deloitte reported the results of this review to the Audit & Risk Committee at its February 2021 meeting, including an overview of the work performed, and the Committee took comfort from the extent of procedures undertaken.

The Committee has decided to undertake a tender for Internal Audit services in Q2 2021, as part of a programme of good governance. It is expected that the successful candidate will be in place from the start of Q3 and will undertake a programme of reviews over H2 in order to provide the Committee with the independent assurance they rely on in relation to internal control design and operation.

(iv) External audit

The Audit & Risk Committee and the Board place great emphasis on the objectivity of the Company's auditor PwC LLP in their reporting. PwC was appointed auditor on 20 June 2013 following a tender process. STV will be required to tender and rotate the external audit in advance of FY23 and the Chief Financial Officer has commenced planning for the process to ensure a timely and efficient handover to the new provider.

CORPORATE GOVERNANCE REPORT

The audit partner and senior manager attend all Audit & Risk 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 independence and objectivity is not compromised.

Auditor effectiveness

With regard to the requirement for the Audit & Risk Committee to assess the effectiveness of the external audit process, feedback is sought from the members of the Audit & Risk Committee, the Chief Financial Officer as well as STV's finance team and the wider management team as required. 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 & Risk Committee and relayed to the auditors and to management. Following completion of this assessment for the 2020 year end, the Audit & Risk Committee concluded that the external audit process operated effectively and efficiently.

Independence policy and non-audit services

The Audit & Risk Committee is responsible for approving, in advance, any non-audit work undertaken by the external auditor. In order to preserve the auditor's objectivity and independence, the Company has a policy regulating the provision of non-audit services by the auditor. The Chief Financial Officer must obtain the approval of either the Chairman of the Audit & Risk Committee or another Committee member if the preference is to use the auditor and must provide an explanation as to why the auditor is the most suitable supplier of services. A case by case decision is therefore necessary and the auditor cannot be engaged for non-audit work without reference to the Audit & Risk Committee. It is felt that this process ensures shareholders receive value for money and the Audit & Risk 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 solely of covenant reporting for the purpose of compliance with the Group's bank facility agreement, the fees for which were less than 2% of the audit fee, and the Audit & Risk 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.

The auditor is required each year to confirm in writing to the Committee that it has complied with the independence rules of its 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 a 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 or infringe audit rules. This includes consideration of the safeguards which are in place to mitigate the risks to independence.

Committee activities

The principal activities undertaken by the Board Committees during 2020 included:

Month	Committee	Activity	
February	Audit & Risk	• 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 • Approval of Internal Audit Plan for the year	• Review of internal controls/risk management • Committee Performance Evaluation • Internal Audit update • Agreement to tender external audit and appoint a new provider by end FY22
February	Nomination	• Succession planning • Agreed to hold four rather than two meetings in 2021 • Committee Performance Evaluation	• Agreed revised Terms of Reference • Agreed all Non-Executive Directors be put forward for re-election at the AGM
February	Remuneration	• Update on shareholder meetings following votes against Remuneration Report at the AGM • Approval of Remuneration Report	• Committee Performance Evaluation • Consideration of vesting targets for LTIP
August	Audit & Risk	• Review of Half Year Results	• Review of Auditor report on Half Year Results Review of internal controls/risk management
August	Remuneration	• Planning for Remuneration Policy	
October	Nomination	• Update on succession planning	
November	Audit & Risk	• Consideration of CFO report on Financial Controls and Risk Management	• Review of external audit plan for 2020
December	Remuneration	• Consideration of 2021 Remuneration Policy	• Approval of grant of 2020 LTIP

Performance evaluation

The effective functioning of the Board is key to the success of the Company and STV recognises that performance evaluation is extremely valuable in contributing to the effectiveness of the Board, both as a collective unit and for each individual Board member. The evaluation has been designed to encourage Directors to optimise their contribution to the success of STV and add value beyond their statutory requirements by building on existing strengths, agreeing on the challenges ahead and preparing for the future. It 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. The 2020 evaluation process was an internal exercise led by the Chairman and in accordance with the Code, an externally facilitated evaluation will be carried out every three years with the next one proposed for 2022.

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.

Directors were asked to complete the questionnaire and return it to the Company Secretary who collated and anonymised the results before providing a comprehensive and detailed report to the Chairman. The report covered comments and suggestions made together with the rating allocated to each question by Directors. The Senior Independent Director engaged with each Director individually to evaluate the Chairman's performance. The Chairman reported the results of the evaluations at the Board meeting held on 12 January 2021.

The review concluded that the performance of the Board, its Committees, the Chairman and each of the Directors continued to be effective and with the appointment of Paul Reynolds and Aki Mandhar, the mix of skills and experience on the Board was felt to be excellent. All Directors demonstrated commitment to their roles and the boardroom culture was deemed effective and conducive to creating a positive environment for participation and challenge by the Non-Executive Directors. All Non-Executive Directors were agreed to be independent.

Measured against the principal duties expected of it, and building upon the progress of previous years, the Board continues to operate effectively and to meet in full its obligations to support management, to monitor performance in the widest sense and to maintain its strategic oversight. Accordingly, the process concluded that the Board provides the effective leadership and control required for a listed company. The Board was agreed to be independent, with a strong Chairman, while completely aligned as regards strategy and goals. It was unanimously agreed that STV had responded to and navigated the Covid-19 crisis well and that the proactive steps taken to strengthen the balance sheet and support its colleagues and partners, meant that it was positioned well to continue to progress with its successful growth strategy.

In terms of specific points made, while it was agreed that there were succession plans in place, it was important to continue the focus and planning, particularly in relation to achieving ethnic and gender diversity. Accordingly, it was agreed that the Nomination Committee would meet four times each year going forward, rather than the previous twice yearly meetings, to allow more discussion to take place. STV's HR and Communications Director would also be asked to prepare and present a comprehensive paper to the Board covering succession for the wider senior leadership team and high potential individuals with suggestions as to how best to achieve gender balance and ethnic diversity and over what timescale.

The other point arising from the performance evaluation was with regard to risk and while Deloitte provided assurance on internal controls, there was always more scope for analysis and formal discussion on risks. Accordingly, it was agreed that in addition to the Audit & Risk Committee Chairman's detailed reports to the Board, risk would be formally added as a standalone agenda item at two Board meetings.

Training and development

All Directors are given a comprehensive introduction to the Company's business. Development and training of Directors is an ongoing process. Throughout their period in office the Directors are regularly updated on the Company's business, the competitive environment 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 are maintained. Directors are also provided with, and encouraged to take up, opportunities to meet major shareholders. 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.

Re-election

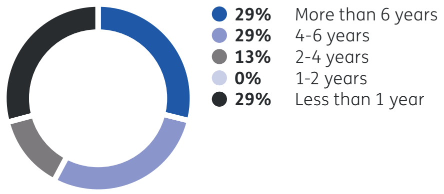
All Directors are subject to election by shareholders at the first Annual General Meeting following their appointment, and annual re-election at each subsequent AGM. Copies of the Non-Executive Directors' terms and conditions of appointment are available for inspection at the Company's registered office.

The Nomination Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the AGM in April 2021 continue to be effective and that the Company should support their re-election.

The biographies and experience of all Board members can be found on pages 54 and 55, enabling shareholders to make an informed decision regarding Directors' elections and re-elections. Following the formal evaluation, the Chairman confirms that each director continues to contribute effectively and is important to the Company's long-term sustainable success.

CORPORATE GOVERNANCE REPORT

Tenure of Non-Executive Directors and Chairman



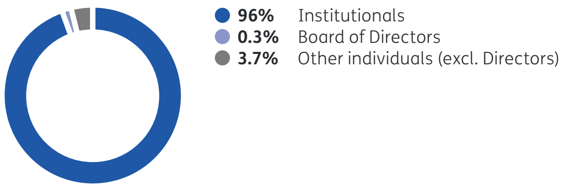
Relations with shareholders

STV believes that open and regular dialogue with investors is the basis of 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 convenient for them.

The Board recognises the importance of having continual engagement with its shareholders and fully supports the principles of the Code that 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 and was extremely disappointed that as a result of the lockdown measures following the outbreak of Covid-19, the 2020 AGM had to be held as a closed meeting with no shareholders, other than Directors, in attendance. However, the health and wellbeing of shareholders, employees, advisers and of the general public is of utmost importance to the Board and the Company was committed to minimising the unnecessary movement of people at that time. Online proxy voting was recommended and shareholders were encouraged to put forward questions for Directors at the AGM via a dedicated email address. Following the conclusion of the AGM, a transcript of the meeting was made available on the Company's website.

It is extremely disappointing that similar measures remain in place at present and accordingly the Board has had to conclude that shareholders will be unable to attend the 2021 AGM since to do so would be inconsistent with current Government guidance in relation to Covid-19. The AGM is an important opportunity for all shareholders to express their views by asking questions of the Directors and voting on the resolutions and the Board very much regrets that shareholders will not be able to attend this year. The Board thanks shareholders for their understanding in these exceptional times and looks forward to returning to an open AGM format in future years when Covid-19 restrictions are eased.

Shareholders by type



Institutional shareholders

STV undertakes a comprehensive programme of meetings and events for institutional investors, research analysts and the financial press throughout the year and the Board is kept fully informed of feedback given to the Chief Executive and Chief Financial Officer over the course of those meetings. The Board regularly receives updates on movements in 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. While various meetings have taken place with shareholders during the year, these were conducted online due to social distancing requirements as a result of Covid-19, but face to face meetings will re-commence as soon as it is appropriate and safe to do so. Discussions at these meetings are conveyed to all Directors in order that each can develop an understanding of major shareholders' views on the Company.

Other matters

The powers of the Directors (including in relation to the issue or buy back of shares) are exercisable in accordance with the Companies Act 2006 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.

REMUNERATION REPORT

Annual Statement

I am pleased to introduce the Directors' Remuneration Report for 2020.

Overview of 2020 performance

In a year defined by the Covid-19 pandemic, our main priorities throughout were the wellbeing and safety of our colleagues, and serving our viewers and customers. Colleagues who were placed on furlough had their salaries topped up to 100% of full pay to ensure no financial detriment and this approach was also extended to all of our freelance colleagues impacted by the cessation of production activity at the start of the first lockdown.

In light of the challenges posed, a number of measures were taken in the first half of the year to ensure STV remained financially resilient and could continue to execute its long-term strategy for growth. This included the Management Board and the Non-Executive Directors all volunteering a 25% cut in salary or fees, which was applicable for the five-month period from 1 April to 31 August 2020. In addition, the payment of the earned 2019 annual bonus and the grant of the 2020 LTIP were delayed. It was also decided that no payments would be made under the 2020 bonus plan and the plan was suspended.

The proactive steps taken by the Company helped to mitigate the impact of Covid-19 and a stronger than expected performance in the latter half of the year resulted in adjusted operating profit, at £18.2 million, being comfortably ahead of expectations. This was driven by tight cost management and strong recovery of STV controlled local and digital advertising. STV also set new viewing records both on-screen and online. On-screen viewing was up 14% with STV the most watched peak-time station in Scotland, increasing share against the competition. Strong digital growth continued throughout the year with the STV Player the fastest growing broadcaster streamer service in the UK. Although impacted by the immediate cessation of all production activity in March, STV Studios was the first producer of a major entertainment show to return to studio in July under new Covid-secure safety protocols. Across the year, 19 new commissions were secured, the largest number achieved in a single year. Despite the ongoing uncertainty and challenges presented by the pandemic, STV managed to accelerate its long-term strategy during 2020, building strong foundations from which to grow. Significantly, the strategic target set in 2018 – for one-third of earnings to be derived from non-broadcast activities by the end of 2020 – was achieved.

Incentive outcomes for 2020

The Committee recognises the exceptional personal contributions of both Executive Directors during the year. Notwithstanding this, along with a number of measures taken in response to Covid-19, it was decided that it would not be appropriate to pay a bonus for the 2020 financial year and the bonus plan was suspended.

The three-year performance period in respect of the 2018 LTIP award came to an end on 31 December 2020. The 2018 LTIP award was subject to EPS, non-broadcast operating profit and relative TSR performance. As a result of the impact of Covid-19 on the business and reflective of the stretching nature of the targets set at the start of the performance period, these targets were not met. The award will therefore lapse in full.

Review of Directors' Remuneration Policy

In line with the three-year cycle under the remuneration reporting regulations, we will be seeking shareholder approval for a new Directors' Remuneration Policy at our 2021 AGM. During 2020, the Committee reviewed the existing Policy and determined that overall the current executive remuneration framework continues to support the delivery of our key strategic objectives, while aligning the interests of Executive Directors with those of our shareholders.

Notwithstanding this, as STV embarks on the next phase of its ambitious strategic growth plan, it will be important to ensure that Executive Directors remain appropriately incentivised. The Committee is therefore proposing to increase the maximum annual bonus opportunity for the Chief Executive Officer from 125% to 150% of salary. This will provide an appropriate and market related incentive to ensure that the Chief Executive Officer is effectively rewarded for delivering this next phase of our strategy and ultimately delivering value to all stakeholders. There is no change to the maximum annual bonus opportunity for the Chief Financial Officer.

In reviewing the Policy, the Committee was mindful of the provisions of the UK Corporate Governance Code and continuing developments in best practice. As such, the following changes are being proposed to the Policy to align with evolving shareholder guidance and expectations:

- **Alignment of incumbent executive director pension with the workforce rate.** We are committing to reduce the pension of the Chief Executive Officer to the level of the wider workforce (currently 7% of salary) at the end of 2022. The Chief Financial Officer already receives a pension in line with the wider workforce.
- **Introduction of post-employment shareholder guidelines.** Executive Directors will be required to hold shares equivalent to their full in-employment shareholding guideline for two years post-employment.
- **Expanded malus and clawback provisions.** Recovery provisions will be expanded to include serious reputational damage and corporate failure for all incentive awards made from 2021.

The Policy review also provided the opportunity for a broader review of benefit allowances offered in lieu of benefits in kind including car and medical insurance. These benefit allowances remained unchanged for over ten years. Following this review, it is proposed that the benefit allowance for the Chief Executive Officer and Chief Financial Officer be increased to £25,000 per annum and £18,000 per annum, respectively.

REMUNERATION REPORT

We remain committed to an open and ongoing dialogue with investors. Therefore, ahead of finalising proposals, I wrote to our top ten shareholders, who represent 65% of our issued share capital. I am pleased to say that the feedback we received indicates a strong level of support for the proposed changes. On behalf of the Committee, I would like to thank those shareholders who engaged with us and look forward to continuing this open dialogue in the future.

Implementation of Policy for 2021

For 2021, the Committee has agreed that there will be no increase in Executive Director salaries.

The annual bonus and LTIP will operate in line with the proposed Policy, subject to approval at the AGM on 29 April 2021.

The annual bonus will continue to be based on a combination of Operating profit, Cash flow, and Personal objectives, with stretching performance targets for each. Personal objectives will relate to key success factors in progressing and delivering the new three-year strategic growth plan, including embedding ESG priorities into all areas of the business. Further details of key objectives are set out on page 77.

For the 2021 LTIP award, the three performance measures (EPS, Non-Broadcast Operating Profit, and Relative TSR) will also remain unchanged, as these continue to align with our strategic growth plan and the creation of shareholder value. The Committee has set stretching performance targets for each metric, based around the execution of our long-term plan. For EPS, we have changed the target range from 5% to 9% p.a. growth in last year's award to 4% to 13% p.a. growth this year, which results in both an increase in the stretch of the targets to reflect our growth ambitions and a broadening of the range to reflect ongoing uncertainty in the trading environment. For non-broadcast operating profit, we have also increased the target range from last year, again reflecting our strategic growth commitment. The Committee considers that the target ranges are appropriately stretching, in the context of the current external climate and the Group's strategic growth plan. Full details of the targets are set out on page 78.

Wider workforce

As noted, our main priority throughout the last year was the wellbeing and safety of our colleagues. In order to thank colleagues for their contribution to the business during this challenging period and to provide an incentive to continue driving the success of the Group going forward, all employees will be granted a one-off share award in 2021 with a face value on grant equal to £1,000. This award is intended to focus and align all colleagues on achieving the Group's operating profit target for 2021, whilst also promoting a sense of share ownership.

In conclusion

Once again, I would like to thank shareholders for their engagement and support throughout this challenging period. Our Directors' Remuneration Policy will be subject to a binding shareholder vote at our 2021 AGM and the Annual Report on Remuneration, including this Annual Statement, will be subject to an advisory vote. I look forward to your support and would be happy to answer any questions you may have on our executive remuneration arrangements.

