Annual Report and Accounts 2022

Committed to great content, connected to our communities

View our Annual Report and Accounts and other information about STV at **stvplc.tv**

Contents

2022 financial highlights

Strong financial performance despite macroeconomic uncertainty

Revenue

£137.8m

2021 **£144.5m**

Total advertising revenue

£110.0m

2021 **£112.6m**

Adjusted operating profit[1]

£25.8m

2021 **£25.2m**

Adjusted operating margin[1]

18.7%

2021 **17.5%**

Profit before tax

£22.2m

2021 **£20.1m**

Adjusted EPS[2]

42.3p

2021 **45.6p**

Dividend per share

11.3p

2021 **11.0p**

Non-broadcast profit (%)[1]

38%

2021 **36%**

1
Before exceptional items and inclusive of High-End Television tax credits (2021 only) (note 27).

2
Before exceptional items and IAS 19 finance costs (note 9).

Throughout this Annual Report, where we state record financial performance, it is made by reference to 2010 when the final disposal was made and the Group as we know it today remained.

Introducing STV

Scotland's home of news, entertainment and drama

STV Group plc serves audiences with quality content on air, online and on demand.

The business is organised into three dynamic operating divisions, all supported by a central enabling function.

Broadcast

Our broadcast channel, **STV**, is accessible free-to-air on all the main TV platforms in Scotland and reaches 3 million adults each month.

Our Broadcast division runs commercial Public Service Broadcaster, STV, which operates the Channel 3 licences across central and north Scotland. STV brings viewers a strong network schedule of programming alongside our own locally produced news, current affairs and factual entertainment programming.

STV is the most-watched peak time channel in Scotland and is home to some of the most popular shows on television, including iconic soaps *Coronation Street* and *Emmerdale*; entertainment hits *The Masked Singer* and *I'm a Celebrity... Get Me Out of Here!*; gripping 9pm dramas; and a wide-ranging selection of home-grown productions. Flagship news programme *STV News at Six* is the most watched news programme in Scotland.

STV is advertiser funded and our reach as a marketing platform is unrivalled in our home market. National sales of linear spot and sponsorship, and VOD advertising on STV Player, are managed by our national sales agent, ITV, and our Scottish clients are serviced by our dedicated Scotland sales team. We offer a 'one stop shop' to regional clients, helping them with advert creation and design, campaign structure, and post campaign research.

Digital

STV's rapidly growing, free streaming service, **STV Player** is available across the UK on all major platforms, and features an ever-expanding library of premium content.

STV Player gives viewers in Scotland the opportunity to watch STV shows on their terms, live or on demand. The service offers viewers an extensive catalogue of content from the UK and around the world, including 167 must-watch drama box sets such as dystopian drama, *The Commons*, Irish crime thriller, *Blood*, and Australian family drama, *McLeod's Daughters*; a wide range of factual entertainment shows and popular archive material, like *Taggart*. Much of this rich library of owned and acquired content is not available to stream on any other platform in the UK.

STV Player is now pre-installed in three quarters of the UK's connected TV homes and is available on all major platforms, including Sky Q, NOW, Virgin Media, Amazon Fire TV, Freesat, Youview and Freeview Play.

Viewers can upgrade to STV Player+, a subscription service which offers the opportunity to watch Player content advert-free and download shows for offline viewing.

Studios

The Group's award-winning production business, **STV Studios**, is Scotland's biggest production company, creating and producing world class content for a range of UK and international broadcast networks and streamers.

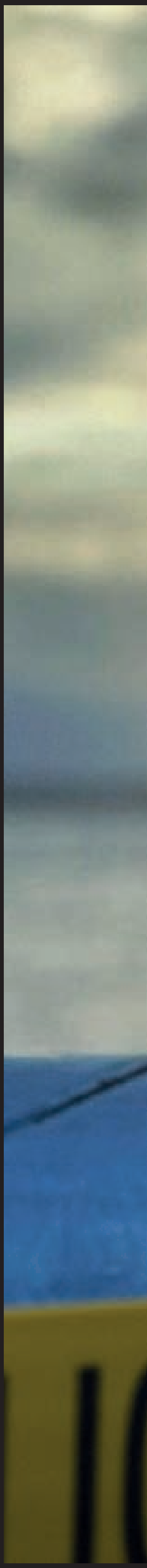
STV Studios has an impressive track-record across genres, with commissions for broadcasters and streamers such as BBC One and Two, ITV, Channel 4, Channel 5, Discovery+, AppleTV+, Really and Sky.

STV Studios is a family of nine creative labels. Our in-house labels are STV Drama, STV Entertainment and STV Factual. We own a majority stake in award-winning unscripted producer, Primal Media, and a minority stake in Northern Ireland based drama producer, Two Cities Television. We own the younger-skewing entertainment label, Barefaced TV, who's first major commission was with global streamer, Discovery+, for *Written in the Stars*; and we have a co-production agreement with scripted specialists, Tod Productions, with whom we are co-producing a major drama for AppleTV+. Our most recent additions are unscripted producers Hello Mary, who are based in Brighton and joined in 2021 and Mighty Productions based in Glasgow and London who joined in 2022.

STV Studios continues to be on a promising growth trajectory, delivering a record-breaking 30 programme commissions in 2022, with a strong pipeline for future production.

2022 saw us showcase and produce a diverse range of series and new commissions, with big names and broad appeal, both on our own linear and digital channels and for other UK networks.

Brilliant content drives big audiences, and we have both in spades – with so much more to come.



↓ **What Killed the Whale?**

STV Studios' investigative documentary for Channel 4 into the most arresting victims of the climate emergency.

↘ **I'm a Celebrity... Get Me Out of Here!**

Most watched TV series on any channel in 2022.

↓ **Celebrity Bridge of Lies**

An instant ratings success for BBC One, the STV Studios quiz show received a bumper commission in 2022.

↓ Litvinenko

Through an enhanced strategic partnership with ITV, STV Player has exclusive Scottish rights to an exciting range of ITVX original and premiere content including *Litvinenko*, starring David Tennant in the title role which launched in December.

↓ Screw

A recommission of STV Studios' hit Channel 4 drama was confirmed following the success of the first series.

↓ Vera

The crime drama series remains a perennial favourite on STV, featuring in our top ten most watched programmes.

↓ **What's on Scotland**

STV's successful weekly entertainment show fronted by presenters Emma Cameron and Laura Boyd.

↓ Blue Lights

Produced by STV Studios' associate label, Two Cities Television, the fast-paced cop drama set in Belfast is due to air on BBC One in 2023.

STV strategy, targets and progress to date

Our strategic priorities and targets are focussed on the enhanced diversification of our business and our divisional KPIs demonstrate our progress to the end of 2022.

Group

2023 targets
- At least 50% of operating profit from outside traditional broadcasting
- Carbon net zero business by 2030
- Connect, reflect and support communities both on and off air through inclusive practices and STV Children's Appeal

Maximise Broadcast

- Maintain viewing leadership
- Grow Scottish ad revenues
- Secure new licence

2023 target
Grow STV-controlled broadcast revenues to £20m

Key performance indicators

Viewing share	ITV viewing outperformance	New advertisers
19.3%	+8%	112
2021 **19.6%**	2021 **+11%**	2021 **85**

Read more on page 14

Drive Digital

STV Player

- Continuously strengthen content
- Grow audience and revenues
- Increase active users

2023 target
Double digital viewing, users and revenues to £20m

Key performance indicators

Monthly active users	Online streams	Player-exclusive streams
+10%	+1.5%	-20%
2021 **+54%**	2021 **+63%**	2021 **+137%**

Read more on page 20

Build world class Studios

STV Studios

- Accelerate returning series
- Expand customer base
- Invest in talent

2023 target – achieved early
Quadruple Studios revenue to £40m

Key performance indicators

Programme commissions	Returnable series	Returning series
30	10	11
2021 **16**	2021 **12**	2021 **7**

Read more on page 24

Chairman's statement

Paul Reynolds
Chairman

As Scotland emerged in 2022 from the pandemic and faced new uncertainties from the turbulent economic and political climate, we aimed to position STV as the trusted source of news and current affairs, uniquely tuned-in to our Scottish viewers.

Whether it be broadcast, on demand or online, we have successfully delivered high-quality, affordable entertainment and all the while supported our communities through the STV Children's Appeal, our aspiring businesses through the STV Growth Fund, and our creative sector through world-class, locally produced programming. No business can take its long-term success for granted but I firmly believe that a deep understanding and alignment with our customers and the wider business environment is vital.

Performance

I am pleased to report that we again delivered a strong financial performance during the year with total revenue of £138m (2021: £145m) and an adjusted operating profit of £25.8m (2021: £25.2m), up 2% on a record performance in 2021 and up 14% on the pre-pandemic year of 2019. The Finance Review contains further information on this year's performance on pages 30 to 33.

Dividend

The Board appreciates the continued support of our loyal shareholder base. Recognising the importance of the dividend and in light of another strong financial performance, we have been able to maintain the policy of paying a sustainable, progressive dividend. The Board has therefore declared a final dividend of 7.4p per share, which, when added to the interim dividend, provides a total dividend for the year of 11.3p per share, an increase of 3% on 2021.

Strategy

STV has evolved significantly in recent years and 2022 saw that change accelerate. The media industry in which we operate continues to change rapidly and our strategy is on-track to diversify our business such that by the end of 2023 we will derive at least 50% of our Group's profit from non-broadcast activities, principally digital streaming and programme production. We are proud to be Scotland's Public Service Broadcaster and connect strongly with our Scottish audiences, particularly via our local programming. And whilst broadcast TV remains our backbone and we continue to be Scotland's most widely watched peak time channel, I am pleased that consumption of our streaming content rose by 6% as STV Player becomes the go-to destination for the widest selection of drama in Scotland and beyond. In December we completed negotiations to extend our partnership with ITV beyond broadcast and into digital streaming, a deal which further strengthens STV Player's content proposition.

The STV Studios business reached record highs with 30 new programme commissions secured this year (2021: 16). Productions such as *Screw* for Channel 4 (filmed in Glasgow's Kelvin Hall) and standout commissions from global streaming platforms that were won against stiff international competition underline great progress towards our goal of becoming the UK's leading Nations and Regions production company.

Diversification has provided a new focus for the commercial, operational and creative skills of our people and allowed STV to be far more resilient to the vicissitudes of demand and take advantage of the boom in global streaming content. Undoubtedly, the uncertainties in the wider economy and increasing pressures from high inflation and the rising cost of living brought significant challenges to the business but your Company has nevertheless delivered another strong financial performance, in large measure due to the relentless strategic focus on diversification.

Governance

As Chair, one of my key responsibilities is to ensure good corporate governance (see pages 55 to 66). In this endeavour, I am extremely well supported by my fellow Board members. The Board composition and effectiveness is continually monitored to ensure we have the right skillset and breadth of experience with which to function effectively. The Board provides challenge and support to the Executive to ensure the Group's strategy is appropriate, achievable, and ultimately delivered in support of STV's financial strength and resilience. Anne Marie Cannon will be stepping down from the Board at the AGM in April 2023 after more than eight years' service and I would like to record my thanks for her significant contribution, particularly as Chair of the Remuneration Committee. Recruitment of Anne Marie's successor is in-train and will be announced in due course.

At STV, we believe effective stakeholder engagement is key to the long-term success of our business and we aim to proactively engage with our main stakeholders and understand what is most important to them to continually drive the right outcomes across all stakeholder groups. Pages 12 and 13 say more about this, showing how we are working with and delivering for Customers, Colleagues, Suppliers, Investors, Communities and environment, as well as for Government and Regulators.

Responsible business

The Group is fully committed to a sustainable future. Throughout 2022 significant progress has been made in all areas of activity that underpin our *STV Zero* strategy to enable the business to become net zero carbon by the end of this decade. An important milestone was achieved in December 2022 through confirmation from the SBTi that it had validated *STV Zero* and recognised that the impact of our strategy is consistent with the goals of the Paris Agreement, whereby if all *STV Zero* targets are achieved this will contribute to limiting global warming to 1.5 degrees Celsius above pre-industrial levels.

I have seen so often the benefits yielded by improving diversity of thought and creating an inclusive workplace. STV has embedded its Diversity and Inclusion strategy into the business. There continues to be high levels of engagement and a wide range of activities to enable achievement of diversity targets and ensure an inclusive working environment for all our colleagues.

Our colleagues are at the heart of our business and their wellbeing remains of the highest importance to us. During the year, Senior Independent Director and Employee Director Simon Miller attended meetings of the Employee Voice Forum comprising representatives from every team and location. Board meetings were held at various Company offices to meet and engage with a wider group of colleagues. This year our employee opinion survey, *Have Your Say*, focussed on the new hybrid way of working. Engagement levels remain high at over 83% and overall sentiment was very positive.

STV's unrivalled media reach in Scotland enables us to have a significant social impact by shining a light on key issues. I have the privilege of chairing the STV Children's Appeal and I have been heartened by the contribution it continues to make in support of so many worthwhile causes, helping to drive positive change. I'm particularly proud that the Appeal has been trusted by the Scottish Government to disburse up to £1 million of matched funding every year since 2011.

Looking to the future

There's a refreshing energy about STV as it strives to meet its ambitious strategic goals. We're proudly Scottish but in no doubt that we must succeed in an increasingly global media industry. We bring the best of the world to our customers and some of the world's most demanding brands commission our people to make content for a global audience. Technology change marches relentlessly and we keep abreast of it. We have some important milestones to work through in the short-term – operating through tough market conditions, securing a new Media Bill, navigating new pension legislation, and renewing our broadcast licences. We have demonstrated that we can evolve to meet these sorts of challenges and ride the turbulence that markets have thrown. That gives good grounds for optimism about the future.

I would like to thank everyone who works at STV for their commitment and dedication. I especially acknowledge the leadership demonstrated by CEO Simon Pitts, CFO Lindsay Dixon and the Executive Team, which has underpinned the Group's performance in 2022. May I also thank the Board for their expert advice and support.

Paul Reynolds
Chairman

There's a refreshing energy about STV as it strives to meet its ambitious strategic goals. We're proudly Scottish but in no doubt that we must succeed in an increasingly global media industry.

Chief Executive's report

Simon Pitts
Chief Executive

2022 was another year of record* performance for STV, creatively and commercially, despite the increasingly challenging economic backdrop. Our business continues to prosper, diversify and grow, while at the same time supporting Scottish communities and helping to stimulate and grow the country's creative sector and local economy, consistent with our core mission as Scotland's public service media company.

As with every other business, the last 3 years have challenged us like never before, and I'm very proud of how we've stepped up for our people, our audiences and our partners. Despite the unprecedented uncertainty and with strong support from our shareholders, we've been able to maintain momentum in our diversification strategy and deliver record profits: sustaining our lead in broadcasting in Scotland, growing our digital streaming business STV Player, and overseeing a creative renaissance in STV Studios. We've done this by looking after our people, both during the pandemic and since as we've adapted to new ways of working in the months that have followed. This is still a work-in-progress, as it is for everyone, but we've emerged from the pandemic in a stronger position with an even more cohesive team.

Our overarching strategy is to maximise the value of our linear broadcasting business while driving STV's diversification through streaming and production growth. Our target is that 50% of our profits should come from outside traditional TV advertising by the end of 2023 – growing from 24% when we set out our growth plan in 2018, to 36% in 2021 and to 38% in 2022. We also remain on track to achieve the specific targets within that overall diversification strategy: to double digital viewing, users and revenue to £20m, and to quadruple production revenue to £40m by the end of this year.

* In terms of commissions won and adjusted operating profit generated.

Strategic highlights

The media landscape is constantly evolving, particularly around audience habits, and our job is to anticipate those trends and make sure we have the content, distribution and commercial strategies to succeed. Highlights in 2022 included:

- Maintaining our lead as Scotland's most popular peak time TV channel for the 4th year in a row
- Our flagship news programme growing its lead over the BBC as the most watched news programme in Scotland
- *FIFA World Cup 2022* and *I'm a Celebrity... Get Me Out of Here!* becoming our most streamed sporting event and most streamed series respectively as STV Player enjoyed its most successful year ever
- A resilient advertising performance that saw Total Advertising Revenue decline by only 2% against the highs of 2021, despite the economic headwinds
- A record 30 new programme commissions in STV Studios for a range of networks and global streamers, including 11 returning series across the Group.

At the end of 2022 we also concluded a new, long-term partnership with ITV that has seen us secure an additional 100+ hours of new UK, original content exclusively for STV Player in Scotland each year, with new drama titles dropping weekly for our viewers. This enhanced partnership, which also extends to digital advertising sales, further aligns our interests and significantly strengthens our digital business for the streaming age.

Our overarching strategy is to maximise the value of our linear broadcasting business while driving STV's diversification through streaming and production growth.

STV's social impact

As Scotland's Public Service Broadcaster we occupy a privileged place in the lives of our viewers and have an opportunity not just to entertain, inform and engage but also to use our platform as a force for good in society. We do this through an extensive social purpose strategy which spans community fundraising, sustainability, diversity & inclusion and mental health & wellbeing.

Over the past decade we have raised more than £30m for children living in poverty in Scotland via the STV Children's Appeal; our extensive sustainability strategy aims to raise awareness and drive behavioural change amongst our viewers while delivering a net zero carbon STV by 2030; and our diversity strategy is breaking new ground, with initiatives like STV Expert Voices so far training over 700 people from diverse backgrounds to become expert contributors to STV news and current affairs programming.

We also remain an important partner to the business community across Scotland, with our £30m STV Growth Fund supporting an ever-increasing number of SMEs and, importantly, championing those businesses promoting sustainable and inclusive practices. We deliver consistent investment and skills training to the sector through our growing production arm, with our drama *Screw* for Channel 4 a strong example of our commitment to Scotland's talent base; and our bursary scheme in partnership with the Royal Television Society provides funding, mentorship and work placements for dozens of students from lower income families.

Regulatory backdrop

Ours is predominantly a 'self-help' strategy but we also need the right regulatory framework in place to continue to flourish for the long term. The UK Department for Digital, Culture, Media & Sport has recognised the 'unique relevance' of STV's public service contribution, particularly in Scottish news and current affairs, the provision of original UK programming, and the importance of ensuring our programming is available and easily found on all major digital platforms. We look forward to swift publication of the Government's new Media Bill, which we hope will legislate for this new regulatory framework to secure the vital contribution of free-to-air Public Service Broadcasters in the digital age. In addition our regulator Ofcom has recommended the renewal of our public service licences for a further 10-year term from 2025, which we expect to be clarified by the UK Government during the course of 2023. We will continue to engage with all stakeholders on these important matters.

Momentum into 2023

Despite the ongoing economic uncertainty, I remain extremely positive about the future of our business. The last two years demonstrate that we can withstand economic turbulence and continue to prosper and grow, even in tough times, with a clear and ambitious strategy and a talented and motivated team. I'd like to thank our Chairman and the Board for their ongoing support and counsel to both me and the wider leadership team, and I am indebted to our people, who are the beating heart of our business and who I feel privileged to work alongside every day.

Simon Pitts
Chief Executive, STV Group plc

The STV investor proposition

STV has a clear strategy to transform the Company into a digital streaming and IP-led media business, maximising the value of our linear Broadcast channel while growing our Digital and Studios divisions to take advantage of the accelerating market in global video.

This diversification strategy is key to generating sustainable value for our shareholders, as it will provide us with a leading digital platform and library of programme IP that can be monetised, both of which will endure through the changing habits of viewers and increased digitisation.

We have set the target of achieving at least half of our operating profit from non-broadcast earnings by the end of 2023 (from 24% in 2018). We are confident that pivoting our business towards digital and studios will drive long-term value for shareholders.

STV's market position

We have an increasingly strong market position across all divisions.

- Fast growing free streaming service, STV Player, offers an extensive catalogue of content from the UK and around the world.
- STV Studios is the largest production company in Scotland and uniquely placed to take advantage of the growing investment in Nations and Regions production across the UK.
- Our Broadcast USP is the consistent delivery of mass audiences to a high-quality TV schedule of network and Scottish content. STV is the most popular peak time TV channel in Scotland, reaches three out of four Scottish adults every month (3m), and attracts more than three times the audience of its nearest commercial competitor. This makes us by some margin the most effective medium for advertisers in Scotland.

High margin digital business

STV Player has seen rapid growth over the last three years, driven by significant improvements in the user interface and reliability of our streaming service; expansion on all major platforms across the UK; and a growing programme offering which combines first run original network and regional content and a huge array of acquired third party international content and rich STV archive. In December 2022, we announced a strategic partnership around content sharing and advertising sales with ITV, that creates incremental digital value for our business and sees ITV's market leading sales team sell our digital VOD and simulcast advertising from 2023, allowing us to benefit from ITV's unrivalled scale in the market.

Studios gathering momentum

The Studios business is strongly positioned to take advantage of increasing demand for quality content in a UK production market worth more than £3.3bn, as well as growing international opportunities. STV Studios comprises of nine creative labels, all of which have successfully won commissions since joining the STV Studios family. The division won a record breaking 30 commissions in 2022 and we have recently announced that we will beat our target of quadrupling revenue to £40m by the end of 2023, so there is real momentum driving us forward.

Regional advertising and the STV Growth Fund

The £30m STV Growth Fund brings new advertisers to television by making it affordable and accessible, mainly by match funding advertising campaigns. Since launch in 2018, we have allocated almost £20m of funding across 950+ deals, attracting over 300 new advertisers to television for the first time.

Robust balance sheet

The Group was in a net debt position of £15m at the end of 2022, underpinned by a £60m revolving credit facility (recently extended to 5 March 2026), providing significant headroom and financial flexibility. We announced a £30m investment programme in March 2021, of which c.75% is aimed at driving the growth in Studios and Digital. The pension deficit is well managed with core deficit recovery contributions constant for the last three triennial valuation cycles (the most recent being at 31 December 2020).

➔
Sean's Scotland
Six-part series fronted by our popular weather presenter, Sean Batty.

➔➔
Blood
Irish thriller *Blood* dropped on STV Player as part of a unique new partnership with Acorn TV.

Strong cash generation

Our business is highly cash generative with good overall operating cash conversion. We believe this cash generation will continue and will enable us to fully execute our investment programme.

Shareholder returns

We confidently reintroduced a cash dividend in May 2021, mid-pandemic, and recognise the importance of paying a sustainable and progressive dividend. Our approach to setting dividends is to balance the needs of the business (for reinvestment), with our pension obligations and shareholder returns. In setting the level of dividend proposed, we consider all relevant factors including macroeconomic and geopolitical uncertainty, and the proportion of free cash post pensions that it represents. We are committed to maintaining a balance between shareholder return and investment in our business to continue to deliver the growth strategy, which is in an exciting phase.

Core values

STV is committed to business integrity, high ethical values and professionalism in all our activities, and our social purpose priorities remain an integral part of our strategy. We are making progress on diversity across the organisation, driven by our Diversity and Inclusion Steering Committee and network of peer groups. We have set ourselves specific targets for representation from minority groups and are working towards gender balance in the top 25% of roles (defined by earnings) by 2023. Our focus on sustainability has accelerated in 2022 with significant progress on our *STV Zero* strategy, setting down our commitment to reduce our environmental impact and promote climate action in an accessible way to our viewers. We are working towards ensuring all programmes produced at STV meet industry standards for carbon neutrality and continue to set intermediate milestones on the road to becoming net zero carbon by the end of 2030. We are proud members of Project albert and a co-signatory to their Climate Content Pledge.

Audience reach

3m per month

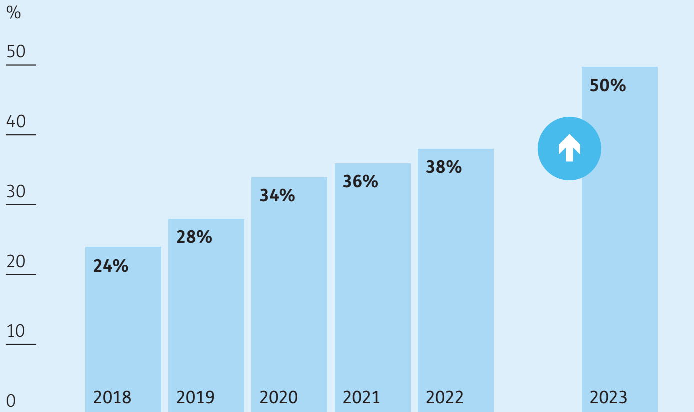
STV Studios

30 programme commissions

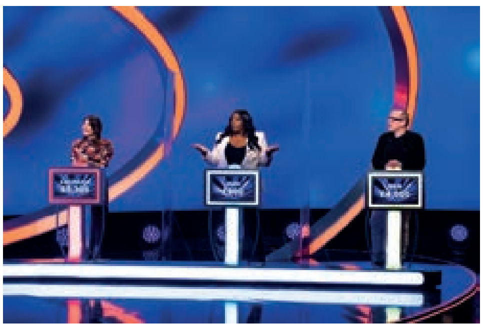
STV Player

+10% monthly active users

Non-broadcast earnings*



* Adjusted operating profit



The Travelling Auctioneers
This STV Studios series was BBC One's most successful daytime launch in 2022.

Celebrity Catchphrase
Fronted by Stephen Mulhern, the STV Studios reboot of this classic quiz show celebrates its 10 year anniversary in 2023.

STV business model

Our strategic vision is to transform STV into a digital streaming and content-led media company, maximising the value of our linear Broadcast channel while growing our Digital and Studios divisions to take advantage of the accelerating market in global video.

Our business model sees us combine our strategic assets across three interconnected business divisions to create sustainable, long-term value for all our stakeholders.

Our strategic assets

We want to deliver high quality outcomes for all our stakeholders, and to achieve that we rely on a number of key strategic assets.

Our people
People are at the heart of everything we do at STV. Their creativity, commitment, skills, passion and diversity are key to our success.

Our brand
STV is a trusted brand continuing to play an important role in creating value for its stakeholders: as a trusted news and current affairs partner with a high quality source of affordable entertainment; supporting its communities through the STV Children's Appeal; and helping to grow Scotland's creative sector.

Our platforms
We operate the leading marketing platform in Scotland (STV, channel 3) and broadcaster Video on Demand platform, STV Player. These combine to give us unique scale and reach across all demographics, enabling us to offer bespoke competitive commercial deals to advertisers and agencies.

Our location
We run Scotland's largest production company with bases across Scotland as well as a presence in Northern Ireland and London and are uniquely well placed to take advantage of broadcasters' increased commitments to Nations and Regions production in the UK.

Our intellectual property
We own, or have access to, the rights of a diverse portfolio of programmes that are popular across the UK and internationally.

Our relationships
We have strong relationships with our viewers, advertisers, commissioners and communities to deliver value and boost the economy.

Financial capital
We have a strong balance sheet and financial discipline, which provide us with the capital to invest in medium to long-term growth initiatives.

What we do

We operate an increasingly diverse business, generating value from a number of different revenue streams:

Advertising revenue

Commercial partnerships

Programme production and distribution

Direct to consumer

Supported by

- Creative and inclusive culture that values honesty, transparency and fairness
- Effective risk management and internal control frameworks
- Strong principles of corporate governance

We offer bespoke spot advertising and sponsorship solutions on our linear television channel, STV, and addressable and programmatic Video on Demand advertising on our VOD service, STV Player.

We work with TV platforms under a series of long-term partnerships, as well as with advertisers to provide a 'one stop shop' for advertising services, extending beyond the sale of advertising to creative design, post campaign analysis and related activities.

We produce original content for broadcasters and platform owners in the UK and internationally from our production bases across the UK. We own the rights to a library of programmes that we sell and license to broadcasters and platform owners internationally.

We directly monetise audiences through on-air competitions and a paid-for VOD service, STV Player+, which provides the option to stream our content without adverts.

- Organisation structure built to enable accountability and autonomy
- Vibrant internal communications programme to keep our people motivated and aligned on key strategic goals
- Frequent, transparent and meaningful engagement with external stakeholders

Delivering value for our stakeholders

We respond to the changing needs of all our stakeholders and create value for them through efficient delivery of our business operations.

Audiences
Through a high-quality TV schedule providing the largest peak time audiences in Scotland for the fourth year running.

Advertisers
Through our unique scale and reach, boosted by the £30m STV Growth Fund which is aimed at attracting new advertisers to TV.

Our people
By developing a supportive, open, creative and collaborative culture; prioritising the safety, mental health and wellbeing of our people.

Communities
By providing trusted news, facts and information through the most comprehensive local news and current affairs service in Scotland; improving on and off screen diversity to reflect the true face of modern Scotland; raising much needed funds for families and young people in poverty in Scotland through the STV Children's Appeal; supporting Scottish business to recover from Covid-19 through the STV Growth Fund; and championing climate action through *STV Zero*.

Investors
Continuing to deliver on a growth strategy that generated the highest adjusted operating profit on record in 2022 together with a progressive dividend for shareholders.

Platforms and partners
Through a range of successful, long-term relationships with platforms, fellow broadcasters, distributors and suppliers, through which they share in our success.

Government and regulators
STV delivers on its public service obligations and is working with stakeholders to create a sustainable future model for public service media. STV also repaid all furlough monies in full to Government when it became clear that the advertising market was recovering successfully.

Engaging with our stakeholders

S.172 statement

In the decisions taken during 2022, the Directors consider 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.

The Directors, in line with their duties under S.172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members. In doing so each Director has regard, amongst other matters, to the:

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

STV's success depends on building and nurturing positive relationships with its stakeholders that have an interest in the business and may be impacted by the decisions taken. STV wants to be a business that provides positive outcomes for its stakeholders, identified through its strategic planning process as being employees, customers, shareholders, suppliers, communities and the environment, Government, and regulatory bodies. These stakeholders are at the heart of STV's business model, strategic priorities, values and culture.

Our extensive engagement efforts help to ensure that the Board can understand, consider and balance broad, and sometimes conflicting, stakeholder interests when making decisions and retain focus on delivering long-term sustainable value. Stakeholder engagement and analysis is also key to STV's approach to risk management.