Anne Marie Cannon
Chairman of the Remuneration Committee
16 March 2021

Summary of how our Policy will be implemented in 2021

Pay element		Approach	Implementation in 2021: Simon Pitts, CEO	Implementation in 2021: Lindsay Dixon, CFO
Fixed pay	Base salary	Fixed pay levels set at competitive levels with role-appropriate benefits arrangements.	£419,000 (unchanged from 2020)	£235,000 (unchanged from 2020)
	Pension		20% of salary*	7% of salary
	Benefits allowance		£25,000	£18,000
Pay linked to performance	Annual bonus	Incentive linked to short-term targets, including business performance and growth, and ESG measures. Portion of award is deferred.	Maximum opportunity – 150% of salary	Maximum opportunity – 125% of salary
			Subject to operating profit, cash flow and personal targets	
	LTIP	Incentive linked to long-term priorities.	Maximum opportunity – 100% of salary Subject to EPS, non-broadcast operating profit and relative TSR targets	
	Shareholding requirements	To align the interests of executives with shareholders.	150% of salary, to be maintained for two years post-cessation of employment	

* Will reduce to 7% of salary in line with wider workforce at end of 2022

How we measure performance and link to strategy

Measure	Bonus	LTIP	Rationale and link to strategy
Operating profit	✔		Measures profitability of our operating activity
Cash flow	✔		Measures operational gearing
EPS		✔	Measures earnings growth driven by continued operational excellence
Non-broadcast operating profit		✔	Aligns to strategic objective to diversify earnings
Personal objectives	✔		Focuses executives on the delivery of strategic goals linked to key business priorities, including growth and ESG targets
Relative TSR		✔	Measures the delivery of long-term sustainable value growth for shareholders

REMUNERATION REPORT

Directors' Remuneration Policy

The Directors' Remuneration Policy ('the Policy'), determined by the Group's Remuneration Committee ('the Committee') and presented below, will be effective following shareholder approval at the 2021 Annual General Meeting.

During 2020, the Committee undertook a review of the Policy and determined that overall the current executive remuneration framework continues to support the delivery of our key strategic objectives while aligning the interests of Executive Directors with those of our shareholders. The Committee is nonetheless proposing a number of changes to ensure that management is appropriately incentivised to deliver the next three-year phase of the Company's strategic growth plan. A summary of the key changes are:

- Alignment of incumbent Executive Director pensions with the workforce rate;
- Increase in discretion available to the Committee such that it can override formulaic incentive outcomes if considered appropriate;
- Introduction of post-employment shareholding guidelines;
- Expanded malus and clawback provisions; and
- Realignment of quantum to market levels – increase in the maximum annual bonus opportunity from 125% to 150% of salary for the Chief Executive Officer and increase in the maximum taxable cash allowance.

A number of other minor changes have been made to reflect and aid current operation as well as increase clarity.

In developing this Policy, the Committee followed a robust process taking into account the views of our shareholders, the provisions of the UK Corporate Governance Code and evolving best practice. Input was sought from management, whilst ensuring that conflicts of interest were suitably managed.

The key principles which underpin our remuneration framework continue to apply. These are:

- Closely aligning rewards with the delivery of Company strategy;
- Ensuring a significant proportion of the awards are based on long-term success criteria;
- Reflecting changes in best practice and governance;
- Simplifying and streamlining the framework for clarity and effectiveness;
- Ensuring market competitiveness.

The Committee considers that the Policy and its implementation appropriately address the following factors, as set out in the UK Corporate Governance Code.

Clarity	The Committee is committed to providing open and transparent disclosures with regards to executive remuneration arrangements. In formulating the new Policy, the Committee Chair wrote to our major shareholders outlining the proposed changes and rationale for these. At each year's AGM, shareholders have the opportunity to ask any questions they may have on matters relating to executive remuneration.
Simplicity	Our executive remuneration arrangements, which consist of fixed remuneration, an annual bonus and LTIP, are simple in nature, aligned to UK market practice, and well-understood by participants.
Risk	The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. Annual bonus deferral, the LTIP holding period and in-employment and post-employment shareholding guidelines ensure that Executive Directors are exposed to the long-term performance of the Company and are therefore incentivised to deliver our strategic ambitions within the Company's risk appetite. Recovery provisions, which have been expanded from 2021, also apply for both the annual bonus and LTIP.
Predictability	For each component of pay, the Policy outlines the maximum opportunity levels for Executive Directors. Actual incentive outcomes vary dependent on the level of performance achieved against specific measures. The Policy also includes an illustration of the remuneration payable to Executive Directors in four different performance scenarios (minimum, target, maximum and maximum plus share price growth).
Proportionality	Our remuneration framework does not reward poor performance. Payment of the annual bonus and LTIP is subject to the achievement of stretching performance targets, which are determined by the Committee annually to take account of business expectations and strategic priorities at the time.
Alignment to culture	The metrics used to measure performance under both the annual bonus and LTIP are closely aligned to the delivery of the Company's strategic growth plan.

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.	When determining the salary of the Executive Directors, the Committee takes into consideration a number of factors including: • 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.	There is no prescribed maximum salary. In general, any salary increase for Executive Directors will be in line with other employees in the Group. The Committee retains discretion to award larger increases where considered appropriate to reflect the factors described in this table. Salaries with effect from 1 January 2021 are set out on page 77.	None
Benefits			
To provide competitive levels of employment benefits consistent with role.	Executives are entitled to receive a taxable cash allowance in lieu of benefits in kind, including car and private medical insurance. This cash allowance is excluded from the calculation of any other benefit provided by the Company. Other reasonable benefits may be granted to Executive Directors at the discretion of the Remuneration Committee. 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.	The maximum cash allowance paid to Executive Directors in lieu of benefits in kind is £25,000 per annum for the Chief Executive Officer and £18,000 per annum for the Chief Financial Officer. Participation in all employee share plans is subject to HMRC plan rules and limits.	None
Pension			
To provide competitive levels of retirement benefit.	The Group operates a defined benefit (DB) scheme (closed to new members), a defined contribution (DC) scheme and a Group personal pension plan. Executive Directors have the option to receive a taxable cash allowance in lieu of pension benefits. Neither the Chief Executive Officer nor the Chief Financial Officer are members of the DB scheme.	The maximum pension contribution or taxable cash allowance in lieu of pension is set in line with the wider workforce, currently 7% of base salary. The Chief Executive Officer receives a pension allowance of 20% of base salary, which will be reduced to a level in line with the wider workforce (currently 7% of base salary) at the end of 2022.	None

REMUNERATION REPORT

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions
Annual bonus			
Aligns reward to the delivery of annual financial and strategic performance measures. Deferral creates long term alignment with shareholders.	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. A proportion of any bonus (20%) is deferred into Company shares under the terms of the STV Deferred Bonus Plan (DBP) and will normally vest over three years, subject to continued employment. Recovery and dividend equivalent provisions apply (see explanatory notes).	Annual maximum bonus opportunity is: • 150% of salary for the Chief Executive Officer • 125% of salary for other Executive Directors	Payment is determined by reference to performance assessed over one financial year based on a range of financial and strategic performance measures. For 2021, these measures are: • operating profit • cash flow • personal objectives 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. At threshold and target performance 10% and 50% of maximum, respectively, is currently payable. 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. The Committee has discretion to adjust the formulaic outcome if it considers that this is inconsistent with overall Group performance, taking into account any factors it considers appropriate. The Committee has the discretion to adjust targets for any exceptional events that may occur during the year.
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 of two years will apply. Recovery and dividend equivalent provisions apply (see explanatory notes).	The maximum award in respect of a financial year is normally 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 2021 award are: • earnings per share (EPS) • non-broadcast operating profit • relative total shareholder return 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 threshold for vesting is no higher than 25% of the maximum award. The Committee has discretion to adjust the formulaic outcome if it considers that this is inconsistent with overall Group performance, taking into account any factors it considers appropriate. The Committee has the discretion to adjust targets for any exceptional events that occur during the period.

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions
Shareholding requirement			
To strengthen long term alignment with shareholders.	Executive Directors are required to hold shares equivalent to 150% of their annual salary. Executive Directors will, on leaving the Board, be required to maintain their in-employment shareholding guideline (or their actual shareholding if lower) for a period of two years. Non-Executive Directors are required to build holdings of 20,000 shares for the Chairman and 5,000 shares for other Non-Executive Directors.	The required level of holding is 150% of salary.	

Notes to the Policy table

Recovery provisions

Awards of variable remuneration made under the Policy 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)
- serious reputational damage (for awards made from 2021)
- corporate failure (for awards made from 2021).

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 and cash flow) 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 at that time.

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.

The Committee reserves the right to make any remuneration payments and/or 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 the Policy where the terms of the payment were agreed (i) before the 2014 AGM (the date the Company's first shareholder-approved Directors' remuneration policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' remuneration policy in force at the time they were agreed; or (iii) 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.

Differences in remuneration policy for all employees

All employees are entitled to base salary, pension and benefits. Bonus plan participation is dependent on the role and seniority and responsibility of the role. Long-term incentive awards are only available to the leadership team and key senior staff by invitation.

REMUNERATION REPORT

Non-Executive Directors

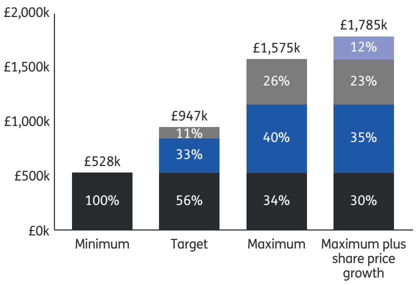
The table below sets out the key elements of the policy for Non-Executive Directors.

Objective and link to strategy	Operation	Maximum opportunity
To attract Non-Executive Directors with the requisite skills and experience.	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). The fee for Non-Executive Directors encompasses a basic fee and may also include supplementary fees for committee or other duties. The Chairman receives a single fee for all duties. Fees are normally reviewed annually with changes effective from 1 January. Fees are paid in cash. The Chairman and Non-Executive Directors do not participate in any bonus or share incentive scheme, nor do they participate in any pension arrangements.	Fees are set at a level which reflects skills, experience, time commitment and appropriate market data. Fees are set within the limits set by the Articles of Association. Fees with effect from 1 January 2021 are set out on page 78.

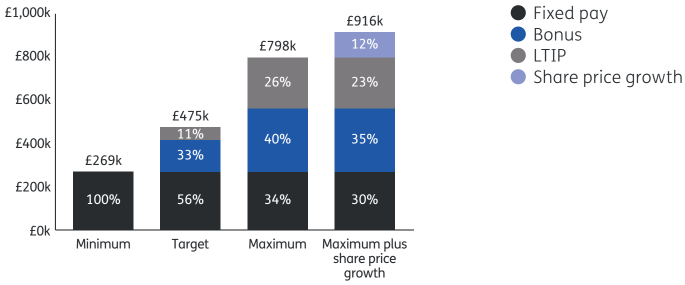
Illustrations of application of remuneration policy

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

Chief Executive Officer



Chief Financial Officer



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 2021, benefits allowance, and cash in lieu of pension contributions).
- Target – reflects fixed pay, target bonus (50% of maximum) and LTIP awards vesting at threshold performance (25% of maximum).
- Maximum – reflects maximum bonus (150% of salary for the Chief Executive Officer and 125% of salary for the Chief Financial Officer) and LTIP awards vesting in full (100% of salary).
- Maximum plus share price growth – reflects maximum bonus and LTIP awards vesting in full plus share price growth of 50% on those LTIP awards.

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 in line with the Policy Table above.

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 work location 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/Director
Executive			
S Pitts	3 January 2018	Rolling contract	12 months/6 months
L Dixon	4 December 2018	Rolling contract	12 months/6 months

Director	Date of contract/ letter of appointment	Date(s) of (re) appointment	Unexpired as at March 2021
Non-Executive			
Baroness Ford	1 June 2013	28 May 2020	2 years 2 months
S Miller	2 December 2016	28 May 2020	2 years 2 months
A M Cannon	1 November 2014	28 May 2020	2 years 2 months
I Steele	1 November 2015	28 May 2020	2 years 2 months
D Bergg	1 May 2018	28 May 2020	2 years 2 months

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. 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.

REMUNERATION REPORT

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

Treatment of awards on a 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. There are however a number of different mechanisms in place to gather feedback from employees, including on remuneration. Relevant feedback is presented to the Board to help to inform decision-making.

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. In developing this Policy, the Committee Chair wrote to our major shareholders outlining proposals and the rationale for these. Feedback received was taken on board when finalising our arrangements.

Annual Report on Remuneration

This section of the report sets out how the proposed Policy will be implemented in 2021, assuming shareholder support at the 2021 AGM. It also sets out how the current Policy, which was approved at the 2018 AGM, has been implemented during 2020. Some sections of this report, where indicated, have been audited.

The Committee believes that the Policy operated as intended in the year.

Statement of implementation for 2021

Executive Directors

Salaries

Salaries for Executive Directors will remain unchanged for 2021. Salaries for 2021 are therefore as follows:

Executive Director	2021 salary £000
S Pitts	419
L Dixon	235

Benefits and pension

In line with the proposed Policy, the Executive Directors are entitled to receive a taxable cash allowance in lieu of benefits-in-kind. For 2021, the value of this taxable allowance will be £25,000 and £18,000 for the Chief Executive Officer and Chief Financial Officer, respectively.

Pension contributions will operate in line with the proposed Policy. For 2021, contribution levels will be 20% of salary and 7% of salary for the Chief Executive Officer and Chief Financial Officer, respectively. In line with the proposed Policy, the pension contribution for the Chief Executive Officer will be reduced to 7% of salary at the end of 2022, in line with the wider workforce.

Annual bonus

The annual bonus will operate in line with the proposed Policy. The maximum bonus opportunity is 150% of salary for the Chief Executive Officer and 125% of salary for the Chief Financial Officer.

For 2021, the bonus will be based on stretching targets set for the performance measures in the table below.

Performance measure	Weighting (% of max)
Operating profit*	50%
Cash flow**	25%
Personal objectives	25%

* Operating profit pre-exceptional items
** Cash generated by operations

Personal objectives will relate to key success factors in progressing and delivering the new three-year strategic growth plan, including:

- Developing and launching the new three-year strategic plan to deliver continued profitable growth and diversification of the Group's earnings to represent 50% of earnings by 2023
- Embedding ESG priorities into all areas of the business through implementation of the STV's Sustainability Strategy and delivery of continued progress against Diversity & Inclusion targets
- Strengthening the reputation of STV Studios to build a world class production business
- Accelerating the successful digital growth strategy, including the consumer and commercial launch of STV Player UK-wide
- Management of relationships with key stakeholders to secure a viable future for STV as a public service broadcaster
- Successful balancing of optimisation of capital allocation with a sustainable return of value to shareholders
- Delivery of the triennial deficit funding valuation for both defined benefit schemes

The Committee believes that the annual bonus performance targets are commercially sensitive, and that it would be detrimental to the interests of the Company and its shareholders to disclose them fully at this time. It is the Committee's intention to disclose the targets, and performance against them, in the next Annual Report on Remuneration if the Committee is satisfied that the targets are no longer sensitive.

In line with the Policy, 20% of any bonus received will be deferred into shares for a period of three years.

REMUNERATION REPORT

Long-term Incentive Plan
In 2021, the Executive Directors will receive awards under the LTIP at the level of 100% of salary. Awards will vest after three years and will be subject to a two-year holding period post-vesting. The performance targets for the award are as follows:

Performance measure	Calibration of targets	Weighting	Threshold vesting (25% of maximum)	Maximum vesting (100% of maximum)
EPS	Annualised growth in adjusted EPS from FY20 to FY23	50%	4%	13%
Non-broadcast operating profit	Operating profit for non-broadcast activities in FY23	30%	£9.5m	£16.5m
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

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

Performance targets have been set in the context of the Group's three-year strategic growth plan which is designed to accelerate the successful diversification strategy. The plan covers the period 2021 to 2023 which is aligned with the performance period of the 2021 LTIP. The plan is based upon ambitious new growth targets for delivery by the end of 2023:

- double viewing, users and advertising revenue (to £20 million) in the Digital business;
- to quadruple STV Studios revenue (to £40 million);
- to achieve at least 50% of operating profit from outside traditional broadcasting.

As described in the Chair's letter, the three performance measures (EPS, Non-Broadcast Operating Profit, and Relative TSR) remain unchanged, as these continue to align with our strategic growth plan and the creation of shareholder value. The Committee has set stretching performance targets for each metric, based around the execution of our long-term plan. For EPS, we have changed the target range from 5% to 9% p.a. growth in last year's award to 4% to 13% p.a. growth this year, which results in both an increase in the stretch of the targets to reflect our growth ambitions and a broadening of the range to reflect ongoing uncertainty in the trading environment. For non-broadcast operating profit, we have also increased the target range from last year, again reflecting our strategic growth commitment. The Committee considers that the target ranges are appropriately stretching, in the context of the current external climate and the Group's strategic growth plan.

Non-Executive Directors
Following the announcement of Baroness Margaret Ford's intention to step down from the Board in April 2021, the appointment of Paul Reynolds as Chair Elect was announced in January 2021. Paul Reynolds will be appointed as Chair at the 2021 AGM on 29 April 2021. The appointment of Aki Mandhar as Non-Executive Director was also confirmed in January 2021.

The fee payable to the Chairman, which has not increased since 2017, was reviewed during the search process. To reflect market rates, it is confirmed that the annual fee payable to Paul Reynolds will be £150,000 per annum, representing an increase to the Chairman fee. All other fees payable to Non-Executive Directors remain unchanged compared to the prior year.

The fees payable in 2021 are set out below.

Non-Executive Director	£000
Chairman fee	150
Basic Non-Executive Director fee	40
Additional fees: Senior Independent Director	13
Additional fees: Chairing the Audit or Remuneration Committee	5

Single total figure of remuneration
Executive Directors (audited)
The table below sets out the single total figure of remuneration for the Executive Directors for the 2019 and 2020 financial years.

Executive Director		Salary £000	Taxable benefits £000	Pension £000	Total fixed £000	Annual bonus £000	Long-term incentives £000	Other (buy-out) £000	Total variable £000	Total £000
S Pitts	**2020**	**376**	**16**	**75**	**467**	**–**	**–**	**–**	**–**	**467**
	2019	411	16	82	509	447	–	94	541	1,050
L Dixon	**2020**	**211**	**16**	**12**	**239**	**–**	**–**	**–**	**–**	**239**
	2019	143	10	5	158	146	–	–	146	304

Notes to the single figure table

Lindsay Dixon was appointed to the Board on 21 May 2019. The amounts shown above reflect her respective period in office during the 2019 financial year.

Salary – Salaries for 2020 were £419,000 and £235,000 for Simon Pitts and Lindsay Dixon, respectively. However, in light of the Covid-19 pandemic, the Executive Directors volunteered a 25% cut in salary, which was applicable for a five-month period from 1 April to 31 August 2020. This is reflected in the table above.

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

Pension – Simon Pitts receives a taxable cash allowance in lieu of pension and life assurance. For 2020, this was set at 20% of salary. Lindsay Dixon joined the Company's defined contribution scheme on 1 August 2019. The scheme has an employer contribution of 7% of salary up to the pension cap (£160,800).

Annual Bonus – This includes the value of bonus earned in respect of the relevant financial year.

Long-term Incentives – The 2018 LTIP award granted to Simon Pitts is due to vest in 2021 based on performance over the three-year period to 31 December 2020. Performance targets were not met and therefore this award will lapse in full.

Other – The value shown in this column for Simon Pitts in 2019 relates to the vesting of an award under the 2017 LTIP, which was granted as a component of his buy-out package paid to compensate for forfeited remuneration from his previous employer. The award vested at 18% of the maximum. The value has been restated this year to reflect the share price on the actual date of vest of 246 pence. None of this amount related to share price appreciation over the performance period given the share price at grant was 310 pence.

Annual bonus (audited)

The maximum annual bonus opportunity for 2020 was 125% of salary. The bonus was based predominantly on financial performance (50% Operating Profit and 25% Cash Flow), with the remaining (25%) based on personal targets linked to strategic delivery. The performance targets for the 2020 bonus were set by the Committee at the start of the year, prior to the impact of the Covid-19 pandemic, and by reference to the annual budget, which itself is set in the context of the Board's long-term strategic plan.

As noted in the Chair's Annual Statement, the performance of the Group was significantly impacted by Covid-19. The Committee recognises the exceptional personal contributions of both Executive Directors during the year, in particular the actions taken to mitigate the impact of the pandemic on the business and protect the Group's long-term financial interests. Notwithstanding this, it was decided that it would not be appropriate to pay a bonus for the 2020 financial year and the bonus plan was suspended.

Long-term Incentive Plan (audited)

The table below sets out the performance achieved for the 2018 LTIP award, which was subject to performance over the three-year period from 1 January 2018 to 31 December 2020.

Performance condition	Weighting	Threshold vesting (25% of maximum)	Maximum vesting (100% of maximum)	Actual outcome	Percentage vesting
EPS	50%	7%	12%	(6.8)%	0%
Non-broadcast operating profit	30%	£7m	£11m	£6.2m	0%
Relative TSR	20%	Median	Upper quartile	Below median	0%
	100%			**Overall vesting**	0%

Simon Pitts holds an LTIP award which is due to vest based on the outcome of the performance conditions above. As the targets set for each of the performance measures were not met, the award will lapse in full.

Scheme interests awarded in the 2020 financial year (audited)

The table below shows awards made to the Executive Directors during 2020 under the LTIP. In light of Covid-19, the grant of awards was delayed.

Executive Director	Award type	Date of grant	Basis of award	Number of shares awarded*	Face value of award	Threshold vesting	Performance period
S Pitts	LTIP	16/12/20	100% of salary	147,095	£419k	25% of maximum	1/1/20-31/12/22
L Dixon	LTIP	16/12/20	100% of salary	82,584	£235k	25% of maximum	1/1/20-31/12/22

* Calculated using the closing share price of 285 pence on the date prior to the date of award.

REMUNERATION REPORT

These awards will vest after three years, subject to the performance targets set out in the table below. An additional two-year holding period will apply to any shares vesting.

Performance measure	Calibration of targets	Weighting	Threshold vesting (25% of maximum)	Maximum vesting (100% of maximum)
EPS	Annualised growth in adjusted EPS from FY19 to FY22	50%	5%	9%
Non-broadcast operating profit	Operating profit for non-broadcast activities in FY22	30%	£8.5m	£12.5m
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

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

The performance measures denote a balanced set of metrics which reflect profitable growth (EPS), the strategic objective to diversify earnings' streams (non-broadcast operating profit) and the delivery of shareholder value (relative TSR).

Performance targets were set by the Committee to be stretching yet feasible in the context of the Group's long-term business strategy. The target range for EPS has been set taking account of the decline in the national television advertising market, the Group's principal revenue source. The target range for non-broadcast operating profit was increased compared to the 2019 LTIP reflecting the Group's objective to achieve a more balanced and diversified profit base thereby ensuring long-term stability and prosperity.

Payments for loss of office (audited)
No payments of loss of office were made during the year.

Payments to past Directors (audited)
No payments were made to past Directors during the year.

External appointments
Neither of the Executive Directors held any external appointments during the year.

Non-Executive Directors (audited)
The table below sets out the single total figure of remuneration for each Non-Executive Director. In light of the Covid-19 pandemic, all Non-Executive Directors volunteered a 25% cut in fees, which was applicable for a five-month period from 1 April to 31 August 2020. This is reflected in the figures below.

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 £	Total fees £
Baroness Ford	**2020**	**117,350**	**–**	**117,350**
	2019	128,400	–	128,400
C Woolfenden*	**2020**	**7,600**	**–**	**7,600**
	2019	39,300	–	39,300
S Miller	**2020**	**35,900**	**12,000**	**47,900**
	2019	39,300	13,100	52,400
A M Cannon	**2020**	**35,900**	**4,560**	**40,550**
	2019	39,300	5,100	44,400
I Steele	**2020**	**35,900**	**4,650**	**40,550**
	2019	39,300	5,100	44,400
D Bergg	**2020**	**35,900**	**–**	**35,900**
	2019	39,300	–	39,300

* Stepped down on 9 March 2020.

Statement of Directors' shareholding and share interests (audited)

Under the Policy, Executive Directors are required to build up a shareholding equal to 150% of salary. From 2021, Executive Directors will also, on leaving the Board, be required to maintain this in-employment shareholding guideline (or their actual shareholding if lower) for a period of two years.

The shareholding requirement for Non-Executive Directors is set at the level of 20,000 shares for the Chairman and 5,000 shares for other Non-Executive Directors. All Non-Executive Directors have attained these levels.

Director	Number of beneficially owned shares*	Number of unvested deferred awards**	Number of SAYE options subject to conditions	Number of unvested LTIP awards at 31/12/20	Shareholding requirements	Current shareholding (% salary/ base fee)	Requirement met
Executive							
S Pitts	134,687	30,372	–	384,157	150% of salary	108%	n/a****
L Dixon	8,785	–	–	146,151	150% of salary	11%	n/a****
Non-Executive							
Baroness Ford	31,202	n/a			20,000 shares	n/a	
C Woolfenden***	9,092	n/a			5,000 shares		
S Miller	7,577	n/a			5,000 shares		
A M Cannon	11,167	n/a			5,000 shares		
I Steele	9,616	n/a			5,000 shares		
D Bergg	12,489	n/a			5,000 shares		

* Beneficial interests include shares held directly or indirectly by connected persons.
** Simon Pitts and Lindsay Dixon also have a right to receive a certain number of shares in respect of the deferred portion of previous annual bonuses. For Simon Pitts this relates to the deferred portion of his 2018 and 2019 annual bonus, and for Lindsay Dixon for the deferred portion of her 2019 annual bonus.
*** Data shown as at date of stepping down from the Board.
**** Given their length of tenure, Simon Pitts and Lindsay Dixon have not yet met their shareholding requirement. It is expected that their shareholding will continue to build as they receive shares through participation in the annual bonus and LTIP. The Committee is confident that both executives retain a strong interest in the Group, as demonstrated through their own acquisition of shares during the year.

The following table provides further detail on the share awards held by the Executive Directors.

Executive	Award	Granted	Held at 31/12/19	Granted in year	Released in year	Lapsed in year	Held at 31/12/20	Vesting dates
S Pitts	Buy-out – deferred shares	25/01/18	105,600	–	75,228	–	30,372	24,196 in March 2019 75,228 in March 2020 30,372 in March 2021
	Buy-out – deferred shares	11/12/18	32,825	–	32,825	–	–	50% in March 2019 50% in March 2020
	Buy-out – LTIP*	25/01/18	210,662	–	37,919	172,743	–	March 2020
	2018 LTIP	11/12/18	123,839	–	–	–	123,839	11/12/21**
	2019 LTIP	29/05/19	113,223	–	–	–	113,223	29/05/22**
	2020 LTIP	16/12/20	–	147,095	–	–	147,095	16/12/23**
L Dixon	2019 LTIP	29/05/19	63,567	–	–	–	63,567	29/05/22**
	2020 LTIP	16/12/20	–	82,584	–	–	82,584	16/12/23**

* This award was subject to the performance conditions of the 2017 STV LTIP award and vested during the year at 18% of maximum.
** Subject to an additional two-year holding period following vesting.

Dilution

The following table sets out the current level of dilution against the limits in the bonus and long-term incentive plan and sets out the commitments to issue shares made during the financial year reported:

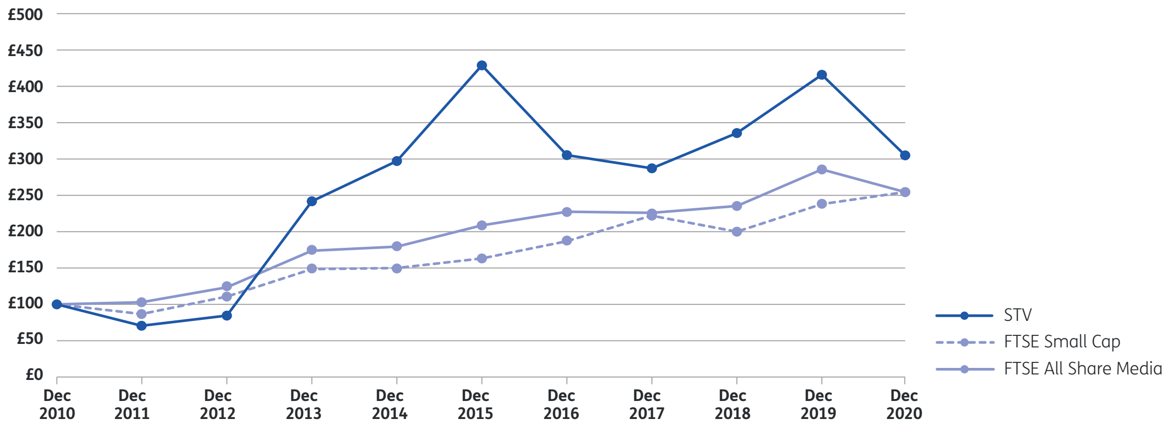
Maximum	Current dilution	Additional dilution during the year in question
10% dilution in ten years	6.08	(0.11)
5% dilution in ten years	0.29	(0.55)

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 All Share Media indices. The FTSE Small Cap index is used as a performance measure under the LTIP, and the FTSE All Share Media index provides a comparison of performance against companies in the media sector.

The chart illustrates the performance of a hypothetical investment of £100 in ordinary shares of STV Group plc over the ten-year period 1 January 2011 to 31 December 2020, compared to a similar investment in the FTSE Small Cap or FTSE All Share Media indices. TSR data is based on Returns Index data, calculated on a daily share price growth plus re-invested dividends (as measured at the ex-dividend rates).



Single figure of total remuneration

The information in the table below shows the total remuneration for the Chief Executive Officer over the same period.

Year	Chief Executive Officer	Single figure of total remuneration (£000)	Bonus pay-out (as % maximum opportunity)	Long-term incentive vesting (as % maximum opportunity)
2020	S Pitts	467	–	–
2019	S Pitts	1,050	87	18
2018	S Pitts	1,712*	72	–
2017	R Woodward	697	32	14
2016	R Woodward	807	29	–
2015	R Woodward	2,269	49	100
2014	R Woodward	661	46	–
2013	R Woodward	601	54	–
2012	R Woodward	696	31	100
2011	R Woodward	958	15	–

* Simon Pitts' single figure for 2018 includes an amount of £857,000 in respect of his buy-out package paid to compensate for forfeited remuneration from his previous employer. His single figure excluding this amount would have been £855,000.

Percentage change in remuneration

The table below shows the percentage change between 2019 and 2020 in the salary/fees, benefits and annual bonus of all Directors' of the Company during the year compared to all employees.

In light of the Covid-19 pandemic, all Executive and Non-Executive Directors volunteered a 25% cut in fees, which was applicable for a five-month period from 1 April to 31 August 2020. Additionally, it was decided that the 2020 annual bonus plan would be suspended. These are reflected in the figures below.

	Salary/fees	Taxable benefits	Annual bonus
All employees	2%	n/a	n/a*
Executive Directors			
S Pitts	(8.6)%	n/a	(447)%
L Dixon**	(8.6)%	n/a	(146)%
Non-Executive Directors			
Baroness Ford	(8.6)%	n/a	
C Woolfenden***	n/a	n/a	
S Miller	(8.6)%	n/a	
A M Cannon	(8.6)%	n/a	
I Steele	(8.6)%	n/a	
D Bergg	(8.6)%	n/a	

* These benefits are not available to all employees.

** As Lindsay Dixon was appointed in May 2019, salary received in 2019 was pro-rated to reflect service in the year therefore year on year comparison is not valid.

*** Stepped down on 9 March 2020.

Chief Executive Officer pay ratio

The table below discloses the ratio of the Chief Executive Officer's pay for 2020, using the single total figure of remuneration (as disclosed on page 78), to the comparable earnings of employees at the 25th, 50th and 75th percentiles.

Year	Method	25th percentile (P25) pay ratio	Median (P50) pay ratio	75th percentile (P75) pay ratio
2020	Option B	20:1	14:1	11:1
2019	Option B	41:1	30:1	22:1

The ratios were calculated using Option B in the disclosure regulations, with the employees at the 25th, 50th and 75th percentiles determined based on the Group's gender pay data. Total remuneration for 2020 for these employees was then calculated using a valuation methodology consistent with that used for the Chief Executive Officer in the single figure table on page 78. Whilst the gender pay gap legislation and CEO pay ratio legislation employ different calculations, the Committee considers that the three identified employees are reasonably representative of the respective percentiles. The calculation is undertaken on a full time equivalent basis.

The salary and total remuneration received during 2020 by employees at the 25th, 50th and 75th percentiles and used in the above analysis is as follows:

	25th percentile (P25)	Median (P50)	75th percentile (P75)
2020 salary £	22,934	30,467	39,780
2020 total remuneration £	23,356	32,600	40,786

A significant proportion of the Chief Executive Officer's total remuneration is delivered in variable remuneration, the value of which is linked to stretching performance targets and, in the case of LTIP awards, share price performance. As a result, the pay ratio is likely to be driven largely by the outcome of these awards and may therefore fluctuate significantly on a year-to-year basis. In comparison to last year, the pay ratio has decreased. This is a direct result of no annual bonus or LTIP vesting for the Chief Executive Officer in respect of performance in 2020. In contrast, the Chief Executive Officer's total remuneration for 2019 included both the payment of an annual bonus and the vesting of an award relating to the buy-out package made on his appointment to compensate for forfeited remuneration from his previous employer.