While the Board will engage directly with stakeholders on certain issues, stakeholder engagement will often take place at an operational level with the Board receiving regular updates on stakeholder views from the Executive Directors and senior management.

The Directors are supported in the discharge of their duties by agenda planning for Board and Committee meetings to ensure there is sufficient time for the consideration and discussion on key matters, and by processes which ensure the Board is provided with timely management information from all STV's business areas.

The following table provides some insight into how the Board discharges its duties under S.172 across each of the key identified stakeholder groups.

Colleagues

Why it's important to us
- Our colleagues are integral to the success of STV and so nurturing them is essential

Key priorities of the stakeholder group
- Knowing their voice is heard
- Ensuring everyone is treated fairly
- No compromises on safety and wellbeing, including mental health
- Regular 'check in' opportunities for all colleagues
- Development and career progression
- Alignment between personal and Company values

Engagement with stakeholder group
- Designated employee Director who is STV's Senior Independent Director
- The 'Minute Live', a weekly, all Company informal discussion led by the CEO
- Annual employee engagement and wellbeing surveys
- 'Wellbeing from STV' programme of activities including active inclusion networks and Mental Health First Aid trained wellbeing champions
- Broad range of benefits

Board response
- Commitment to building a truly inclusive culture
- Adopted hybrid working
- Continuous prioritisation of health and wellbeing
- Succession planning for key roles
- Engagement with colleagues across all offices
- Flexible approach to salary reviews and other bonus and/or one-off payments

Customers

Why it's important to us
- Our viewers, subscribers, advertisers, and commissioners are the cornerstone of STV's continued success

Key priorities of the stakeholder group
- Variety of programming both broadcast and produced
- Availability, cost-effectiveness and reach of linear and digital channels
- A trusted and impartial news service
- Awareness of key social and topical issues

Engagement with stakeholder group
- Dedicated Viewer Enquiries team
- Customer surveys via ScotPulse
- STV Growth Fund, incorporating the Green Fund and Inclusion Fund, STV Self Service and the Growth Academy
- Rich variety of content
- Social media
- Market insight into viewing habits

Board response
- Launch of new initiatives – Market Voices and STV Business Spot
- Continued support for STV Growth Fund
- Investment in STV Player-exclusive content
- Recent agreement with ITV to bring extended, exclusive preview content to Scotland on STV Player
- Investment in new creative labels to fill genre gaps
- Technology roadmap for STV Player reflecting customer feedback

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Suppliers

Why it's important to us
- Continuity and sustainability of our supply chain is critical for 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
- ITV/STV Council
- Face to face meetings with suppliers
- Contract performance reviews

Board response
- Strategic oversight of relationship with ITV
- Commitment to fair treatment for all suppliers

Investors

Why it's important to us
- Investors play a vital role in the success and growth of STV through provision of funds

Key priorities of the stakeholder group
- Strategy and execution
- Prospects for future growth
- Investment plans
- Returns via dividends and capital appreciation
- Strong ESG practices
- Transparency and openness

Engagement with stakeholder group
- Annual General Meeting
- Capital Markets Days
- Presentations to the retail investor community at Shares Conference and Investor Meet
- Visits to Company operating premises
- One to one meetings
- Dedicated Investor section of the corporate website

Board response
- Regular communication of performance
- Provision of guidance where appropriate
- Robust business model and medium-term targets
- Sustainability and diversity strategies and targets

Community and environment

Why it's important to us
- In order to remain relevant to our viewers and advertisers, we must reflect the communities we serve both on-screen and off-screen and use our Public Service Broadcaster status to share important, topical social and environmental issues

Key priorities of the stakeholder group
- Availability of trusted news, facts and insight
- STV Expert Voices – media training
- Support for local causes and community projects
- Supporting local businesses and high streets
- Alignment between corporate and broader social objectives, including climate action and diversity and inclusion
- Representation through programming, on screen and online

Engagement with stakeholder group
- News and current affairs programming aligned with key social issues
- Online portal, STV Self Service
- Extension of the STV Growth Fund to the Inclusion Fund and Green Fund
- STV Growth Academy
- STV Children's Appeal

Board response
- Launch of new initiative – Market Voices and STV Business Spot
- Continued support for STV Growth Fund
- *STV Zero*, STV's sustainability strategy
- Independent Diversity and Inclusion advisor to the Board and the Group more widely
- Commitment under the Climate Content Pledge with other broadcasters

Government and regulators

Why it's important to us
- Active engagement provides STV the opportunity to input on matters relating to our industry and our business, to ensure that our voice as Scotland's leading Public Service Broadcaster is heard

Key priorities of the stakeholder group
- Compliance with laws and regulations
- Ethical operations and practices
- Creating and sustaining employment
- Investing in the creative industry, providing training and development opportunities
- Environmental, Social and Governance practices

Engagement with stakeholder group
- Participation in a range of consultations affecting our industry and business
- Direct engagement with policy makers, e.g. The Department for Culture, Media and Sport, Scottish Government, Ofcom
- RTS Bursary scheme
- Engagement with Ofcom on the Broadcast Licence renewal process
- House of Lords lunch hosted by Lord Duncan for STV
- Westminster lunch hosted by John Nicolson

Board response
- Consultation responses to industry matters
- Investment in independent production companies
- Providing direct employment for c.500 people, and supporting UK freelancer community
- Joint training initiative between STV News and Women In Journalism Scotland

Operating review: Broadcast

2022 saw us win exceptional viewing shares across a rich schedule of high-quality network material and popular, relevant regional programming on STV, which remains the most watched commercial TV channel in Scotland by a considerable margin. Keen interest in the live event of the year, the 2022 FIFA World Cup, alongside reality juggernaut, *I'm a Celebrity... Get Me Out of Here!* helped STV achieve a fantastic 25% viewing share in November, the channel's best-performing month since 2003.

↑
The Thief, His Wife and The Canoe
Based on the extraordinary story of how prison officer John Darwin faked his own death, the drama series was one of STV's top performing programmes in 2022.

STV continues to have unrivalled reach in Scotland, reaching 3 million adults each month – more than any other commercial channel. It also has a higher daily, weekly, and monthly reach than all subscription (SVOD) services combined. STV is the only Public Service Broadcaster in Scotland to outperform its Network equivalent, tracking ahead of ITV1 in terms of network share across all time (+1.4 percentage points) and peak time (+1.9 percentage points) in 2022.

STV viewers are loyal to our channel, watching us on average for 1 hour and 48 minutes per day – longer than any other channel in Scotland. Our viewing share is more than three times larger than the nearest commercial competitor, Channel 4, and STV delivered 96% of commercial programmes with audiences over 500k in 2022.

This success is down to our popular content and, for the fourth consecutive year, STV was the best watched peak time channel in Scotland, ahead of BBC1. STV delivered 96% of the top 500 commercial programme audiences last year.

Bobby Hain
Managing Director

- STV reaches 3m adults each month
- 19-year high for audience share in Nov 2022 (25%)
- Scotland's most popular peak time TV channel
- Audience bigger than next nine commercial competitors combined

High quality shows including soap favourites, *Coronation Street* and *Emmerdale*, and top dramas *Our House* and *Karen Pirie*, were among our top ten most popular series commanding significant audiences.

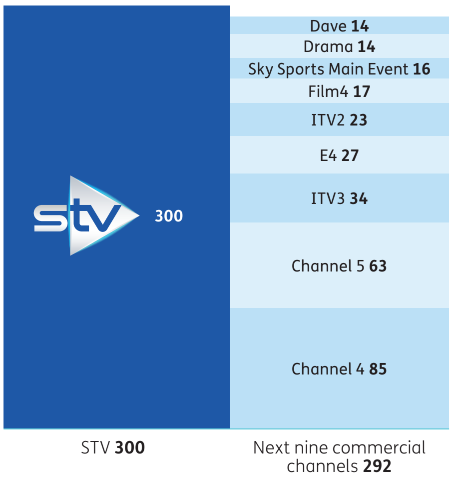
Scotland is a nation of football fans and, whether our country qualifies or not, we still tune in to watch in our millions. The FIFA World Cup tournament in the winter was 'event TV' for the nation, helping score the channel a 19-year audience share high. The competition was watched by 7 in 10 people on STV in Scotland (3.3m) over 4 weeks of thrilling football action. 24 out of the 29 matches on STV outperformed the UK network, with STV's viewing share up 3% on the UK average, and a massive 8 share points up for Men. The World Cup also delivered the single biggest programme of the year across all channels in Scotland, with the Quarter Final featuring England vs France attracting 1.3m viewers.

Karen Pirie
A six-part crime drama set in Scotland and based on novels by crime writer Val McDermid proved to be a huge hit with STV audiences.

Our House
A four-part thriller which got the nation talking and was one of STV's top dramas in 2022.

FIFA World Cup 2022
The winter tournament scored STV a 19-year viewing share high.

STV's peak time audience is bigger than next nine commercial channels combined (thousands)



Source: BARB, 2022, (18:00-22:30), individuals

Operating review: Broadcast

Award-winning news

News and current affairs are the cornerstone of our service in Scotland and our award-winning team produces a first-rate, high quality and relevant service, including a weeknight show and bulletins, that is highly valued by our audience.

Flagship news programme, *STV News at Six*, has been Scotland's most watched news programme since 2019, reaching 1.4m viewers per month and providing two separate, tailored programmes in the north and the central regions. Ofcom's latest Nations and Regions report revealed that nearly one third of people in Scotland use STV News for news about their own nation, higher than any of our rivals. This is evidenced by the fact that our news programme performs 10 share points ahead of the ITV Network. *STV News at Six* in the central region also received industry recognition at the 2022 Royal Television Society Scotland Awards where it won the Best News Programme accolade.

Following the death of HM Queen Elizabeth II at Balmoral in September, STV News contributed to extended and comprehensive coverage of the events that followed, in the northeast itself, in Edinburgh and across other events throughout Scotland. Our resources provided news gathering for STV's own output as well as collaborating with other public service news operators to capture footage that was seen around the world.

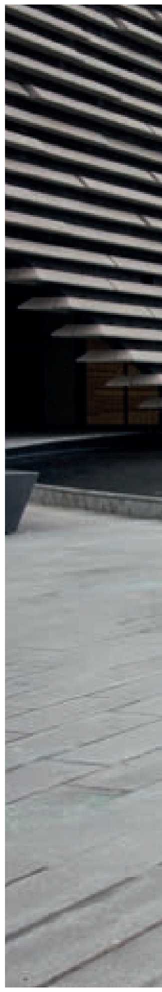
Quality regional production

Our regional productions remain hugely popular and relevant for our audiences, and we continue to use our platforms to not only inform and entertain but to make a positive social impact in several ways.

We hold politicians to account and interrogate the pressing issues of the day in our current affairs programme, *Scotland Tonight*, which airs four times a week – one of these in peak time on a Thursday evening to make it widely accessible.

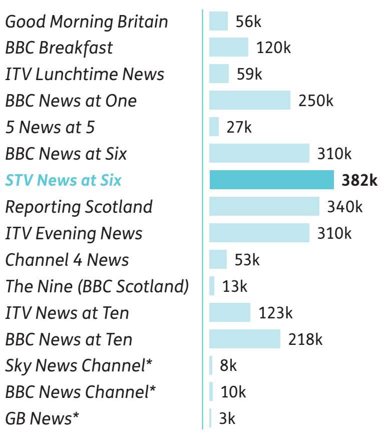
We strive to raise awareness of environmental issues and promote greener lifestyles to as wide an audience as possible. We do this through our news and current affairs output, but also via locally produced programmes like *Sean's Scotland*, a six-part series fronted by our popular weather presenter, Sean Batty, featuring a strong focus on sustainability and featuring regions right across the country.

Our charity, the STV Children's Appeal, continues to support children and young people impacted by poverty in Scotland. This year's fundraising brought the total raised since launch to over £30m. Our Appeal show was fronted by Lorraine Kelly and Sanjeev Kohli and featured a range of famous faces, such as Martin Compston and Ewan MacGregor, and provided a platform for charities doing incredible work across Scotland.



STV News still the biggest news programme of the day

In 2022 *STV News at Six* had a higher average audience than any other major news programme for the 4th year in a row



*Average audience across a day (09:30-24:00)
Source: BARB, 2022, (Mon-Fri), individuals

Spotlight

STV Expert Voices

Our STV Expert Voices training initiative is run by our news team, who are committed to establishing more diversity across the contributors on our programmes. The team has trained more than 700 people to date, equipping them with the skills and confidence to tell their story on screen.

Expert Voices won the Diversity Star Performer accolade at the Herald Diversity Awards in 2022, testament to the hard work carried out and positive results achieved.

STV's news team was pleased to achieve its gender and diversity targets for its output across 2022, with 50% of contributors female and 9% from an ethnically diverse background. This is a strong result, but we know there is still much work to be done, and we have plans to raise further the profile of Expert Voices in 2023.

Flagship news programme, *STV News at Six*, has been Scotland's most watched news programme since 2019, reaching 1.4m viewers per month.

↑

STV News at Six
Scotland's most watched news programme, reaching 1.4m viewers per month.

→

RTS Awards
John MacKay and Kelly-Ann Woodland, presenters of the central edition of *STV News at Six*, won Best News Programme at the RTS Scotland Awards.

→

STV Expert Voices
More than 700 people have taken part in Expert Voices media training.

Our one-off documentary, *Let's Talk About Trauma*, saw author Aidan Martin reflect on his own journey through addiction and childhood trauma, and profiled three Scottish charities carrying out life changing work. In the autumn we aired the mental health campaign, *Britain Get Talking*, with a powerful film encouraging adults to take time to break through to teens to tackle a growing mental health crisis. In addition to the on-air campaign, familiar local STV News anchors delivered this pertinent message to viewers via a direct appeal on-air and on social media.

Other local programming includes: the successful return of weekly factual entertainment series, *What's On Scotland*, which brings viewers top tips on what to watch, visit and see each week, and performed even more strongly than previous series; the *Pride of Scotland Awards*, celebrating unsung heroes across Scotland; antiques show, *Clear Out, Cash In*; vet documentary, *Animal 999*; and Hogmanay show, *Bringing in the Bells*, a warm, witty look back at the year that has passed.

Operating review: Broadcast

Spotlight

STV Growth Fund

The STV Growth Fund was launched in 2018 to make advertising accessible and affordable to Scottish SMEs and continues to attract more new advertisers to TV. The Fund was increased to £30m and, since launch to the end of 2022, we have allocated almost £20m across more than 950 deals with Scottish companies. 2022 saw over 200 deals being done, and the re-booking rate is high with over 70% of 2022 Growth Fund members being existing members from the prior year.

Given the turbulent economic backdrop of the past three years, the Growth Fund and the benefits it offers are more important than ever. Last year we worked with a range of companies, from a scrap car service and a provider of mobility and rehabilitation equipment, to a green boiler company and a luxury hotel, Atholl Palace.

We have also launched important related initiatives. The STV Green Fund and the STV Inclusion Fund welcome environmentally conscious and socially inclusive businesses to work with us, and both are key components of our wider corporate Social Impact strategy.

The STV Green Fund has been live for almost two years. This £1m Fund, ring-fenced from the wider Growth Fund, is aimed at Scottish businesses providing sustainable products and services. Not only does the Fund help them extend their reach, it also encourages Scots to reduce their own carbon footprint. For example, windows and doors company, Sidey, are members of the Green Fund and currently recycle 99.3% of all old windows and doors removed from properties. In their first year of advertising with STV, the company saw an 80% increase in sales.

In December 2022, we launched the second phase of our gifted membership award, Inclusion Fund Awards, supporting businesses which champion diversity and support inclusive growth. This was a very successful initiative for 2022, with four organisations reporting tangible results from their campaigns, including significant upturns in website traffic and sales increases. We're thrilled to have a new esteemed judging panel on board to welcome entries from qualifying companies in early 2023.

Our STV Self Service initiative has now been live for a year and helps make the Growth Fund more accessible for any organisations that might be apprehensive about TV marketing. Self Service allows advertisers to design and book their own campaigns online and provides easy access to our leading marketing platform.

Open for business
The STV Growth Fund continues to attract more new advertisers to TV.

Growth Fund membership
On-screen testimonial from Growth Fund member Atholl Palace, a hotel in Perthshire, about the success of their STV advertising campaigns.

ScotPulse
A new on-air recruitment campaign helped boost the ScotPulse panel to 40,000 members in 2022.

Scotland's biggest research panel, ScotPulse

Wholly owned by STV, ScotPulse is Scotland's biggest research panel and is commissioned to conduct research by a wide range of businesses and agencies across Scotland, as well as supporting STV's internal requirements. A new on-air recruitment campaign helped grow the panel from 33,000 to 40,000. The team supports STV's Commercial clients with campaign projects, well-known direct clients, and research companies across a wide range of public sector work.

Working with advertisers

Our industry leading sales team works closely with Scotland's business community, and we recognise the key role our advertising platform plays in the growth of businesses across Scotland. Across the year, excluding Scottish Government spend, our STV-controlled regional advertising grew by 18% year on year, driven by the return of larger clients across a range of sectors. The STV Growth Fund continues to attract more new advertisers to TV and you can read more about this initiative in the Spotlight section.

We announced two further new initiatives aimed at helping businesses in Scotland grow, set to launch in 2023. The first is a free market research monitor, and the second is an on-air segment which will shine a spotlight on innovative and inspiring Scottish businesses.

Like all businesses, STV has not been immune to the challenging economic backdrop which led to a decline in the TV advertising market in 2022 right across the UK. Despite this the Broadcast business displayed resilience, with total advertising revenue (TAR) comprising national, regional and digital advertising only 2% below the record year of 2021 at £110.0m. Overall, divisional revenues were down 4% on 2021 with operating profit of £20.7m down 6%. Operating margins have been broadly maintained at around 22%.

Spotlight

Public Service Broadcasting (PSB)

It is a critical time for broadcasting and Nations and Regions production. We welcome the UK Government's proposal for a new regulatory framework to secure the vital contribution of free-to-air Public Service Broadcasters in the digital age and look forward to the publication of the new Media Bill in 2023. The Department for Culture, Media and Sport has recognised the 'unique relevance' of STV's public service contribution, particularly in Scottish news and current affairs, and the importance of ensuring our programming is available and easily found on all major digital platforms, as it is on broadcast, in the future.

Our commitment to our PSB credentials remains paramount and our social impact is significant. We have strong connections with our Scottish audiences, the business community and the third sector, and our dynamic sustainability strategy delivers awareness raising and behavioural change content to a wide audience.

For PSBs like STV to thrive, continue to deliver for Scottish audiences and grow our important contribution to a vibrant production sector in Scotland, we need a new regulatory framework for public service media that preserves what's working and positively incentivises the PSBs to invest in the future.

We view the key priority areas as:

- Prominence for PSBs, including nations players like STV, on all digital platforms, to ensure our content is available, accessible and prominent on the digital platforms that viewers are increasingly choosing to access their entertainment.
- Safeguarding free-to-air, high quality, impartial and comprehensive Scottish and local news.
- Support and stimulus measures to ensure Nations and Regions production, across all genres, continues to grow.
- A level regulatory playing field between TV and online players, particularly in relation to advertising regulation.

We will continue to engage with key political and regulatory stakeholders on these important priorities as the media landscape continues to evolve rapidly.

Providing a public service
Westminster Editor Kathryn Samson and the wider news and current affairs team are committed to providing free-to-air, high quality, impartial and comprehensive Scottish and local news.

Operating review: Digital

↑
A Spy Among Friends
Original drama made available exclusively on STV Player in Scotland starring Guy Pearce and Damien Lewis.

Our digital division continues to grow strongly, delivering record-breaking numbers in 2022 as we move closer to our goal of transforming STV Player from a catch up TV service to a digital destination. Building strong connections with our growing audience is critical for us and we're achieving this by regularly adding new high-quality and must-watch content whilst working closely with our platform partners, and continually updating and improving our product to ensure a first-rate user experience.

Record breaking performance

2022 saw STV Player breaking all its previous viewing records. Key to these were two stand-out pieces of event television: reality juggernaut, *I'm a Celebrity... Get Me Out of Here!* became our most-streamed series (3.4m streams); and the winter World Cup was our most streamed sporting event ever (6.4m streams).

Across the year, STV Player delivered its highest ever viewing figures with viewing hours up 6% at 54m and streams up 1.5% at 116m. Total registrations increased by 17% to 4.9m, extremely close to the 5m target we set ourselves for the end of 2023. Our total active registered users – individuals who have signed up to the service and provided their details – were up 400,000 over the year.

Changes to the linear peak schedule in March reinforced the strength of our soaps with the combined consumption of *Coronation Street* and *Emmerdale* growing 21% to a record high of over 8m streaming hours across 2022.

Richard Williams
Managing Director

- Record viewing figures achieved
- Viewing hours up 6% at 54m
- Average monthly active users up 10%
- Registrations up 17% YOY to 4.9m
- 167 drama box sets

STV Player is available on the web and across all major platforms

I'm a Celebrity... Get Me Out of Here!
Series 22 was the most streamed series of *I'm a Celeb* in STV Player history.

Within total registrations, our monthly active users grew by 10% year on year to 1.1m, with STV Player VIP users growing 16% (up 24% on streams viewed). VOD viewing increased year on year in nine of the 12 months, even with the tough 2021 comparators of lockdown and the UEFA European Championship.

Our addressable audience is significant, with STV Player available on all major platforms from Sky Glass and Freeview, to NOW, ROKU and Samsung. In 2022, we agreed a new multi-year deal with Virgin Media to extend our strategic partnership through to 2028. In Scotland, Virgin Media's fully regionalised HD version of the STV broadcast channel will continue as part of the agreement. Across the rest of the UK, Virgin Media set-top boxes (STBs), including Virgin's new Stream device, will continue to carry all our drama box sets and our extensive range of other acquired content.

In December 2022, we agreed an enhanced strategic partnership with ITV around content sharing and advertising sales that creates incremental digital value for both companies and aligns our interests in the streaming age. This long-term agreement sees STV Player take exclusive Scottish rights for an exciting range of new and original titles and is expected to encompass over 100 hours of content per annum, with new shows being added weekly. The first wave of new titles included UK original dramas *A Spy Among Friends*, *The Confessions of Frannie Langton*, *Nolly* (starring Helena Bonham Carter as the iconic soap star Noele Gordon) and *Litvinenko*, starring David Tennant in the title role.

Content strategy delivering

In addition to our stellar network content, we have continued our successful strategy of adding high-quality, wide-ranging Player-exclusive content to complement our Channel 3 offering. 20 content deals were secured, adding 156 new titles to the Player in 2022. Deals were completed with international partners including Acorn TV, Sony Pictures Television, Banijay and All3Media, boosting our already significant library by 1,000+ hours. Our strategy of constantly adding refreshed programming for our users, alongside new network originals, ensures we continue to reinforce our offering and build our audience base.

Player-exclusive streams declined somewhat in 2022, down 20%, off the back of more than doubling the year before.

The top 20 programmes in 2022 on STV Player included six acquisitions, including police drama, *City Homicide* and Australian series, *McLeod's Daughters* as well as Irish thriller, *Blood*. STV archive favourites, *Taggart* and *Take the High Road*, continue to hold their own in the top 20.

Operating review: Digital

Spotlight

Drama box sets

High quality international drama is in STV Player's DNA and, through a variety of deals with leading distributors, 2022 saw the arrival of 54 new drama box sets to STV Player. Our team has worked hard to cultivate fruitful ongoing and new partnerships with the likes of Banijay Rights, All3Media, eOne, Red Arrow and Abacus.

This includes a unique new partnership with Acorn TV, which enables us to showcase select premium Acorn TV original dramas to viewers across the UK on STV Player for free. The first AVOD-SVOD endeavour of its kind in the UK, the collaboration added more high-end drama to STV Player, whilst simultaneously introducing STV viewers to Acorn TV, as key Acorn titles formed part of our STV Player Presents initiative. These included psychological mystery, *Blood*, starring Line of Duty's Adrian Dunbar; and New Zealand drama, *The Sounds*.

A wide-ranging deal with Sony Pictures Television saw seven new international drama series added to our service, including the UK debut of critically acclaimed dystopian thriller *The Commons*, and all four series of Michael Sheen-starring period drama, *Masters of Sex*, a US series which earned Sheen a Golden Globe nomination.

These high-quality acquisitions hold their own amongst the network material on STV Player, with Australian series, *City Homicide* and *McLeod's Daughters* taking the fourth and fifth slots in the top 20 programmes; and Irish drama, *Blood*, part of our deal with Acorn, coming in at number 8. *The Commons*, starring Joanne Froggatt (*Downton Abbey*, *Angela Black*) takes spot number 13 and Irish detective drama, *Jack Taylor* starring Iain Glen (*Game of Thrones*) is number 20.

Competing with soap heavyweights *Coronation Street* and *Emmerdale*, entertainment shows *I'm a Celebrity... Get Me Out of Here!* and *Britain's Got Talent*, and network dramas like *Karen Pirie* and *The Bay*, our acquired drama titles perfectly complement our wide mix of programming and prove popular with our audience.

Exciting news for 2023 is our acquisition of long-running soap, *Brookside*. The series launched in February and viewers of STV Player can stream the ground-breaking drama, that originally ran for 20 years on Channel 4, from the very beginning, with episodes dropping weekly.

Brookside
Licenced in a major deal with All3Media, *Brookside* became the fastest Player-exclusive series to reach one million streams one week after launch in early 2023.

STV Player-exclusive content generated more than 32m VOD streams across the year, accounting for 39% of total VOD streams.

Our STV Player Presents initiative sees us leverage our broadcast channel to premiere the first episode of new Player-exclusive content, from which we drive viewers to STV Player to watch the rest of the series, and we will continue this successful strategy into 2023. Across the eleven Player Presents titles in 2022, there was an average 15-fold increase in streams. Political thriller, *Secret State*, was the most successful of these titles, with a 37-fold increase in streams following transmission of the first episode on STV.

This content-led approach has helped STV Player gain recognition across the industry, winning Best Programme Acquisition for gripping drama, *The Commons*, at the Broadcast Digital Awards; and we were also shortlisted at the Edinburgh TV Festival for Best Streaming Service.

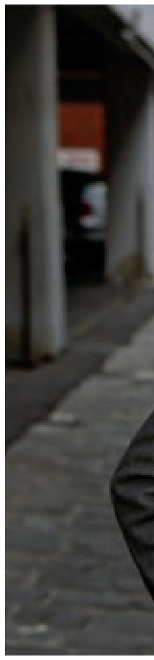
Commercial growth

Commercial VOD delivery grew across the year, with total ad impressions up 27% year on year, driving a 9% increase in VOD revenues. Total revenue for the division was £19.0m, up 7% on the prior year. Operating profit also grew year on year, up 8.0% to £8.5m (2021: £7.9m).

Our new deal with ITV, announced in December 2022, sees ITV's market leading sales team take on exclusive responsibility for selling all national digital VOD and simulcast advertising inventory on STV Player from 2023, allowing STV to benefit from ITV's unrivalled scale in the UK market. As part of the agreement, STV will also join ITV's addressable advertising platform, Planet V, allowing advertisers to access STV's inventory alongside ITV's combination of mass simultaneous reach and data-driven, targeted advertising. Planet V is already used by all the major advertising agencies.

Technical improvements

Our expert team is constantly making updates to ensure our user journey is as seamless and enjoyable as possible. This year's enhancements included streamlining the onboarding process for new users, simplifying the navigation, adding personalised recommendations, and improving the homepage. We also introduced a dark user interface across the website. Mandatory registrations were introduced, which means we know more about our users and can serve them targeted advertising.



STV Player-exclusive content generated more than 32m VOD streams across the year, accounting for 39% of total VOD streams.

City Homicide
A title from distributors Banijay, *City Homicide* was the most watched Player-exclusive drama in 2022.

McLeod's Daughters
Australian family drama from Banijay is one of 156 new titles added to STV Player in 2022.

Top 15 VOD programmes by volume and episode
(STV Player-exclusive content highlighted)

	Time spent (hrs)	Total streams	Streams per episode
Coronation Street	4.3m	9.8m	48k
Emmerdale	3.8m	11.1m	38k
I'm a Celebrity... Get Me Out of Here!	1.3m	2.2m	54k
City Homicide	**959k**	**2.0m**	**24k**
McLeod's Daughters	**935k**	**2.0m**	**9k**
The Bay	929k	1.8m	148k
Our House	802k	1.5m	375k
Blood	**777k**	**1.5m**	**127k**
No Return	748k	1.4m	340k
Karen Pirie	735k	912k	304k
Taggart	**717k**	**971k**	**9k**
Take The High Road	**610k**	**2.1m**	**5k**
The Commons	**568k**	**1.2m**	**145k**
Trigger Point	517k	1.1m	175k
The Walk-In	494k	920k	184k

Source: Adobe Analytics & FreeWheel, Jan-Dec 2022

Spotlight

FreeWheel

We're delighted to have completed switchover across all 14 platforms from our existing ad server to industry-leading FreeWheel in 2022, technology that allows us to monetise premium content through dynamic ad insertion. This process ultimately upgraded our advertising experience across all STV Player platforms using best-in-class technology and maximises the value of our content.

STV was the first PSB to introduce Server-Side Ad Insertion to our streaming video-on-demand content, which provides a seamless, TV-like streaming experience. By switching to FreeWheel and upgrading our apps, we open STV Player up to the world of programmatic advertising, introducing new commercial opportunities to the business. Viewers benefit from the upgrade by accessing more varied adverts that load quicker, look smoother and sound better.

Ultimately, the successful transition to FreeWheel means that our apps perform better, we serve adverts more efficiently and we have access to more in-depth data for valuable reporting and analysis.

Secret State
Licensed through All3Media, this political drama aired on STV as part of the STV Player Presents series resulting in a 37-fold increase in streams.