The Committee considers the median pay ratio to be consistent with the pay, reward and progression policies for STV's employees.

REMUNERATION REPORT

Workforce pay

The Committee has oversight of remuneration and related policies across the organisation and gives these due consideration when determining pay for Executive Directors. Throughout the Company, pay is positioned to be fair and market competitive in the context of the relevant talent market, fairly reflecting market data and other relevant benchmarks for the role. The Committee considers pay ratios as one of many reference points when considering remuneration.

As highlighted in the Chair's Annual Statement, to recognise and reward employees for their hard work and services over the last year and to provide an incentive to continue driving the success of the Group going forward, all employees will be granted a one-off share award in 2021 with a face value on grant of £1,000. This award will vest after one-year, subject to the Group meeting its operating profit target for the year.

The Company continues to evolve its approach to employee engagement on executive remuneration. There are however a number of different mechanisms in place at STV to gather feedback from employees. Relevant feedback is presented to the Board to help to inform decision-making.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2020 and 2019 financial years. These were the most significant outgoings for the Company in the last financial year.

Significant distributions	2020	2019	% change
Overall spend on pay	**£20.6m**	£22.2m	(7.1)%
Dividend or share buy back	**£1.3m**	£7.7m	(82.9)%

Consideration by the Directors of matters relating to Directors' remuneration

Members of the Committee

During the year, the Committee comprised of the following Non-Executive Directors: Anne Marie Cannon (Chair); Ian Steele; and David Bergg. The Committee met three times during the year.

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors. The Committee also has oversight of remuneration and related policies for the wider workforce as this pertains to determining the remuneration of the Executive Directors. The Committee has formal terms of reference which describe its full remit and can be downloaded from the Company's website, www.stvplc.tv.

Advisors to the Committee

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

During the year, the Committee received advice from Deloitte LLP. Deloitte LLP is a founding member of the Remuneration Consultants' Group and has signed up to their Code of Conduct on executive remuneration consulting. The total fees paid to Deloitte LLP for the provision of independent advice to the Committee in 2020 were £21,500, charged on a time and materials basis. During 2020, Deloitte LLP was also the Company's internal auditor. The Committee reviewed the nature of the other services provided and was satisfied that no conflict of interest existed in the provision of these services. Baroness Ford, Chair of the STV Board, was appointed as a member of the Board of Deloitte LLP in August 2020. Baroness Ford has no connection to the engagement team providing advice to the Remuneration Committee. The Committee is satisfied that the advice received by Deloitte LLP in its role as Remuneration Committee advisors is objective and independent.

In the course of its deliberations during the period under review, the Committee sought the assistance of the Chairman on matters relating to the Directors' performance and remuneration.

The Chairman, Chief Executive Officer and the HR & Communications Director attended Committee meetings by invitation.

Statement of voting at general meeting

The table below shows the voting outcomes on the most recent Remuneration Report (2020 AGM) and Remuneration Policy (2018 AGM).

	Votes for	%	Votes against	%	Total votes cast	Votes withheld*
2019 Remuneration Report (2020 AGM)	23,216,273	83.89	4,458,010	16.11	27,674,283	2,006,473
Remuneration Policy (2018 AGM)	23,755,066	80.15	5,884,715	19.85	29,639,781	1,411

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

Anne Marie Cannon
Chairman of the Remuneration Committee
16 March 2021

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2020. The Directors' report comprises pages 85 to 87 and the sections of the annual report incorporated by reference, as set out below:

Directors during 2020 financial year – See page **56**
Risk management – See pages **44 to 47**
Streamlined Energy and Carbon Reporting (SECR) – See page **38**
Corporate governance report – See pages **56 to 66**
Employee diversity and inclusion – See page **31 to 33**
Employee involvement and engagement – See pages **30 and 31**
Principal risks and uncertainties – See pages **47 to 51**
Disability reporting – See page **32**
Post balance sheet events – See page **125**

This Annual Report has been prepared for, and only for, the members of the Company, as a body, and for no other persons. The Company, its Directors, employees, agents and advisers, do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

Management Report

The Directors' Report, together with the Strategic Report, set out on pages 4 to 52, form part of the Management Report for the purposes of DTR 4.1.5R.

Company number

STV Group plc is registered in Scotland under company number SC203873.

Dividends

A final cash dividend of 6.0p per share has been declared for 2020 which, subject to approval at the AGM in April, will be paid on 28 May 2021, to shareholders on the register at 16 April 2021. The interim dividend for 2020 was paid by way of a bonus issue of shares and equated to 3.0p per share. The proposed total dividend for 2020 is therefore 9.0p per share.

Share capital and substantial shareholders

On 16 March 2021 there were 46,722,499 ordinary shares of 50p each in issue, each with one vote attached. There were no shares held in treasury. The rights and obligations to the Company's shares are set out in its Articles of Association. Details of Directors' interests in shares can be found on page 81.

As at 16 March 2021, the following information had been received, in accordance with DTR5, from holders of notifiable interests in STV's issued share capital:

Shareholders	Shares held	%
Slater Investments	5,792,073	12.40
Aberforth Partners	4,867,536	10.42
Columbia Threadneedle Investments	3,562,390	7.62
AXA Framlington Investment Managers	3,239,311	6.93
M&G Investments	2,715,310	5.81
Chelverton Asset Management	2,576,451	5.51
Schroder Investment Management	2,087,121	4.47
Canaccord Genuity Wealth Management (Inst)	2,000,000	4.28
Tellworth Investments	1,407,115	3.01

Annual General Meeting (AGM)

Details of the 2021 AGM, together with the resolutions being put to shareholders, can be found in the separate Notice of AGM document.

Directors

The Directors of the Company and their profiles are detailed on pages 54 and 55. All of these Directors served throughout the year under review. Paul Reynolds and Aki Mandhar were appointed as non-executive directors on 1 February 2021.

In accordance with the Code, at the 2021 AGM each Director will stand for election or re-election.

Directors' indemnities

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 from the assets of the Company against any liability he or she incurs in defending any proceedings brought against them in connection with the execution of their powers, duties and responsibilities as Directors (provided that judgement is not given against them).

DIRECTORS' REPORT

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 ended 31 December 2020.

Donations

The Group made no political donations or any contributions to a non-EU political party during the year (2019: £nil).

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. These include 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 receive cash dividends on those shares it holds that 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 licence holder, to notify Ofcom on a change of control. Ofcom would thereafter require to determine that any proposed new licence 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.

The Scottish Children's Lottery, which holds licences awarded by the UK Gambling Commission, engages the services of STV ELM Limited, which is a subsidiary of STV Group plc, to deliver the lottery product to consumers. Although the lottery is operated independently of STV, in accordance with the requirements of these licences, STV provides financial support and if there is a change of control of STV, STV ELM is obliged to notify the UK Gambling Commission who may thereafter review the licences.

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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 54 and 55 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the parent company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties they face.

In the case of each Director in office at the date the Directors' Report is approved:

- as far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

Baroness Margaret Ford OBE
Chairman
16 March 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STV GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion, STV Group plc's Group financial statements and Parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2020 and of the Group's profit and the Group's and Parent company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Consolidated and Parent company Balance Sheets as at 31 December 2020; the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Parent company Statements of Changes in Equity, and Consolidated and Parent company Statements of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 3 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in the Corporate Governance report and the Notes to the Financial Statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

Audit scope

- Taken together, the entities where we performed our audit work accounted for 100% of Group revenue and 99% of Group profit before tax.

Key audit matters

- Retirement benefit obligations (Group and Parent).
- Deferred programme production stock (DPS) – carrying value (Group).
- The impact of Covid-19 (Group and Parent).

Materiality

- Overall Group materiality: £860,000 based on 5% of average profit before tax and exceptional items over the last three years.
- Overall Parent company materiality: £3,940,000 based on 1% of total assets.
- Performance materiality: £645,000 (Group) and £2,955,000 (Parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, UK tax legislation and compliance with industry regulation (OFCOM), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate revenue or profit. Audit procedures performed by the engagement team included:

- Discussions with management, reading reports from internal audit and consideration of any known or suspected instances of non-compliance with laws and regulations and fraud or matters reported on the Group's whistleblowing helpline;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Reviewing Board minutes;
- Challenging assumptions and judgements made by management in areas involving significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted by senior management and/or with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The impact of Covid-19 is a new key audit matter this year. Recoverability of ELM Other receivable, which was a key audit matter last year, is no longer included because of the amounts due being fully provided for as at 31 December 2020, with the result that there is no residual risk relating to the carrying value. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Retirement benefit obligations (Group and Parent) (Refer to page 103 (Significant accounting policies) and note 26 (Retirement benefit schemes)) The Group has a net pension deficit at 31 December 2020 of £70.3m (2019: £64.0m) and the Parent company a deficit of £36.2m (2019: £32.1m). The gross defined benefit scheme obligation of the Group and Parent company is £507.5m (2019: £445.9m) and £202.4m (2019: £186.7m) respectively. These balances are significant in the context of the Group and Parent company balance sheets and are dependent on key judgemental assumptions, including the discount rate, inflation rate and mortality rates adopted by the Directors in the actuarial valuations. Given the judgements involved and that small movements in these assumptions can have a significant impact on the overall obligation, this was an area of significant risk in our audit.	We engaged our actuarial experts to consider the reasonableness of the key assumptions used in the actuarial valuation, being the discount rate, inflation rate and mortality rates, assessing if they were within our observable/expected range. Together with our experts, we discussed the methodology and assumptions used in calculating the obligation with the Group's actuary. All actuarial assumptions fell within our observable/expected range based on the nature of the schemes and scheme experience, albeit, mortality rates continue to be at the lower, more optimistic end of the range. We considered the methods by which the assumptions were derived and how the assumptions sit within our observable/expected ranges year-on-year. This allowed us to challenge if there was any indication of management bias in the setting of assumptions. We did not identify any issues in this respect. As a result of our audit work, we were able to conclude that the net pension deficit and gross defined benefit scheme obligation taken as a whole are not materially misstated and the associated disclosures contain all the relevant information required and are fairly stated.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STV GROUP PLC

Key audit matter	How our audit addressed the key audit matter
Deferred programme production stock (DPS) – carrying value (Group) (Refer to page 102 (Significant accounting policies) and note 17 (Inventories)) DPS of £10.3m (2019: £10.3m) relates to 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. We no longer consider this to be a significant audit risk due to the reduction in the balance in recent years, with the substantial amount of the carrying value now focused on a limited range of productions, for which ongoing sales have been in excess of forecast. However, it remains an area of audit focus because the support for the carrying value and the charge to the income statement are based on judgements made by management in respect of related future revenues.	We have reviewed the calculations performed by management and verified that these are mathematically accurate and the method of calculation is appropriate and consistent with prior years. We analysed management's assessment of each significant production in the catalogue to determine, based on the past history of sales, forecasting accuracy and contracted revenues, the appropriateness of their projected future revenues for each production selected. Consistent with prior years 91% of the carrying value is represented by four main productions so these were the focus of our audit work. We obtained 2020 sales contracts for a sample of productions to verify the existence of forecast sales. We performed sensitivities on the key assumptions for future sales, in relation to discount rates and the time period over which sales could be achieved, to satisfy ourselves that no material impairment of DPS was required. There were no issues arising from the audit work performed.
The impact of Covid-19 (Group and Parent) Covid-19 was declared a pandemic by the World Health Organisation on 11 March 2020 and the on-going response is having an unprecedented impact on the wider economy. It is therefore necessary to consider the impact on the Group. The key impacts on the Group have been: a reduction in national and regional advertising; a temporary pause in production activity; and a significant reduction in retail based lottery sales. We have determined the impact of Covid-19 to be a key audit matter.	In assessing the impact of Covid-19 on the Group, we have undertaken the following audit procedures: We considered the impact of the pandemic on trading performance as part of our going concern assessment. Our conclusions in relation to going concern are set out later in this report. We considered whether the pandemic and the related impact on the economy and trading conditions indicated impairment of any assets such that an impairment assessment would be required. We did not identify any such requirement. We reviewed the accuracy of the claims made under the Coronavirus Job Retention Scheme for any indication of non-compliance with associated regulations. We reviewed the disclosures throughout the Annual Report to consider whether they appropriately reflected the impact of the pandemic on the trading performance and risks related to the Group. We have not identified any matters to report which we believe would materially affect the conclusions reached or the disclosures within the financial statements.

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 structure of the Group and the Parent company, the accounting processes and controls, and the industry in which they operate.

Several subsidiary entities within the Group require an audit of their own financial information and coverage from these audits was considered as part of the scoping exercise. Entities which were individually financially significant, or contained individually significant balances, were included in the overall scope. All audits were carried out by the Group engagement team and we performed work over all segments of the business.

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 in aggregate on the financial statements as a whole.

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

	Financial statements – Group	Financial statements – Parent company
Overall materiality	£860,000	£3,940,000
How we determined it	5% of average profit before tax and exceptional items over the last three years	1% of total assets
Rationale for benchmark applied	We have applied this benchmark because we consider the measure of profit before tax and exceptionals is the measure most commonly used by the shareholders to measure the performance of the Group. Taking a three year average is appropriate this year due to the adverse impact of the external operating environment, which included factors outside of the control of the Group, on financial performance. As a result, a three year average gives a materiality which is more appropriate for the size of the Group.	We considered the most appropriate benchmark for the Parent company to be total assets as it is a holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £40,000-£780,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £645,000 for the Group financial statements and £2,955,000 for the Parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £43,000 (Group audit) and £197,000 (Parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
Our evaluation of the directors' assessment of the Group's and the Parent company's ability to continue to adopt the going concern basis of accounting included:

- Checking management's base case and downside models for mathematical accuracy;
- Validating the appropriateness of key assumptions inherent in the cash flow models and agreeing the opening cash/net debt position;
- Confirming that downside scenarios were sufficiently severe but plausible in the context of the STV business and plans; and
- Considering compliance with the terms and covenants applicable to the lending facilities in both the base case and downside cases.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent company's ability to continue as a going concern.

In relation to the Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STV GROUP PLC

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report and Accounts that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent 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.

Other required reporting

Companies Act 2006 exception reporting

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

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

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 4 March 2004 to audit the financial statements for the year ended 31 December 2004 and subsequent financial periods. The period of total uninterrupted engagement is 17 years, covering the years ended 31 December 2004 to 31 December 2020.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
16 March 2021

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

		2020			2019		
	Note	Before exceptional items £m	Exceptional items (note 8) £m	Results for year £m	Before exceptional items £m	Exceptional items (note 8) £m	Results for year £m
Revenue	5	107.1	–	107.1	123.8	–	123.8
Net operating expenses	6	(88.9)	(0.5)	(89.4)	(101.2)	(2.0)	(103.2)
Other income		–	–	–	–	2.0	2.0
Operating profit		18.2	(0.5)	17.7	22.6	–	22.6
Finance costs							
– borrowings		(1.2)	–	(1.2)	(1.3)	–	(1.3)
– defined benefit pension schemes		(1.2)	–	(1.2)	(2.0)	–	(2.0)
– lease interest	21	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Provision for impairment losses – ELM debtor		–	(8.2)	(8.2)	–	–	–
Share of loss of an associate		(0.1)	–	(0.1)	–	–	–
		(2.8)	(8.2)	(11.0)	(3.6)	–	(3.6)
Profit before tax		15.4	(8.7)	6.7	19.0	–	19.0
Tax credit/(charge)	9	(0.6)	1.6	1.0	(3.2)	0.1	(3.1)
Profit for the year		14.8	(7.1)	7.7	15.8	0.1	15.9
Attributable to:							
Equity holders of the company		14.7	(7.1)	7.6	15.9	0.1	16.0
Non-controlling interests		0.1	–	0.1	(0.1)	–	(0.1)
		14.8	(7.1)	7.7	15.8	0.1	15.9
Earnings per share (restated)*	10						
Basic		35.2p		18.2p	41.4p		41.7p
Diluted		33.8p		17.5p	40.1p		40.3p

* The number of shares reported in 2019 for the purposes of earnings per share has been updated to reflect the bonus issue in December 2020; those shares issued are assumed to have been in issue since the start of the comparator period.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	2020 £m	2019 £m
Profit for the year		7.7	15.9
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	26	(15.3)	6.2
Deferred tax credit/(charge)	22	3.2	(0.9)
Revaluation gain on listed investment to market value		5.9	–
Other comprehensive (expense)/income – net of tax		(6.2)	5.3
Total comprehensive income for the year		1.5	21.2
Attributable to:			
Owners of the parent		1.4	21.3
Non-controlling interests		0.1	(0.1)
		1.5	21.2

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

CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

At 31 December 2020

	Note	Group		Company	
		2020 £m	2019 £m	2020 £m	2019 £m
Non-current assets					
Intangible assets	12	**2.3**	2.6	**–**	–
Property, plant and equipment	13	**9.9**	10.7	**–**	–
Right-of-use assets	14	**10.4**	12.2	**–**	–
Investments	16	**6.7**	0.9	**52.9**	48.2
Deferred tax asset	22	**19.9**	16.1	**6.9**	5.5
Trade and other receivables	18	**0.9**	9.5	**217.0**	199.5
		50.1	52.0	**276.8**	253.2
Current assets					
Inventories	17	**15.4**	13.2	**–**	–
Trade and other receivables	18	**25.6**	21.6	**117.2**	84.7
Cash and cash equivalents		**5.2**	6.2	**–**	–
		46.2	41.0	**117.2**	84.7
Total assets		**96.3**	93.0	**394.0**	337.9
Equity					
Ordinary shares	24	**23.3**	19.6	**23.3**	19.6
Share premium	24	**115.1**	102.0	**115.1**	102.0
Capital redemption reserve		**0.2**	0.2	**0.2**	0.2
Merger reserve		**173.4**	173.4	**–**	–
Other reserve		**1.0**	0.9	**1.0**	0.9
Accumulated (losses)/profit		**(342.8)**	(343.2)	**102.9**	88.0
Shareholders' equity		**(29.8)**	(47.1)	**242.5**	210.7
Non-controlling interests		**(0.1)**	(0.2)	**–**	–
Total equity		**(29.9)**	(47.3)	**242.5**	210.7
Non-current liabilities					
Borrowings	20	**22.7**	43.7	**–**	–
Lease liabilities	21	**9.1**	10.6	**–**	–
Retirement benefit obligations	26	**70.3**	64.0	**36.2**	32.1
		102.1	118.3	**36.2**	32.1
Current liabilities					
Trade and other payables	19	**22.4**	19.9	**115.3**	95.1
Lease liabilities	21	**1.7**	1.8	**–**	–
Current tax liabilities		**–**	0.3	**–**	–
		24.1	22.0	**115.3**	95.1
Total liabilities		**126.2**	140.3	**151.5**	127.2
Total equity and liabilities		**96.3**	93.0	**394.0**	337.9

The above consolidated balance sheet 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 income statement or statement of comprehensive income. The profit for the parent company for the year was £16.2m (2019: £16.1m).