Operating review: Studios

STV Studios had another record-breaking year in terms of commissions and adjusted operating profit earned. Our ambitious strategy is to be a world class producer for the biggest TV networks and global streamers and the UK's number 1 Nations and Regions production company. In 2022 our growth momentum continued and an incredible 30 commissions were won. In excess of £50m of revenue has already been secured for 2023, significantly ahead of our target to quadruple revenues to £40m by 2023 from a baseline of £8.7m in 2020.

Written in the Stars
STV Studios' first commission for an international streamer – the 10-part contemporary format aired on Discovery+ in winter 2022.

David Mortimer
Managing Director

Celebrity Catchphrase
A ratings winner for ITV1, the successful quiz show was recommissioned for two further series for Saturday night primetime.

- 30 commissions won
- 244 hours produced
- 11 returning series
- £50m+ revenues secured for 2023
- Nine labels in the STV Studios family
- Seven antique show formats

STV Studios factual
In 2022, the team secured exclusive access to internationally-renowned lawyer, Aamer Anwar, and his team of criminal law experts for an eight-part BBC Scotland commission.

Screw
Production gets underway on a second series of prison drama, *Screw*, at Glasgow's Kelvin Hall.

We continue to win new business across drama, factual and entertainment from the main UK broadcasters, global streamers and international buyers, meaning we have been in a consistently busy period of programme production whilst continuing to develop and pitch original new ideas and formats, ensuring a strong pipeline for the future.

Critically, our teams are delivering high value returnable drama series alongside high-volume returning unscripted series, which are significant contributors to our business growth and are also important for the development of the creative industry and talent base in Scotland.

Production partnerships

We are thrilled that we continue to work with a range of production labels, all of whom share our values and ambitions and are passionate about developing new formats and delivering new productions that put us on the map. We have different levels of ownership in six independent production companies (in addition to our three in-house labels) and this low-risk strategy enables us to spread our creative bets, with the option of increasing our shareholdings in most of these companies over time. In 2022, we added a 9th label to the group, Mighty Productions – founded by the creative team behind daytime quiz hits like *Tipping Point* and *!mpossible*. Every one of our labels has achieved success in 2022.

A raft of successful shows

There have been many programming highlights during 2022 across all our divisions:

A second series of our prison drama, *Screw*, was confirmed following the success of the first series which, at the time of broadcast, was Channel 4's most successful drama launch since *It's A Sin*. The show, starring Nina Sosanya (*His Dark Materials*) and Jamie-Lee O'Donnell (*Derry Girls*), has just completed shooting in Glasgow. Our drama team is currently in advanced development on other key projects and we look forward to delivering on our promise of creating a drama-rich production slate.

Quiz show *Bridge of Lies* with Ross Kemp, a commission won through a fiercely competitive tender process in late 2021, was an instant ratings success for BBC One's daytime schedule, with an average audience of over 1m viewers. This led to the Entertainment team winning a recommission for a second and third series, made up of 25 x 45" episodes for daytime and a special primetime celebrity series. The latter has launched strongly on Saturday nights with an average of 2.7m viewers (17% share). We are in active conversations about possible international versions of the show in various territories.

Demonstrating our wide-ranging skills and capabilities, we produced two significant one-off investigative documentaries in 2022. *What Killed the Whale?* for Channel 4, was presented by biologist Ella Al-Shamahi, who joined a specialist autopsy team investigating the death of a 40-foot sei whale in a bid to understand what is killing the species; and *Unvaccinated* for BBC Two saw mathematician Hannah Fry explore why so many people refuse the Covid-19 vaccine.

Operating review: Studios

Spotlight

Production partnerships

Each of our nine labels is distinctive and each brings something different to the group – and every one of them has had success in 2022.

This year we extended our exclusive partnership with scripted producer, Tod Productions, for a further three years. Tod is owned by highly respected producer, Elaine Collins, who was responsible for hit detective drama, *Vera*, and BBC One drama, *Shetland*. This year, alongside STV Studios they won a major commission for streamer, AppleTV+, to produce crime thriller *Criminal Record*, starring Peter Capaldi and Cush Jumbo. Tod is also producing a non-broadcast pilot for Sky Comedy with STV Studios and Sky Studios.

Entertainment supremos, Primal Media, won an exciting new commission from E4 for a unique reality TV show, due to air in 2023. The team are also co-producers on a third series of award-winning show for BBC iPlayer, *Jerk*, starring Tim Renkow.

Scripted producers, Belfast-based Two Cities Television, produced original new, fast-paced cop drama, *Blue Lights*, written by the writers of *The Salisbury Poisonings*. The series will air on BBC One in early 2023.

Our Brighton based label, Hello Mary, followed up their successful social media-first, younger skewing format, *One Night Stand*, with a four-part commission for E4, and brought *The Royals: A History of Scandals* to More4.

Barefaced TV was the first of our labels to win a commission from a global streamer, with Discovery+ ordering the brand-new contemporary format, *Written in the Stars*, which sees singles matched by their star signs in this hugely ambitious 10-part series which launched in winter 2022.

In March, we expanded our production portfolio with the announcement that entertainment production company, Mighty Productions, would join the STV Studios family. Two of the creative brains behind *The Weakest Link*, they already produce a raft of series for BBC Scotland and won a new commission for Channel 4 in 2022 called *Sex Rated*.

Our returnable antique-based formats have seen us produce seven high quality series in large volumes in 2022 for BBC One, BBC Two, Really and Channel 5, including *Antiques Road Trip* and its celebrity sister version; new commission, *The Great Auction Showdown*; and *The Yorkshire Auction House* and a celebrity series, plus off-shoot, *The Edinburgh Auction House*. An additional win was *The Travelling Auctioneers* for BBC One – the channel's most successful daytime launch in 2022 and the BBC's biggest daytime factual launch in the last 6 years.

International sales

Tape sales of our extensive programme catalogue remain very strong with *Antiques Road Trip* continuing to sell particularly well especially in the US following our deal with PBS. We remain distributor neutral, inviting competitive tenders for new programmes that we have had commissioned, enabling us to select the best sales partner for each new title.

The array of successful commissions across different genres for multiple broadcasters and streamers is testament to the talent, determination and creativity of the STV Studios team and our like-minded partners, and I'd like to thank them enormously for their hard work and dedication across what was a very successful 2022.

Unvaccinated
A timely BBC Two investigation saw mathematician Hannah Fry explore why so many people refuse the Covid-19 vaccine.

STV Studios programmes commissioned in 2022

Commissioned/confirmed	Broadcaster
Screw series 2	Channel 4
Celebrity Catchphrase series 10	ITV1
Celebrity Catchphrase series 11	ITV1
Bridge of Lies series 2	BBC One
Celebrity Bridge of Lies	BBC One
Antiques Road Trip series 27	BBC One
Antiques Road Trip series 28	BBC One
Celebrity Antiques Road Trip series 12	BBC Two
Inside Central Station series 4	BBC One Scotland
Unvaccinated	BBC Two
Celebrity Yorkshire Auction House series 2	Discovery/Really
Celebrity Yorkshire Auction House series 3	Discovery/Really
The Yorkshire Auction House series 3a	Discovery/Really
The Yorkshire Auction House series 3b	Discovery/Really
The Yorkshire Auction House series 4a	Discovery/Really
The Yorkshire Auction House series 4b	Discovery/Really
The Edinburgh Auction House	Discovery/Really
The Great Auction Showdown series 1	Channel 5
The Great Auction Showdown series 2	Channel 5
STV Children's Appeal 2022	STV
The Firm (working title)	BBC Scotland
Criminal Record	Apple TV+
Written In The Stars	Discovery+
Jerk series 3	BBC Three
The Favourite (working title)	E4
Sex Rated	Channel 4
Kids' TV: The Surprising Story	BBC One
Style Fixers series 2	BBC Scotland
Five Holes One Goal	4 Digital
The Royals: A History of Scandals	More4

Bridge of Lies
Hit quiz show sees teams of contestants competing for cash by crossing a bridge made up of stepping stones across the studio floor.

Inside Central Station
Taking viewers behind the scenes of Scotland's busiest train station. In 2022, after four series, the programme moved from BBC Scotland channel to BBC One Scotland.

Criminal Record
Tod Productions alongside STV Studios have co-produced on this major commission for streamer, AppleTV+, starring Peter Capaldi and Cush Jumbo.

Operating review: Studios

Spotlight

Antiques formats

Our reputation for creating enjoyable entertainment shows based around antiques has been an important driver in our returning series strategy, not only boosting our numbers, but also supporting the freelance production community across Scotland and the rest of the UK. Our formats include *Antiques Road Trip*, *Celebrity Antiques Road Trip*, *The Travelling Auctioneers*, *The Yorkshire Auction House*, *Celebrity Yorkshire Auction House*, *The Edinburgh Auction House* and *The Great Auction Showdown*.

Our expertise in this area has delivered an incredible 1,840 transmissions of STV Studios antiques programmes across five channels this year, including BBC One, BBC Two, Quest, Really and HGTV, reaching 29.9m people across the UK.

Our antiques series in more detail:

We have produced 26 series of *Antiques Road Trip* and 11 series of the celebrity version for the BBC to date. A staple of the BBC's daytime schedule with an army of loyal fans, we produce the show out of our Glasgow HQ, with teams travelling the length and breadth of the country to feature a huge range of antiques fairs and auction houses. We've built up wonderful working relationships with the UK's finest antiques experts, who are household names across the country. *Antiques Road Trip* regularly pulls in over a million viewers – all 25 series of the original version that have aired so far have had an average audience over 1 million.

The Yorkshire Auction House for Discovery-owned channel, Really, was the channel's most watched programme of the year in 2022, followed by the celebrity version of the series which was the second most watched programme on the channel. Testament to its popularity and Discovery's long-term commitment to the format, the channel ordered six new series based on the format including a third and fourth series of *The Yorkshire Auction House*, two celebrity versions and a brand-new spin-off series, *The Edinburgh Auction House*. This bumper 58-episode order includes celebrity shows featuring Anneka Rice, Sid Owen and Jennie Bond.

The Travelling Auctioneers was commissioned in 2021 and saw Will Kirk (*The Repair Shop*) and auctioneering expert Christina Trevanion (*Bargain Hunt*) join forces. The duo took their auction house and workshop on the road, unearthing hidden gems to repair and then sell across a 15-episode run. The series had an average audience of 2m and a 22% share, up an incredible 51% on the slot average for BBC One.

Boosting our reputation in the antiques space was the significant commission from Channel 5 of 80 hour-long episodes (2 x 40 ep series) of *The Great Auction Showdown*, which sees much-loved antique dealer, Paul Martin, go head-to-head with a guest rival expert as they compete to make the most at auction in this fun yet fiercely competitive new format. It is due to make its debut in the Channel 5 schedule in the first quarter of 2023.

Great Auction Showdown
A new series for 2023 will see celebrity antique dealer Paul Martin going head-to-head with a rival expert in a number of entertaining 'challenges' before auctioning their goods each day.

Antiques Road Trip
Antiques Road Trip and its *Celebrity* sister series continue to be a staple ratings winner for the BBC and a strong returner for STV Studios.

Our expertise and reputation in creating high performing antiques formats has boosted our returning series in 2022 and this looks set to continue.

STV Studios seven antiques formats in 2022:

- 1,840 transmissions
- Across five channels
- Reaching 29.9m across the UK
- Two new formats commissioned
- Seven series in production

The Travelling Auctioneers
Sees restoration maestro Will Kirk and auctioneering expert Christina Trevanion take their auction house and workshop on the road across the UK turning unwanted items into winning lots.

The Yorkshire Auction House
In 2022, STV Studios received a bumper recommission from Really for six new series including an Edinburgh spin-off and celebrity series.

Celebrity Antiques Road Trip
A staple of BBC Two's schedule since 2011, antiques experts accompany celebrities on a road trip around the UK searching for treasures and competing to make the most money at auction.

Finance review

For the year ended 31 December 2022

Lindsay Dixon
Chief Financial Officer

The Group has delivered another strong financial performance in 2022, building on the momentum in Digital and Studios from previous years. Despite an increasingly challenging advertising market over the second half as a result of the macroeconomic and political uncertainty, the Group has reported its highest ever adjusted operating profit.

Results summary

	2022	2021
Adjusted results*		
Advertising revenue (£m)	**110.0**	112.6
Total revenue (£m)	**137.8**	144.5
Operating profit (£m)	**25.8**	25.2
Operating margin	**18.7%**	17.5%
Profit before tax (£m)	**24.1**	23.6
Earnings per share (p)	**42.3**	45.6
Statutory results		
Total revenue (£m)	**137.8**	144.5
Operating profit (£m)	**25.3**	21.6
Profit before tax (£m)	**22.2**	20.1
Profit after tax (£m)	**17.3**	19.4
Effective tax rate	**22.1%**	3.5%
Earnings per share (p)	**38.3**	42.7

* Refer to note 27 in the Notes to the financial statements.

Trading overview

Total revenue for the year was £137.8m (2021: £144.5m), down 5% as a result of lower advertising and Studios revenues year on year. Excluding the ELM revenues from 2021, relating to the lottery business disposed of in August 2021, total revenues were 4% down year on year.

Total advertising revenue (TAR) was £110.0m (2021: £112.6m), a decrease of only 2% on the record 2021 performance, despite significant economic uncertainty particularly in the second half of the year. After a first half which saw TAR grow by 4% year on year, the third quarter was more challenging as the interest rate and inflationary environment took hold and consumer confidence was impacted by the cost-of-living crisis. Q4 was stronger than Q3, boosted by the advertising opportunities associated with hit entertainment shows like *I'm a Celebrity... Get Me Out of Here!* and the FIFA World Cup, however the Q4 performance wasn't sufficient to offset Q3 declines, and TAR fell in H2 by 7% overall. Revenues in Studios were lower as the timing of drama deliveries in particular impacted revenue recognised in the year.

Notwithstanding the tough macroeconomic backdrop, adjusted operating profit increased by 2% to £25.8m (2021: £25.2m), equivalent to an operating margin of 18.7% (2021: 17.5%). On a statutory basis, operating profit increased by 17% to £25.3m (2021: £21.6m). Improved operating profit on the record results achieved in 2021 demonstrate the continued resilience of our business, the benefits associated with delivery of our diversification strategy, and close

Improved operating profit on the record results achieved in 2021 demonstrate the continued resilience of our business.

management of costs. For the financial year, the proportion of Group profits derived from non-broadcast earnings was 38%, compared to 36% achieved in 2021, with the absolute quantum of Digital and Studios operating profit also increasing year on year.

The Broadcast division generated an operating profit of £20.7m (2021: £21.8m), a decrease of 5% on the prior year. This result was largely driven by the decline observed nationally in the TV advertising market and to a lesser extent in regional advertising, the latter being impacted by lower levels of covid-related Scottish Government spend in 2022 relative to the prior year. Our arrangement with ITV meant that our contribution to the national programme budget decreased by the same percentage as national advertising revenue, protecting the division's operating profit margin.

The Digital division generated operating profit of £8.5m (2021: £7.9m), an increase of 8% on 2021, driven by VOD revenue growth of 9% in the year. We continued investment in our third party content strategy during the year, culminating in the agreement reached with ITV in December to secure exclusive access to original, premiere content in Scotland for STV Player. Our increasingly strong relationships with platform partners, combined with a growing library of quality content, has delivered an increase in monthly active users and consumption growth year on year, with registered users surpassing our 5m target a year early.

In Studios, 2022 was a year encapsulated by delivering on the record number of commissions won previously and considerably strengthening our pipeline for the future. Revenue for the year was £23.7m (2021: £26.6m), with notable deliveries including *Written in the Stars* (for Discovery) and *Bridge of Lies* (for the BBC). Production of *Criminal Record* (for Apple TV+) and our returning prison drama *Screw* (for Channel 4) were well advanced at the balance sheet date. The production activity associated with *Criminal Record* has been funded directly by Apple throughout the process however due to the scale and direction of the production activity relative to other ongoing projects, the impact on the balance sheet is a material increase in both programme production work in progress and contract liabilities, which broadly offset. 2023 will be a breakthrough year for the division with revenue of £50m+ for commissions secured for delivery already confirmed, significantly ahead of our target to quadruple revenues to £40m by the end of 2023. The division generated operating profit of £1.4m (2021: adjusted operating profit of £1.3m).

Adjusted profit before tax was £24.1m (2021: £23.6m) after charging finance costs of £1.6m (2021: £1.5m). These comprised interest on the Group's borrowings of £1.1m (2021: £1.2m) with the balance being non-cash costs in relation to the Group's lease liabilities. These adjusted results are before finance costs in relation to the Group's legacy defined benefit pension schemes and exceptional items. The prior year includes High-End Television (HETV) tax credits receivable. Statutory profit for the year was £17.3m, a decrease of £2.1m on 2021 (£19.4m) and mainly driven by an increase in deferred tax charged. A full reconciliation of statutory to adjusted performance measures can be found in note 27 to the financial statements.

Costs – inflation and mitigation

Like many businesses across the UK, 2022 has seen an inflationary backdrop with the main areas of impact for the Group being salaries and energy costs. The direct impact on 2022 has been limited for the reasons set down below; the extent to which 2023 is impacted will depend on commodity prices and broader market conditions and our ability to mitigate.

As far as salary inflation is concerned, the Group operates a salary year in line with its financial year, and so the principal salary inflation awards will be effective from 1 January (2023) rather than impacting 2022. That said, as explained in the principal risk identified in relation to recruitment and retention of staff (see page 40), there is high demand for both Studios and Digital staff at present which is having the effect of increasing both freelancer and permanent salaries. As far as we can, we seek to mitigate these increases through other savings.

Finance review

For the year ended 31 December 2022

From 1 January 2023, the Group awarded an average pay award of 5.5% across all employees. This was structured as a fixed award of £2,000 for each eligible individual, thereby providing the greatest support to those team members on the lowest salaries and for whom the currently high cost of living is most difficult.

On energy, the Group benefitted from fixed rate contracts for gas throughout the year, and for electricity to 30 September. While higher costs were incurred over Q4 2022, these were mitigated in part by the relief introduced by the UK Government. That relief is expected to be removed from 1 April 2023 and so costs beyond that point will be driven by commodity prices alone. The Group's fixed rate agreement for gas is in place until Q1 2024.

We do not anticipate being able to offset all inflationary cost increases in 2023, particularly in a recessionary environment. However, the Group is undertaking a detailed exercise to identify savings and other efficiencies with the intention of offsetting as much as possible, without impacting the medium to long term health and success of the business.

Cash flow and net cash

The Group has in place a 3-year £60m revolving credit facility, with £20m accordion, that has been extended to March 2026 through the exercise of two 1-year extension options. The key financial covenants under this facility are leverage (the ratio of net debt to Adjusted EBITDA) and interest cover, which must be less than 3 times and more than 4 times respectively.

At the balance sheet date the Group had net debt of £15.1m compared to a small net funds position of £0.3m at the start of the year. This position reflects the unwinding of the working capital cash inflow in 2021, and the short-term requirements of a growing Studios business. In addition, we invested £0.9m in Mighty Productions in Q1 2022 and have provided a £3.0m production financing facility to Two Cities (of which £2.4m was drawn in the year) to support the production of *Blue Lights* for the BBC. This production financing facility matures in the first half of 2023. The Group's operating cash conversion was 45% in the year (2021: 161%). Given the extent of the reversal of working capital in the current year, it's more relevant to look through the short term timing differences and consider both years taken together – on this basis, operating cash conversion was 98%.

At the end of the year, the Group's leverage was 0.5 times (2021: nil) and interest cover was 42.8 times (2021: 49.4 times), both metrics well within the covenant limits.

Movement in net debt

	£m
1 January 2022 – net cash	**0.3**
EBITDA	30.1
Working capital incl. leases	(21.2)
Share based payments	0.8
Capital expenditure	(3.9)
Interest and corporation tax	(0.9)
Defined benefit pension schemes	(11.9)
Production finance to associates	(2.4)
Investment in associates	(0.9)
Dividends paid	(5.1)
31 December 2022 – net debt	**(15.1)**

Update on £30m investment plan

Since we announced our investment plan in March 2021, we have invested £17.9m across capital equipment, investments in Studios, and operating expenditure in Digital and Studios (principally across creative and digital development, and third party content and marketing for STV Player). Of this total investment to date, £8.5m was invested in 2021 and £9.4m in 2022. We are on track to invest in line with our plan by the end of 2023, although continuously review investment decisions based on alternatives available, the current climate, and anticipated returns.

Non-statutory measures

This Annual Report includes both statutory and non-statutory (or adjusted) performance measures, the latter intended to exclude significant, non-recurring items from the results for a period, and enable the users of the financial statements to compare performance across financial years on a like for like basis. 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.

In calculating the adjusted measures of operating profit, profit before tax and EPS, the Group excludes exceptional items (as well as the tax charge or credit on those amounts), and IAS 19 finance costs, and reflects High-End Television (HETV) tax credits as contributions to operating costs.

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. HETV tax credits receivable relate to premium programme production activity. These items are included to reflect performance in a consistent manner and in line with how the business is managed on a day-to-day basis. IAS 19 finance costs are excluded from non-statutory measures as they are non-cash items that relate to historic defined benefit pension schemes.

Exceptional items

In early December 2022, STV broadened its contractual arrangements with ITV to secure exclusive rights in Scotland to original, premiere content for STV Player. The agreement also saw STV appoint ITV as its exclusive agent for national VOD sales. Pre-tax exceptional costs of £0.5m were incurred, principally relating to redundancy costs associated with the outsourcing of VOD sales, as well as legal costs associated with agreeing the binding Heads of Terms (HoT). The Group has agreed to further cash payments that are expected to be incurred in 2023, estimated at c.£3.0m, which relate to various fees agreed in principle under the HoT and further legal costs to agree Long Form Agreements.

Corporation tax

A total tax charge of £4.9m has been recognised in the year (2021: £0.7m). This comprises a tax charge on profits before adjusting items of £5.0m (2021: £2.9m), a tax credit on exceptional items of £0.1m (2021: £0.3m) and £nil credited for HETV tax credits (2021: £1.9m).

The total tax charge of £4.9m on profit before tax of £22.2m represents an effective tax rate (ETR) of 22.1%. The ETR in 2021 was much lower at 3.5%, driven by the HETV tax credit receivable and an increase in the rate that deferred tax was measured at. The tax charge on profits for the year is greater than the standard rate of tax due to deferred tax charged in relation to defined benefit obligations. The Group paid £1.0m in corporation tax (2021: paid £1.2m) which was offset by £1.2m received in regard to HETV tax credits accrued in the prior year with the balance of £0.5m received post year end.

Earnings per share (EPS)

Adjusted EPS (before exceptional items and excluding IAS19 interest) at 42.3p was down 7% on the prior year and on a statutory basis EPS was down 4.4p to 38.3p. The reduction in EPS under both measures is a result of the deferred tax charge incurred in relation to the defined benefit obligations. The deficit on the Group's defined benefit pension schemes has significantly reduced year on year which also results in a reduction in the related deferred tax asset, part of which drives a deferred tax charge in the Consolidated Income Statement. A reconciliation of statutory to adjusted EPS is included in note 9 to the financial statements.

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 IAS 19 accounting deficit across both schemes was £63.1m at the end of the year (2021: £79.4m). The decrease in the liability is primarily driven by an increase in discount rates over the period due to the increase in corporate bond yields and payment of deficit funding contributions.

Dividends

The Board is recommending a final dividend of 7.4p per share resulting in a total dividend of 11.3p for the year, an increase of 3% on 2021. If approved at the Annual General Meeting on 27 April 2023, the final cash dividend will be paid on 26 May 2023 to shareholders on the register as at 14 April 2023.

Lindsay Dixon
Chief Financial Officer

Risk management

STV operates in a rapidly evolving environment where effective risk management is fundamental to the achievement of our strategic objectives.

The Board determines its appetite for risk across several key risk areas and determines the relative level of risk that the Group is prepared to accept in the pursuit of these strategic objectives. A risk management framework is in place which underpins our approach for the identification, assessment, and management of risks, and for their continual monitoring and review. This is formally documented in the form of a Group risk management policy, which also provides clarity for where the responsibility for risk management sits within our governance structures. This policy is shared with all colleagues at STV and is a key building block of the culture of risk management that has been embedded throughout the organisation.

Responsibility for risk

The key roles and responsibilities for risk management comprise three layers. Each role within the Group is well-defined with clear responsibilities and a transparent reporting structure. The first line of defence is comprised mainly of our divisional management teams and central function heads who are responsible for identifying and managing risk as part of their accountability for achieving strategic objectives. Taken together, they have the necessary knowledge, skills, information and authority to operate the relevant policies and procedures of risk control and ensure compliance with Group policies and standards throughout their division/function. This is underpinned by an understanding of the Company, its objectives, the environment in which it operates, and the risks it faces.

Our second line of defence comprises the range of functions that oversee and/or specialise in compliance and management of risk, including Group Finance, IT, HR, Compliance, Legal, and specialist teams in relation to cyber security, GDPR and regulatory compliance. These functions report directly to members of the Management Board which has overall responsibility for managing the Group to ensure it meets its strategic objectives. The second line of defence provides the policies, frameworks, tools, techniques, and support to enable risk and compliance to be managed in the first line, conducts monitoring to assess how effectively it is being carried out, and helps ensure consistency of definitions and measurement of risk.

The third line of defence comprises internal audit, the principal function providing independent assurance to the Group. Sitting outside the risk management processes of the first two lines of defence, its main roles are to ensure that the first two lines are operating effectively and advise on how they could be improved. The internal audit plan is set by the Audit & Risk Committee and provides an evaluation of the effectiveness of governance, risk management and internal control. A full description of the scope of internal audit in 2022 and engagement with the Audit & Risk Committee is given in the Report of the Audit & Risk Committee on pages 68 to 71.

The Audit & Risk Committee reviews the Company's internal financial controls and internal control and risk management systems annually, as delegated by the Board, and reports to the Board on how it has discharged its responsibilities. The Board undertakes an annual review of the Risk Appetite Statement, which is then shared across the organisation and forms a key part of the risk management process.

Risk assessment process

STV's approach to risk management combines a top-down strategic view supported by a bottom-up operational risk review.

The strategic view, led by the Board, involves an assessment of the external environment in which the Group operates to evaluate both the current and emerging risks the Group faces in pursuit of its strategic objectives, and to reflect on any changes required to those risks previously identified as principal risks. Through its annual agenda of activities, the Board undertakes a robust assessment of new and emerging risks, which includes the following: (i) detailed discussion with each of the divisional management teams as to the risks surrounding operational matters and achievement of longer-term goals and objectives; (ii) review and consideration of wider trends beyond the Company's market sector, supported by insights from third parties (horizon scanning); (iii) annual update from the Company's pension advisers on evolving practice and regulation in relation to defined benefit pension schemes; (iv) regular legal and regulatory reports from in-house Legal and Compliance teams; and (v) engagement with brokers, the internal and external auditors, and other advisers as appropriate.

The bottom-up approach, led by the divisional and central function management teams, involves the identification, management and monitoring of risks in their respective area of the business on a continual basis and is formally documented in a risk register. The Group operates individual risk registers for each of its operating divisions, the central functions/corporate matters, climate-related matters, and cyber.

For each risk identified, standardised grading is used to support the measurement of impact and likelihood, which together provide a quantitative view of the gross risk. This scoring matrix, which considers risk by reference to both quantitative financial and qualitative attributes and the probability of occurrence, allows for comparability and consistency of risk measurement across the Group. Risks are then re-assessed based on the strength and effectiveness of existing mitigating controls and an appropriate risk response is determined in line with the Group's risk appetite. Each risk is assigned to a risk owner who is responsible for ensuring associated mitigating controls are operating effectively and for monitoring that the net risk continues to be within the tolerance levels of the Board-agreed risk appetite.

Risk registers are live documents and are continuously reviewed and updated as appropriate. Divisional registers are formally tabled for discussion at divisional board meetings at least quarterly. Central function risk registers are reviewed by the Head of the associated central function at least quarterly. Risks deemed to be the most significant in the context of their potential to impact achievement of the Group's strategy are reflected in the Group risk register and reported to the Board.

The Group risk register is a combination of operational and emerging risks identified through the divisional and central function risk registers and new and emerging strategic risks identified by the Board through its annual horizon scanning exercise and ongoing evaluation of the external environment that the Group operates in (as described above).

The Audit & Risk Committee has delegated authority from the Board to review the effectiveness of the Group's risk management and internal control systems, which it does at least annually. It performs an annual assessment of the effectiveness of the risk management and internal control frameworks through review of the Group risk management policy and how it has been implemented during the year, and evaluation of reports from the internal and external auditors and reports to the Board on the outcome of the work performed.

Overview
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Risk governance structure

Board
- Sets strategic objectives
- Evaluates and monitors identified principal risks and uncertainties, including potential impact on achieving agreed strategic objectives
- Horizon scan for emerging principal risks
- Determines risk management policy, including risk appetite

Audit & Risk Committee
- Evaluates and monitors key risks (those on the Group risk register), including potential impact on achieving agreed strategic objectives
- Advises the Board on principal risks and mitigations
- Sets internal audit plan to gain independent assurance over the effectiveness of key risks and mitigations
- Reviews internal audit reports and management responses to identified action points
- Details of the reviews undertaken by the Audit & Risk Committee during the year are disclosed in the Governance section of this report on pages 69 to 70

Management Board
- Reviews divisional and central function risk registers quarterly and documents the most significant risks in the Group risk register
- Considers whether there are any other risks that need to be captured in the risk registers
- Challenges risk scoring and effectiveness of controls and monitors compliance with risk appetite thresholds
- Bi-annual reporting on principal risks and related mitigations to the Audit & Risk Committee
- Regular reporting on implementation of action points raised by internal audit

Internal audit
- Provides independent assurance on risk areas set out in the internal audit plan, to assess operating effectiveness of mitigating controls and suggest remediation activities

Divisional Board
- Identifies risks and associated controls specific to division
- Quantifies gross and net risk scoring and allocates a risk owner for continuous monitoring
- Reviews operating effectiveness of mitigating controls

Central and specialist functions
- Identifies risks and associated controls relating to central functions, cyber security, data security and compliance
- Quantifies gross and net risk scoring and allocates a risk owner for continuous monitoring
- Reviews operating effectiveness of mitigating controls

Risk management

Risk appetite

Appetite for risk is considered by the Board across several key risk areas that are business critical and could materially impact upon the Group's ability to achieve its strategic goals if a disproportionate level of risk to expected reward is taken. The Group uses four categories in determining risk appetite based on a quantitative measurement of likelihood and impact.

Key

Averse
Avoidance of risk and uncertainty is a key organisational objective.

Cautious
Preference for options that have a low degree of inherent risk and may only have limited potential for reward.

Open
Willing to consider all options and choose the one that is most likely to result in success while also proving an acceptable level of reward.

Actively seeking
Eager to pursue options that provide the greatest level of reward, despite the higher level of inherent risk.

These are applied across the following key categories:

Risk and opportunities

Averse **Cautious** **Open** **Actively seeking**

Reputation
Strength of brand is vitally important in the markets that STV operates in. The Group places great importance on upholding its reputation and therefore has a low appetite for risk in engaging in any activity that could lead to undue adverse publicity or could lead to a loss of confidence by the Scottish and UK political establishments, regulatory bodies or by its shareholders and other stakeholders.

Legal and Regulatory
The Group is a compliant organisation and will not tolerate breaches of regulations in pursuit of its objectives. Existing legal and compliance frameworks are rigorously respected and explicitly followed.

Information Security & Cyber
The Group has no tolerance for material cyber security incidents which impact our ability to operate as a business, damage our reputation or lead to financial penalties.

People & Culture
The inability to recruit, develop and retain talent with the appropriate skills, knowledge and experience would compromise our ability to deliver our strategic plans. The Group 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.

Returns & profitability
The Group 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 3 year plan period.

Liquidity
The Group is prepared to use leverage in pursuit of achieving its strategic objectives and will utilise the funds available to the Group from its revolving credit facility, subject to maintenance of significant headroom in the associated financial covenants and sufficient capacity to meet defined benefit pension obligations.

Strategic partnerships
The Group will actively pursue merger & acquisition, joint venture or other collaboration opportunities that are aligned with its strategic direction towards creating sustainable value, subject to meeting its investment criteria.

Technology & innovation
The Group will actively pursue opportunities to invest in its broadcast technology and development of its digital platform with a view to enhancing reliability and the viewer experience and maintaining relevance compared to other market participants.

Operational
The Group has a low appetite for taking risks that may lead to significant disruption of our operations. We seek to minimise the risks from unforeseen operational failures in our business but acknowledge that some are outwith our control.

Corporate sustainability
The Group considers the impact its operations have on the environment and actively pursues opportunities to reduce its carbon footprint in order to become a net zero carbon business by 2030. The Group has a low appetite to engage in any activities that could impact progress towards this strategic goal.

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 Board takes seriously its responsibility to ensure the systems and processes in place are robust, effective and take account of such risks, but acknowledges that they cannot eliminate all risks.

The risk management framework and underlying processes in operation throughout the year have been described in the Risk Management report on pages 34 to 36. These processes underpin the identification and assessment of principal risks as set down on the following pages.

The Directors confirm they have carried out a robust assessment of the Company's emerging and principal risks facing the Company and that 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.

Regulatory environment

Risk category: Legal and regulatory
Risk trend: No change
Link to strategy: Maximise Broadcast

Potential impact

STV's linear broadcast business is operated under Channel 3 licences that are regulated by Ofcom, and that 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. Separately from compliance, changes to policy and regulation or a failure by the UK government to regulate may have a negative impact on the future of our public service broadcast (PSB) licences, our business model and/or the cost of operations. PSB regulation needs reform to respond to changes in viewer behaviours and the increasing scale of digital media companies. The upcoming Media Bill may have a significant impact on our business model and operations, in particular in the event of a reluctance by government to intervene on key issues (such as fair value, prominence, and the influence of digital players). The Channel 3 licence renewal process has started and is running concurrently (although independently) with Ofcom's Public Service Media review.

How we manage it

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 across all relevant areas of the business, with regular staff training undertaken. 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. STV makes formal submissions to the Regulator in response to all open consultations to ensure matters of the most significance to the Group are presented to policy makers. We also collaborate with other organisations in our industry, where appropriate and where individual objectives are aligned. Specifically, during 2022 we made a submission to Ofcom in support of its s.229 report to the Department for Culture, Media and Sport Secretary of State; Ofcom's recommendation was to renew (without tender) the Channel 3 licences. While this is a positive development, we still await the Secretary of State's decision on the matter of licence renewal and there remains uncertainty around the progress of the Media Bill. Therefore we consider the risk trend to be the same as 2021.

Governance and oversight

The Broadcast board meets monthly and is chaired by Bobby Hain, MD of Broadcast. It is attended by both Executive Directors, the Group Commercial Director, Legal Director, HR and Communications Director, Company Secretary as well as representatives from News, Marketing and Finance. The regulatory landscape is a regular standing agenda item, with the licence renewal process currently discussed in detail at each meeting. Compliance reports are received by the Management Board at least twice a year, and the annual plan is approved by both the Data Security Group and the Management Board. The STV Board is provided with regular Legal and Regulatory updates as part of the CEO's report and includes updates on the licence renewal process. During the year, representatives from the Board and Management team participated in events in Westminster to ensure that matters surrounding the Media Bill and licence renewal were explained to decision-makers and influencers. This included the importance of regionalisation in discussions around prominence and fair value in the Media Bill.

Risk management

Market volatility and impact on advertising spend

Risk category: Returns and profitability
Risk trend: Increasing
Link to strategy: Maximise Broadcast/Drive Digital

Potential impact

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 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/or financial conditions.

The UK economy has been significantly impacted by macroeconomic factors in 2022 which has contributed to uncertainty and caution in the advertising market. The ongoing energy crisis and resulting inflationary pressures together with the volatility experienced in the advertising market has resulted in the risk trend being updated to increasing.

How we manage it

STV's national linear advertising is sold by ITV and the contract requires ITV, as agent, to maximise revenue through 'best endeavours'. ITV provide a weekly performance report, and regular meetings are held between the senior commercial management from both companies to understand current forecasts, trends, and other related matters.

In December 2022, STV broadened its contractual arrangements with ITV that included outsourcing national VOD sales for STV Player to ITV with STV retaining responsibility for selling regional VOD and digital sponsorship. STV's regional Scottish advertising (for both linear and VOD) is sold by a separate, 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. Our clients are already aware of the benefits of advertising on STV and we have an array of marketing and advertising opportunities across STV and STV Player to help existing and new businesses reach Scottish consumers and grow their business, including the STV Growth Fund and STV Self Service.

Governance and oversight

Weekly advertising revenue reports, by category, are circulated to the Management Board, highlighting movements in forecast, key market/customer changes and other relevant information. There is a full discussion and challenge at each Broadcast board meeting when STV's Commercial Director provides a report on national and regional sales and the general outlook for the market. VOD revenue sales, and related impressions delivered, are reported to the Digital board. Both the CEO and the CFO report on the advertising market in their respective reports at each Board meeting with the latter providing rolling forecast information on each of national, regional and VOD revenues. Detailed analysis and narrative was shared with the Board at its November and December meetings as the Group's 3 year strategic plan and 2023 Budget were discussed and approved.

Reliance on ITV

Risk category: Returns and profitability
Risk trend: No change
Link to strategy: Maximise Broadcast/Drive Digital

Potential impact

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 linear and VOD advertising sales agent is a significant factor that affects the financial performance of the Group. Appointing ITV as sales agent for VOD advertising aligns STV with a significant market player with considerable scale and reach, in a market that is increasingly mature and seeing new entrants in the form of the global streamers as they develop their AVOD propositions. The risk trend has been assessed to be the same year on year as reliance on ITV in this fast-evolving market is considered to lower STV's overall returns and profitability risk associated with VOD advertising, particularly at this point in ITV's own growth trajectory for its digital business.

How we manage it

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. There are increasing touchpoints across both digital businesses as well with the expansion of the arrangements between the two companies in relation to digital content.

Contracts are in place for all network functions performed by ITV with agreed consultation processes for any changes to arrangements. Binding Heads of Terms were agreed in December 2022 in relation to the new arrangements in place from 1 January 2023.

Regular dialogue includes formal quarterly ITV Council meetings with minutes provided to Ofcom. Regarding 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 contractual profit protection for STV in relation to national linear sales whereby STV's contribution to the national programme budget is pegged to national advertising revenues, with the cost only increasing in the same proportion as any increase in revenues.

Governance and oversight

The Managing Director of Broadcast and the CEO attend the ITV/ STV Council, along with other members of the senior management team. At these meetings programme strategy and performance is discussed as well as relevant regulatory issues, marketing plans and operational issues relating to the relationship between the two. The CEO provides a comprehensive report to the Board at each meeting which covers all aspects of STV's relationship with ITV, including meetings held and issues discussed.

Changing viewing habits

Risk category: Returns and profitability
Risk trend: Increasing
Link to strategy: Maximise Broadcast/Drive Digital

Potential impact

Previously, television was broadcast to a mass audience through a small number of channels and followed a set schedule. However, advances in technology and improved connectivity have resulted in viewers being able to access content through VOD services. Recent evidence suggests that it isn't the volume of videos available to watch, rather it's a platform having a 'big show' that attracts viewers (and therefore will attract advertisers). There is a risk to STV of reducing viewing and advertising revenue as a result if it doesn't have the right content to service its audience, and that doesn't continue to adapt to reflect changing patterns. This risk has been assessed as increasing in response to the pace of digital transformation and demand for content.

How we manage it

STV delivers strong audience performance both in linear and digital, and the shift to digital viewing is a focus for both the Broadcast and Digital teams. The strategy of the digital business is to provide viewers with the opportunity to decide what they want to watch, and where and when they want to watch it. STV Player is building strong connections with its growing audience by adding new high quality content – both network and acquired – and considerable investment was made during 2022. This will be enhanced going forward with the recent deal with ITV through which it secured exclusive, original content in extended preview windows for STV Player in Scotland. The new content from various third party providers is intended to give the Player a strong combination of 'big shows' with 'big names' that will attract new and existing users, that is supplemented by a strong library of other content. Our rewards programme, STV Player VIP, enables us to build even stronger connections with our audience.

Governance and oversight

Consumer insights are discussed at each Board meeting with detailed information on the schedule performance provided including percentage viewing share, the year on year change in this and the year on year changes in audience volumes. Twice each year, the senior leadership team has presentations from a third party on viewing trends, and at least annually representatives from the same third party provide an update to the Board – this Board presentation took place in June in 2022. At the Broadcast and Digital divisional board meetings audience and viewing figures for both linear television and VOD services are discussed. This matter is also discussed with ITV at the ITV/STV Council meetings.

Cyber attack or data breach incident

Risk category: Information security and cyber
Risk trend: Increasing
Link to strategy: Maximise Broadcast/Drive Digital/
Build world class Studios

Potential impact

Cyber risk commonly refers to any risk of financial loss, disruption to operations 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 systems, a loss of financial assets through fraud, or a disruption that prevents efficient running of our operations. Cyber attacks are becoming increasingly sophisticated, with several significant breaches reported by reputable large businesses in the UK over recent months. Accordingly, this risk has been assessed as increasing.

How we manage it

We have in place a data and cyber security risk management framework, including disaster recovery and business continuity plans, with relevant aspects led by the Data Security Group, Cyber Security Group and the Group's Compliance Manager. Our framework combines a number of technical measures, designed to both prevent and detect incidents, as well as a range of policies for staff to follow, and an on-going programme of training to ensure awareness of Group practices and emerging risks. The policies in place cover 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 to ensure the level of protection is maintained and that any necessary remediation work is highlighted and can be actioned. We also have an on-going programme of hardware and software upgrades to ensure current security protections are in place, and the business is able to operate efficiently. Several cyber related risk management activities were carried out in 2022, including a detailed internal audit review designed to test the reliance of our data and cyber security risk management framework. Fault Injection Testing/Chaos Engineering is carried out on a periodic, unannounced basis by the Digital team to ensure that recovery protocols and controls operate effectively and as intended.

Governance and oversight

Monthly meetings and on-going schedules of activity of both the Data Security Group and the Cyber Security Group, with regular reporting to the Audit & Risk Committee. Review and challenge of capital and other major projects by divisional boards, supplemented by reporting on disaster recovery tests and chaos engineering in Digital. Regular reports to the Board on major projects, internal controls, and risk management, supplemented by reports from the Chair of the Audit & Risk Committee on work undertaken in relation to the reliance of STV's data and cyber security risk management framework.

Risk management

Defined benefit pensions scheme shortfalls resulting in increasing employer contributions

Risk category: Liquidity
Risk trend: No change
Link to strategy: Maximise Broadcast/Drive Digital/Build world class Studios

Potential impact

The STV defined benefit pension schemes' investment strategy is aimed at reducing any market movement impacts. However, it is possible that a macroeconomic change could impact the value of scheme investments and liabilities and increase the deficit, requiring the Group to increase its contributions. In the current environment, a significant increase in gilt yields is having a positive effect on DB pension scheme deficits in general. However, the schemes remain subject to risks associated with future regulatory change.

How we manage it

STV is invited to attend all Investment Sub-Committee meetings, and also certain agenda items of the Actuarial/Valuation Sub-Committee and the full Trustee Board. This meeting participation is supplemented by certain papers being shared with STV, specifically on performance of the scheme's investments and hedging reports, which enable an on-going and active dialogue in relation to the investment portfolio. Following agreement on the 2020 triennial valuation, a Memorandum of Understanding between STV and the Trustees was put in place, which sets out each other's commitment to working together towards agreement (and delivery) of a long term journey plan.

Governance and oversight

Managing STV's defined benefit pension schemes has been identified as a key risk for several years and is discussed regularly by the Board. During the course of 2022, the CFO presented a number of updates to the Board in relation to pensions, covering topics that included investment performance and the impact on hedging and funding levels of the increases in gilt yields in Q3 2022, and the Funding Code proposals. This work was supplemented by a detailed paper, presented to the Board in October by the Company's pension advisers, LCP, which covered an overview of the Group's schemes, changes in the regulatory landscape, and their potential impact on STV.

Recruitment and retention of people

Risk category: People and culture
Risk trend: Increasing
Link to strategy: Maximise Broadcast/Drive Digital/Build world class Studios

Potential impact

The market for talent is highly competitive, particularly in the Studios and Digital businesses where demand for the best creative and development people is much higher than the current levels of supply. Recruiting and retaining the best individuals with these skills is vital to STV successfully growing these key businesses. The cost of hiring staff is also increasing and there is added pressure on securing diversity through the recruitment process to attain STV's diversity targets. Furthermore, in the current inflationary climate, salary inflation is at higher levels and there is therefore heightened risk to retention if the Company's salary proposals are not deemed appropriate against the increased cost of living.

How we manage it

Having a clear strategic direction provides an attractive backdrop to working at STV and the HR team ensures that all employees receive at least the market rate in terms of compensation. Salaries are regularly reviewed and there are a wide range of benefits available to employees. Hybrid working arrangements mean there is no longer a requirement for employees to be permanently office based so the pool of available candidates for roles, particularly in the Digital division, has increased.

In the current climate, the Group has sought to focus on employee wellbeing in the widest sense and has broadened the benefits available to its people, as well as making a number of additional payments in order to support them with the increased cost of living.

Governance and oversight

Succession planning and talent management are discussed regularly at both the Board and Nomination Committee meetings as well as at the Studios and Digital divisional board meetings. The salary negotiation process is discussed in detail with Board, with the Board paying particular attention to the suite of benefits available to teams in the current climate.

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.

The period taken into consideration for this year's viability assessment is three years, consistent with that applied previously, as the Directors continue to deem this the most appropriate time frame for assessing the Group's longer-term viability. This decision reflects 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 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 deficit recovery contributions to its defined benefit pension schemes, which are dependent on funding 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 2023 to 31 December 2025.

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 2023-2025 Strategic Plan which was prepared over Q4 2022 and approved by the Board in December 2022. 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. They reflect the current economic environment and management's best estimate of the likely duration and impact of the cost of living crisis and macroeconomic uncertainty, including the inflationary environment and current low levels of consumer confidence, as well as mitigating actions that are available.

In assessing the viability of the business, the Board considered several factors that may have a material impact over the period covered by its assessment, principally falling under the risks of 'Market volatility and advertising spend' and 'Changing viewing habits'. Consideration was given to the extent to which the advertising market in particular would be likely to underperform against the assumptions in the baseline Strategic Plan. The main factors identified 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, or the forecast level of growth requires incremental investment over and above that assumed in the Strategic Plan; and
c) The projected momentum in programme commissions and therefore revenue and gross margin 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 focussed on a range of potential scenarios in which there was a compounding effect from all potential risks 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 limits. The Board reflected on its relatively recent experiences in 2020 when considering severe but plausible outcomes, given advertising revenue declines during that time (driven by the Covid-19 pandemic and resultant lockdowns) were the most significant seen by the business in its history.

The severe downside scenario modelled assumed a combination of (i) significant reductions in linear advertising revenues over a 12 month period with a relatively slow return to more normal levels; (ii) lower levels of VOD revenue and Digital profitability driven by wider market conditions and higher costs of content and marketing than planned; and (iii) a reduction in anticipated commissions within Studios, particularly in the drama genre and from global streamers. Even in these extreme circumstances, the Group would remain within its banking facility (without exercising the £20m accordion facility) 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.

Taskforce on Climate-related Financial Disclosure (TCFD) report

Compliance Statement

As required by Listing Rule 9.8.6(8)R, this report sets out how we have responded to the four recommendations, and 11 supporting recommended disclosures, of the TCFD Framework and narrative disclosure has been provided on all aspects. This report constitutes our full disclosure in this area with no separate reporting provided elsewhere, either on our corporate website or in other documents.

We have considered compliance with each of the four pillars in turn:

- Governance – this report provides disclosures consistent with both recommended disclosures under this pillar.
- Strategy – our reporting is consistent with recommended disclosures a) and b). Our robust assessment of climate-related risks and opportunities has concluded they are immaterial and so we have not performed scenario analysis. We have included details of the process undertaken to reach this conclusion and therefore consider this report is also consistent with recommended disclosure c).
- Risk Management – this report provides disclosures consistent with each recommended disclosure under this pillar.
- Metrics and Targets – we have again applied our assessment of materiality to the recommended disclosures under this pillar. We have disclosed Scope 1 and Scope 2 greenhouse (GHG) emissions, and we have included certain Scope 3 GHG emissions (where data can be reliably sourced). Furthermore, we have set targets for reductions in Scope 1 and Scope 2 GHG emissions and have shared these in the report. These emission disclosures are included in our Streamlined Energy and Carbon Reporting (SECR) report, which forms part of this TCFD report. We consider that, against the backdrop of climate-related risks and opportunities being assessed as immaterial, we have presented disclosures consistent with the framework in this pillar.

The balance of this report provides the detailed narrative in support of our assertion of compliance with each of the recommended disclosures of the framework.

Introduction

Through *STV Zero*, our sustainability strategy, we are committed to mitigating STV's environmental impact and improving the long-term sustainability of all aspects of our business in response to the climate crisis. The transition to becoming a net zero carbon business by 2030 will require some changes in the way we operate, which will be achieved through delivery of the framework of targets set out in our strategy, building incrementally each year from now until then. There are also potential opportunities for the business to support advertisers promoting sustainable goods and services and to connect with our audiences and support them to make more sustainable choices.

Following on from the initial work undertaken during 2021, we have continually reassessed the potential risks and opportunities that the climate crisis presents to the business, and used this to refine our assessment of actual and potential financial impacts arising from climate change.

This assessment forms the basis of disclosures against the TCFD framework and, as we progress towards our goal of net zero by 2030, we will continue to refine our analysis and develop our disclosures in future.

Governance

The Company's governance structure in relation to climate-related matters is set out below. This structure identifies the key responsibilities at all levels in the organisation and clarifies accountability for governance. This structure has been reviewed by the Board during the year and is considered to be appropriate and operating effectively.

During the year, the Group's internal auditors (KPMG) undertook an audit of the governance and risk management processes in place in relation to climate-related matters.

No high priority findings were identified; a number of recommendations were suggested to formalise and enhance existing practices and these are being implemented by the management team. Follow up reporting will be shared with the Audit & Risk Committee during 2023.

In providing its annual approval of the sustainability governance structure, the Board has again considered its own expertise and experience in this area. This self-evaluation was supported by the externally facilitated Board effectiveness review (see page 65). Directors are comfortable that there is sufficient experience among existing members for the short to medium term. Notwithstanding this, further consideration will be given to this through the normal succession planning undertaken for Non-Executive Directors, against an evolving landscape.

STV: Sustainability governance structure

PLC Board
Responsible for:

- Ensuring the effective delivery of *STV Zero* targets
- Reviewing key climate-related risks and opportunities and overseeing mitigation strategies as part of the regular review of principal and emerging risks
- Considering sustainability as part of stakeholder engagement
- (Remuneration Committee) Setting sustainability-related targets in executive incentive arrangements

Audit & Risk Committee
Responsible for:

- Supporting the Board in its responsibilities for sustainability, including:
  - Overseeing compliance with, and progress on, sustainability reporting
  - Overseeing the Company's environmental data and its accuracy and completeness, the Company's annual sustainability targets, and the governance and planned roadmap to enable the targets to be achieved
  - Ensuring sufficient, appropriate assurance is obtained in relation to sustainability reporting

Management Board
Responsible for:

- Identifying all climate-related risks and opportunities and developing appropriate mitigation strategies
- Reviewing and monitoring climate-related risks on a bi-annual basis as part of routine risk reviews and establishing effective mitigation and controls to manage them
- Ensuring appropriate action is being taken to achieve the *STV Zero* strategy, through review of quarterly reporting on climate-related issues, including metrics and targets

Divisional Boards
Responsible for:

- Monitoring divisional progress against divisional emissions reduction plans
- Studios and Broadcast – tracking Project albert carbon action plans to ensure achievement of accreditation for all STV-produced programming

Sustainability Group
Responsible for:

- Promoting and championing sustainable behaviours across the Group

The Board has received three reports from management over the course of 2022 covering a wide range of matters in relation to sustainability, including (i) progress against operational targets set for 2022 that underpin the ultimate goal of being a net zero carbon business by 2030; (ii) the Group's governance structure; and (iii) horizon scanning for emerging risks and reassessment of previously identified climate-related risks and opportunities. As part of the Board's wider review of the Group's risk management framework and related processes, a revised Group Risk Management Policy was approved which was supplemented by a Risk Impact Heat Map. The heat map is designed to enable consistent measurement of the impact and likelihood of potential identified risks across a series of financial and non-financial criteria. One such criteria is 'Health & Safety and Corporate Sustainability', which has been added during the year to reflect the importance of climate-related impacts in wider decision-making and risk assessment.

The revised risk management policy and related documentation has been circulated across the business and training has been provided to the senior leaders in each division to ensure consistency of messaging and approach.

More broadly across the organisation, managers have sustainability targets incorporated into their personal objectives for bonus purposes. The Remuneration Committee is responsible for approving the objectives of the Executive Directors, on which an element of variable pay is dependent. On a quarterly basis, and as part of routine risk reviews, managers are responsible for assessing and managing climate-related risks and opportunities within their business area. Additionally, managers are responsible for ensuring appropriate action is being taken to deliver the *STV Zero* strategy as it relates to their business and areas within their control. Reports on sustainability related issues, including progress against targets, have been delivered and discussed at divisional board meetings, and at meetings of the Management Board.

The STV Sustainability Group comprises representatives from every business area who are responsible for promoting and championing sustainable behaviours across the Company and participating in the development and implementation of sustainability initiatives. Its members have played an important role as ambassadors for *STV Zero* as this has been introduced to the business.

Strategy

We have revisited and refreshed our assessment of climate-related risks and opportunities during the year with the Board, the Management Board and at each of the Divisional Boards. Consistent with our previous conclusions, we determined that none of the risks identified gave rise to any material financial or non-financial exposures to the Group. Furthermore, the process concluded that none of the risks represent a significant threat to the Company's strategy and growth plan, its cash generation, long-term viability, or ability to operate. In this context, we defined 'materiality' as an impact on the business that limited our ability to carry out our operations, and/or required a change to our business model, and/or had a significant impact on our liquidity thereby limiting our ability to invest or meet our obligations.

Although the TCFD Framework only requires disclosure of actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning where those impacts are material, we have provided some detail behind the process we undertook, and the main risks and opportunities identified. As our risk impact assessment has not identified any material impacts, we have not undertaken modelling of climate-related scenarios to assess the resilience of the Group's strategy. However, we made an SME submission to Science based Targets Initiative (SBTi) during the year and received confirmation from them that our sustainability strategy was consistent with the goals of the Paris Agreement.

In terms of the risk assessment, transition and physical risks were considered – transition risks being those that arise from transition to a low carbon economy, and physical risks being those that arise from the physical impacts of a changing climate. In carrying out this assessment, we considered three time periods: the short term to the end of the current financial year, 2023; the medium terms, through 2024 and 2025; and the long terms, from 2026 to 2030. These time periods were considered relevant in the context of the Company's business planning cycle; investment plan; and its strategy to transition to a net zero carbon business by 2030.

The most significant – but not material – potential climate-related risks identified were (with the relevant area of the business and anticipated time period indicated in brackets):

- Failure to embed sustainability in the culture of the business (Company-wide and short term).
- Failure to achieve Project albert accreditation which could impact the ability of STV Studios to secure new commissions (STV Studios and medium term).
- Failure to deliver our sustainability targets which could impact the attractiveness of the Company's investment proposition (Company-wide and medium term).

There were no significant risks identified in the long-term.

Opportunities were identified in the short and medium term to attract advertisers wishing to promote the sustainability of their products and services, as evidenced through the positive experience of attracting new advertising clients since the launch of the STV Green Fund. Using STV's position as a trusted Public Service Broadcaster to promote sustainable lifestyles and behaviours presents an opportunity for audience engagement.

Alongside our assessment of climate-related risks and opportunities, we have undertaken an exercise to understand the related actual and potential financial impacts on our business. This is continually reassessed to ensure it reflects emerging risks and opportunities, and the wider markets in which we operate. Our conclusion remains that there is no significant financial impact in terms of operating costs, capital investment or balance sheet valuations arising from the risks and actions required to achieve the headline sustainability target of becoming net zero by 2030. Details behind this assessment are set out below:

- Maintaining carbon neutrality was driven by several actions, the most individually significant of which were switching (in 2021) to renewable electricity in our sites where we have control of the electricity supply contracts (97% of total usage) and reducing levels of business travel (in 2022 we reduced CO_2 emissions from business travel by almost 70% using 2019 as a baseline). The cost of carbon offset credits in 2022 was minimal.
- We have reviewed our property, plant and equipment (PPE) to identify any items that are impaired as a result of changes to the way we work to reflect transition to a more environmentally sustainable operation. Most of our PPE is broadcast technical infrastructure, other items of IT infrastructure in support of STV Player and core support functions (email, networks, etc.), and multi-media kits used by our journalists and news operation. There have been no impairment charges identified through this review.
- In March 2021, we set out a £30m investment programme over 3 years to accelerate growth in our Digital and Studios businesses. In Digital, this investment focuses on the licencing of third party content for STV Player, and marketing thereof, and further development of the STV Player user

Taskforce on Climate-related Financial Disclosure (TCFD) report

interface. In Studios, it is placing more creative bets either through enhancing our in-house development teams or continuing to invest in external creative labels. The nature of this investment has not changed as a result of our work to achieve our *STV Zero* targets and priorities, nor has there been any impact on the capital available to invest. We do not anticipate any change to the priority we attach to each area of investment.

- It is possible that certain costs of operation may increase as we transition to lower carbon operations, for example heat, light and power, and insurance. The current high energy prices are UK-wide and not climate-related. We do not expect any future climate-related impact to be material, and there may be opportunity to offset any cost impacts through additional advertising revenue from brands seeking to promote the sustainability of their products and services.
- We continue to engage with the trustees of the Group's defined benefit pension schemes to understand their approach to the climate crisis from an investment perspective. Based on discussions to date we have not identified any significant risks or incremental costs to the Group but continue engagement with them as they develop their thinking and look to implement potential actions in this area.
- Lenders and equity investors are placing increasing significance and importance on our sustainability credentials, and we actively engage with them on *STV Zero* and our targets. We anticipate that, at some point in the future, lenders may seek to embed climate-related clauses in our facility agreement and thereby directly link the cost of funds with successful delivery of our sustainability targets. Our current debt facility, with a 3-year term, was agreed in March 2021 and has no such linkage. We have recently exercised the second of our one-year extension options with no climate-related conditions being applied – the facility now extends to March 2026.

Risk management

Following the Board's approval of the revised Group Risk Management Policy and Risk Appetite Statement, the identification, assessment and management of climate-related risks has been further embedded into the Company's risk management and internal control processes and now forms part of the routine risk reviews and Board reporting in place across the Group. It has been enhanced by the development of a Risk Impact Heat Map which includes a specific criteria for sustainability risks to ensure they are considered and measured in a way consistent with other identified risks across the Group.

Detailed reporting on the Group's risk management framework has been included in the Risk Management report on pages 34 to 40.

The Management Board is actively engaged in climate-related risk management activities, with regular discussions on the status of achievement of targets (including scope 3 GHG reduction targets for business travel, and achieving Project albert certification for all programming produced by STV Studios and the Broadcast division) and identification of follow-up actions required. Divisional action plans were developed to drive accountability for making the changes necessary to achieve our short-term and long-term targets, and to ensure we are managing the potential impact of climate-related risks and opportunities in a timely and effective manner.