The consolidated financial statements on pages 94 to 126 were approved by the Board on 16 March 2021 and were signed on its behalf by:

Simon Pitts
Chief Executive Officer

Lindsay Dixon
Chief Financial Officer

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserve £m	Accumulated (losses)/profit £m	Attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
Group									
At 1 January 2020	19.6	102.0	0.2	173.4	0.9	(343.2)	(47.1)	(0.2)	(47.3)
Profit for the year	–	–	–	–	–	7.6	7.6	0.1	7.7
Other comprehensive expense	–	–	–	–	–	(6.2)	(6.2)	–	(6.2)
Total comprehensive income for the year	–	–	–	–	–	1.4	1.4	0.1	1.5
Issue of ordinary shares	3.5	12.0	–	–	–	–	15.5	–	15.5
Share based compensation	–	–	–	–	0.2	–	0.2	–	0.2
Shares acquired by EBT	–	–	–	–	(0.1)	0.3	0.2	–	0.2
Dividends paid in shares	0.2	1.1	–	–	–	(1.3)	–	–	–
At 31 December 2020	**23.3**	**115.1**	**0.2**	**173.4**	**1.0**	**(342.8)**	**(29.8)**	**(0.1)**	**(29.9)**
At 1 January 2019	19.6	101.9	0.2	173.4	0.8	(355.1)	(59.2)	–	(59.2)
Profit for the year	–	–	–	–	–	16.0	16.0	(0.1)	15.9
Other comprehensive income	–	–	–	–	–	5.3	5.3	–	5.3
Total comprehensive income for the year	–	–	–	–	–	21.3	21.3	(0.1)	21.2
Acquisition of subsidiary	–	–	–	–	–	–	–	(0.1)	(0.1)
Share based compensation	–	–	–	–	0.3	–	0.3	–	0.3
Shares acquired by EBT	–	0.1	–	–	(0.2)	(2.0)	(2.1)	–	(2.1)
Tax charge on share based compensation	–	–	–	–	–	0.2	0.2	–	0.2
Dividends paid	–	–	–	–	–	(7.7)	(7.7)	–	(7.7)
Unclaimed dividends received	–	–	–	–	–	0.1	0.1	–	0.1
At 31 December 2019	**19.6**	**102.0**	**0.2**	**173.4**	**0.9**	**(343.2)**	**(47.1)**	**(0.2)**	**(47.3)**
Company									
At 1 January 2020	19.6	102.0	0.2	–	0.9	88.0	210.7		
Profit for the year	–	–	–	–	–	16.2	16.2		
Other comprehensive expense	–	–	–	–	–	(0.3)	(0.3)		
Total comprehensive income for the year	–	–	–	–	–	15.9	15.9		
Issue of ordinary shares	3.5	12.0	–	–	–	–	15.5		
Share based compensation	–	–	–	–	0.2	–	0.2		
Shares acquired by EBT	–	–	–	–	(0.1)	0.3	0.2		
Dividends paid in shares	0.2	1.1	–	–	–	(1.3)	–		
At 31 December 2020	**23.3**	**115.1**	**0.2**	**–**	**1.0**	**102.9**	**242.5**		
At 1 January 2019	19.6	101.9	0.2	–	0.8	77.7	200.2		
Profit for the year	–	–	–	–	–	16.1	16.1		
Other comprehensive income	–	–	–	–	–	3.8	3.8		
Total comprehensive income for the year	–	–	–	–	–	19.9	19.9		
Share based compensation	–	–	–	–	0.3	–	0.3		
Shares acquired by EBT	–	0.1	–	–	(0.2)	(2.0)	(2.1)		
Dividends paid	–	–	–	–	–	(7.7)	(7.7)		
Unclaimed dividends received	–	–	–	–	–	0.1	0.1		
At 31 December 2019	**19.6**	**102.0**	**0.2**	**–**	**0.9**	**88.0**	**210.7**		

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS

Year ended 31 December 2020

		Group		Company	
	Note	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Operating activities					
Cash generated by/(used in) operations	25	**22.4**	25.6	**(8.6)**	12.8
Interest paid		**(1.6)**	(1.1)	**–**	–
Refinancing fees paid		**(0.3)**	–	**–**	–
Net taxes (paid)/received		**(0.4)**	0.1	**–**	–
Exceptional reorganisation cash costs		**–**	(1.0)	**–**	–
Pension deficit funding – recovery plan payment		**(9.1)**	(9.0)	**(3.7)**	(4.3)
Contingent cash payment to pension schemes		**(1.4)**	(1.3)	**(0.6)**	(0.6)
Net cash generated by/(used in) operating activities		**9.6**	13.3	**(12.9)**	7.9
Investing activities					
Proceeds from sale of investment		**–**	1.3	**–**	1.3
Purchase of investment in associate		**(1.1)**	–	**(1.1)**	–
Cash acquired on purchase of subsidiary		**–**	0.4	**–**	–
Purchase of intangible assets		**(0.7)**	(1.6)	**–**	–
Purchase of property, plant and equipment		**(1.4)**	(2.9)	**–**	–
Net cash (used in)/generated by investing activities		**(3.2)**	(2.8)	**(1.1)**	1.3
Financing activities					
Shares acquired by EBT		**–**	(2.1)	**–**	(2.1)
Payment of obligations under leases		**(1.9)**	(1.9)	**–**	–
Issue of ordinary shares		**15.5**	–	**15.5**	–
Borrowings drawn		**19.0**	20.0	**–**	–
Borrowings repaid		**(40.0)**	(19.0)	**–**	–
Dividends paid		**–**	(7.6)	**–**	(7.6)
Net cash (used in)/generated by financing activities		**(7.4)**	(10.6)	**15.5**	(9.7)
Net (decrease)/increase in cash and cash equivalents		**(1.0)**	(0.1)	**1.5**	(0.5)
Cash and cash equivalents at beginning of year		**6.2**	6.3	**(4.9)**	(4.4)
Cash and cash equivalents at end of year		**5.2**	6.2	**(3.4)**	(4.9)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. General information

The consolidated financial statements of STV Group plc (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2020 were approved and authorised for issue in accordance with a resolution of the Directors on 16 March 2021. The comparative information is presented for the year ended 31 December 2019.

STV Group plc is a public limited company incorporated in Scotland and is listed on the London Stock Exchange.

The principal activities of the Group are the production and broadcasting of television programmes, provision of internet services and the sale of advertising airtime and space in these media. Outside the core business, the Group also operates an external lottery management company, although post year end an agreement in principle has been reached to dispose of that business, subject to Gambling Commission approval (note 31).

2. Adoption of new and revised standards

In the current year, the Group has adopted the following new amendments with no material impact:

- Amendment to IFRS 16 Leases Covid-19 – Related Rent Concessions – effective date 1 June 2020
- Amendments to IFRS 3 Business Combinations – effective date 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – effective date 1 January 2020

Standards and amendments to standards that have been issued but are not effective for 2020 and have not been early adopted are:

- IFRS 17 Insurance Contracts – effective date 1 January 2021
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 – effective date 1 January 2021
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 2 – effective date 1 January 2021

The above standards and amendments issued but not yet effective will be adopted in accordance with their effective dates and have not been adopted in these financial statements.

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

These financial statements are presented in Sterling. All values are rounded to the nearest 0.1 million pounds (£m) except where otherwise indicated.

The financial statements are prepared in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union.

Going concern

At 31 December 2020, the Group was in a financial net debt position with a positive gross cash balance. The Group is in a net current asset position and generates cash from operations that enables the Group to meet its liabilities as they fall due, and other obligations.

As part of the going concern review, the Group considers forecasts of the total advertising market to determine the impact on liquidity. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current available funding and covenant levels.

During 2020, and in response to Covid-19, the Group took a number of measures to create additional headroom to enable it to trade through a severe downside scenario, should one materialise. These measures included the increase of bank facilities from £60m to £80m and the relaxation of certain covenants, as well as raising net proceeds of £15.5m through an issue of new share capital. From the time when the increased facilities were put in place to the start of March 2021 when the Group refinanced its banking arrangements, the Group did not need to avail itself of the incremental £20m in facility or the covenant relaxations. In early March, the Group refinanced its existing facilities, due to mature in June 2022, and now has in place a £60m revolving credit facility, with a £20m accordion, for a minimum period of three years with two one-year extension options. The covenant package in place reflects those under the previous arrangement, without the relaxations, and requires the Group's leverage to be less than three times and interest cover to be more than four times. The financial modelling undertaken in support of the Group's application of the going concern basis of preparation remains valid under the new facilities, with the Group being able to continue to trade within the new facility limits and covenant levels.

As set out in the Group's strategy in 2018, the Group continues to focus on diversification of operations to drive a greater proportion of the Group's results from non-broadcast earnings.

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

The preparation of the consolidated and Company financial statements, in conformity with IFRS, requires management to make judgements that affect the application of accounting policies and estimates that impact the reported amounts of assets, liabilities, income and expense.

Management bases these judgements on a combination of past experience, professional expert advice and other evidence that is relevant to each individual circumstance. Actual results may differ from these judgements and the resulting estimates which are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Areas requiring significant judgement in the current year and on a recurring basis are presented to the Audit & Risk Committee, as summarised on page 62 and with details included in note 4.

Basis of consolidation
The Group financial statements incorporate the financial statements of STV Group plc and all its subsidiaries up to 31 December each year, using consistent accounting policies.

Subsidiaries are entities over which the Company has control. Control is achieved when the Company has the power over the subsidiary, is exposed, or has rights to, variable returns from its involvement with the subsidiary, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results are included from the date of acquisition.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets/(liabilities) in subsidiaries that are not held by the Group and are presented within equity in the consolidated balance sheet, separately from the Company shareholders' equity.

Business combinations
Business combinations are accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain (or loss if the liabilities assumed exceed the identifiable assets).

Goodwill in respect of an acquired business is recognised as an intangible asset. Goodwill is carried at cost less any recognised impairment losses and is tested at least annually or where there are indicators of impairment.

Revenue recognition
Under IFRS 15, the performance obligations promised in contracts with customers are identified and revenue recognition is based on an assessment of when control of the good or service promised in the contract is transferred to the customer. Revenue is recognised when the performance obligation in the contract is satisfied which is either at a 'point in time' or 'over time' depending on when or as control of the good or service is transferred to the customer.

Key classes of revenue are recognised on the following bases:

i) Advertising and sponsorship revenues
Revenues are stated net of advertising agency commissions.

Television advertising revenue and online advertising revenue are recognised at the point of transmission of the advertisement. Revenue from sponsorship of the Group's programmes is recognised on a straight-line basis over the period of the transmission schedule for each sponsorship campaign.

ii) Programme production revenues
Revenue from third party commissions is recognised on delivery of the finished programme to the commissioning broadcaster as at that point the performance obligations are delivered and control passes to that broadcaster for the period of their licence.

Revenues from the sale of the above programmes to overseas broadcasters or the UK secondary market (usually digital channels) is recognised on the licence commencement date with the broadcaster. An element of the original cost of production is deferred and recognised against the future revenue stream expected to be generated in the secondary and overseas sales markets. The amount to be deferred varies by programme based on future overseas and secondary sales potential and involves significant estimate (see note 4).

iii) Lottery service revenues
Revenue is recognised for ongoing lottery costs recharged to the Scottish Children's Lottery at the point when the lottery draw to which the service relates has taken place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. Significant accounting policies continued

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

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the related expense. When the grant relates to an asset, it is deducted from the asset's carrying value.

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 the amount of tax payable or recoverable in respect of the taxable profit or loss for the year, 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 substantively enacted at the balance sheet date and are expected to apply when the related deferred 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 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 tax 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.

Exceptional items
In order to provide the users of the consolidated financial statements with a more relevant presentation of the Group's underlying performance, on a like-for-like basis, profit for each year has been analysed between:

(i) profit before exceptional items; and
(ii) the effect of 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.

Exceptional items may include, but are not restricted to: profits or losses arising on disposal or closure of a business; the cost of significant business restructuring; significant impairments of intangible or tangible assets; significant gains or losses on sale of investments, intangible or tangible assets; adjustments to the fair value of acquisition-related items; other items deemed exceptional due to their significance, size or nature; and the related exceptional taxation.

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. Currency translation differences are recognised in the consolidated income statement.

Intangible assets
Intangible assets, other than goodwill, 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 intangible assets, less residual value, on a straight line basis from the date they are brought into use:

Web development and branding	between 10% and 25%

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 the assets, less estimated residual values, in equal annual instalments as follows:

Leasehold improvements	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, from the date of addition or to the date of disposal.

Any impairment in value is charged to the income statement.

Leases
The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liability
The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of purchase options, if the Group is reasonably certain to exercise those options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost element is charged to the income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets
Right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Impairment of assets
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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. Significant accounting policies continued

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.

i) Programme production work in progress

Programme production work in progress for programmes being made for third parties is recorded at cost less any provision for impairment. When the programme production has been completed, and at the point of delivery to the commissioner, the inventory value is charged to the income statement to match the cost of production with the revenue recognised.

ii) Deferred programme production

Deferred programme production stock represents original costs of production that are deferred and recognised against future revenue streams expected to be generated in the secondary sales markets, or from advertising revenue generated on the STV Player. This is to ensure that revenue and costs are matched as closely as possible. The amount to be deferred varies by programme based on future secondary sales potential. The estimate of future sales and deferred programme production stock is referred to in the critical accounting estimates section (note 4).

iii) Recorded programmes

Recorded programmes are programmes which the Group purchases for transmission on its broadcast and catch up channels. They are valued at direct cost including labour and overheads less appropriate provisions and are charged to the income statement after the first transmission or sale.

Provisions

Reorganisation costs

Provisions for reorganisation costs are recognised when the Group has a legal obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

Financial instruments

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. Financial assets are recorded at amortised cost with the exception of investments which are recognised at fair value through other comprehensive income (FVOCI) and derivative financial instruments which are recognised at fair value through profit and loss (FVPL). Financial liabilities are measured at amortised cost.

i) Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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 trade.

The debtor due from the Scottish Children's Lottery, included in non-current assets, is reviewed at each reporting period. Management perform a whole of life probability weighted impairment review when there is a significant increase in credit risk. If there is a change in the timeline for recovery, the fair value of the debtor is determined by applying the effective interest rate and the resulting discounting provision is recognised in the income statement.

ii) Investments

Investments are classified as fair value through other comprehensive income (FVOCI). There is no subsequent reclassification of fair value gains and losses to profit and loss following the derecognition of the investment.

Gains or losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the period.