Each divisional action plan has specific targets that relate to the activities of the division. Designed to increase focus on adopting new ways of working to reduce the Company's carbon impact, targets include training and sustainability awareness; measurement of business travel; and incorporating a carbon calculation into production processes.

In 2022, the Group commissioned a flood risk assessment at the main offices in Pacific Quay, Glasgow, which is on the banks of the River Clyde, as part of the renewal process for its Group insurance programme. Flood modelling undertaken determined that a 1-in-200 year event of flood waters reaching 1m would have limited impact on the building due to the level of the interiors being further above the external ground level. Flood levels of 1.5m would need to be reached for the building's defences to be breached, which is the equivalent of a 1-in-1000 year event.

Metrics and targets

The fourth pillar of the TCFD Framework requires disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where they are material, except for Scope 1 and Scope 2 GHG emissions which should be reported regardless of materiality. Although the disclosure of Scope 3 GHG emissions is subject to materiality, there is general encouragement to disclose them where relevant.

The Group's Streamlined Energy and Carbon Reporting (SECR) is included below and on page 45. This shows the Group's Scope 1 and Scope 2 GHG emissions for the current and prior year. In addition, this year we have included disclosure of Scope 3 GHG emissions for three of the 15 categories and we have set carbon emission reduction targets for Scope 1 and Scope 2 emissions for the period to 2025. All reporting in this area is included in the SECR statement.

The Group achieved carbon neutrality for the first time in 2021 and has achieved this again in 2022.

Our energy usage target to obtain 100% of electrical energy from renewable sources directly procured by the Company by 2022 was achieved and confirmed in last year's TCFD report. Our current contract for gas concludes in Q1 2024. We had intended to transition to renewable gas before this date, but other areas have since been identified where our carbon emissions can be more meaningfully reduced, and from a financial perspective we concluded that it did not make sense to exit fixed rate contracts early in the current inflationary environment.

The metrics and targets that we use to assess our progress towards achieving carbon net zero are targets aimed at reducing our carbon impact in the five key areas identified in *STV Zero*: energy consumption; waste reduction; programme making; promoting sustainability using STV's reach; and achieving a sustainable supply chain. In turn, these targets will only be achieved if we successfully embed a sustainability culture into the business.

We have included an update on the *STV Zero* targets that we set ourselves for 2022 in our Social Impact statement on pages 47 to 54, along with an overview of the new targets we are working towards in 2023.

Streamlined Energy and Carbon Reporting (SECR) – based on data for year ended 31 December 2022

In line with the GHG Protocol Corporate Standard, the Company's SECR is based on the disclosure of emissions from operations over which it has direct financial and operational control. As the Company is registered in the UK with no operations overseas, all emissions derive from UK-based activities. These Scope 1 and Scope 2 emissions are set out in the table below.

A dual reporting approach to the emissions associated with the Company's grid electricity consumption (Scope 2) has been used to disclose both a location-based and market-based figure.

During 2022, we have continued to monitor Scope 3 emissions and have performed an initial assessment of the relevance of each of the 15 Scope 3 emissions categories to the business.

This concluded that there were 6 categories not applicable to STV, namely downstream transportation and distribution (cat 9), processing of sold products (cat 10), use of sold products (cat 11), end of life treatment of sold products (cat 12), franchises (cat 14) and investments (cat 15). We also undertook detailed work on the collection and analysis of data in relation to three categories of Scope 3 emissions, which we have reported for the first time in this annual report. These categories are: fuel and energy related activities (cat 3); waste generated in operations (cat 5); and business travel (cat 6). We will continue to develop our data collection and analysis processes over 2023 as they relate to Scope 3 emissions and intend to extend our reporting to include categories 4 and 7 from 2023 (upstream transportation and distribution, and employee commuting).

During 2022, we continued to focus on our programming being certified by the industry-wide albert scheme. For the first time, all our STV News output produced by STV Central Limited and STV North Limited were certified. In addition, 79% of UK-produced programmes delivered by STV Studios were albert certified in 2022.

Scope 1 emissions reduced by 16% during the year, and combined Scope 1 and Scope 2 emissions also decreased by 16%, on a market-based approach, as a result of the delivery of a range of efficiency measures and sustainability improvements. These included the completion of installation of LED lighting in the Company's Head Office in Glasgow and the final phase of the roll-out of upgraded technology for all employees, which included improved meeting technology to support a hybrid working model. Light sensors and timers were reset at our Head Office to better match working hours across the office and thereby reduce energy consumption, and we implemented new processes in relation to our boilers to better align activity to occupation of the building.

The table below shows our Scope 1, Scope 2 and certain categories of Scope 3 emissions for 2022 and 2021.

Scope		Description	Unit	2022	2021
1		Emissions from gas, refrigerants and owned vehicles	tCO_{2e}	345.83	411.88
			kWh	1,785,859	2,147,726
2	Location based	Electricity emissions using geographical location	tCO_{2e}	596.63	672.92
			kWh	3,085,247	3,169,218
	Market based	Electricity emissions using purchased electricity factor	tCO_{2e}	13.56	13.56
			kWh	3,085,247	3,169,218
1 & 2	Location based	Electricity emissions using geographical location	tCO_{2e}	942.45	1,084.80
			kWh	4,871,107	5,316,945
	Market based	Electricity emissions using purchased electricity factor	tCO_{2e}	359.39	425.44
			kWh	4,871,107	5,316,945
Total revenue			£m	137.8	144.5
Total Scope 1 & 2 intensity ratio (location based)			tCO_{2e} per £m	6.84	7.51
Total Scope 1 & 2 intensity ratio (market based)			tCO_{2e} per £m	2.61	2.94
3		Fuel and energy related activities	tCO_{2e}	260.61	329.56
		Waste generated in operations	tCO_{2e}	1.57	1.41
		Business travel	tCO_{2e}	110.89	115.80
Total scope 1, 2 and 3 (market based)			tCO_{2e}	732.46	872.21

Methodology
The methodology used to calculate 2022 emissions is the GHG Protocol Corporate Standard. In addition, the 2019 HM Government Environmental Reporting Guidelines: Including SECR guidance and the 2021 UK Government's Conversion Factors for Company Reporting have been used.

For Scope 2 emissions, the only estimated emissions data is for electrical energy consumed in the Group's office premises in Inverness and London (actual data has been used for the offices in Dundee for the first time in 2022). The estimated consumption is based on the square footage of these locations which is used for the same purpose as our other office premises. This amounts to 1.25% of our total Scope 1 and Scope 2 emissions.

For Scope 3 emissions, waste data has been collected from our Head Office in Glasgow and our storage unit at a separate site, also in Glasgow. This represents waste generated by 83% of staff in the Group.

Emissions targets
As part of our continued drive to become a net zero carbon business by 2030, this year we have set medium term targets, to 2025, for carbon emission reductions across Scope 1 and Scope 2. We have used a baseline of emissions in 2019 to set targets against and, in 2022 achieved a reduction across both Scope 1 and Scope 2 taken together of 70% (equivalent to more than 800 tCO_{2e}). Most of this reduction has been driven by the business transitioning to renewable energy, which has now been achieved at all offices where we control supply. Our target to the end of 2025 is to reduce our emissions across Scope 1 and Scope 2 by a further 24 tCO_{2e}, taken together. This would be the equivalent of a 72% reduction on 2019 levels. The methodology underpinning these forecasts is consistent with those described above in relation to reporting actual emissions for 2022 and 2021.

Non-financial information statement

The table below sets out where stakeholders can find information in our Strategic Report that relates to non-financial matters detailed under section 414CB of the Companies Act 2006.

Reporting requirement	Some of our relevant policies which govern our approach	Where to read more in this Report about our impact, including the principal risks relating to these matters	Pages
Environmental matters	• *STV Zero* • Sustainability Strategy	• Social impact • TCFD report • Risk management • Stakeholder engagement – S.172	47 to 54 42 to 45 34 to 40 12 to 13
Employees	• Equity, Diversity and Inclusion Policy • Flexible Working Policy • Business Ethics Policy • Respect & Dignity at Work • Health & Safety Policy • Carers Policy • Maternity Policy • Menopause Policy • Parental Leave & Policy • Transitioning at Work Policy • Adoption Policy	• Social impact • Risk management • Governance	47 to 54 34 to 40 55 to 90
Human rights	• Modern Slavery Statement • Data Protection Policy • Supplier Payment Policy • Information Security Policies • Social Media Policy	• Operating reviews • Stakeholder engagement – S.172 • Social impact	14 to 29 12 to 13 47 to 54
Social matters	• Diversity and Inclusion Strategy • Drivers Manual	• Stakeholder engagement – S.172 • Social impact • Governance	12 to 13 47 to 54 55 to 90
Anti-bribery and corruption	• Business Ethics Policy (includes Anti-bribery) • Whistleblowing Policy • Gifts and hospitality policy • Share Dealing Code	• Risk management • Governance	34 to 40 55 to 90
Business model		• Business model	10 to 11
Non-financial KPIs		• Social impact	47 to 54
Principal risks		• Risk management	34 to 40

Social impact

Social Impact

Introduction

As Scotland's Public Service Broadcaster we occupy a privileged place in the lives of our viewers and have an opportunity not just to entertain, inform and engage but also to use our platform as a force for good in society. Our social impact strategy spans engagement with our commercial partners, community fundraising, sustainability, diversity and inclusion, and mental health and wellbeing.

Over the past decade we have raised more than £30m for children affected by poverty in Scotland through the STV Children's Appeal; *STV Zero*, our sustainability strategy, is our roadmap to becoming a net zero carbon business by 2030, and our diversity and inclusion strategy ensures we provide equality of opportunity to every colleague and represent everyone who is part of our audience on-screen.

We also remain an important partner to the business community across Scotland, with our £30m STV Growth Fund supporting an ever-increasing number of SMEs and, importantly, championing those businesses promoting sustainable and inclusive practices.

Our people

The creativity and talent of our people are the key determinant of our commercial success and the greatest asset of the business.

Our aim is to provide an inclusive culture where everyone has the opportunity to engage and have their voice heard, be treated fairly and be supported to grow professionally and deliver to their fullest potential.

Supporting colleagues to adapt to new ways of working to enable greater flexibility in all aspects of their working lives has been a priority in 2022. This support has ranged from changes to internal communications and engagement activities, management guidance to ensure teams are effectively supported in a hybrid environment to embrace changes to technology and the physical work environment and ensuring appropriate focus on roles that cannot be undertaken on a hybrid basis.

Rewarding our people

Reward and remuneration are determined with reference to the market and with the aim of attracting and retaining the best talent. A company-wide grading structure, benchmarked against a UK-wide peer group through our participation in Willis Towers Watson's annual media remuneration survey, provides transparency and ensures reward and benefits are market competitive.

The coinciding of a range of external factors have influenced our approach to reward in 2022. These included a dynamic labour market, rebounding from the low levels of activity during the pandemic; high demand for skills in our growth areas, particularly digital and television production; and the macroeconomic situation during 2022, generating increases to the cost of living and wage inflation.

We have responded through a range of measures designed to support colleagues in managing the challenges of increases to the cost of living. In early 2022, an across-the-board salary increase of 3% was awarded to all colleagues. Additionally, in recognition of the exceptional effort and contribution from colleagues in delivery of 2021 performance, a one-off all-employee share award with a face value of £1,000 was awarded and this vested in full in March 2022. Colleagues also received a one-off cash bonus of £500 at the close of 2021.

→ The creativity and talent of our people are the key determinant of STV's commercial success and our greatest asset.

→→ A priority for 2022 has been to support colleagues to adapt to new ways of working to enable greater flexibility in all aspects of their working lives.

Social impact

As the cost of living continued to increase a further cash payment of £500 was made to approximately two-thirds of colleagues in July 2022. These awards (cash payments and the share award) delivered total incremental support in a range from £1,500 (to all colleagues) to £2,000 (to two-thirds of colleagues).

In January 2023, an across-the-board salary increase of £2,000 was awarded to all colleagues, irrespective of the level of seniority or role. This approach ensures that the increase to our salary budget is focussed primarily on supporting our lowest paid colleagues, with over two thirds receiving increases of at least 5% with an increase of almost 10% to those on the lowest salaries.

This award was combined with a benchmarking review of the salary and grading structure to ensure competitiveness with the wider market. This process highlighted the significant demand driven pressures influencing salary levels of roles in areas with skills shortages, including digital and software development, production roles in STV Studios and STV News, and editorial roles in STV News.

Through this review, 20% of colleagues received an increase to base salary in excess of £2,000. Overall, the average of these additional salary increases, received by one-fifth of colleagues, was 12.8%.

Involvement in the Company's performance outcomes and providing opportunities to share in success are aims of the reward strategy. An all-colleague bonus plan, linked to exceeding key financial targets, will be introduced for 2023. A further Save As You Earn scheme was granted in 2022 promoting share ownership and a savings opportunity. Currently 38% of colleagues participate in a SAYE scheme.

Wellbeing and support

Our wellbeing programme, *Wellbeing from STV*, has evolved during 2022 with an increased focus on physical wellbeing as colleagues returned to the workplace. The measures taken to support financial wellbeing have also been a key part of our approach to support our people in a holistic way.

CheckIn, our performance management process, has been refreshed placing increased importance on taking time out to talk about wellbeing and support, as well as setting clear objectives to measure performance and delivery.

CheckIn performance management process

Looking to 2023, we will maintain the current focus on supporting financial wellbeing and introduce new measures designed to improve physical health and wellbeing. Making *Wellbeing from STV* inclusive and accessible to all colleagues is a key aim. Currently, freelance colleagues have access to the Company's employee assistance programme (EAP) and occupational health resources and we will continue to extend our wellbeing activities to introduce specific measures to support the distinct characteristics of freelance working.

Engaging with our people

Our internal communications channels keep colleagues updated and support them in establishing connections across the business.

Our daily e-newsletter is read by over 80% of colleagues. Daily News provides information and snapshots of activities from across the business including programme releases; performance stats; progress on *STV Zero* targets and priorities; D&I updates; corporate developments; social events and regular industry updates.

A weekly town hall update is hosted by the CEO and regularly attended by over 50% of colleagues. Introduced during the pandemic to bring colleagues together, the Minute Live has continued as people have returned to office working, providing an opportunity to hear from colleagues across the business.

Recent employee opinion surveys focussed on obtaining feedback from colleagues to assess how they were adjusting to new ways of working and measuring wellbeing. *Have Your Say* is open to all colleagues, including freelancers, and in addition to focusing on specific topics, is used to track engagement on an ongoing basis. Surveys conducted in 2022 maintained high response rates of over 80%.

Connections between the Board and colleagues across the business are supported through Senior Independent Director's role as 'Employee Director'. The Engagement Forum comprises colleagues from every area and location of the Company and meets with the Employee Director on a quarterly basis to hear updates from the Board and to provide feedback for the Board to assess. The Employee Director has also undertaken a programme of site visits across all the Group's offices.

Diversity and inclusion

Our strategy successfully enables us to build a more inclusive culture, increase the diversity of our business and improve representation and introduce new voices on screen.

Progress continues to be made against our stretching targets and during 2023 we will set out new commitments and targets for 2024 and beyond.

Through our five strategic priorities we are driving change towards achievement of our targets set for the end of 2023.

Increase diversity at all levels of the organisation	Build diverse talent networks	Create an inclusive culture	Produce representative and accessible programme and advertising content	Develop partnerships to improve inclusion across the industry

Recruitment and culture

We continue to build our talent networks, increase the range of recruitment platforms and re-advertise positions if a shortlist does not include candidates from under-represented groups. During 2022, 60% of new recruits were female; 26% were ethnically diverse; 13% were disabled and 16% identified as LGBTQ+.

The STV Digital Accelerator Programme was launched in early 2022 to increase gender diversity at senior levels in STEM related roles. To date, four members of our Digital team have completed the programme.

We also continue to focus on establishing diverse future talent pools at entry level and work with an expanding network of partners including BE-United, WFTV, ShareMyTellyJob and Bectu's Take Two programme, to support recruitment of females and entrants from ethnically diverse backgrounds.

Industry conversion programmes, supporting females to roles traditionally undertaken by males, have been successful with a number of trainees embarking on careers in the TV industry from sectors as wide ranging as the construction industry (into props trainee roles), customer service (into production roles) and jewellery making (into trainee costume roles).

Our successful bursary programme delivered in partnership with the Royal Television Society is now in its fourth year with over 30 scholars at various stages of a degree course currently receiving a bursary for the duration of their studies. We supported the Breaking Barriers programme for a second year. Run by Enable Scotland and the University of Strathclyde, young Scots with learning disabilities are provided with the opportunity to gain a qualification and industry insights to improve their employability prospects.

Creating an inclusive culture

A continuing programme of training – Creating Inclusive Cultures – was delivered by the Company's D&I Advisor, Femi Otitoju, building on learnings from previous programmes and supporting improved cultural competence and confidence for colleagues. Additionally, bespoke training sessions exploring the importance of lived experience in production for STV Studios and representation and portrayal of modern Scottish society in STV News were designed to support a deepening of cultural competence, and provide colleagues with confidence in managing diversity and inclusion issues specific to operational requirements.

In 2023, a training programme to support the launch of the Company's transitioning policy, provide guidance for managers to support colleagues experiencing menopause and support for colleagues who are neuro divergent will form part of an ongoing programme of equal opportunities training.

On-screen: Representation, portrayal and accessibility

Ensuring our audience is reflected and effectively portrayed in our content is supported by targets to achieve gender balance and increase the number of contributors from ethnically diverse backgrounds in our news and current affairs programming.

These targets were met on *STV News at Six* (a 50:50 gender balance and 9% ethnic diversity against a target of 8%). On *Scotland Tonight* the target for gender balance was achieved and a higher target of 12% of contributors from an ethnically diverse background was only narrowly missed (11% achieved).

Developing a diverse contributor network through STV Expert Voices

Over 700 people have participated in STV Expert Voices receiving media training and networking opportunities and 10% have subsequently appeared on-screen as contributors in our news and current affairs programming.

Five sessions were delivered in 2022, with three focussed on improving gender balance and increasing the number of ethnically diverse contributors on STV News and *Scotland Tonight*, and two targeted at people identifying as disabled.

Continued expansion of this network will be achieved through a new target to reach 1,000 people by the end of 2023 and the launch of a contributor database to enable the STV News team to deepen connections across with our 'expert voices'.

Social impact

STV Inclusion Fund

Launched to recognise and reward Scottish businesses committed to diversity and inclusion, the STV Inclusion Fund makes awards of gifted airtime and provides support with advertising campaign development. The latest round of funding, released in late 2022, will provide the opportunity for four winning small and medium sized businesses to enter a competitive pitch process and secure an advertising campaign on STV.

Our partners: Working with partners and stakeholders to increase inclusion across the industry

We continue to work with a network of partners and industry stakeholders to support the ongoing development of the inclusion strategy, support representation of diverse talent across the TV industry and create inclusive working environments.

Ofcom suspended their annual industry reporting process in 2022 to undertake a consultation to determine future monitoring requirements. Although there was no formal obligation to disclose diversity data, STV, along with seven industry peers made a voluntary disclosure to maintain data monitoring processes and support wider data gathering across the industry.

Our targets for 2023

	Workforce: Our people	On screen contributors: Our audiences			
		STV News at Six	**News only**	**Sport only**	***Scotland Tonight***
Gender	50:50 balance across top 25% of roles by earnings and a balanced gender profile across the rest of the organisation	50:50	50:50	50:50	50:50
Ethnically diverse	8% of colleagues based in Scotland 33% of colleagues based in London	8%	8%	8%	12%
Disability	12% of all colleagues	Target to be confirmed following a review of existing representation levels. Through STV Expert Voices we are working to broaden our network of contributors to increase representation of people with disabilities across news and current affairs output.			
LGBTQ+	4% of all colleagues	No target set			

Our network of peer groups are empowered to effect positive change across the business.

Represent – The Black + Ethnically Diverse Network
A.A.A – The Access All Areas Network
Balance – The Gender Equality Network
Flex – The Family Network
Pride – The LGBTQ+ Network

→ Expert Voices won the Diversity Star Performer accolade at the Herald Diversity Awards in 2022.

→→ Colleagues came together for a Company-wide celebration of their collective achievements.

Gender pay profile

Understanding our profile

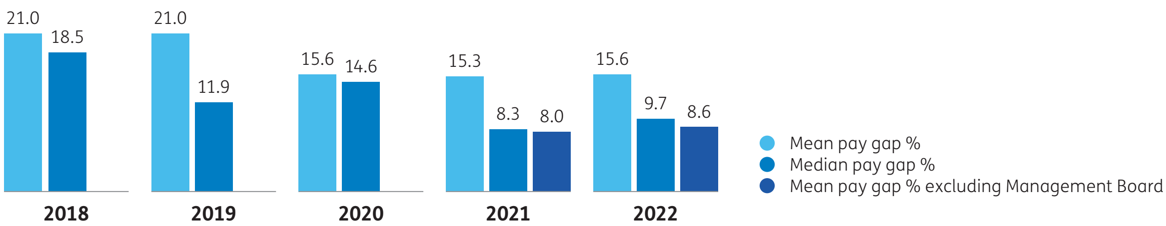
Across the Company, there is a balanced gender profile of 51% women and 49% men. To address the mean gender pay gap, which arises as a result of a higher proportion of men than women in senior roles, we continue to make progress towards our target to achieve gender balance across the top 25% of roles as defined by earnings by 2023. 44% of these roles are held by women, compared with 30% in 2017 when we first started to report on the gender pay gap. At Board level (plc and Management Board), 33% of roles are held by women.

Across all roles, the mean gender pay gap is 15.6%. This has remained broadly level year on year, but has reduced by 31.5% during the five years since 2017 when reporting began. In the upper pay quartile the mean pay gap is 14.1%, however, if the Management Board are removed from the calculation, this reduces to just 2.3%. Across all other roles (75%), the mean pay gap is 3.6%, down from 5.7% in 2021 demonstrating the importance of achieving gender balance in roles in the upper earnings quartile, the target set for the end of 2023.

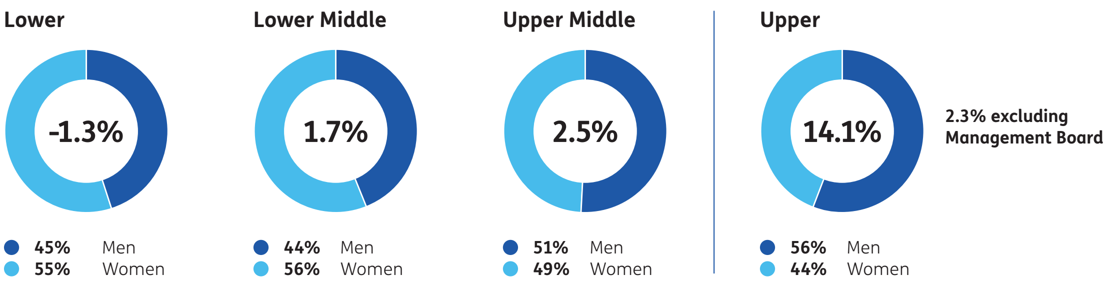
The median gender pay gap, which reflects the difference in the midpoints of the hourly rates of pay for men and women has a higher level of volatility on the snapshot reporting date, however, in the five year period since the first report in 2017, there has been a reduction of 44% in our median gender pay gap, from 17.3% to 9.7%.

The positive impact of measures implemented to support women to progress through the organisation into senior roles continues. These measures include succession planning, to assess and strengthen our talent pipeline, and targeted career development and talent acceleration programmes. In 2022, 64% of promotions were secured by women.

Closing the gender pay gap



Gender balance and pay gap by pay quartile 2022



The mean gender pay gap is 3.6% across 75% of all roles (2021: 5.7%).

Gender bonus gap 2022

Relates to bonuses paid over the period April 2021-March 2022

50.5%
mean
2021: 66%

0%
median
2021: 80%

People receiving a bonus 2022

Relates to bonuses paid over the period April 2021-March 2022

93%
men receiving bonus pay
2021: 14%

95%
women receiving bonus pay
2021: 14%

Gender bonus pay gap

Gender bonus pay gap reporting is prone to volatility when making year on year comparisons due to a number of factors that impact bonus payments, including the variable timing of payment of bonuses from one year to the next. In the case of our 2022 gender pay report, the reduction in the mean and median bonus pay gap year on year is due to discretionary bonus payments made in December 2021 which resulted in all colleagues receiving a bonus payment. Excluding the Management Board, the mean and median 2022 gender bonus gap figures were 19.1% and 0% respectively.

Social impact

Sustainability

Our journey to become a net zero carbon business by the end of this decade is firmly underway. 2022 has seen sustained progress with significant milestones reached, key targets delivered and new commitments introduced.

Delivering on our commitments – progress in 2022

Target	Progress
Implement governance framework and continue to increase disclosure and transparency	• Science Based Target Initiative* (SBTi) approval of our targets validating the *STV Zero* strategy • Reporting aligned with the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) • Sustainability governance framework embedded
Embed sustainability into the business	• Introduction of divisional action plans to integrate sustainability into all areas of the business • Sustainability targets included in all management incentive plans • Albert certification achieved on all programming produced by STV News, including *Scotland Tonight*, and on 79% of UK-produced programming by STV Studios
Reduce energy consumption	• Target to halve business travel exceeded (against pre-pandemic levels) • Completion of installation of energy efficiency measures designed to reflect new patterns of office occupancy arising from hybrid working
Waste reduction	• Waste management audit undertaken and waste reduction targets to be introduced in 2023 • 100% of waste recycled at locations under the Company's control** • Target to reduce consumption of office paper by half exceeded (62% reduction year on year)
Promote sustainability on-screen using STV's reach	• Special feature programming to commemorate first anniversary of COP26 • Promotional airtime behaviour change campaign on-air in Q4 • Increase in sustainability and climate-related editorial in STV News content
Achieve a sustainable supply chain by 2030	• Participation in the Carbon Disclosure Project's (CDP) annual environmental disclosure and scoring process • Audit of largest value suppliers (85% of supplier base by value)
Our culture	• Commercial creative team completion of 'Ad Net Zero Essential' training • On-boarding training in sustainability for all new joiners

* Application approved in accordance with the SBTi's streamlined target-setting route for small and medium-sized companies.
** Pacific Quay, Aberdeen, Balmore storage site.

Increasing disclosure and transparency

Official validation by the Science Based Targets Initiative (SBTi) that the targets underpinning *STV Zero* are consistent with the goals of the Paris Agreement was confirmed in late 2022. This external recognition of the efficacy of our strategy is a key benchmark for our investors and other stakeholders and provides a platform to extend our ambitions further, setting additional stretching targets to achieve our commitment to become a net zero carbon business by 2030. In addition to emission reduction targets for Scope 1 and Scope 2 emissions, targets to reduce Scope 3 emissions will also be defined.

A sustainable supply chain by 2030

Working with our suppliers to reduce carbon emissions across our supply chain is a long-term target. In 2022 we participated in the Carbon Disclosure Project (CDP) benchmarking STV against companies globally and providing an independent assessment of our approach. The findings of this process will be used to inform our next phase action planning and target setting, particularly in relation to our supply chain and emissions reduction targets, in 2023 and beyond.

Supply chain focussed activity also included an audit of our top 30 suppliers (representing 85% of invoices by value). The introduction of sustainability criteria for existing suppliers in H1 2023 will support further collaboration across our supply chain.

Encouraging sustainable lifestyle choices

We are continuing to use the combination of the unrivalled reach of STV's marketing platform in Scotland and our close and trusted connection with local communities to inform and encourage behavioural change to more sustainable lifestyle choices. The anniversary of COP26 was marked on-screen with a climate focussed edition of *Scotland Tonight* in peak time in addition to special feature digital content on STV News. A successful airtime promo campaign – *Small Changes Big Difference* – also ran over this period. A second series of *Sean's Scotland* was produced using newly developed commissioning processes designed to incorporate sustainability themes, and is a good example of us using the reach of STV to influence audience behaviour and promote climate action. The series featured local people involved in community-based projects across Scotland, all of whom are addressing the impacts of climate change and enhancing the natural environment. In 2023 a dedicated sustainability series has been commissioned in addition to the continued coverage of climate and sustainability stories in STV News and *Scotland Tonight*.

To support a continued editorial focus on sustainability within STV News, a content tracking system will be introduced in H1 2023.

Business travel halved

Our energy reduction strategy includes a target to address one of the most significant contributors of carbon emissions in the Company – business travel. This has created an area for action that many colleagues can participate in as part of a collective effort to reduce emissions. Initially this target was set for achievement by the end of 2025, however, in a bid to accelerate progress and in recognition of the opportunity presented by new ways of working, this was brought forward and has been achieved in 2022.

Sustainable productions

Achieving Project albert certification for all programming produced by STV News, including current affairs programme *Scotland Tonight*, and 79% of UK-produced programmes from STV Studios has embedded sustainability into all aspects of programme making, driving change in work processes and the way we produce our great content.

Working in partnership with Ad Net Zero, our teams involved in commercial production and promotions have also incorporated carbon impact calculation into their processes and will introduce the Ad Green Carbon Calculator from 2023, providing a baseline to measure carbon reduction in these activities towards a goal of net zero.

Towards net zero by 2030

Looking ahead to 2023 and beyond, we have set further targets to maintain momentum. This will include the introduction of emissions reduction targets for Scope 1 and Scope 2 greenhouse gas emissions (market based). From a baseline of 2019 (consistent with the target set to reduce business travel), the aim will be to achieve a reduction of 72% by 2025. Additionally, the development of systems to record Scope 3 emissions relating to employee commuting and upstream transportation i.e. use of courier services, will continue.