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost unless the Group is deemed to hold significant influence. Investments, whereby the Group is deemed to hold significant influence, are initially recognised at cost and adjusted thereafter for the post-acquisition change in the net assets of the investment. A share of the profit or loss, based on equity holding, is recognised in the income statement for the period.

iii) Classification of financial liabilities and equity

Financial liabilities and equity instruments are classified according to the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method 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.

The Group does not qualify for hedge accounting under IFRS 9 therefore any gains or losses arising from the movement in fair value are taken to the income statement.

The fair value of the interest rate swap contracts are calculated every six months on a discounted cash flow basis using market forward rates.

Pensions
For defined benefit pension schemes, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on the net pension liability is recognised in finance costs.

The finance cost recognised in the consolidated income statement reflects the net interest on the net pension liability. This represents the change in the net pension liability resulting from the passage of time, and is determined by applying the discount rate to the opening net liability, taking into account employer contributions paid in to the scheme, and hence reducing the net liability during the year.

Past service costs resulting from enhanced benefits are recognised immediately in the consolidated income statement. Actuarial gains and losses, which represent the difference between interest on scheme assets, experience on the defined benefit obligation and the effect of changes in actuarial assumptions, are recognised in full in the consolidated statement of comprehensive income in the year in which they occur.

The retirement benefit obligation recognised in the consolidated balance sheet comprises the net total for each scheme of the present value of the benefit obligation, using a discount rate based on yields at the balance sheet date on appropriate high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in sterling, minus the fair value of the scheme assets at the balance sheet date.

Payments to defined contribution schemes are charged to the income statement as an expense as they fall due.

Share-based payments
The Group issues equity-settled share-based payments to certain employees. A fair value for the equity-settled share awards is measured at the date of grant. The Group measures the fair value of each award using an appropriate option pricing model.

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The level of vesting is reviewed at each reporting period and the charge is adjusted, where appropriate, to reflect actual and estimated levels of vesting.

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.

4. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These 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.

Group
Pension obligations
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 and mortality rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. Critical accounting estimates and judgements continued

With regard to mortality, the base tables used are updated every three years (to coincide with triennial valuations) or more frequently when there is evidence of a change in experience. The CMI tables relating to future improvements in mortality are updated when new information is available, usually annually.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information, along with details of sensitivities, is disclosed in note 26.

Inventory
Deferred programme production stock forms part of inventory and is stated in the financial statements at the lower of cost or net realisable value. Programme costs are expensed in line with expected future revenues which is an area involving significant management judgement and estimate. A detailed forecast of future secondary sales is prepared by management based on historic experience and expected future trends. £1.1m was expensed through the income statement in the year (2019: £1.7m). Additional information is disclosed in note 17.

Lottery recoverability
The STV ELM Limited provides external lottery management services to the Scottish Children's Lottery (SCL) and recharges its costs at nil mark-up to the SCL. The level of ticket sales by the SCL has not been sufficient to enable repayment of the debtor due to the STV ELM and, in line with IFRS 9, management have performed a whole of life probability weighted impairment review to determine the provision required.

In March 2020, the Group announced its intention to divest of the STV ELM having undertaken a full review of its operations and concluded that it was not core to the future growth prospects of the Group. At the end of June 2020, based on the status of the divestment process at that time, full provision was made for the debtor due from the SCL and this position has been maintained at the balance sheet date with a total provision of £13.6m being recognised in the balance sheet and the debtor carrying value reduced to nil. Further details are presented in note 18.

Company
Carrying value of parent company investments
The company's policy is to carry out annual reviews of the carrying value of investments. Based on operating results for the subsidiary undertakings and future forecast cash flows, the directors consider that the investments' recoverable amount is greater than its carrying value and consequently no impairment is considered necessary. Additional information is disclosed in note 16.

5. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is by product. The Group's operating segments, which remain the same as the prior year, are Broadcast, Digital, Studios (previously called Production), and the STV ELM.

The Group's reportable segments continue to be Broadcast, Digital and Studios, with the STV ELM included within 'Other'.

	Broadcast		Digital		Studios		Other		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Sales	**94.8**	105.7	**13.7**	13.0	**9.1**	14.6	**3.5**	4.8	**121.1**	138.1
Inter-segment sales	**(13.6)**	(13.4)	**–**	–	**(0.4)**	(0.9)	**–**	–	**(14.0)**	(14.3)
Segment revenue	**81.2**	92.3	**13.7**	13.0	**8.7**	13.7	**3.5**	4.8	**107.1**	123.8
Segment result										
Operating profit	**15.5**	19.9	**6.5**	7.3	**(0.3)**	(0.1)	**–**	–	**21.7**	27.1
Unallocated corporate expenses									**(3.5)**	(4.5)
Adjusted operating profit									**18.2**	22.6
Exceptional items									**(8.7)**	–
Finance costs									**(2.7)**	(3.6)
Share of loss in associate									**(0.1)**	–
Profit before tax									**6.7**	19.0
Tax credit/(charge)									**1.0**	(3.1)
Profit for the year									**7.7**	15.9

Revenue includes £1.0m from sources outside the UK (2019: £1.0m). Operating profit includes £0.6m arising outside the UK (2019: £0.6m).

Segment assets and liabilities	Broadcast 2020 £m	Broadcast 2019 £m	Digital 2020 £m	Digital 2019 £m	Studios 2020 £m	Studios 2019 £m	Other 2020 £m	Other 2019 £m	Total 2020 £m	Total 2019 £m
Assets	**33.0**	33.6	**2.8**	2.9	**21.7**	19.2	**0.4**	8.2	**57.9**	63.9
Liabilities	**(18.6)**	(13.3)	**(0.5)**	(0.7)	**(4.8)**	(3.6)	**–**	–	**(23.9)**	(17.6)
Segment total	**14.4**	20.3	**2.3**	2.2	**16.9**	15.6	**0.4**	8.2	**34.0**	46.3
Unallocated corporate assets									**38.4**	29.1
Unallocated corporate liabilities									**(102.3)**	(122.7)
Consolidated									**(29.9)**	(47.3)

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

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

All the net assets in 2019 and 2020 were held in the UK and therefore operate in a single geographical segment.

Other segment information	Broadcast 2020 £m	Broadcast 2019 £m	Digital 2020 £m	Digital 2019 £m	Studios 2020 £m	Studios 2019 £m	Other 2020 £m	Other 2019 £m	Total 2020 £m	Total 2019 £m
Capital additions	**1.0**	1.9	**0.6**	2.3	**–**	–	**0.7**	0.6	**2.3**	4.8
Depreciation and amortisation additions	**2.4**	1.8	**0.1**	0.6	**–**	–	**2.6**	2.4	**5.1**	4.8

6. Net operating expenses

	2020 £m	2019 £m
Programming and production costs	**36.9**	52.0
Staff costs (note 7)	**22.8**	25.8
Other operational costs	**24.1**	18.6
Depreciation and amortisation	**5.1**	4.8
	88.9	101.2
Exceptional items (note 8)	**0.5**	2.0
	89.4	103.2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. Net operating expenses continued

Services provided by the Group's auditors

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

	2020 £000	2019 £000
Group		
Fees payable to Company auditors for the audit of the parent company and consolidated financial statements	**200**	157
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**25**	24
– Audit-related assurance services	**5**	4
	230	185

Included in the audit fees payable is £5,000 (2019: £5,000) paid in respect of the parent company.

Fees in respect of STV Group plc pension schemes	2020 £000	2019 £000
Audit	**71**	70

7. Staff

Group

Aggregate remuneration	2020 £m	2019 £m
Wages and salaries	**19.2**	22.2
Social security costs	**2.3**	2.3
Other pension costs	**1.3**	1.3
Total aggregate remuneration	**22.8**	25.8

During the year ended 31 December 2020, the Group, through its utilisation of the Coronavirus Job Retention Scheme, received government grants totalling £1.6m by way of contributions towards the cost of employee wages and salaries and social security cost.

The pension costs in 2019 have been restated to exclude the administration costs associated with operating the Group's defined benefit schemes and the net interest on the net pension deficit.

Average monthly number of employees (including executive directors)	2020 Number	2019 Number
Broadcast, Digital, Studios, ELM and Corporate:		
Established	**441**	434
Contract	**19**	22
Total average number of employees	**460**	456

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

Details of directors' remuneration is provided in the Remuneration Report on pages 77 to 84.

Company

The company had no employees during the current or preceding year.

No director received remuneration from the company during the year (2019: £nil). The emoluments of the directors are paid by another group company which makes no recharge to the parent company.

A charge of £0.2m (2019: £0.3m) for share based compensation was included in the Company's profit for the year.

8. Exceptional items

	2020 £m	2019 £m
Recognised in arriving at operating profit:		
Costs incurred in relation to disposal of STV ELM Ltd	**(0.5)**	–
Gain on sale of investment	**–**	2.0
Acquisition costs	**–**	(0.1)
Development costs written off	**–**	(1.9)
	(0.5)	–
Recognised in arriving at finance costs:		
Provision for impairment losses – STV ELM Ltd receivable	**(8.8)**	–
VAT recoverable following write off of STV ELM Ltd receivable	**0.6**	–
	(8.2)	–
Total exceptional items (pre-tax)	**(8.7)**	–

2020 exceptional items
All exceptional items in 2020 relate to the disposal of the STV ELM Limited. The total exceptional cost of £8.7m comprises three elements:

(i) actual and expected costs associated with the disposal of the business of £0.5m;
(ii) VAT recoverable of £0.6m following the write-off of the receivable due from the Scottish Children's Lottery (SCL); and
(iii) expected credit loss provision of £8.8m being full provision for the receivable due from the SCL at the balance sheet date, under IFRS 9.

The first amount has been recognised as an operating exceptional item. The second and third amounts are included as exceptional finance costs.

2019 exceptional items
The disposal of the deltaDNA investment to Unity Technologies Inc in September 2019 resulted in a gain on sale of £2.0m. See note 16 for more information.

Costs of £0.1m were incurred in the acquisition of Primal Media Limited on 1 July 2019. There was no change recognised in relation to the provisional fair values identified at the time of the acquisition, these being net liabilities of £0.1m.

A write off of development costs of £1.9m was recognised following a full review of the development costs previously capitalised. Those costs that related to creative ideas and investments that no longer aligned to the new strategic direction of the division were written off.

9. Tax charge

	2020 £m	2019 £m
Corporation tax		
Current year	**–**	1.4
Adjustments in respect of prior years	**(0.4)**	(0.8)
	(0.4)	0.6
Deferred tax (note 22)	**(0.6)**	2.5
Tax (credit)/charge for the year	**(1.0)**	3.1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. Tax charge continued

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

	2020 £m	2019 £m
Profit before tax	**6.7**	19.0
Tax at the UK corporation tax rate of 19% (2019: 19%)	**1.3**	3.6
Tax effects of:		
Exceptional costs	**–**	(0.1)
Other expenses not deductible for tax purposes	**0.1**	0.1
Impact of changes in tax rates	**(1.4)**	(0.2)
Changes in estimates related to prior years	**(1.0)**	(0.3)
Tax (credit)/charge for the year	**(1.0)**	3.1

10. Earnings per share

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

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

The adjusted earnings per share figures that have also been calculated are based on earnings before adjusting items that are significant in nature and/or quantum and are considered to be distortive. The adjusting items include the impact of operating and non-operating exceptional items and the IAS 19 net financing cost, as well as the related tax effect. Adjusted earnings per share has been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

The number of shares reported in 2019 for the purposes of earnings per share has been updated to reflect the bonus issue in December 2020, with those shares issued assumed to have been in issue since the start of the comparator period.

Earnings per share	2020 pence	Restated 2019 pence
Basic earnings per share	**18.2p**	41.7p
Diluted earnings per share	**17.5p**	40.3p
Earnings per ordinary share (before exceptional items)	**35.2p**	41.4p
Diluted earnings per ordinary share (before exceptional items)	**33.8p**	40.1p
Adjusted basic earnings per share	**37.5p**	45.8p
Adjusted diluted earnings per share	**36.1p**	44.4p

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

Earnings	Ref	2020 £m	2019 £m
Profit for the year attributable to equity shareholders		**7.6**	16.0
Exceptional items (net of tax)	(a)	**7.1**	(0.1)
Profit for the year before exceptional items		**14.7**	15.9
Adjustment for IAS 19 financing cost (net of tax)	(b)	**1.0**	1.7
Adjusted profit		**15.7**	17.6

Number of shares	2020 million	Restated 2019 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	41.7	38.4
Dilution due to share options	1.7	1.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	43.4	39.7

Details of the adjustments to earnings are as follows:

(a) Exceptional items (net of tax) £7.1m charge (2019: £0.1m credit)
Exceptional items of £8.7m (2019: £nil), net of related tax credit of £1.2m (2019: £0.1m). See note 8 for more details.

(b) Adjustment for IAS 19 financing cost (net of tax) £1.0m (2019: £1.7m)
An adjustment for the IAS 19 financing cost of £1.2m (2019: £2.0m), net of a related tax credit of £0.2m (2019: £0.3m). The IAS 19 financing cost is adjusted as it is a non-cash item that relates to historical defined benefit pension schemes.

11. Dividends

	2020 per share	2019 per share	2020 £m	2019 £m
Dividends on equity ordinary shares				
Paid final dividend	–	14.0p	–	5.3
Paid interim dividend	3.0p	6.3p	1.3	2.4
Dividends paid	3.0p	20.3p	1.3	7.7

The final dividend of 14.7p per share in respect of 2019 was cancelled in May 2020 as part of the Group's response to the Covid-19 pandemic. An interim dividend in respect of 2020 was made by way of a bonus issue of new ordinary shares in December 2020. The Board is now proposing a final cash dividend of 6.0p per share in respect of 2020, subject to approval at the Company's Annual General Meeting 2021. It is payable on 28 May 2021 to shareholders who are on the register at 16 April 2021. The ex-dividend date is 15 April 2021. This final dividend, amounting to £2.7m has not been recognised as a liability in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. Intangible assets

	Web development and branding £m
Cost	
At 1 January 2019	3.4
Additions	1.6
At 1 January 2020	5.0
Additions	0.7
At 31 December 2020	**5.7**
Accumulated amortisation and impairment	
At 1 January 2019	1.5
Amortisation	0.9
At 1 January 2020	2.4
Amortisation	1.0
At 31 December 2020	**3.4**
Net book value at 31 December 2020	**2.3**
Net book value at 31 December 2019	2.6

13. Property, plant and equipment

	Leasehold buildings £m	Plant, technical equipment and other £m	Assets under construction £m	Total £m
Cost				
At 1 January 2019	0.4	25.7	2.1	28.2
Additions	–	–	2.9	2.9
Transfers	–	4.7	(4.7)	–
At 1 January 2020	0.4	30.4	0.3	31.1
Additions	–	–	1.4	1.4
Transfers	–	0.4	(0.4)	–
At 31 December 2020	**0.4**	**30.8**	**1.3**	**32.5**
Accumulated depreciation and impairment				
At 1 January 2019	0.1	18.3	–	18.4
Charge for year	–	2.0	–	2.0
At 1 January 2020	0.1	20.3	–	20.4
Charge for year	–	2.2	–	2.2
At 31 December 2020	**0.1**	**22.5**	**–**	**22.6**
Net book value at 31 December 2020	**0.3**	**8.3**	**1.3**	**9.9**
Net book value at 31 December 2019	0.3	10.1	0.3	10.7

14. Right-of-use assets

The balance sheet shows the following amounts relating to leases:

	Property £m	Vehicles £m	Total £m
Cost			
At 1 January 2019 – on adoption of IFRS16	13.5	0.3	13.8
Additions	0.3	–	0.3
At 1 January 2020	13.8	0.3	14.1
Additions	0.2	–	0.2
Derecognition of assets	(0.1)	–	(0.1)
At 31 December 2020	**13.9**	**0.3**	**14.2**
Depreciation			
At 1 January 2019 – on adoption of IFRS16	–	–	–
Charge for the year	1.8	0.1	1.9
At 1 January 2020	1.8	0.1	1.9
Charge for the year	1.8	0.1	1.9
At 31 December 2020	**3.6**	**0.2**	**3.8**
Net book value at 31 December 2020	**10.3**	**0.1**	**10.4**
Net book value at 31 December 2019	12.0	0.2	12.2

15. Acquisition of subsidiary

On 1 July 2019, the Group acquired 52% of the issued share capital of Primal Media Limited ('Primal'), an award winning unscripted producer, for a nominal consideration.

The final fair values of the assets and liabilities of Primal as at the date of acquisition, which have not changed from the provisional fair values reported, were as follows:

	Fair value £m
Cash and cash equivalents	0.4
Deferred production costs	0.5
Deferred production income	(0.6)
Accruals	(0.1)
Loan liabilities	(0.3)
Fair value of net liabilities acquired	(0.1)
Less : Non-controlling interests	0.1
	–
Net cash	
Cash consideration	–
Cash and cash equivalents acquired	0.4
Loan liabilities	(0.3)
	0.1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. Investments

	2020 £m	2019 £m
Group		
Listed	**5.6**	0.1
Associates	**1.0**	–
Other	**0.1**	0.8
	6.7	0.9

Listed investments comprise Mirriad Advertising plc and Unity Software Inc. The increase in the value of listed investments during the year relates to the transfer of Unity Software Inc (formerly Unity Technologies Inc) from 'Other investments' following its listing on the New York Stock Exchange on 22 September 2020 and its revaluation to market value at the balance sheet date. These listed investments are measured at fair value through the Consolidated Statement of Comprehensive Income.

On 18 September 2019, the Group (along with all other shareholders) sold its investment in deltaDNA Ltd to Unity Technologies Inc for a net consideration of £2.5m. The net consideration comprised an element payable in cash (62.5%) and the balance in shares in Unity (37.5%). Consideration of £0.5m (£0.2m in shares and £0.3m in cash) was deferred for 2 years and at the end of 2019 was recognised in other receivables in non-current assets. At the end of 2020, the element of deferred consideration held in shares has been revalued to current market value and the full amount, including deferred consideration in cash, is shown in other receivables in current assets.

The movement in investments in associates during 2020 relates to the investment in a 25% stake in Two Cities Television Limited for £1.1m in January 2020, with initial recognition at cost, and subsequent recognition of the Group's share of losses (£0.1m) in the investment under the equity method of accounting. No dividends have been received.

	2020 £m	2019 £m
Company		
Share in group undertakings	**47.3**	47.3
Other investments		
Listed	**5.6**	0.2
Other	**–**	0.7
	52.9	48.2

Impairment of investments in subsidiary undertakings

The Company tests the carrying value of the investment in subsidiary undertakings annually for impairment. In order to assess whether the investment in subsidiaries was subject to impairment, a valuation assessment was performed using a DCF model. The cash flow projections for the model were based on a three year plan prepared by the Management Board in November 2020 which supported moderate growth in the Group through the period from 2021 to 2023 and a terminal value thereafter based on 3% growth. The resulting valuation provided significant headroom against the investment carrying value.

Further sensitivities were modelled to provide management with sufficient comfort that no impairment would be required, namely a +/- 1% change in discount rate and also an operating profit fall in 2021 of 10% followed by flat growth. Both scenarios still left the Group with significant headroom. The discount rate applied was 10.62% (2019: 7.39%).

Based on the above the directors consider that the investments' recoverable amount is greater than its carrying value and consequently no impairment is considered necessary.

Subsidiary undertakings
A full list of subsidiary undertakings as at 31 December 2020 is as follows:

Undertaking	Principal activity	Registered address
STV News Services Limited*	Investment holding undertaking	(1)
STV Television Limited	Investment holding undertaking	
STV Central Limited	Television broadcasting	
STV North Limited	Television broadcasting	
STV Studios Limited (3)	Programme production	
STV Drama Productions Limited	Programme production	
STV Drama Productions 2 Limited	Programme production	
STV Drama Productions 3 Limited	Programme production	
Primal Media Limited (52%)	Programme production	(1)
Ginger Television Productions Limited	Programme production	(1)
SKA Ginger Productions Limited (50%)	Dormant	(1)
Altissimo Music Limited	Music rights	
stv.tv Limited	Dormant	
Solutions.tv Limited	Dormant	
Grampian Television Limited	Dormant	
STV Services Limited*	Group services undertaking	
Scottish News Network Limited	Dormant	
Rise & Shine (Television) Limited*	Investment holding undertaking	
Peopleschampion Limited	Dormant	
Scottish Media Group (Jersey) Limited	Dormant	(2)
The Ginger Media Group Limited	Dormant	(1)
STV Elm Limited*	Group services undertaking	

* directly held

The registered address for all companies (except where noted) is Pacific Quay, Glasgow, G51 1PQ.

(1) 9 Savoy Street, London, WC2E 7EG
(2) IFC, St Helier, Jersey, Channel Islands, JE1 1ST
(3) Formerly STV Productions Limited

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

17. Inventories

	Group	
	2020 £m	2019 £m
Deferred programme production	**10.3**	10.3
Programme production work in progress	**4.4**	2.4
Recorded programmes	**0.7**	0.5
	15.4	13.2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. Inventories continued

Deferred programme production stock represents original costs of production which are deferred and recognised against future revenue streams expected to be generated in the secondary sales market. This asset is classified as current, even though it will be realised into cash over several years, due to the homogeneous nature of the inventory which would result in an arbitrary split between the current and non-current categories, and to be consistent with normal industry practice. It is anticipated that £0.9m (2019: £0.7m) is likely to be realised within 12 months.

At 31 December 2020, the net present value (NPV) of the future sales, estimated over a maximum period of 15 years for drama and 10 years for other genres of programming, was £21.0m (2019: £15.8m), with the net book value of £10.3m (2019: £10.3m) representing 39% (2019: 55%) of the future sales gross of discounting. A discount rate of 6.7% (2019: 5.4%) was applied. Revenues in 2021 are expected to be £2.2m.

The sensitivities regarding the principal assumptions used to support the carrying value of the deferred programme production stock are set out below:

Assumption	Change in assumption	Impact on NPV
Discount rate	Increase/decrease by 0.25%	Decrease/increase by £0.3m
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by £0.3m
Sales	Increase/decrease by 10.0%	Increase/decrease by £2.1m

18. Trade and other receivables

	Group				Company			
	Current		Non-current		Current		Non-current	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Trade receivables	**13.7**	12.7	**–**	–	**–**	–	**–**	–
Amounts owed by group undertakings	**–**	–	**–**	–	**113.7**	83.7	**217.0**	199.0
Prepayments	**6.2**	3.4	**–**	–	**0.1**	–	**–**	–
Contract assets	**3.8**	5.5	**–**	–	**0.1**	–	**–**	–
Other receivables	**1.6**	–	**0.9**	9.5	**3.0**	1.0	**–**	0.5
Income tax recoverable	**0.3**	–	**–**	–	**0.3**	–	**–**	–
	25.6	21.6	**0.9**	9.5	**117.2**	84.7	**217.0**	199.5

Group

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:

	2020		2019	
	Gross receivable £m	**Provision £m**	Gross receivable £m	Provision £m
Less than 30 days	**13.3**	**–**	12.6	–
Past due	**0.7**	**(0.3)**	0.1	–
	14.0	**(0.3)**	12.7	–

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. With the exception of those trade receivables that have been provided for, all trade receivables are expected to be recovered.

Contract assets (accrued income) primarily relate to the Group's right to consideration for work completed but not billed at the reporting date.

The reduction in non-current other receivables to £0.9m (2019: £9.5m) relates primarily to amounts provided for during the year that were due to STV ELM Ltd (the external lottery management company) from the Scottish Children's Lottery. At 31 December 2020 £nil is due to STV ELM (2019: £7.7m). The receivable has been presented net of an expected credit loss impairment of £13.5m (2019: £4.7m). In accordance with IFRS 9, management have performed a whole of life probability weighted impairment review resulting in an additional expected credit loss impairment of £8.8m recognised in the year.

Deferred consideration of £1.3m (2019: £0.5m) is also included in other receivables of the Group and the Company. The amounts relate to the sale of the Group's investment in deltaDNA (note 16), which are held in escrow.

Company
Amounts owed by group undertakings are considered to have low credit risk and the loss allowance recognised during the year was therefore limited to 12 months expected credit losses. The amounts were not material.

A loan to a subsidiary undertaking of £80.0m (2019: £80.0m) is included within the Company amounts owed by group undertakings. All remaining amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

19. Trade and other payables

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Current				
Trade payables	**5.0**	5.3	**–**	–
Accrued expenses	**9.9**	11.4	**0.1**	0.1
Contract liabilities	**2.2**	0.4	**–**	–
Amounts owed to group undertakings	**–**	–	**111.8**	90.1
Bank overdraft	**–**	–	**3.4**	4.9
Social security and other taxes	**5.3**	2.8	**–**	–
	22.4	19.9	**115.3**	95.1

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

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service.

20. Borrowings

	Group	
	2020 £m	2019 £m
Bank loans	**22.7**	43.7

At 31 December 2020, the Group had revolving credit and overdraft facilities in place totalling £80.0m, stepping down to £70.0m on 31 March 2022 (2019: total facility of £60.0m with no step down), of which £23.0m was drawn down (2019: £44.0m). The balance sheet value of £22.7m (2019: £43.7m), reported as non-current and expiring within 1 to 2 years from the balance sheet date at the end of the current period (and within 2 to 5 years from the end of the prior period), is presented net of £0.3m of unamortised borrowing costs (2019: £0.3m).

The bank facilities in place at the balance sheet date had a maturity date of June 2022 and security is provided to the lenders by way of a bond and floating charge. Refer to note 31 for details of the refinancing completed post year end.

The effective interest rates were as follows:

	2020 %	2019 %
Bank loans (floating)	**1.8**	2.3

The Group hedges its exposure to fluctuations in interest rates with interest rate swaps. The notional principal outstanding is £nil (2019: £15.0m) due to the close out of all exposures in July 2020. A fair value on the interest rate swaps of £nil (2019: £nil) has been recognised at 31 December 2020.

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For the year ended 31 December 2020

21. Lease liabilities

	Group	
	2020 £m	2019 £m
Current	**1.7**	1.8
Non-current	**9.1**	10.6
	10.8	12.4

The income statement shows the following amounts relating to leases:

	Group	
	2020 £m	2019 £m
Interest expense (included in finance costs)	**0.3**	0.3

Maturity analysis

	Minimum payments		Present value of payments	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Not later than 1 year	**2.0**	2.1	**1.7**	1.8
Later than 1 year but not later than 5 years	**7.8**	7.9	**7.3**	7.1
Later than 5 years	**2.1**	3.8	**1.8**	3.5
Carrying value at 31 December 2019	**11.9**	13.8	**10.8**	12.4
Less: Future finance charges	**(1.1)**	(1.4)		
	10.8	12.4		

22. Deferred tax asset

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

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Deferred tax asset to be recovered after more than one year	**(19.9)**	(16.1)	**(6.9)**	(5.5)

A deferred tax asset has been recognised in respect of certain 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.

A deferred tax asset of £2.0m (2019: £1.8m) has not been recognised and 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	Accelerated tax depreciation £m	Retirement benefit obligations £m	Total £m
Group					
At 1 January 2019	(3.9)	(0.5)	(1.9)	(13.2)	(19.5)
Charge to income	0.1	–	1.0	1.4	2.5
Charge to equity/OCI	–	–	–	0.9	0.9
At 1 January 2020	(3.8)	(0.5)	(0.9)	(10.9)	(16.1)
(Credit)/charge to income	(1.5)	(0.1)	0.1	0.9	(0.6)
Charge/(credit) to equity/OCI	–	0.1	–	(3.3)	(3.2)
At 31 December 2020	**(5.3)**	**(0.5)**	**(0.8)**	**(13.3)**	**(19.9)**
Company					
At 1 January 2019	–	–	–	(6.7)	(6.7)
Charge to income	–	–	–	0.6	0.6
Charge to equity/OCI	–	–	–	0.6	0.6
At 1 January 2020	–	–	–	(5.5)	(5.5)
Charge to income	–	–	–	0.3	0.3
Credit to equity/OCI	–	–	–	(1.7)	(1.7)
At 31 December 2020	**–**	**–**	**–**	**(6.9)**	**(6.9)**

The Government announced in the Budget on 11 March 2020 that the main rate of corporation tax for the financial year beginning 1 April 2020 will remain at 19% rather than falling to 17% as was previously legislated. The 19% rate was substantively enacted on 17 March 2020 when the Budget Provisional Collection of Taxes Act resolution was passed. The Finance Act 2020 included this amendment and set the main rate at 19% for the financial year beginning 1 April 2021. Therefore, the Group has remeasured the deferred tax balances to be carried at the 19% rate.

23. Provisions

	Reorganisation provisions		**Onerous lease provisions**		**Total provisions**	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Group						
At 1 January	**–**	1.0	**–**	0.1	**–**	1.1
Provided during the year	**–**	–	**–**	–	**–**	–
Written off during the year	**–**	–	**–**	(0.1)	**–**	(0.1)
Utilised during the year	**–**	(1.0)	**–**	–	**–**	(1.0)
At 31 December	**–**	–	**–**	–	**–**	–

The Company had no provisions at 31 December 2020 (2019: £nil).

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For the year ended 31 December 2020

24. Ordinary shares and share premium

	Number of shares (thousands)	Ordinary shares £m	Share premium £m	Total £m
Group and Company				
At 1 January 2019	39,192	19.6	101.9	121.5
Sharesave exercise	–	–	0.1	0.1
At 1 January 2020	39,192	19.6	102.0	121.6
Issue of ordinary shares	7,051	3.5	12.0	15.5
Bonus issue of ordinary shares	480	0.2	1.1	1.3
At 31 December 2020	**46,723**	**23.3**	**115.1**	**138.4**

The total authorised number of ordinary shares is 63 million shares (2019: 63 million shares) with a par value of £0.50 per share (2019: £0.50 per share). All issued shares are fully paid.

25. Notes to the consolidated and parent statement of cash flows

	Group		Company	
Cash generated by/(used in) operations	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Operating profit/(loss)	**17.7**	22.6	**(0.7)**	1.4
Adjustments for:				
Depreciation and amortisation (note 6)	**5.1**	4.8	**–**	–
Share based payments	**0.5**	0.3	**0.5**	0.3
STV ELM Ltd disposal costs – exceptional	**0.5**	–	**–**	–
Sale of investment – exceptional	**–**	(2.0)	**–**	(2.0)
Acquisition costs – exceptional	**–**	0.1	**–**	–
Write off development costs – exceptional	**–**	1.9	**–**	–
Adjusted EBITDA	**23.8**	27.7	**(0.2)**	(0.3)
Increase in inventories	**(2.2)**	(0.7)	**–**	–
Increase/(decrease) in trade and other receivables (excluding STV ELM Ltd)	**1.1**	1.5	**(0.1)**	–
Increase/(decrease) in trade and other payables (excluding STV ELM Ltd)	**1.1**	(1.1)	**(0.3)**	(0.2)
Net increase in STV ELM Ltd working capital	**(1.4)**	(1.8)	**–**	–
(Increase)/decrease in intra group balances	**–**	–	**(8.0)**	13.3
Cash generated by/(used in) operations	**22.4**	25.6	**(8.6)**	12.8

Non-cash investing and financing activities

Right-of-use assets of £0.2m (2019: £0.3m) were acquired during the year.

Net debt reconciliation

	Long-term borrowings £m	Cash and cash equivalents £m	Net debt £m	Lease liabilities £m	Net debt including lease liabilities £m
At 1 January 2019	(42.6)	6.3	(36.3)	(13.7)	(50.0)
Cash flows (i)	(1.0)	(0.1)	(1.1)	1.9	0.8
Non-cash flows (ii)	(0.1)	–	(0.1)	(0.6)	(0.7)
At 1 January 2020	(43.7)	6.2	(37.5)	(12.4)	(49.9)
Cash flows	21.0	(1.0)	20.0	1.7	21.7
Non-cash flows (ii)	–	–	–	(0.1)	(0.1)
At 31 December 2020	**(22.7)**	**5.2**	**(17.5)**	**(10.8)**	**(28.3)**

(i) Cash flows includes an amount of cash acquired on acquisition of subsidiary.

(ii) Non-cash movements relate to the amortisation of borrowing costs (for long-term borrowings) and the acquisition of right-of-use assets and increase in certain lease payments (for lease liabilities).

26. 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 charge for the year was £1.3m (2019: £1.3m).

Defined benefit schemes

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

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

The net deficit of the schemes is recognised in the consolidated balance sheet, with the deficit of the Caledonian Publishing Pension Scheme recognised in the Company balance sheet, as STV Group plc is the sponsoring employer. In both the Group and Company balance sheets, the net deficits are presented within non-current liabilities, as follows:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Defined benefit scheme obligations	**(507.5)**	(445.9)	**(202.4)**	(186.7)
Defined benefit scheme assets	**437.2**	381.9	**166.2**	154.6
Net pension deficit	**(70.3)**	(64.0)	**(36.2)**	(32.1)

A related, offsetting deferred tax asset for the Group of £13.3m (2019: £10.9m) and the Company of £6.9m (2019: £5.5m) is included within non-current assets. Therefore, the pension scheme deficit net of deferred tax for the Group was £57.0m at 31 December 2020 (2019: £53.1m) and the Company was £29.3m (2019: £26.6m).