Our partners

Target setting 2023 and beyond – towards net zero by 2030

Target	Progress	Timescale for delivery: 2023 target	Timescale for delivery: 2024 and beyond
Continue to increase disclosure and transparency	• Continued review of sustainability-related risks through the Group's risk management framework	Ongoing activity to mitigate risk	
Sustainability at the heart of the business	• Introduce emissions reductions targets: – Scope 1 and Scope 2 on a market-based approach: Reduce by 72% by 2025 (from 2019 as base year) – Scope 3: Define emissions reduction target by end of 2023 • Introduce climate content tracker in STV News programming to measure coverage and provide baseline for introduction of target in 2024 • Achieve Project albert certification on 100% of UK-produced programming from STV Studios by end of 2023	n/a Ongoing Scope 3 data collection Introduction of data collection Ongoing carbon impact reduction to achieve 100% accreditation	Target set for end of 2025 Introduction of Scope 3 target Introduce content target
Reduce energy consumption	• Introduction of office temperature and lighting control measures in 2023 • Through membership of DIMPACT, undertake assessment of digital carbon impact	Implement programme of measures Data collection and analysis	Continued energy reduction including review of gas supply arrangements
Waste reduction	• Maintain 100% recycled waste at locations under the Company's control* in 2023	Continued waste reduction	Future waste reduction strategy to be identified
Using STV's reach to promote sustainability	• Delivery of dedicated sustainability series on STV during 2023 • Re-launch STV Green fund to enable promotion of sustainable goods and services	Ongoing development of content via STV and STV Player to educate and inform to influence positive lifestyle changes	
Achieve a sustainable supply chain by 2030	• Introduction of sustainability criteria for suppliers audited to date • Participate in Climate Disclosure Project (CDP) in 2023 • Continued collaboration across entire supplier base	Introduce in 2023 Participate in 2023 Ongoing from 2023 onwards	Extend to wider supplier base
Our culture	• 'Be an *STV Zero* hero' behaviour change campaign key theme of internal communications throughout 2023	Introduce from Q2 across the rest of year	Future campaigns to be developed to align with *STV Zero* strategic priorities

* Pacific Quay; Aberdeen; Balmore storage site.

Social impact

Contributing to our communities

STV Children's Appeal has worked hard over the year to support those most in need and help make a difference to the lives of children affected by poverty.

The cost-of-living crisis had an adverse effect on Scotland's most vulnerable children and young people and to help ease some of the financial burden on struggling families, Appeal-funded charities and groups have been supporting families through a focus on education, mental and physical health, training and development and capacity building.

In the first three months of 2022, STV Children's Appeal distributed £1.2 million in winter grants to over 220 charities and community groups across Scotland who used the funds to provide essential items such as food, fuel, clothing and shelter. A recipient of the emergency winter grant said:

"I was isolating and was running low on money, food, power and nappies for my baby – I was so upset and worried. When I called my key worker, she came to visit bringing food, milk and nappies and returned with my prepayment key topped up so we could keep ourselves warm. I'm told the funding came from the Appeal – thank you so much."

Fundraising activity

2022 was a busy year of fundraising activity. The Kiltwalk returned, with all four events in Glasgow, Aberdeen, Dundee and Edinburgh taking place in person for the first time since before the pandemic. Hundreds of people walked for the Appeal and raised £118,000.

In September, the STV Children's Appeal Football Tournament raised thousands for the Appeal thanks to the efforts of enthusiastic STV staff and supporters.

October saw STV presenters Sean Batty and Laura Boyd take on an intrepid Coast-to-Coast Challenge as they travelled between Oban to Dundee in an electric Tuk-Tuk, competing in challenges and meeting fundraising groups along the way who were raising money for the Appeal.

In addition, scores of dedicated individuals, partners, businesses, community groups and schools have undertaken their own fundraising events – without this support, the work of the Appeal simply could not happen. Longstanding partner Lidl raised over £111,000, with staff and customers taking part in a range of the fundraising events. Others joined in by hosting their own Big Scottish Breakfast, with events taking place across Scotland.

STV staff remain some of the biggest supporters of the Appeal. Fundraising is co-ordinated and supported by a Company-wide network of Appeal Ambassadors with staff getting involved in all fundraising events or getting creative and finding their own ways to boost donations. A number of STV daredevils even took part in a sponsored zip slide across the River Clyde. The final total raised by STV colleagues continues to be match-funded by STV to ensure even more children and young people can be helped.

Programming

As Scotland's commercial Public Service Broadcaster, STV is committed to using its platform as a force for good and throughout the year has shone a spotlight on the incredible work of a number of Appeal-supported charities including Youth Scotland, MCR Pathways and Calum's Cabin. Given the unrivalled reach of STV's broadcast channel and social media platforms, these charity spotlights have helped to raise awareness of projects across the country, provided them with a platform to demonstrate the difference they are making to children and families, and helped boost their support.

The fundraising year culminated with two key programmes in November. This year's documentary *Scotland's Stories: Let's Talk About Trauma* followed presenter Aidan Martin's journey from addict to activist and author as he visited Appeal charities doing incredible work to support children and young people.

A successful annual telefundraiser in November was hosted at Street Soccer in Dundee by TV personalities Lorraine Kelly and Sanjeev Kohli who confirmed the final total of £3.1m raised in 2022. *STV Children's Appeal Show 2022* featured a host of celebrities, young people and community heroes as well as powerful case studies of those affected by poverty, showing viewers at home why the work of the Appeal to tackle child poverty continues to be so crucial.

→ STV presenters Sean Batty and Laura Boyd on their Coast to Coast challenge.

→→ STV Children's Appeal's annual telefundraiser was hosted by TV personalities Lorraine Kelly and Sanjeev Kohli.

Introduction to governance

Paul Reynolds
Chairman

On behalf of the Board, I am pleased to present the Corporate Governance report for the financial year ended 31 December 2022.

The external headwinds we have faced this year in terms of the turbulent economic and political environment and the evolution of the media sector have been considerable. At these times it is more important than ever that STV maintains its commitment to the highest standards of corporate governance. It is essential for the effective delivery of our strategy and long-term sustainable business performance, generating value for shareholders, and contributing to wider society. Throughout this and other parts of the Annual Report, we aim to provide investors and other stakeholders with an insight into the governance activities which have supported our performance during the year.

The Board has spent significant time this year focussing on the delivery of our diversification strategy and underpinning business operations. As part of these discussions the Board has challenged the strategic priorities given the headwinds STV has faced; enhanced our risk management and internal control frameworks; advanced the *STV Zero* and Diversity and Inclusion strategies; supported continued development of colleague wellbeing programmes and further developed succession plans; and both directly engaged in and provided oversight of work undertaken by the STV team to maintain and enhance stakeholder relationships. The Directors believe that the Board is well placed to perform its stewardship role to ensure that the Company continues to deliver long-term sustainable success. We will continue to adapt our approach where necessary, to promote and safeguard the interests of the Company and its shareholders, and contribute to wider society in the future.

Board changes

Anne Marie Cannon, Independent Non-Executive Director and Chair of the Remuneration Committee, will be stepping down from the Board at the conclusion of the 2023 AGM. On behalf of the Board, I would like to extend my thanks to Anne Marie for the support, advice and challenge she has given to the role since joining the Board in November 2014 and wish her every success for the future.

A formal search was initiated in Q4 2022 and is underway to recruit Anne Marie's successor and we will announce an appointment in due course.

Board evaluation

This year, the annual evaluation of Board effectiveness was externally facilitated by Ceradas across December 2022 and January 2023. Formal feedback and reporting was provided to the Board in March 2023 and I am pleased to report it did not find any significant issues. Details are provided on page 65.

UK Corporate Governance Code and section 172 Reporting

This report demonstrates how we have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'Code') during the year. Our Code compliance statement can be found on page 60. Details of how the Board discharged its duty under section 172 of the Companies Act 2006 can be found on pages 12 and 13.

Looking ahead

As I note in my statement on pages 4 and 5, the long-term fundamentals of our businesses remain sound. Despite a challenging environment, we have delivered an overall strong financial performance during the year and our businesses have demonstrated that they are resilient. The Board is resolutely focussed on delivering our diversification strategy – in the best interests of our stakeholders.

Paul Reynolds
Chairman
7 March 2023

Board of Directors

As at 31 December 2022








Photos left to right

Paul Reynolds
Chairman

Simon Pitts
Chief Executive

Lindsay Dixon
Chief Financial Officer

Simon Miller
Senior Independent Director

Anne Marie Cannon
Non-Executive Director

David Bergg
Non-Executive Director

Ian Steele
Non-Executive Director

Aki Mandhar
Non-Executive Director

Paul Reynolds
Chairman

Appointed: February 2021
Committees: Nomination (Chair)

Paul has over 30 years international public-company experience as a chairman, 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 Chairman at Computershare (Australia) Ltd in Melbourne and a Non-Executive Director of Tosca IOM Ltd, the holding company of TalkTalk Telecom Group. He has held previous roles as Chairman of data analytics fintech, 9 Spokes Ltd and as Non-Executive Director at Eircom Ireland Limited, XConnect Global Networks Ltd and Japan-based telecommunications company, eAccess Ltd. Paul is Chairman of the STV Children's Appeal.

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. Lindsay qualified with Deloitte in 2002.

Anne Marie Cannon
Non-Executive Director

Appointed: November 2014
Committees: Audit & Risk; Remuneration (Chair)

Anne Marie has over 40 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, and a Non-Executive Director at the privately owned Aker Energy AS. In addition, she is a Senior Advisor in the Strategic Advisory business at PJT Partners. Anne Marie was formerly a Non-Executive Director of Harbour Energy plc. She 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); Nomination; Remuneration

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 three years. Ian is currently a Non-Executive Director of Continuum Advisory Partners and he was formerly Chairman of Iomart Group plc. Ian is a member of the Constitutional Panel of ICAS.

Simon Pitts
Chief Executive

Appointed: January 2018

Appointed to the Board in January 2018, Simon set out a growth strategy to transform STV into a digital streaming and IP-led media business. After a period of consistent growth, STV posted record financial results in 2021. Previously, Simon was on ITV's executive board as 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 strategic transformation under Archie Norman and Adam Crozier. Simon was 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 trustee of the STV Children's Appeal and of pre-school literary charity Oscar's Book Prize.

Simon Miller
Senior Independent Director

Appointed: December 2016
Committees: Audit & Risk; Nomination; Remuneration

Simon is an experienced non-executive director and chairman with exposure to a wide range of financial, commercial and manufacturing businesses. Simon is Chairman of Hampden & Co, private bankers, and Bankers Investment Trust. Simon was formerly Chairman of Blackrock Sustainable American Income Trust and 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.

David Bergg
Non-Executive Director

Appointed: May 2018
Committees: Audit & Risk; Remuneration

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 several 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 broadcast and programme production sectors in the UK and USA.

Aki Mandhar
Non-Executive Director

Appointed: February 2021

Aki has built a successful executive career across the advertising, marketing and digital media sectors and is General Manager, International of the sports media company, The Athletic, which was successfully acquired by The New York Times in 2022. Prior to joining The Athletic in early 2020 to establish the soccer arm of the business, 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.

Eileen Malcolmson
Company Secretary

Board of Directors

As at 31 December 2022

Board at a glance

Board and Committee composition and attendance at scheduled meetings from 1 January 2022 to 31 December 2022[1]

Board member	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Attendance:				
Paul Reynolds (Board Chairman)	8/8			3/3
Executive Directors				
Simon Pitts	8/8			
Lindsay Dixon	8/8			
Non-Executive Directors				
Simon Miller[2]	8/8	3/3	2/3	3/3
Anne Marie Cannon	8/8	3/3	3/3	
Ian Steele	8/8	3/3	3/3	3/3
David Bergg	8/8	3/3	3/3	
Aki Mandhar	8/8	3/3		

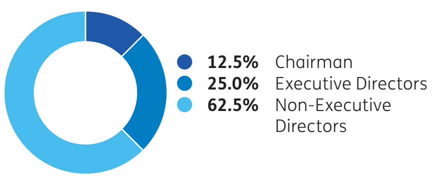
[1] Data is based on scheduled meetings from 1 January 2022 to 31 December 2022 only. Additional ad hoc meetings of the Board also took place during the year.
[2] Unable to attend a Remuneration Committee meeting due to unforeseen personal reasons.

STV's Board skills matrix

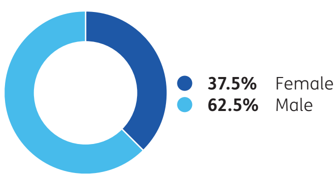
	Governance				Functional experience							Sectoral experience	Diversity	
Board member	Years on Board as at 31 December 2022	Board Committee membership	Board experience	Listed experience	Prior CEO/GM experience	Audit/financial reporting	Risk management	Technology/digital innovation	Customer/marketing	International	Regulation	Media	Gender	Ethnicity
Paul Reynolds (Chair)	1.8	N	✓	✓	✓			✓	✓	✓	✓			
Simon Pitts (CEO)	4.8			✓	✓			✓	✓	✓	✓	✓		
Lindsay Dixon (CFO)	3.5			✓		✓	✓			✓	✓	✓	✓	
Simon Miller (SID)	5.9	A, N, R	✓	✓	✓					✓	✓			
Aki Mandhar (NED)	1.9	A			✓			✓	✓			✓	✓	✓
David Bergg (NED)	4.5	A, R		✓						✓	✓	✓		
Ian Steele (NED)	7.0	A, N, R	✓	✓		✓	✓							
Anne Marie Cannon (NED)	8.0	A, R	✓	✓						✓	✓		✓	

A = Audit & Risk Committee; N = Nomination Committee; R = Remuneration Committee

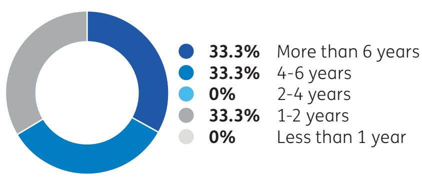
Board of Directors composition



Board diversity



Tenure of Non-Executive Directors and Chairman



STV Management Board









Photos left to right

Simon Pitts
Chief Executive

Lindsay Dixon
Chief Financial Officer

Helen Arnot
Legal Director

Suzanne Burns
HR and Communications Director

Bobby Hain
Managing Director, Broadcast

George Harris
Director of Operations and Delivery

David Mortimer
Managing Director, Studios

Peter Reilly
Commercial Director

Richard Williams
Managing Director, Digital

Corporate governance report

Compliance with the Code

STV and its Board of Directors are fully committed to upholding the highest standards of corporate governance as these are crucial to overall business integrity and performance. The Annual Report and Accounts for the year ended 31 December 2022 has been prepared in accordance with the provisions of the UK Corporate Governance Code 2018 (the 'Code'), available at www.frc.org.uk and the Board's view is that it has complied with all relevant provisions of the Code.

Responsibilities of the Board

The role of the Board is to provide effective and entrepreneurial leadership of the Group for the purposes of promoting long-term sustainable success, generating value for shareholders, and contributing to wider society. This requires the Board to take high-quality strategic decisions, promote the desired culture and ensure there is a robust system of internal controls and risk management whilst monitoring the financial and operational performance and overseeing performance against our ESG ambitions. The Board ensures that the necessary funding and talent are available to the business to meet its objectives and measure performance against them, and that effective succession planning arrangements, remuneration policies, governance arrangements and a framework of sound business ethics are in place.

The Board recognises that engaging with, and acting on the needs of, the Group's stakeholders is key to achieving the strategy and long-term objectives of the Company. Read more about how the Board engages with stakeholders and the Directors' statement of compliance with their duties under section 172 of the Companies Act 2006 on pages 12 and 13.

At the date of this report, the Board comprises the Chairman, two Executive Directors and five Independent Non-Executive Directors. The names of the Directors together with their biographies, including their skills and experience are on pages 56 to 58.

Board governance framework

Board of Directors
Responsible for the overall leadership of the Group.

Nomination Committee
Responsible for reviewing Board composition and diversity, proposing new Board appointments, and monitoring the Board's succession needs.

Remuneration Committee
Responsible for remuneration policy, performance linked pay schemes and share-based incentive plans. Determines the remuneration packages for Executive Directors and certain other senior Group employees and reviews workforce remuneration and related policies, including alignment with the Company's culture.

Audit & Risk Committee
Responsible for monitoring the integrity of the Group's financial reporting and disclosures, reviews the Group's risk management framework and internal controls, reviews the activities and performance of internal audit and the external auditor, and monitors the Group's whistleblowing procedure.

Chief Executive
Responsible for executing strategy and day-to-day management.

Management Board
Responsible for assisting the Chief Executive in discharging his responsibilities ensuring alignment on business priorities, investments and actions, supported by divisional boards for each of Broadcast, Digital and Studios.

Management committees
Underlying this governance framework, STV has established various committees and groups which focus on specific aspects of the Group's ESG practices including the Diversity and Inclusion Steering Committee and the Sustainability Group, each of which bring together colleagues from across the business to support the Management Board with execution of their day-to-day responsibilities.

The Board discharges some of its responsibilities directly and delegates others through the Board Governance Framework. This enables the Board to spend a greater proportion of its time on strategic, forward-looking matters.

The Board is supported by its Committees which make decisions and recommendations on matters delegated to them. The Board has three main committees, the Nomination Committee, Remuneration Committee and Audit & Risk Committee. The terms of reference for each Committee are available on the Group's website at www.stvplc.tv.

From time to time, the Board may also establish special purpose Committees to assist it in overseeing specific areas and usually such Committees operate only for a defined period – for instance, a Committee was constituted to support decision-making and analysis underpinning our recent partnership with ITV to secure original, exclusive, extended preview content for STV Player. Although a wide range of the Board's powers and authorities are delegated to the Executive Directors and Management Board, the Board retains ultimate responsibility and authority for their exercise.

The Board Governance framework facilitates responsive and effective decision-making, ensuring that the Board and its Committees, the Executives and Management Board are able to collaborate proactively, consider issues and respond.

The principal Committees of the Board, the Executives and Management Board are described in the Board Governance Framework diagram overleaf. Environment, Social and Governance (ESG) is a core part of our broader Group strategy and is therefore embedded into our Board Governance framework. Details of the ESG responsibilities of the Board and Committees, Management Board and Divisional Boards are detailed on page 42 of the TCFD report.

The division of responsibilities of the Directors

The Board comprises Executive and Non-Executive Directors, which ensures that no individual or small group of individuals dominates the Board's decision-making. All Non-Executive Directors, except for the Chair of the Board, are considered to be independent in character and judgement. The Chair of the Board was considered to be independent on appointment. The role of Chairman and Chief Executive are separate and have a clear division of responsibility that is set out in writing and approved by the Board.

The roles and responsibilities of Board members are detailed below and demonstrate a clear division between the roles and responsibilities of the Board and Executive management.

Chairman Leading the Board and ensuring its overall effectiveness in discharging its duties	Paul Reynolds leads the Board and is responsible for its overall effectiveness. He is expected to demonstrate objective judgement, to promote a culture of openness and constructive challenge and debate between all Directors and to promote high standards of corporate governance. The Chairman sets the Board's agenda and ensures the Board receive accurate, clear and timely information, and are given adequate time for discussion and debate. He also leads Board succession planning, ensures that Board induction, evaluation and development are a priority, and seeks to ensure effective communication with shareholders. The Chairman met regularly with the Senior Independent Director and Non-Executive Directors separately outside the formal meetings during the year. As Chairman, Paul also leads the Nomination Committee.
Chief Executive Leading the implementation of the Group's strategy set by the Board	The Chief Executive, Simon Pitts, has been delegated responsibility from the Board for the day-to-day running of the business and, supported by the Management Board, he is responsible for ensuring its effectiveness in managing the overall operations and resources of the Group and leading the implementation of the Group's strategy.
Executive Director – Chief Financial Officer Supporting the Chief Executive in the implementation of the Group's strategy set by the Board	The Chief Financial Officer, Lindsay Dixon, is an Executive Director and member of the Board as well as the Management Board and supports the Chief Executive by providing financial leadership in the implementation of the strategic business plan and alignment with financial objectives.
Independent Non-Executive Director Ensuring that no individual or small group of individuals can dominate the Board's decision-making	The Independent Non-Executive Directors Anne Marie Cannon, David Bergg, Ian Steele, Aki Mandhar, and the Senior Independent Non-Executive Director Simon Miller comprise more than half of the Board membership. They bring diverse business and commercial experience, objective judgement and specialist advice which inform Board discussions and decision making and are a major contributing factor towards the proper functioning of the Board and its Committees, ensuring that all matters are debated, and that no individual or group dominates the Board's decision-making process. They provide constructive challenge, giving strategic guidance, offering specialist advice and hold executive management to account. Led by the Nomination Committee they are responsible for the appointment and removal of Executive Directors and determine the remuneration of Executive Directors through the Remuneration Committee.

>>

Corporate governance report

Senior Independent Director Providing a sounding board for the Chairman of the Board and serving as an intermediary for other Directors and shareholders	The Senior Independent Director, Simon Miller, provides a sounding board for the Chairman and, if necessary, acts as an intermediary for the other Non-Executive Directors. He is also available to shareholders to discuss any concerns that have not been addressed through the normal engagement channels. He leads on the ongoing monitoring and annual evaluation of the Board Chairman's performance. As part of his role, he meets with the Non-Executive Directors without the Board Chairman at least annually.
Designated Non-Executive Director for workforce engagement Providing an effective engagement mechanism for the Board to understand the views of the workforce	Simon Miller, the Senior Independent Director, is also STV's Employee Director and in this capacity he attends meetings of the employee forum, which meets quarterly and comprises representatives from every team and location. He also makes site visits to the Company's offices to meet and talk to a wider group of colleagues. Simon Miller also meets on a bi-monthly basis with the HR & Communications Director to discuss employee engagement activities and plans, including the employee opinion survey. He brings the views and experiences of the workforce into the boardroom and enables the Board to consider the views of the workforce in its discussions and decision-making.

Board and Committee operations

The structure of each Board and Committee meeting seeks to facilitate open discussion and debate and ensure adequate time for Directors to consider all agenda items and related proposals.

Meetings are held through a combination of virtual attendance and, following the end of Covid-related restrictions, in person with the latter rotating around the various offices occupied by the Group. The Board held eight scheduled meetings during the year and attendance is set out on page 58. There were two additional ad hoc meetings convened during the year, when matters required to be brought to the Board's attention or when decisions were required outside the formal meeting schedule.

All Directors are expected to attend all meetings of the Board and the meetings of the Committees on which they serve, and the AGM. 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 provide feedback on the matters under consideration via the Chair of the relevant body in advance of the meeting.

Non-Executive Directors, including the Chairman, are informed of the minimum time commitment required prior to their appointment and they are required to devote sufficient time to the Company to effectively discharge their responsibilities. The Board therefore monitors the extent of Directors' other interests and the time commitment required to fulfil those interests to ensure that the effectiveness of the Board is not compromised. A Directors' preparation for, and attendance at, Board and Board Committee meetings is therefore only part of their role as they are expected to devote such time to the affairs of the Group as is necessary to enable them to perform their duties as Directors. The Board is satisfied that the Chairman and each of the Non-Executive Directors devote sufficient time to their duties.

Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have, or might have, a direct interest that conflicts, or possibly may conflict, with the interests of the Company. This duty is in addition to the obligation owed to the Company to disclose to the Board an interest in any transaction or arrangement being considered by the Company. The Company's articles of association authorise the Directors to approve such situations and to comply and to apply other provisions to allow conflicts of interest to be dealt with. There were no actual or potential conflicts of interest during the financial year 2022.

The Board has adopted a schedule of matters reserved for its decision and a rolling annual plan of items for discussion. There are terms of reference for the Board Committees and these can be found on our website at www.stvplc.tv.

The Board schedule of reserved matters and the principal matters set down are 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 of conditions of Non-Executive and Executive Directors;
- The Company's long term objectives and commercial strategy; annual operating and capital expenditure budgets and 3 Year Plan;
- Material contracts and significant variations in the 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 and strategy, including the risk appetite statement and internal control policies; and
- Corporate governance arrangements including the approval of the Company's Sustainability Policy and Diversity and Inclusion Policy.

Strategy
The Board considered strategy and associated matters at each of the Board meetings throughout 2022, and therefore spent a good proportion of its time considering longer-term and broader strategic issues.

Rather than having a stand-alone Board Strategy Day during the year, it was agreed that each of the Divisional Managing Directors would present to Directors on the overall strategy for their area of the business, their proposed three year plan and the risks and opportunities facing their division across the year. This allowed the Non-Executive Directors to build on their knowledge of STV's business and provided them with regular opportunities to ask questions of and challenge the divisional heads. The Board was also able to devote more time than would have been possible in a single day and provided an opportunity to perform a 'deep dive' into each key areas of the business. The Group Commercial Director joined both the Broadcast and Digital sessions given the importance of advertising revenues in those areas.

Being a responsible business and delivering on ESG has been high on the Board's agenda this year.

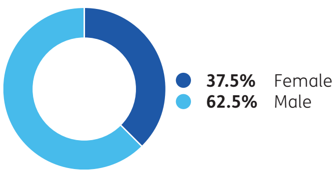
Workforce engagement
As Board meetings are held at the various offices of the Group, the Chairman and Non-Executive Directors were able to spend time on-site meeting with management and other employees. The Employee Director, Simon Miller, also visited each of the Group's offices outside the Board schedule, and participated in the Employee Voice Forum. These activities, as well as Board papers providing updates on workforce engagement, provide the Board with valuable insights into the operation and culture of the business and have a positive impact on the quality of discussions at Board meetings and decision-making generally.

Diversity and Inclusion strategy
The Board together with management, remains focussed on building a supportive and inclusive culture that ensures equality of opportunity for all and driving measurable progress. In 2022 the topic was formally scheduled tri-annually as a standing Board agenda item.

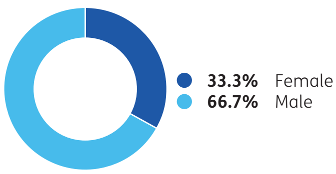
The Board discussed the activities in this area which focussed on our Open Access Charter which captures the commitments that have been identified to improve diversity and inclusion for employees and extends to our audiences and partners. It reviewed the progress against challenging targets set to achieve the priorities identified for delivery by the end of 2022. It acknowledged STV's continuing commitment to using its privileged position as an employer, Public Service Broadcaster and producer to address the longstanding systemic issue of racism and improve the representation of Black, Asian and Minority Ethnic people both on and off screen.

Further details of consideration of the Diversity and Inclusion Strategy in relation to the composition of the Board can be found in the role of the Nomination Committee on pages 67 and 68.

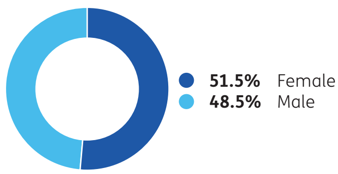
Board



Management Board



Staff



Succession
During the year, in addition to the Board and Committee composition matters discussed at the Nomination Committee found on page 67, the Board considered a paper on succession planning for the Executive Directors, Management Board, senior roles (direct reports to the Management Board) and other key operational roles across the Group. As part of this, the Board considered the depth and quality of the succession pipeline, the skills and capabilities required for the future strategic needs of the business, retention and succession planning risks, and personal development, as well as diversity targets and the work undertaken to close the gender pay gap.

***STV Zero* strategy**
In 2022, the Board received tri-annual reports from management on progress against targets set down in *STV Zero*, the Group's sustainability strategy, as well as broader engagement activities across the Group intended to ensure that sustainability was at the forefront of decision-making and operations as much as possible. The Board reviewed updates on progress against 2022 and longer-term *STV Zero* targets and noted that all key targets were on track and that additional targets were being set for 2023, including targets for carbon emission reductions. In addition to these operational updates, the Board formally reviewed and approved the climate-related risk register and related governance framework, originally approved in December 2021. Further details can be found in the TCFD report on pages 42 to 45 and Social impact report on pages 47 to 54.

The Board concluded that the Diversity and Inclusion strategy and *STV Zero* strategy were increasingly embedded and integrated into the business throughout 2022, and it would continue to drive and oversee the progress in these areas in 2023.

Corporate governance report

Board activities in 2022

The Board executed its responsibilities across the full suite of core activities during the year, with the main focus set out below:

Strategy
- Considered the Group's diversification strategy in light of viewing and competitive trends, the turbulent macroenvironment and evolution of the media sector
- Reviewed the growth plans for each business including strategy presentations from each of the Divisional Managing Directors
- Approval of investment in entertainment production company Mighty Productions and an extended partnership with drama producer TOD Productions, as well as consideration of other potential investments
- Triannual updates provided on implementation of ESG including *STV Zero*, the Group's sustainability strategy, and the Diversity and Inclusion Strategy
- Approval of an enhanced partnership with ITV to bring extended, exclusive preview content to Scotland on STV Player
- Discussion of various regulatory and legislative issues

Operational and financial performance, including monitoring
- Operational and financial updates for each business area at each Board meeting, including major project summaries and Legal and Compliance reporting
- Monthly finance reports, including details of performance against budget/latest forecast, review of cashflow and assessment of balance sheet and net debt
- Approval of the Annual Report & Accounts, including assessment of the going concern basis of preparation and Viability Statement
- Approval of the Interim Financial Accounts including assessment of the going concern basis
- Approval of trading updates
- Approval of budget and three year plan
- Approval and declaration of interim and full year dividends

Risk management
- Approvals of the Group's Risk Appetite in March and an updated Risk Appetite Statement and Risk Management Policy and Framework in December
- Assessment of the Group's principal and emerging risks
- Review of the Group risk register and identified mitigating controls

Investor Relations
- Review of institutional feedback following meetings between the Executive Directors and shareholders after both the full and half year results
- Capital Markets event on Studios division, held in June
- Regular reporting from brokers on markets, trading and activity in STV shares
- Review of the draft analysts' results presentations, when reviewing the Company's full and half year financial results

Culture and governance
- Succession planning review
- Annual Performance Evaluation FY21
- Externally facilitated effectiveness review of the Board and its Committees for FY22
- Engagement with staff via our Employee Voice Forum and employee survey
- Approval of AGM notice and arrangements
- Approval of Fees to be paid to Non-Executive Directors and annual minimum time commitments
- Approval of the appointments/resignations of the Company Secretary
- Updates on Corporate Governance and Pension governance
- Information on changes to the STV Children's Appeal

Board support and the role of the Company Secretary

The role of the Company Secretary is to support the Chairman of the Board and ensure the Directors have access to the information they need to carry out their roles. She provides a channel for Board and Committee communications and is a link between the Board and management. The Company Secretary must ensure that all Board and Committee procedures are complied with and advise on corporate governance and related regulatory compliance. She facilitates Director induction, professional development and Board evaluations overseen by the Board Chairman.