Assumptions used to estimate the scheme obligations

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

	Group and Company	
	2020 %	2019 %
Rate of increase in salaries	**nil**	nil
Rate of increase of pensions in payment	**3.00**	3.00
Discount rate	**1.25**	2.00
Rate of price inflation (RPI)	**3.00**	3.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. Retirement benefit schemes continued

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

	Group		Company	
	2020 Years	2019 Years	**2020 Years**	2019 Years
Retiring at balance sheet date:				
Male	**19.6**	19.3	**19.2**	18.9
Female	**21.9**	21.5	**21.6**	21.2
Retiring in 25 years:				
Male	**21.5**	21.2	**21.0**	20.7
Female	**23.5**	23.1	**23.7**	23.3

The sensitivities regarding the principal assumptions used to measure the defined benefit obligation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Group		
Discount rate	Increase/decrease by 0.25%	Increase/decrease by 3%
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by 2%
Rate of mortality	Decrease by 1 year	Decrease by 4%
Company		
Discount rate	Increase/decrease by 0.25%	Increase/decrease by 3%
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by 1%
Rate of mortality	Decrease by 1 year	Decrease by 4%

These sensitivities have been calculated to show the movement in the defined benefit obligations in isolation, and assuming no other changes in market conditions at the balance sheet date.

Defined benefit scheme assets

The movement in the fair value of the defined benefit scheme's assets is analysed below:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Fair value of scheme assets at 1 January	**381.9**	343.4	**154.6**	139.8
Interest income	**7.5**	9.3	**3.0**	3.8
Inclusion of insurance policy assets	**20.6**	–	**–**	–
Return on plan assets excluding interest income	**38.2**	39.1	**14.2**	15.3
Contributions from the employer	**12.0**	11.6	**4.8**	5.2
Administrative expenses paid from plan assets	**(1.7)**	(1.6)	**(0.7)**	(0.5)
Benefits paid from plan	**(21.3)**	(19.9)	**(9.7)**	(9.0)
Fair value of scheme assets at 31 December	**437.2**	381.9	**166.2**	154.6

One of the schemes also holds insurance policies that pay an income into the scheme. At 31 December 2020 the assets were included within the fair value of the scheme assets.

At 31 December 2020, the assets were invested in a diversified portfolio that consisted primarily of investment funds and debt instruments. The fair value of the Scheme's assets are shown below:

	At 31 December 2020			At 31 December 2019		
Group	**Quoted £m**	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Investment funds	**8.7**	**213.7**	**222.4**	66.2	115.3	181.5
Debt instruments	**133.1**	**36.6**	**169.7**	193.6	–	193.6
Cash and cash equivalents	**24.4**	**(1.3)**	**23.1**	5.1	–	5.1
Derivatives	**–**	**1.4**	**1.4**	–	1.7	1.7
Annuity policies	**–**	**20.6**	**20.6**	–	–	–
	166.2	**271.0**	**437.2**	264.9	117.0	381.9

	At 31 December 2020			At 31 December 2019		
Company	**Quoted £m**	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Investment funds	**3.4**	**85.4**	**88.8**	26.6	46.9	73.5
Debt instruments	**53.4**	**14.1**	**67.5**	78.3	–	78.3
Cash and cash equivalents	**9.9**	**(0.5)**	**9.4**	2.1	–	2.1
Derivatives	**–**	**0.5**	**0.5**	–	0.7	0.7
	66.7	**99.5**	**166.2**	107.0	47.6	154.6

Defined benefit scheme obligations
The movement in the present value of the defined benefit obligation is analysed below:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Defined benefit obligation at 1 January	**445.9**	421.9	**186.7**	180.3
Experience gain	**(2.2)**	(0.8)	**(0.8)**	(0.3)
Interest cost	**8.7**	11.3	**3.6**	4.8
Remeasurement losses	**76.4**	33.4	**22.6**	10.9
Benefits paid from the schemes	**(21.3)**	(19.9)	**(9.7)**	(9.0)
Defined benefit obligation at 31 December	**507.5**	445.9	**202.4**	186.7

The defined benefit obligation at 31 December 2020 includes an amount of £20.5m relating to the benefits payable to the holders of the annuity contracts.

Amounts recognised through the income statement:
Amounts recognised through the consolidated income statement are as follows:

	2020 £m	2019 £m
Amount charged to net operating expenses:		
Administration expenses	**(1.7)**	(1.6)
Amount charged to finance costs:		
Net interest expense	**(1.2)**	(2.0)
Total charged in the consolidated income statement	**(2.9)**	(3.6)

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26. Retirement benefit schemes continued

Amounts recognised through the statement of comprehensive income:
The amounts recognised in the consolidated statement of comprehensive income are:

	2020 £m	2019 £m
Return on plan assets excluding interest income	**38.2**	39.1
Actuarial (losses)/gains on liabilities arising from change in:		
– demographic assumptions	**(5.5)**	3.0
– financial assumptions	**(50.2)**	(36.7)
– experience adjustments	**2.2**	0.8
Total recognised in the consolidated statement of comprehensive income	**(15.3)**	6.2

Funding arrangements
Contribution rates to the scheme are determined by a qualified independent actuary on the basis of a triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 31 December 2017. This valuation resulted in a deficit of £127.0m on a pre-tax basis at 28 February 2019 compared to £130.0m on a pre-tax basis at the previous settlement date of 30 November 2016. The next triennial valuation as at 31 December 2020 is currently underway.

Following the 2017 valuation, a 12 year recovery plan was agreed with the first annual contributions of £9.0m in line with the existing recovery plan. Annual contributions increase at the rate of 2% per annum over the term of the plan, the first such increase being on 1 January 2020. Additionally, in the event of outperformance against the group's sensitised net cash flow, contingent payments equivalent to 20% of any outperformance above a benchmark of available cash are payable to the schemes.

The weighted average duration of the Plan's defined benefit obligation is approximately 13 years.

Employer contributions under the recovery plan are expected to be in the region of £9.4m in 2021.

27. Share-based compensation

The purpose of the share-based compensation plans is to align the interests of management and employees with those of shareholders by providing incentives to improve the Company's performance on a long-term basis, thereby increasing shareholder value.

The Company has the following plans currently operating:

i) Long-term incentive plans (LTIP)
ii) Employee share plans

In previous years, a Value Creation Plan (VCP) was in operation. That plan matured at the end of 2015 and the remaining outstanding shares were exercised in 2019.

Total share-based compensation costs were £0.2m (2019: £0.3m).

i) Long-term incentive plans
The Group has a long-term incentive plan for executive directors and other senior executives. Awards are normally granted 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.

The performance measures are agreed by the Remuneration Committee based on what they consider to be aligned with the delivery of strategy and creation of long term shareholder value. 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 performance measures are based on a combination of earnings growth and total shareholder return and are valued based on an appropriate option pricing model.

The assumptions used for the 2020 LTIP valuation are:

	%
Risk-free interest rate	0.27
Expected dividend yield	5.5
Expected share price volatility	43.35

Awards granted under the Company's long term incentive plan that were outstanding at the end of the year had the following market prices at the date of award:

Year awarded	Market price on grant date £	2020 Number	2019 Number
2014 LTIP	3.40	1,873	1,873
2015 LTIP	4.25	1,206	1,607
2016 LTIP	3.67	3,755	4,689
2017 LTIP	3.65	16,101	247,765
2018 LTIP	3.23	348,025	348,025
2018 LTIP – Chief Executive	3.10	172,025	210,662
2019 LTIP	3.55	417,461	417,461
2020 LTIP	2.85	542,413	–

ii) Employee share plans

The employee share plans are open to all employees. They provide for a grant price approximately equal to 90% of the middle market quotion 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 £2.72 to £3.60. At 31 December 2020 there were 591,769 (2019: 309,239) options outstanding under the plans. The employee share plans are valued using the Black and Scholes model.

28. Financial risk management

Capital management

The Group's objectives when managing capital are to safeguard it'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 20, 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 2020 and 2019 were as follows:

	2020 £m	2019 £m
Total borrowings (note 20)	**22.7**	43.7
Cash and cash equivalents	**(5.2)**	(6.2)
Net debt	**17.5**	37.5
Total equity	**(29.9)**	(47.3)
Total capital	**(12.4)**	(9.8)
	(141%)	(383%)

Covenants

The Group is subject to two financial covenants in respect of its committed borrowing facilities. 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. In June 2020, as part of the Group's agreement with lenders to increase the facility size from £60m to £80m, certain covenant relaxations were also agreed, should leverage increase above a certain level in a severe downside scenario. The Group has not accessed the additional £20m in facility, nor has it required to avail itself of any covenant relaxations. The Group complied with all the covenants in each of the test periods to the balance sheet date.

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28. Financial risk management continued

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. The Group has previously used interest rate swaps to vary the mix of fixed and floating rates. Interest rate swap contracts with a principal value of £15.0m (2019: £15.0m) were held in the year. The contracts matured on 9 July 2020 and were not replaced given the interest rate environment at the time. In accordance with IFRS 13, 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. The fair value is based on the market price of these instruments at the balance sheet date.

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.

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 2020 the Group had no forward foreign currency contracts in place (2019: £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. In prior years, the only significant concentration of credit risk related to monies due from the Scottish Children's Lottery. This amount has now been fully provided for (2019: unprovided receivable of £7.7m). The Group 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 (comprising the undrawn borrowing facility (note 20) and cash and cash equivalents) 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.

In 2020, specifically in response to the Covid-19 pandemic, the Group undertook a detailed assessment of liquidity, across a range of potential trading scenarios, and as a result reached agreement with lenders to increase the facility size to £80m (from £60m). This additional committed headroom was considered sufficient to enable the Group to both continue to invest in its successful growth strategy but also trade through a severe but possible downside scenario.

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 hedge up to 50% of its core borrowings.

Regular sensitivity analysis is carried out, and on the level of borrowings of the Group at 31 December 2020, a movement of 0.25% in interest rates would change the level of interest paid in the year by +/- £0.1m (2019: £0.1m). 0.25% is considered a reasonably possible change.

29. Transactions with related parties

Key management compensation

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:

	2020 £m	2019 £m
Short-term employee benefits*	**1.0**	1.9

* See Directors' Remuneration Report pages 77 to 84 for details.

Other related party transactions

During the year £nil (2019: £2,644) of fee income was received from the Group's investment companies and a balance of £nil owed at 31 December 2020 (2019: £nil).

During 2019 airtime advertising transactions occurred between the Group and a company of which Christian Woolfenden is the Managing Director. Mr Woolfenden resigned as Director of the Group on 9 March 2020. The transactions amounted to £nil (2019: £32,116) with an outstanding receivable of £nil at 31 December 2020 (2019: £nil).

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

30. Reconciliation of statutory results to adjusted results

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

The Group makes certain adjustments to the statutory profit measures in order to provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

Below sets out a reconciliation of the statutory results to the adjusted results:

	2020			2019		
	Profit before tax £m	Basic EPS pence	Diluted EPS pence	Profit before tax £m	Restated Basic EPS pence	Restated Diluted EPS pence
Post-exceptional	**6.7**	**18.2p**	**17.5p**	19.0	41.7p	40.3p
Add back: exceptionals	**8.7**	**17.0p**	**16.3p**	–	(0.3p)	(0.2p)
Pre-exceptional	**15.4**	**35.2p**	**33.8p**	19.0	41.4p	40.1p
Add back: IAS 19	**1.2**	**2.3p**	**2.3p**	2.0	4.4p	4.3p
Adjusted results	**16.6**	**37.5p**	**36.1p**	21.0	45.8p	44.4p

The number of shares reported in 2019 for the purposes of earnings per share has been updated to reflect the bonus issue in December 2020, with those shares issued assumed to have been in issue since the start of the comparator period.

31. Post balance sheet events

In early March 2021, the Group refinanced its bank facilities, agreeing a new £60m revolving credit facility, with £20m accordion, for a minimum tenor of 3 years (two one-year extension options are available). The covenant package is in line with the Group's previous facility, namely net debt to EBITDA must be less than 3 times, and interest cover must be greater than 4 times.

Also subsequent to the year end, the Group has reached an agreement in principle for the sale of its lottery management company, the STV ELM Limited. The agreement is subject to Gambling Commission approval and will combine a modest consideration for the business with a multi-year advertising agreement.

FIVE YEAR SUMMARY

For the year ended 31 December 2020

	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Results					
Revenue	120.4	117.0	125.9	123.8	**107.1**
Profit from operations before exceptional items	19.7	19.0	20.1	22.6	**18.2**
Profit on ordinary activities before taxation and exceptional items	18.5	15.5	17.2	19.0	**15.4**
Assets					
Non-current assets	38.4	39.2	40.1	52.0	**50.1**
Current assets	55.6	53.4	43.4	41.0	**46.2**
Total assets	94.0	92.6	83.5	93.0	**96.3**
Equity and liabilities					
Current liabilities	18.1	18.6	21.5	22.0	**24.1**
Non-current liabilities	128.9	112.3	121.1	118.3	**102.1**
Equity attributable to the owners	(53.0)	(38.3)	(59.1)	(47.1)	**(29.8)**
Non-controlling interests	–	–	–	(0.2)	**(0.1)**
Total equity and liabilities	94.0	92.6	83.5	93.0	**96.3**
Key statistics					
Earnings per ordinary share – basic (i)	32.5p	30.1p	4.2p	41.7p	**18.2p**
– diluted (i)	31.9p	29.6p	4.1p	40.3p	**17.5p**
Dividends per ordinary share	15.0p	17.0p	20.0p	6.3p	**9.0p**

(i) Basic and diluted earnings per share reported in 2019 have been updated to reflect the bonus issue in December 2020; those shares issued are assumed to have been in issue since the start of the comparator period.

SHAREHOLDER INFORMATION

Registrars
Link Group
10th Floor, Central Square
29 Wellington Street
Leeds LS1 4DL
Tel: +44 (0)371 664 0300*

Email: enquiries@linkgroup.co.uk
Shareholder Portal: www.signalshares.com

Independent auditors
PricewaterhouseCoopers LLP
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
Santander UK plc
2 Triton Square
Regent's Place
London NW1 3AN

Joint Corporate Brokers
Peel Hunt LLP
100 Liverpool Street
London EC2M 2RH

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

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 2020 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 contact the Registrars to have the accounts amalgamated.

Investor relations
For investor enquiries please contact:

Kirstin Stevenson
Head of Communications STV Group plc
Pacific Quay
Glasgow G51 1PQ
Tel: 0141 300 3886
Email: kirstin.stevenson@stv.tv

SHAREHOLDER INFORMATION

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.

Shareholder services
If you have any queries in relation to your shareholding, please contact Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL; email: **enquiries@linkgroup.co.uk**; telephone +44 (0) 371 664 0300*.

Shareholder portal
You can register online to view your holdings using the Shareholder Portal, a service offered by Link Group at **www.signalshares.com**. The Shareholder Portal is an online service enabling you to quickly and easily access and maintain your shareholding online – reducing the need for paperwork and providing 24 hour access for your convenience. Through the Shareholder Portal you may:

- Cast your proxy vote online
- View your holding balance and get an indicative valuation
- View movements on your holding
- View the dividend payments you have received
- Update your address
- Register and change bank mandate instructions so that dividends can be paid directly to your bank account
- Elect to receive shareholder communications electronically
- Access a wide range of shareholder information including the ability to download shareholder forms

Dividend payment options
UK shareholders: STV normally pays dividends twice each year and we would like to encourage you to elect to have your dividends paid directly into your bank account. This is a more secure method of payment and avoids delays or cheques being lost. You can sign up for this service on the Shareholder Portal **www.signalshares.com**. This will allow you to receive all future dividends direct to your chosen account.

Non-UK shareholders: If you are resident outside the UK you can have any dividends in excess of £10 paid into your bank account directly via Link Group international payments service. Details and terms and conditions may be viewed at **https://ww2.linkassetservices.com/ips**

Dividend Reinvestment Plan
STV Group plc operates a Dividend Reinvestment Plan to provide shareholders with a facility to invest cash dividends by purchasing further STV Group plc shares. Further details are available from the Registrar on: +44 (0) 371 664 0381* or by emailing shares@linkgroup.co.uk.

Link share dealing services
Link offer a quick and easy share dealing service to buy or sell STV Group plc shares. An online and 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.linksharedeal.com (online dealing); 0371 664 0445* (telephone dealing).

* 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.

Designed and produced by Thunderbolt Projects

children's appeal

£3.6m
raised in 2020

£25m
raised so far

860
awards made in 2020 with over 2,000 awards made since 2011

100%
of Scotland's local authorities reached

TO GET INVOLVED WITH THE 2021 APPEAL VISIT STV.TV/APPEAL

STV Group plc
Pacific Quay
Glasgow G51 1PQ
Tel: 0141 300 3000
www.stv.tv

Company Registration Number SC203873