The Company Secretary is also responsible for ensuring that the Board and Committees receive accurate, clear and up-to-date information in sufficient time for them to review it before each meeting and are provided with sufficient resources to discharge their respective duties. In addition, and separate to the support provided by the Company Secretary, the Directors have access to independent professional advice at the Group's expense.

Training, development and induction

All Directors are given a comprehensive induction to the Company's business and their development and training is an ongoing process. Throughout their period in office the Directors are regularly updated at Board meetings on the Company's business, the macro and competitive environments in which the Company operates and any other significant changes affecting the Company and the market sector of which it is a part. In addition, the Board regularly receives presentations from senior managers within the Company and from Company advisors 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. These activities are supplemented with separate conversations between individual Non-Executive Directors and members of the Management Team to pick up on specific points as they arise.

Board effectiveness review

The effective functioning of the Board is key to the success of the Company. STV recognises that an annual Board effectiveness review is a valuable feedback mechanism for the Board in driving its performance, optimising the strengths of individual Directors, and highlighting areas for further development.

In accordance with the Code, an externally facilitated evaluation is carried out every three years, and to comply with this requirement, the Board requested Ceradas Ltd, a third party provider of board evaluation services, carry out the 2022 evaluation. The review was conducted across December 2022 and January 2023 by Chris Stamp of Ceradas who then presented his report to the Board at its meeting in March 2023.

There were three stages of the review as follows:

- Stage 1: The evaluation commenced in December 2022 with an analysis of key Board and governance documentation intended to inform areas to focus on in the interviews. On completion, an aide memoire was prepared and agreed with the Chairman before being circulated to interviewees.
- Stage 2: During early January 2023, individual interviews were held with each Director, the Company Secretary and the members of the Management Board who regularly attend Board meetings, namely the HR & Communications Director and the Heads of the three divisions.
- Stage 3: At the end of January 2023, a report was prepared setting out the findings from stages 1 and 2 and recommendations for potential improvements in Board effectiveness. The draft report was first discussed with the Chairman prior to being circulated to the Board.

Board evaluation insights

The review concluded that the Board has many strengths, including: its culture, respectfulness and collective spirit; the high levels of engagement and willingness of all Directors to contribute; its broad and high-quality range of experience; the quality of its support of, and challenge to, the senior executive team; and its ability to step up to the plate when particular challenges have presented themselves.

Whilst the report did not identify any significant areas of weakness in the effectiveness of the Board and its Committees, it provided recommendations to the Board as opportunities to enhance its current operations. The Board has considered these recommendations and in response has proposed to take the following actions:

- consider ways in which the Board's review of strategy should evolve over the coming years as the Group approaches the next stage of its diversification;
- review the whistleblowing processes and channels to the Board and re-launch an awareness campaign of whistleblowing procedures to all groups of the workforce;
- identify ways in which the Board could more regularly, and informally, engage with various groups of stakeholders, including shareholders and the wider workforce;
- develop a mentoring programme for potential future leaders in the Group and Board members.

The action plan will be monitored over the next 12 months and the progress and outcomes will be reported in the 2023 Annual Report.

The Committees were also provided with specific recommendations to enhance their current operations which are currently being considered. These will be added to the action plan and monitored over the next 12 months.

The individual performance of Directors was considered as part of the review, and it concluded that all Directors had demonstrated fulsome commitment to their roles and contributed effectively.

Shareholder engagement

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 participation of all shareholders at the Company's Annual General Meeting.

In addition, STV undertakes a comprehensive programme of meetings and events for institutional investors, research analysts and the financial press throughout the year.

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. Various meetings have taken place with shareholders during the year. Discussions at these meetings are conveyed to all Directors in order that each can develop an understanding of major shareholders' views on the Company.

Corporate governance report

Minority voting

At the 2022 Annual General Meeting of STV Group plc all resolutions were successfully passed with the requisite majority of votes, although there were more than 20% votes cast against the four Resolutions set out below:

- Resolution 2, to approve the Directors' Remuneration Report (the 'Remuneration Report') was approved by 74.98% of votes cast
- Resolution 8, to approve the re-election of Anne-Marie Cannon as a Director was approved by 73.79% of votes cast
- Resolution 14, to approve the Directors' authority to allot shares was approved by 78.76% of votes cast
- Resolution 15, to approve the Directors' authority to disapply pre-emption rights was approved by 78.80%.

The Company noted that primarily one shareholder with a significant holding voted against each of these Resolutions.

As such, in accordance with the Code, the Company provided within six months after the Annual General Meeting a letter to the Investment Association for inclusion within its Public Register on the views received from shareholders and actions taken as a result of the dissenting votes received.

With respect to Resolution 2, the advisory vote on the Company's Annual Report on Directors' Remuneration for the year ended 31 December 2021, the Company believes that the significant shareholder who voted against has a particular position on one specific element of the Company's Remuneration Policy (approved by a clear majority of shareholders at the Annual General Meeting 2021). This same shareholder also voted against Resolution 8 (re-election of Anne-Marie Cannon), a vote linked to her role as Chair of the Remuneration Committee and therefore an extension of their position on Resolution 2.

The Company had within the first six months of the 2022 Annual General Meeting undertaken further dialogue with this shareholder who is generally supportive of the Company's overall approach to executive remuneration. Having further considered the matter, and given the support of the majority of shareholders who have been seen to support the decisions and recommendations of the Remuneration Committee, the Company does not propose to take any further action at this time.

The Company remains dedicated to ongoing engagement with shareholders on the matter of executive remuneration whilst continuing to conform to evolving governance and best practice. The triennial review of the Remuneration Policy will be undertaken in the latter part of 2023 and views expressed by shareholders will be considered in this process, ahead of seeking shareholder approval at the 2024 Annual General Meeting.

With respect to resolution 14 (Directors' authority to allot shares) and Resolution 15 (Directors' authority to disapply pre-emption rights), whilst the Company recognises the views of this shareholder, these Resolutions were supported by the majority of its shareholders and are in line with prevailing UK market practice. The Company continues to consider that these levels of authority are appropriate to maintain flexibility and to be in the best interests of the Company.

Governance Committee reports

Committee activities

The principal activities undertaken by the Board Committees during 2022 included:

Month	Committee	Activity	
January	Remuneration	• Approval of 2021 Incentive outcomes	• Approval of 2022 Incentive target setting
February	Nomination	• Composition of the Board and Committees and succession planning • Annual Report/AGM • Time commitments of Non-Executive Directors	• Annual Performance Evaluation 2021 • Recommended to the Board all Non-Executive Directors to be put forward for re-election at the AGM
February	Remuneration	• Approval of Directors' Remuneration Report	• Committee Performance Review 2021
March	Audit & Risk	• Review of Year End Results • Review of External Audit report on Year End Results • Review of Annual Report • Risk Review and assessment, and internal control effectiveness and approval of Risk Appetite statement	• Review of Independence of Auditors • Committee Performance Evaluation • Review of Internal Audit Reports • Corporate Governance updates
June	Nomination	• Initial discussion on Non-Executive Directors recruitment	• Review of Committee membership
June to August	Audit & Risk	• Audit Tender process	
September	Audit & Risk	• Review of Half Year Results • Review of external auditors' report on Half Year Results	• Internal Audit Report • Review of risk management and internal controls
November	Audit & Risk	• Review of external audit plan for 2022 • Approval of Internal Audit Plan for FY2023 • Internal Audit progress report	• Approval of Group Risk Management Policy and Risk Appetite Statement and updates on internal controls
December	Nomination	• Non-Executive Director recruitment	• Overboarding review
December	Remuneration	• Update on Company-wide remuneration matters	

Report from the Remuneration Committee

The members of the Committee, all of whom were independent during the year, were:

Anne Marie Cannon (Chair)
Ian Steele
David Bergg
Simon Miller

The role and activities of the Remuneration Committee are described within the Directors' Remuneration Report which can be found on pages 72 to 87.

Report of the Nomination Committee

The members of the Committee, comprising two independent Non-Executive Directors and the Chairman of the Board (independent on appointment), were:

Paul Reynolds (Chair)
Simon Miller
Ian Steele

The Committee met three times during the year. At the invitation of the Committee, meetings are attended by the HR & Communications Director and the Chief Executive.

The principal activities undertaken by the Committee during 2022 have been summarised below.

Composition of the Board
The Board is structured to ensure it has an appropriate combination of skills, experience, knowledge, and diversity required for its effectiveness and is fully equipped to support the Group to drive the next stage of its diversification strategy. The Board skills and experience matrix on page 58 demonstrates this belief.

The Committee reviewed the composition of the Board and Committees during the year and discussed succession plans for the Chief Executive. All Board and senior management appointments are viewed through a diversity lens and are based on merit and objective criteria. Anne Marie Cannon, Independent Non-Executive Director and Chair of the Remuneration Committee, will be stepping down from the Board at the 2023 AGM having served more than 8 years as a Non-Executive Director. During Q4 2022, the Committee initiated a formal search process to recruit her successor and we hope to announce an appointment shortly. In order that a new Director is integrated quickly and efficiently into the Board, and we can benefit from their knowledge and expertise, they will receive a full induction.

Towards the end of the year, review of development plans and succession planning for Executive Directors, the Management Board, senior leaders (direct reports to the Management Board) and other key operational roles across the Company was formally scheduled as a standing Board item. Further information can be found on page 63 of the Governance Report.

Diversity and Inclusion
The Committee recognises the strategic importance of a diverse Board. It is our belief, supported by external evidence, that a Board which is diverse in gender, ethnic and social background correlates with the skills, experience and perspective shared in the boardroom.

Governance Committee reports

We have met the external target laid out in the FTSE Women Leaders Review (formerly the Hampton-Alexander Review), ensuring a 33% female Board. In addition. we are fully compliant with the Parker Review's target to appoint at least one Board member from an ethnic minority background. Furthermore, the Committee recognises the importance of all forms of diversity and remains committed to striving for further progress in this space.

The Board, together with management, remains focussed on building a supportive and inclusive culture that ensures equality of opportunity for all and driving measurable progress. In 2022 the topic was formally scheduled tri-annually as a standing Board item. Further information can be found on page 63 of the Corporate governance report.

Independence
A formal review of the independence of the five Independent Non-Executive Directors was undertaken by the Committee, which in each case considered relevant issues, including the number and nature of appointments and noting there were no potential conflicts of interest identified in 2022, and also their length of service. The individual circumstances were also assessed against independence criteria, including those set out in the Code. The outcome of the review was that the Committee recommended to the Board that each Non-Executive Director was considered to be independent in character and judgement. As a consequence, the Board continued to satisfy the requirement for at least half of the members, excluding the Chairman, to be Non-Executive Directors whom the Board considers to be independent.

Overboarding
During the year, the Committee kept under review the number of external directorships held by each Director, taking into account the risks of 'overboarding'. The Committee considered the limits on the number of directorships imposed by relevant regulations in addition to the guidelines of shareholder bodies as they relate to the maximum number of Board roles considered acceptable. Following the Committee's recommendation, the Board is satisfied that there are no Directors whose time commitment causes concern and that all Directors have been able to devote sufficient time to the Company.

Re-election to the Board
In accordance with the Code, and recommendation of the Committee to the Board, all the continuing Directors of the Company will seek re-election at the next AGM and further information in support of their re-election will be set out in the Notice of Meeting. As previously noted, Anne Marie Cannon will step down from the Board at the 2023 AGM. The Board believes that all Directors continue to be effective and contribute to the Company's long-term sustainable success and further details are provided in Directors' biographies on page 57 and in the Notice of Meeting.

Report of the Audit & Risk Committee

The members of the Committee, all of whom were independent during the year, were:

Ian Steele (Chair)
Anne Marie Cannon
David Bergg
Simon Miller
Aki Mandhar

The Audit & Risk Committee is chaired by Ian Steele who has 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 experience necessary to fulfil the Committee's responsibilities.

At the invitation of the Committee, meetings are attended by the Chairman, Chief Executive, Chief Financial Officer, and senior members of the Group Finance Team as required. Representatives from both the external and internal auditors also participate in each meeting and the Committee meets separately with each of senior management and the external and internal auditors at least 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 2022 and once since the year end. 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 principal activities undertaken by the Committee during 2022 focussed on the four areas of financial reporting, internal control and risk management, internal audit; and external audit.

Financial reporting
The Committee's principal responsibility in this area is to review and challenge the judgements and estimates taken by management in applying the critical accounting policies that underpin the interim and annual financial statements. The Committee is required to ensure that appropriate rigour has been applied to the Group's financial statements, including the content of the Interim Financial Report, the Annual Report and Accounts, related results announcements, and supporting analyst presentations, and therefore that the critical accounting policies have been applied appropriately and the disclosures presented are transparent and sufficient. Based on the work of the Committee, a recommendation is also made to the Board in relation to the application of the going concern principle, and approval of the Group's financial statements taken as a whole. The Committee has a particular focus on:

- critical accounting policies, disclosure obligations and practices (including any changes during the period) and the Group's use and explanation of alternative performance measures (APMs);
- 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 & 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 during the year, summarising the main discussion points relevant to the interim report (in September 2022) and the Annual Report (in March 2023). The significant risk from a financial reporting perspective that has been identified by the Committee in prior years and remains so in the current year, is the valuation of the Group's defined benefit pension liabilities as they can be materially affected by the assumptions used. The Committee challenged management on the key assumptions underpinning the valuation, specifically the discount rate, the RPI and CPI inflation rates, and the mortality assumptions. Given the volatility in inflation and bond yields in particular over the second half of the year, the Committee also discussed the impact of these market conditions on the year-end accounting valuation. The Committee also sought assurances from the external auditors that the assumptions made by management fell within PwC's acceptable ranges, and was satisfied with all responses received. The Committee was therefore satisfied that the assumptions underpinning the valuation of pension liabilities was appropriate and that the pension disclosures were transparent and complied with the relevant accounting standard.

Although not considered significant risks, the Committee also received reporting from management on the accounting for deferred production stock, the impairment review of investments and taxation. The Committee also discussed the accounting and disclosure requirements associated with the recent agreement with ITV. The Committee reviews the work in these areas given the judgement involved by management in the underlying assumptions. Having reviewed them, the Committee was content with management's treatment across all areas.

Going concern and long-term viability
The Committee reviewed and challenged the appropriateness of adopting the going concern basis of accounting in preparing the full year financial statements and assessed whether the business was viable in accordance with the requirements of the Code. The assessment included a review of the principal risks facing the Group, their financial impact, how they were managed, the availability of finance and covenant compliance together with a discussion as to the appropriate period for assessment. The Group's viability statement is on page 41. Following this review, the Committee was satisfied that management had conducted robust viability and going concern assessments and recommended the approval of the viability and going concern statements to the Board.

Assessment of fair, balanced and understandable reporting
As part of the Committee's work on assessing whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable, the Committee received reports from management setting down the process undertaken and factors considered when making the assessment. The Committee reviewed the process undertaken in the preparation of the Annual Report and Accounts, and determined that the controls underlying its production were appropriate. The Chief Financial Officer manages the production of the Annual Report and Accounts, with ownership of each section lying with individuals with recent, relevant experience and knowledge of the detailed content, supported by external advisors as appropriate. A robust review process of inputs by contributors from across the business was conducted to ensure disclosures were balanced, accurate and verified, and further comprehensive reviews were conducted by senior management. The Committee then formally reviewed the draft Annual Report and Accounts.

The Committee also receive reporting from management and review the disclosures on the use of Alternative Performance Measures (APMs) used in the Annual Report and Accounts to ensure they are transparent and fully explained, as well as clearly reconciled to the relevant statutory measures. The Committee concluded that the narrative on APMs included in the Finance Review (on page 31) and in note 27 to the financial statements met this objective.

As a result of their work, the Committee has determined the document to be fair, balanced and understandable and recommended it to the Board for approval.

Internal control and risk management
The Board has delegated responsibility to the Committee for monitoring and reviewing the Group's risk management and internal control framework relating to operating, financial, and compliance internal controls on an ongoing basis and to carry out a review of their effectiveness. During the year, the Committee reported its findings to the Board.

The internal control framework is designed to facilitate effective and efficient operations, ensure a high quality of internal and external reporting, and ensure compliance with applicable laws and regulations. This work is supported by reporting from internal audit on the results of the programme of internal audits completed and the overall assessment of the internal control environment and any reporting, either verbal or written, from senior management covering any investigations or suspected fraudulent activities. Such a system can only provide reasonable, and not absolute assurance against material misstatement or loss, acknowledging that no system can eliminate the risk of failure to achieve the Group's strategic priorities entirely.

During the year, the following key controls across the Group were in place:

- The Committee supports the Board in assessing the effectiveness of the framework in respect of controls over the financial reporting process, with its operation delegated to management. The preparation of financial statements and the wider financial reporting process and control system is monitored by the adoption of an internal control framework to address principal financial reporting risks. The key financial controls in place across the Group were as follows:
  - 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
  - regular reviews of key performance indicators and business risks with consequent steps to manage any matters arising
  - procedures for the approval of capital expenditure
  - key financial reporting controls including; balance sheet reconciliations, payment controls, payroll approval controls and third party specialist advice relating to inputs for critical accounting judgments and estimates and corporation tax disclosures
  - general regulatory and other compliance controls including GDPR.
- The Committee conducted a detailed review of the Group's Risk Appetite Statement and recommended a small number of updates to the Board for approval, having taken into account the strategic objectives and business model of the Group as well as the changing environment in which it operates. The Committee also reviewed and approved proposals to refresh and update the Group's risk management policy and supported the Board in a robust assessment of emerging risks, as well as principal risks and how they are being managed or mitigated. Risk management on pages 34 to 40 details how these requirements were addressed.

Governance Committee reports

- The Board reviewed the progress with embedding the Group's TCFD framework, with a particular focus on the impact of climate-related risks on the Group.
- The Corporate governance report on pages 60 and 61 provides details of a clearly defined management structure and delegation of authority to Committees of the Board, subsidiary boards and divisional board.
- The Non-financial information statement on page 46 provides details of the internal operating controls.
- There were also high recruitment standards and formal career development and training to ensure the integrity and competence of staff and controls around the engagement of freelancers and other contract staff.
- The Group promotes a culture of openness with its employees and where there are concerns, encourages them to utilise various means available to speak up. The Group recognises that employees may not feel comfortable reporting their concerns through an internal channel and therefore provides access to an external whistleblowing process. A formal whistleblowing policy is in place. All matters raised are investigated and reported to the Committee. No matters were raised during 2022.

Internal audit
The Group's internal auditor is KPMG. The primary focus of the internal audit programme is to, on a rotational basis, provide assurance over key revenue streams and operating costs, as well as over the Group's enterprise risk management frameworks and mitigating controls in place to manage emerging and existing principal risks. The internal auditor's work is designed to provide insights into the internal control environment and assess the operating efficiency of key processes and controls, as well as providing broader feedback on the application of the Group Risk Management Policy and related processes.

During the year, KPMG provided regular reporting to the Committee that included: (i) status updates on the performance of audits against the internal audit plan (for Q4 2021 and FY2022); (ii) detailed reports on internal audits completed during the year, including findings and recommendations for improvement; and (iii) a proposed audit plan for FY2023. In addition, the internal audit partner shared insight and updates on the status of broader activities underway in relation to corporate governance reform, and the anticipated timelines for proposed changes both in law and by the FRC via changes to the Code.

Internal audits completed during the year and to the date of this report, were on General IT Computer Controls, Cyber Security, Environment, Social and Governance (ESG) and Internal Controls over Financial Reporting (walkthroughs and preparation of Risk and Control Matrices). For each audit, a detailed report was provided to the Committee that summarised the scope of the audit, areas of good practice that had been identified, and any findings and recommended remediation activities. These reports are designed to give the Committee a detailed insight into the work of internal audit, the outcomes and therefore the strength and operating effectiveness of the Group's risk management activities and internal controls. In turn, this work provides an independent, critical component of the broader assurance sought by the Committee when reporting to the Board its determination of the assessment of the effectiveness of the Group's risk management and control frameworks. These reports also allow the Committee to monitor the role and effectiveness of the internal audit function whilst ensuring it is sufficiently resourced and skilled to provide the assurance required.

Each report was discussed in detail between the Committee, internal auditor and management and, in relation to those audits listed above, it was agreed that no high priority findings had been identified although there were a number of actions proposed that would be implemented by management with a view to enhancing existing processes. At each Committee meeting, management tables a report that tracks each internal audit finding and related recommended mitigating actions to provide the Committee with comfort that responses are being addressed adequately and in a timely manner. The internal audit team will also track and test completion of findings on an on-going basis from FY2023 onwards.

The Committee approved the internal audit plan for FY2023 at its meeting in November 2022. The audits confirmed for completion in 2023 are Compliance (GDPR), Internal Financial Controls (Test of Design), Advertising Revenue Recognition and Management of VAT Processes. In addition, the internal audit team will revisit their work done in relation to the Group's Enterprise Risk Management framework in Q4 2021 to assess progress made against recommendations identified.

Based on the work of the Committee and reports received from management and internal audit, it is recommended to the Board that the Group's risk management and internal controls processes were operating effectively throughout the year.

External audit
The Committee oversees the relationship with the external auditor and is responsible for assessing its effectiveness, approving its terms of engagement, setting audit fees and monitoring the auditors' independence and objectivity.

The audit partner and senior manager attend all Committee meetings to ensure full communication of matters relating to the external audit.

During the year, the Committee approved the annual external audit plan and received updates on the progress of the audit. The Committee reviewed: the external auditor engagement letter and agreed the auditors' remuneration (the Committee was authorised by shareholders at the 2022 AGM to agree the remuneration of the external auditors); the findings of the external audit including key judgements and the level of challenge provided by the external auditor; and management's responses to control findings, non-compliance and any other findings identified by the external auditor. In addition, the Committee provided input to an oversight of the process for the selection of a new Group external auditor for the financial year beginning on 1 January 2023.

The external auditor has 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.

External auditor effectiveness
As part of its responsibility for assessing the effectiveness of the external audit process and the external auditors' performance, the Committee sought feedback from its members, the Chief Financial Officer as well as STV's finance team and the wider management team, to the extent they were involved in the process. This feedback 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 Committee and relayed to the auditors and to management. Following completion of this assessment for the 2022 year end, the Committee concluded that it was satisfied with the external auditors' performance and the effectiveness of the external audit process.

Independence policy and non-audit fees

Both the Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor, which are detailed in the External Auditor Independence Policy. The Committee is responsible for approving, in advance, any non-audit work undertaken by the external auditor. Under that policy, the Chief Financial Officer must obtain the approval of either the Chair of the 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 the proposed non-audit services. A case-by-case decision is therefore necessary, and the auditor cannot be engaged for non-audit work without reference to the Committee. In certain cases, the external auditor may be selected over another service provider due to their detailed knowledge and understanding of the Group's operations.

PwC also has an internal process whereby pre-engagement approval of all non-audit services is required to be given by the Audit Partner.

There is also a policy to regulate the appointment of former audit colleagues to senior finance positions in the Group.

The external 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 all safeguards that are in place to mitigate the risks to independence.

During the year under review, the non-audit work carried out by PwC consisted of the interim review and covenant reporting for the purpose of compliance with the Group's bank facility agreement. The fees for these were 12% of the audit fee, and the Committee was comfortable that PwC was the most suitable supplier for these services.

Statutory Audit Services Compliance

The Committee confirms that the Group has complied during financial year 2022 and to the date of this report with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

PwC LLP was appointed external auditor after an initial 10-year term, on 20 June 2013 with mandatory rotation of audit firm required from 1 January 2023. The senior audit partner who has been on the engagement for the past five years will cease as senior audit partner for STV concurrent with the change in audit firm as required. To that end, and to enable an orderly transition, the Committee has provided oversight of the process for the selection of a new external auditor and initiated the tender process in Q4 2021 through a pre-qualification stage.

Several firms were invited by the Committee, having given proper regard to the complexity of the Group, with the tender process undertaken by highly capable and experienced audit firms with strong track records, technical expertise and credentials with listed businesses and in the media sector. The process was open to audit firms including and extending beyond the Big Four, with a shortlist of three firms successful in the pre-qualification stage. These three short-listed firms included one firm from outside the Big Four. The Group's current auditor, PwC, did not participate in the process as they were coming to the end of the maximum 20-year duration allowed for external audit appointments under the Statutory Auditors and Third Country Auditors Regulations 2016.

November/December 2021	→	**June 2022**	→	**July 2022**	→	**August 2022**	→	**2023 AGM**
Pre-qualification process to identify a short-list of candidates Criteria considered: (i) independence of audit firm; (ii) credentials of the firm, proposed audit partner and senior manager, with specific focus on public listed companies and sector experience, and (iii) indicative fee range Meetings held with Committee Chair, Chief Financial Officer and Head of Statutory Reporting Short list of three firms taken forward to main tender process		Invitation to tender (ITT) issued to short list Information pack shared and management meetings held with participants		Submission of tender documents Presentation to Tender Panel comprising the Committee Chair, one Committee member, the Chief Financial Officer and Head of Statutory Reporting		Committee recommendation to the Board (in accordance with s.489A of the Companies Act 2006), the approval of the appointment of Deloitte LLP as external auditor, subject to shareholder approval at the 2023 AGM		Appointment will be put to shareholders for approval

Audit transition plans

The proposed external auditor, Deloitte, is currently undertaking activity in preparation for the external audit of the Group for the 2023 audit cycle. This will aid a smooth transition and allow Deloitte to embark on the 2023 audit as well prepared as possible.

This activity includes:

- A review of its non-audit services provided to STV and the necessary steps to ensure auditor independence
- Liaising with PwC during the 2022 audit cycle
- Meetings with key members of the STV senior management team at Group and divisional level

Deloitte will complete the review of the half-year results and audit for the full year ending 31 December 2023.

Remuneration report

Annual Statement

I am pleased to introduce the Directors' Remuneration Report for 2022.

During 2022, we operated under the Remuneration Policy approved by shareholders at the 2021 AGM. The Remuneration Committee remains satisfied that the current executive remuneration framework is aligned with delivery of the Company's strategy and the creation of long-term shareholder value. We will continue to closely monitor developments in shareholder guidance to ensure that our approach meets shareholders' expectations.

Overview of 2022 performance

Continued strategic progress and record adjusted operating profits were the hallmarks of 2022, despite the challenging trading environment that arose as the grip of macroeconomic changes took hold leading to increased uncertainty that impacted the advertising revenue market.

Transforming the business from a linear broadcaster to a growing streaming and production business is the aim of the diversification strategy. With nearly 40% of earnings generated by the non-broadcast businesses in 2022, the aim to re-position the earnings base of the Company and deliver 50% of earnings from these activities by the end of 2023 is firmly on track. This provides solid evidence of the strong delivery focus of the executives from a starting position of only 19% of earnings from these businesses when this strategy was introduced.

The strategy to maximise the value of the broadcasting business was achieved as STV maintained its leading market position. The channel was the most watched in peak time in Scotland for the fourth consecutive year and achieved its highest peak time audience share since 2009, evidence of the resilience of the Broadcast business. As a result, despite total advertising revenues reducing year on year, regional advertising revenues (excluding Scottish Government spend) continued to grow, spurred on by the highly effective STV Growth Fund which is building loyalty and increasing retention levels with an ever-expanding range of SME advertisers in Scotland.

The digital business delivered record-breaking numbers in 2022, with its highest ever viewing figures, streams and active users. The successful content strategy which has established a rich catalogue of over 4,000 hours of high-quality Player-exclusive programmes saw 20 new content deals adding over 150 new titles. In late 2022, a significant new content sharing partnership with ITV was secured. This will provide STV Player with exclusive rights for over 100 hours of original and premiere content each year. All of these success factors generated 9% growth in digital VOD advertising revenue year on year.

A record number of 30 new programme commissions were secured by STV Studios, production hours grew by almost 50% to 244, and the business is already on track to double revenue in 2023, such is the strength and quality of the development pipeline: all further evidence of delivery of the diversification strategy. 2022 was also the most profitable year to date for the business as it increases in scale with a customer base that includes global streamers and a growing range of networks.

As a Public Service Broadcaster, there is deeply embedded awareness at the core of the business of the importance of the Company's responsibility to deliver a positive social impact. This purpose is underpinned by personal objectives defined for the Executive Directors and Management Board and cascaded across the entire business. Targets relating to *STV Zero*, the Company's sustainability strategy, and the Diversity and Inclusion Strategy have been incorporated into the executive incentive structure and assigned to the Executive Directors as personal objectives. During 2022, the Board has received regular updates on progress against delivery of all ESG related activities and performance against targets.

Incentive outcomes for 2022

The annual plan was based on a balanced set of financial targets (operating profit and cash generation), as well as personal objectives linked to strategic delivery (including ESG-related).

Adjusted Operating Profit of £25.8m was in line with target, reflecting the robust performance of the business in increasingly challenging markets as the year progressed, as well as the stretch of the underlying targets. Cash generated by operations was impacted by significant investments in working capital to support the continued strategic growth of STV Studios. As a result, the cash flow outcome of £11.5m was below the stretching performance range set by the Committee at the start of the financial year.

Both Executive Directors also performed highly effectively against their personal objectives with significant progress towards fulfilment of the long-term strategic objective to drive profitable growth in the digital business and STV Studios. Increasing levels of understanding of the Company's investment proposition was achieved through a targeted engagement programme with the capital markets. Following settlement of the triennial valuation of the Company's defined benefits pension schemes in 2021, activity with scheme trustees focussed on investment strategy planning. Additionally, key ESG targets were met enhancing the Company's positive social impact including SBTi approval of the sustainability strategy. The personal objectives element of the bonus award for Simon Pitts was 88% and 90% for Lindsay Dixon. Full details of the performance against personal objectives are set out on pages 81 and 82.

This overall performance resulted in an outcome of 47% and 47.5% of maximum for the Chief Executive and Chief Financial Officer respectively in 2022, which the Committee believes is an appropriate reflection of performance for our stakeholders over the year.

In line with the Remuneration Policy, 20% of bonus awards will be deferred into shares, which will vest after three years. Further detail on the bonus targets and outcomes is set out on page 80 and 81.

The 2020 Long Term Incentive Plan (LTIP) award vested by reference to performance over the three-year period to 31 December 2022. This award was based on EPS growth, non-broadcast earnings and total shareholder return (TSR) performance.

For EPS, the delivery of annualised growth over the period of 5.8% represented robust growth against stretching targets set in the context of very challenging market conditions. Non-broadcast earnings in 2022 amounted to £9.9m, representing 38% of the Group's earnings in line with our strategic objective to diversify the earnings base of the business. Performance for both of these elements was within the target range, with vesting at 40.1% of the maximum for the EPS component and 51.3% of the maximum for non-broadcast earnings. TSR performance fell below the threshold target, resulting in no vesting of that element. Overall, this translated into a total vesting for the award at 35.4% of the maximum. Further detail on the LTIP targets and outcome is set on pages 82 and 83.

The Committee reviewed the LTIP outcome against a broader assessment of performance over the period including, in line with shareholder guidance, considering whether any 'windfall gain' had occurred. The Committee concluded that the vesting outcome was appropriate and reflected the robust performance of the business and the stretching nature of the underlying targets. Furthermore, as the executives volunteered to defer the grant of this LTIP award during the unprecedented uncertainty and market volatility during the early stages of the pandemic in 2020, the risk of 'windfall gains' arising had passed as markets settled by the date of grant in December 2020.

This award will vest in December 2023 and then be subject to a two year post-vesting holding period in line with the Remuneration Policy.

Company-wide remuneration

The Committee has oversight of remuneration and related policies across the organisation and gives due consideration to these when determining pay for Executive Directors.

During the year, the Company delivered a number of measures to support all colleagues through the challenging economic and cost-of-living environment. In early 2022, an across-the-board salary increase of 3% was awarded to all colleagues. As disclosed last year, in recognition of the exceptional effort and contribution from colleagues in delivery of 2021 performance, a one-off all-employee share award with a face value of £1,000 was awarded, and this vested in full in March 2022. Additionally, colleagues received a one-off cash bonus of £500 at the close of 2021.

As the cost of living continued to increase during 2022, the Management Board, with approval from the Committee, took the initiative to make a further cash payment of £500 to approximately two-thirds of colleagues based on the level of their base salary. Taken together, these awards (cash payments and the share award) delivered total incremental support in a range from £1,500 (to all colleagues) to £2,000 (to two-thirds of colleagues).

In addition to these supplementary financial measures targeted at those most impacted by the cost-of-living pressures, a wider array of initiatives was delivered during the year to continue to support the wellbeing of all colleagues with an increased focus on supporting financial wellbeing.

For 2023, an across-the-board salary increase of £2,000 was awarded to all colleagues, irrespective of the level of seniority or role. This approach ensures that the increase to our salary budget is focussed primarily on supporting our lowest paid colleagues, with over two thirds receiving increases of at least 5% with an increase of almost 10% to those on the lowest salaries. For more senior roles, the percentage increase is significantly lower.

This award was combined with an extensive review of the Company's salary and grading structure to ensure competitiveness with the wider market, particularly in the face of a dynamic labour market during 2022 as the post-Covid opening up of the job market and increased rate of inflation has driven wage inflation. This review process highlighted the significant demand driven pressures influencing salary levels of roles in areas with skills shortages, including digital and software development, production roles in STV Studios and STV News and editorial roles in STV News.

Through this review, 20% of colleagues received an increase to base salary in excess of the £2,000 referred to above. Overall, the average of these additional salary increases, received by one-fifth of colleagues, was 12.8%.

Finally, a new all-employee annual incentive arrangement linked to exceeding key financial targets will be introduced for 2023, providing all colleagues with the opportunity to participate in the performance we deliver as a business during the year.

Implementation of Policy for 2023

In line with the approach described above for all employees, Executive Directors also received an increase of £2,000 to base salary with effect from 1 January 2023. This equates to increases of 0.5% and 0.8% for the Chief Executive and Chief Financial Officer, respectively, significantly below the all-employee average increase of 5.5% (when additional salary increases, received by one fifth of colleagues, are included). This illustrates the principle of our approach in providing the greatest levels of increase to our lowest paid colleagues. It also provides further evidence of the Committee's continued commitment to a restrained and responsible approach to executive salaries, having increased in line with employees in 2022 (at 3%), with no increases in 2021, and a voluntary salary reduction in place for 5 months of 2020.

In 2023 the Executive Directors will both receive a pension contribution of 7% of salary, in line with the wider workforce, the contribution for the Chief Executive having reduced at the end of 2022 (from 20% of salary) consistent with the commitment made in the Remuneration Policy.

Executive Directors will participate in the annual bonus and LTIP on a similar basis as for 2022. The performance measures applying to both incentive schemes relate to continued delivery of the strategy and are aligned with shareholders' interests. The annual bonus will continue to be based on a combination of operating profit, cash flow and personal objectives, with performance target ranges built around the Board's expectations for performance in the year ahead. Personal objectives will continue to relate to key success factors in progressing strategic delivery including: launching the next phase of the diversification strategy beyond 2023; continuing to increase STV's positive impact through delivery of key ESG priorities; delivery of efficiency and cost savings targets; and securing key regulatory aims. Further details of the objectives are set out on page 79.

Remuneration report

The performance measures for the 2023 LTIP award will remain as EPS, non-broadcast earnings and relative TSR, relating as these do to delivery of the strategy and the creation of shareholder value. The Committee has set stretching performance target ranges for all metrics, aligned to the challenging long-term plan agreed by the Board and taking into account external expectations for performance.

For EPS, the target range for performance in the final year of the performance period (FY25) has been set at 37p to 44p, which is based on the Board's long-term strategic plan and will be challenging to deliver in the context of the current trading and market outlook. The target range for non-broadcast earnings (in FY25) has been set at £15.0m to £19.5m, which at full vesting represents approximately double the earnings derived from these activities in 2022, reflecting the continued commitment to delivering the long-term diversification strategy. Further details on the targets are set out on page 79.

The fee for the Chairman and the base fee for the Non-Executive Directors will also increase by £2,000, consistent with the across-the-board approach described above for our employees and Executive Directors.

Shareholder engagement and Remuneration Policy review

We remain dedicated to ongoing engagement with major shareholders and investor bodies on the issue of executive remuneration. The Committee stays abreast of best practice and shareholder expectations, and we seek to continue to conform to these standards as they evolve.

With respect to the approval of our Remuneration Policy at the 2021 AGM and the advisory votes on our Annual Report on Remuneration since then, we have regularly engaged with shareholders and have consistently received strong support from the vast majority of our register, including most of our major shareholders. The overall voting outcomes we have received at the AGM (see page 87) have primarily been the result of the impact of one shareholder with a significant holding voting against these resolutions. We have undertaken further dialogue with this shareholder who is generally supportive of the Company's overall approach to executive remuneration, but has a concern around one specific element of our Policy, the use of nil-cost options in the LTIP. The Committee has carefully considered the issues but, given the strong support from the majority of our shareholders (both in engagement and in their voting decisions) and in recognition of the clear alignment of our framework to both well-established shareholder guidance and market practice, we have to date not made any changes to reflect the feedback from this one shareholder.

Our current Remuneration Policy was approved at the 2021 AGM, and therefore the triennial review of our executive remuneration framework will be undertaken by the Committee during 2023, ahead of seeking shareholder approval for the new Policy at the 2024 AGM. It is the Committee's intention to undertake a comprehensive review to ensure our framework remains optimally aligned with our strategy, the creation of shareholder value, and the evolving market and shareholder landscape. We plan to engage with all our major shareholders during this review, and we look forward to incorporating all views into the development of our proposals.

In conclusion

The Annual Report on Remuneration, including this Annual Statement, will be subject to an advisory vote at our 2023 AGM. I look forward to your support and would be happy to answer any questions you may have on our executive remuneration arrangements.

As set out on page 55, I will step down from the Board at the 2023 AGM, and therefore this will be my final report as Chair of the Remuneration Committee. I would like to thank my fellow Committee members and our shareholders for their support during my tenure.

Anne Marie Cannon
Chair of the Remuneration Committee
7 March 2023

Summary of the Directors' Remuneration Policy

The Directors' Remuneration Policy ('the Policy'), determined by the Company's Remuneration Committee ('the Committee'), was approved by shareholders at the 2021 Annual General Meeting and is available in full on the Company's website: www.stvplc.tv or from the Company Secretary. When developing the Policy, the Committee confirmed the key principles it believes should underpin the remuneration framework. These are:

- Closely align rewards with the delivery of Company strategy;
- Ensure a significant proportion of the awards are based on long-term success criteria;
- Reflect changes in best practice and governance;
- Simplify and streamline the framework for clarity and effectiveness; and
- Ensure market competitiveness.

The section below provides a summary of the key elements of our executive remuneration framework.

Base salary – the Committee sets salaries as a retainer for the Executive Directors to recognise status and responsibility to deliver the strategy

- Set taking into consideration several factors including the scope and responsibilities of the role, the skills, experience and performance of the individual, and other external and internal reference points.
- Normally reviewed on an annual basis.
- In general, any salary increase for Executive Directors will be in line with other employees in the Group.

Benefits – to provide competitive levels of employment benefits consistent with the role

- Executives are entitled to receive a taxable cash allowance.
- Paid in lieu of benefits in kind, including car and private medical insurance, currently £25,000 p.a.
- Executive Directors are eligible to participate in the Company's Save As You Earn plans on the same terms as all employees.

Pension – to provide competitive levels of retirement benefit

- The Group operates a number of different pension arrangements. Executive Directors have the option to receive a taxable cash allowance in lieu of pension benefits.
- 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.

Annual bonus – aligns reward to the delivery of annual financial and strategic performance measures; deferral creates long-term alignment with shareholders

- Maximum annual opportunity of 150% of salary for the Chief Executive and 125% of salary for the Chief Financial Officer.
- Payment is determined by reference to performance assessed over one financial year based on a range of financial and strategic measures.
- 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.
- A proportion of any bonus (20%) is deferred, and normally vests over three years.
- Recovery provisions apply, including expanded malus and clawback provisions implemented through the 2021 policy review.

Long Term Incentive Plan – aligns reward to the delivery of long-term financial performance delivered for shareholders

- 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 that the Committee consider to be aligned to the delivery of strategy and creation of long-term shareholder value.
- 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.
- A post-vesting holding period of two years applies.
- Recovery provisions apply.

Shareholding requirement – to strengthen long term alignment with shareholders

- Executive Directors are required to hold shares equivalent to 150% of their annual salary.
- On leaving the Board, Executive Directors are required to maintain their in-employment shareholding guideline (or their actual shareholding if lower) for a period of two years.

Remuneration report

The Committee considers that the current Policy and its implementation appropriately address the following factors, as set out in the 2018 UK Corporate Governance Code.

Clarity	The Committee is committed to providing open and transparent disclosures with regards to executive remuneration arrangements. In formulating the Policy, the Committee Chair wrote to 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 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.
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 strategy and objectives.

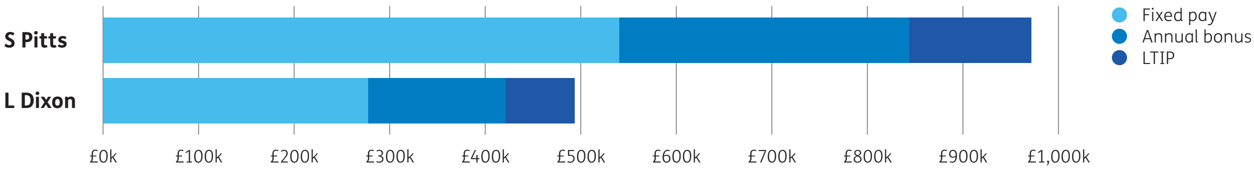
Remuneration at a glance

2022 performance highlights

Continued transformation into a profitable streaming and production business with 38% of earnings from non-broadcast activities	Delivery of record adjusted operating profit despite challenging macroeconomic environment during 2022	Resilient Broadcast business maintains STV's market leading position in Scotland as peak time share reaches highest level in over a decade	Record number of programme commissions won by STV Studios, double 2021 levels	40% of STV Player streams for unique STV Player content and new content deal delivering 100+ hours of UK original content from 2023	Key ESG targets achieved progressing *STV Zero* to improve sustainability and reduce carbon impact and increase diversity and representation

Summary of remuneration outcome for 2022

Single total figure of remuneration



Incentive outcomes – Annual bonus

S Pitts

- **25%** Operating profit
- **0%** Cash flow
- **22%** Personal objectives
- **53%** Not achieved

Overall outcome – 47% of maximum

L Dixon

- **25%** Operating profit
- **0%** Cash flow
- **22.5%** Personal objectives
- **52.5%** Not achieved

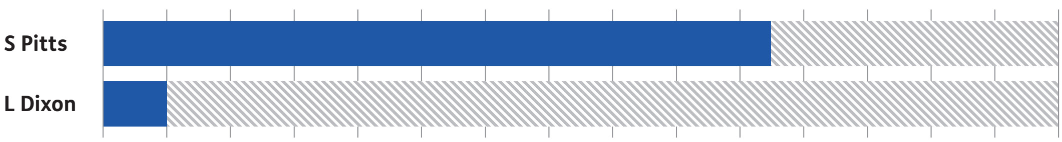
Overall outcome – 47.5% of maximum

Incentive outcomes – Long-term incentive plan

- **20.0%** EPS
- **15.4%** Non-broadcast earnings
- **0%** Relative TSR
- **64.6%** Unvested

Overall outcome – 35.4% of maximum

Shareholding requirements



Current shareholding: 105% of salary (S Pitts)

Current shareholding: 10% of salary (L Dixon)

Shareholding guideline: 150% of salary

Simon Pitts and Lindsay Dixon have a right to receive shares in respect of the deferred portion of previous annual bonuses and, as stated in the table on page 84, both hold unvested LTIP awards which are in excess of the shareholding guidance of 150% of salary.

All-employee reward

All employee share award with a face value of £1,000 (at grant) vested in full during 2022	Over two thirds of employees receiving a 2023 salary increase of at least 5%	One fifth of colleagues receiving additional increase to 2023 salary with average award of 12.8%	Additional cost-of-living support including one-off cash payment	New all-colleague cash bonus plan for 2023 to ensure all colleagues share in our success

Remuneration report

Summary of how our Policy will be implemented in 2023

Pay element		Approach	Implementation in 2023	
			Simon Pitts, Chief Executive	**Lindsay Dixon, Chief Financial Officer**
Fixed pay	Base salary	Fixed pay levels set at competitive levels with role-appropriate benefits arrangements.	£433,797 Increase of £2,000 in line with approach for wider workforce	£244,426 Increase of £2,000 in line with approach for wider workforce
	Pension		7% of salary*	7% of salary
	Benefits allowance		£25,000	£25,000**
Pay linked to performance	Annual bonus	Incentive linked to shorter-term targets, including business performance and growth, and ESG measures. 20% of award is deferred in shares.	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	

* Reduced from 20% of salary at end of 2022 in line with Remuneration Policy.
** Increased from £18,000 per annum to £25,000 per annum with effect from 1 July 2022.

How we measure performance and link to strategy

Performance measure	Bonus	LTIP	Rationale and link to strategy
Operating profit	✓		Measures profitability of our operating activity
Cash flow	✓		Measures operational gearing
EPS		✓	Measures earnings performance 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 ESG targets
Relative TSR		✓	Measures the delivery of long-term sustainable value growth for shareholders

Annual Report on Remuneration

This section of the report sets out how the Policy will be implemented in 2023 and how it was implemented during 2022. Some sections of this report, where indicated, have been audited.

Statement of implementation for 2023

Executive Directors

Salaries

As described in the Remuneration Committee Chairman's introductory statement, for 2023 an across-the-board salary increase of £2,000 per employee, irrespective of level of seniority, was implemented. This approach ensures that salary increases are focussed primarily on supporting the lowest paid colleagues, with over two thirds of employees receiving increases of over 5%. In line with this approach, Executive Directors also received an increase of £2,000 with effect from 1 January 2023, which translates to increases of 0.5% and 0.8% for the Chief Executive and Chief Financial Officer, respectively, significantly below the all-colleague average increase of 5.5% when additional salary increases, received by one fifth of colleagues, are included. Salaries for 2023 are therefore as follows:

Executive Director	2023 salary (£)	2022 salary (£)	Increase (£)	Increase (%)
S Pitts	433,797	431,797	2,000	0.5%
L Dixon	244,426	242,426	2,000	0.8%

Benefits and pension

In line with the Policy, the Executive Directors will receive a taxable cash allowance in lieu of benefits-in-kind of £25,000.

Pension contributions will operate in line with the Remuneration Policy. For 2023, contribution levels (or cash allowances) for Executive Directors will be aligned to the wider workforce rate of 7% of salary. For the Chief Executive, this represents a reduction from 20% of salary at the end of 2022 in line with the commitment in the Policy.

Annual bonus

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

For 2023, the bonus will be based on stretching targets set for the performance measures in the table below.

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

* Cash generated by operations.

Personal objectives for 2023 will relate to key success factors in progressing and delivering the strategy and long-term plan, including:

- Achievement of the diversification strategy milestone target of 50% of earnings from outside linear television;
- Successful launch of the next phase of the growth strategy and targets beyond 2023;
- Delivery of efficiency and cost saving targets in 2023 to maintain financial flexibility and resilience to enable continued momentum in delivery of strategic priorities;
- Securing long-term extension of the Company's two Public Service Broadcast licences;
- Continued growth of the Company's positive impact through delivery of key ESG objectives, including diversity targets set for 2023 and next phase of *STV Zero* sustainability strategy.

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 in shares for a period of three years.

Long-term Incentive Plan

In 2023, 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	Adjusted EPS in FY25	50%	37p	44p
Non-broadcast operating profit	Adjusted operating profit for non-broadcast activities in FY25	30%	£15.0m	£19.5m
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.

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The Committee has set stretching performance target ranges for all metrics, aligned to the challenging long-term plan agreed by the Board and taking into account external expectations for performance. For EPS, the target range is based on the Board's long-term strategic plan and will be challenging to deliver in the context of the current trading and market outlook. For non-broadcast earnings, full vesting would continue to require approximately double the earnings derived from these activities in 2022, reflecting the continued commitment to delivering a successful diversification strategy.

Non-Executive Directors
The fees paid to Non-Executive Directors are a matter for the Chairman and Chief Executive, and in the case of the Chairman's fee, decided by the Senior Independent Director and Chief Executive.

In line with the approach being taken across the Company, including for the Executive Directors, it was agreed to increase the base fee by £2,000, with effect from 1 January 2023. The fees for additional Board or Committee duties remain unchanged.

Non-Executive Director	2023 fees (£)	2022 fees (£)	Increase (£)	Increase (%)
Chairman fee	152,000	150,000	2,000	1.3%
Basic Non-Executive Director fee	46,000	44,000	2,000	4.5%
Additional fees: Senior Independent Director	13,100	13,100	0	0%
Additional fees: Chair of the Audit & Risk and Remuneration Committees	7,500	7,500	0	0%

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 2022 and 2021 financial years.

Executive Director		Salary £000	Taxable benefits £000	Pension £000	Total fixed £000	Annual bonus £000	Long-term incentives £000	Total variable £000	Total £000
S Pitts	**2022**	**432**	**25**	**86**	**543**	**304**	**136**	**440**	**983**
	2021	419	25	84	528	605	204	809	1,337
L Dixon	**2022**	**242**	**22**	**14**	**278**	**144**	**77**	**221**	**499**
	2021	235	18	12	265	287	112	402	664

Notes to the single figure table
Taxable Benefits – represents a taxable cash allowance in lieu of benefits-in-kind, as set out in the Remuneration Policy.

Pension – Simon Pitts receives a taxable cash allowance in lieu of pension and life assurance. For 2022, this was set at 20% of salary but was reduced to 7% following the end of 2022. Lindsay Dixon is a member of the Company's defined contribution scheme. The scheme has an employer contribution of 7% of salary up to the pension cap £170,400.

Annual Bonus – This includes the value of bonus earned in respect of the relevant financial year. 20% of the annual bonus will be deferred for three years and paid in shares.

Long-term Incentives – The 2022 row represents the value of the 2020 LTIP award which is due to vest in December 2023 based on performance over the three-year period to 31 December 2022. As described on page 82, performance targets have been met in part, resulting in a vesting outcome of 35.4% of maximum. For the purposes of the table above, the award has been valued based on the average share price during the three-month period to 31 December 2022 of 261.8 pence. The 2020 LTIP awards were originally granted based on a share price of 285 pence and therefore, of the vested amount, none relates to share price appreciation over the performance period. The 2021 row represents a value for the 2019 LTIP award which vested on 29 May 2022 based on performance over the three-year period to 31 December 2021. The value has been restated from that shown last year based on the share price on the date of vesting of 300 pence. No dividend equivalents are receivable on the vested shares for either of these awards.

Annual bonus (audited)
The maximum annual bonus opportunity for 2022 was 150% of salary and 125% of salary for the Chief Executive and Chief Financial Officer respectively. The bonus was based predominantly on financial performance (50% Operating Profit and 25% Cash Flow), with the remaining 25% based on stretching personal targets linked to strategic delivery. The performance targets for the 2022 bonus were set by the Committee at the start of the year, and by reference to the annual budget, which itself is set in the context of the Board's long-term strategy. The target ranges are set to be appropriately stretching by requiring significant outperformance of expectations for maximum pay-out, whilst at the same time being considered feasible in the context of the budget and strategic plan.

Adjusted Operating Profit of £25.8m was in line with target, reflecting the robust performance of the business in very challenging markets. As described on page 32, cash generated by operations was impacted by significant investments in working capital to support the continued growth of STV Studios. As a result, the cash flow outcome of £11.5m was below the bottom end of the stretching performance range set by the Committee at the start of the financial year. Payment for achievement of personal objectives is close to maximum levels as exceptional progress against key longer-term strategic targets was delivered by both Executive Directors.

The (unaudited) table below sets out the targets and performance achieved against these for the year ended 31 December 2022. For the 2022 bonus, 20% will be deferred for three years and paid in shares for both executives.

		Performance targets			Actual performance		
						(% of max)	
Performance condition	**Weighting**	**Threshold (10% of max)**	**Target (50% of max)**	**Maximum (100%)**	**(£m)**	**S Pitts**	**L Dixon**
Operating profit*	50%	£23.2m	£25.8m	£28.4m	£25.8m	50%	
Cash flow**	25%	£24.2m	£26.9m	£29.6m	£11.5m	0%	
Personal objectives	25%	See below				88%	90%
Total (% max)	100%	–				47%	47.5%
Total (£)						£304k	£144k

* Adjusted operating profit.
** Cash generated by operations.

A full assessment of performance against personal objectives is set out below for both Simon Pitts and Lindsay Dixon.

Simon Pitts, Chief Executive

Investment proposition Promote and increase support for STV's investment proposition	• Delivered successful capital market engagement programme building positive sentiment and increased understanding of strategic priorities and growth potential. • Shareholder base continuing to diversify as clearly understood investment proposition attracts new investors while majority of larger shareholders have maintained or increased holdings.
ESG Grow STV's positive impact through delivery of our ESG priorities	• Achievement of *STV Zero* targets for 2022 including external validation of strategy by SBTi; Project albert certification on all programmes produced by STV News, including *Scotland Tonight*, and on 79% of UK-produced programming by STV Studios; reduction of business travel by 50%; key milestones in long-term strategy to achieve a sustainable supply chain achieved including first submission to the Carbon Disclosure Project and sustainability governance structure successfully embedded. • Continued progress against all D&I targets set for end of 2023 (our people and on-screen). • Achievement of on-screen gender targets and significant progress in improving on screen ethnic diversity during 2022.
STV Studios Continue to build STV Studios' scale and reputation	• Record number of new programme commissions (30) secured with increased range of networks and global streamers, including four drama commissions setting a new record for scripted content, including a commission for global streamer, Apple TV+ and a returning series for Channel 4. • Target for returning series exceeded with 11 returning series currently. • Growth across entire portfolio of labels with extension to exclusive partnership with TOD Productions and addition of ninth creative label, Mighty Productions. • Secured revenue for 2023 of £50-55m is already materially ahead of £40m target.
Digital Drive STV Player growth through improved content, marketing and user experience	• Total STV Player consumption up 6% year on year with growth against all key metrics. • Successful content strategy continuing to expand STV Player's exclusive catalogue with 20 new content deals secured. Player-exclusive content accounted for 39% of all streams. • New long-term content sharing partnership with ITV secured exclusive rights to c.100 hours of original and premiere content each year.
Broadcast Maximise the value of Broadcast business and secure viable future for STV as a Public Service Broadcaster	• Maintained market leading position in Scotland reaching 3 million adults/month ahead of all commercial rivals. • STV's peak time share of 22.5% is the highest since 2009. • Continued outperformance against the Network by 1.9 share points in peak time and 2.3 share points in all time. • Long-term renewal of STV's PSB licences recommended by Ofcom.

Based on the above assessment of performance, the Committee determined for the personal element an award of 88% of maximum for Simon Pitts.

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Lindsay Dixon, Chief Financial Officer

Investment proposition Support CEO to increase support for STV's investment proposition	• Shareholder base continuing to broaden with key target investors entering register. • Programme of targeted capital markets activities successfully delivered and improving market understanding of strength of investor proposition.
ESG Grow STV's positive impact through delivery of our ESG priorities	• Achievement of *STV Zero* targets for 2022, including Project albert certification on all programmes produced by STV News and on 79% of UK produced programming by STV Studios and external validation of strategy by SBTi. • Led governance of sustainability to maintain compliance with current/identify future corporate reporting obligations. • Continued progress against all D&I targets set for end of 2023 (our people and on-screen) and achievement of on-screen gender targets and significant progress in improving on screen ethnic diversity during 2022.
Corporate governance and risk management Ensure compliance with evolving corporate governance and audit reforms	• New enterprise risk management framework fully implemented, including Group Risk Management Policy, updated Risk Appetite Statement, new Risk Impact framework, new Risk Register template, and approved by internal audit. • Readiness programme on-track in anticipation of changes to laws and regulations as a result of the corporate governance and audit reforms, specifically in relation to internal controls over financial reporting.
Defined benefit pension schemes Continued active management between triennial valuation cycles	• Following settlement of triennial valuation, continued positive engagement with trustees on deficit recovery journey plan and agreement of long-term funding target.

Based on the above assessment of performance, the Committee determined for the personal element an award of 90% of maximum for Lindsay Dixon.

Consideration of formulaic outcomes
The Committee considered the formulaic outcomes of the annual bonus assessment in the context of the current external environment, wider Company and individual performance, the shareholder experience, and the treatment of employees throughout the rest of the Group. In view of the Group's strong financial performance and continued positive progress in delivering the strategic plan, with continued profitable digital growth and a record number of commissions secured by STV Studios, both of which accelerated the diversification strategy with nearly 40% of earnings generated by non-broadcast activities, the Committee concluded that the formulaic outcomes of the annual bonus assessment were justified, and no discretion was applied.

Long-term Incentive Plan (audited)
The table below sets out the performance achieved for the 2020 LTIP award, which was subject to performance over the three-year period from 1 January 2020 to 31 December 2022.

Performance condition	Weighting	Threshold vesting (25% of maximum)	Maximum vesting (100% of maximum)	Actual outcome	Percentage vesting (% of maximum)
EPS	50%	5%	9%	5.8%	20.0%
Non-broadcast operating profit	30%	£8.5m	£12.5m	£9.9m	15.4%
Relative TSR	20%	Median	Upper quartile	Below median	0%
	100%			**Overall vesting**	35.4%

The Committee reviewed this outcome against a broader assessment of performance over the period including, in line with shareholder guidance, considering whether any 'windfall gain' had occurred. The Committee concluded that the outcome was appropriate and reflected the stretching nature of the underlying targets, and therefore these awards will vest at 35.4% of maximum in December 2023. Shares vesting will then be subject to an additional two-year holding period.

Scheme interests awarded in the 2022 financial year (audited)
The table below shows awards made to the Executive Directors during 2022 under the LTIP.

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	11/03/22	100% of salary	134,937	£432k	25% of maximum	01/01/22-31/12/24
L Dixon	LTIP	11/03/22	100% of salary	75,758	£242k	25% of maximum	01/01/22-31/12/24

* Calculated using the closing share price of 320 pence on the date prior to the date of award.

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.

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Performance measure	Calibration of targets	Weighting	Threshold vesting (25% of maximum)*	Maximum vesting (100% of maximum)*
EPS	Annualised growth in adjusted EPS from FY21 to FY24	50%	4%	10%
Non-broadcast operating profit	Operating profit for non-broadcast activities in FY24	30%	£15.0m	£19.5m
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.

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

Payments to past Directors (audited)
No payments were made to past Directors during the year or the prior 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. 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 £
P Reynolds*	**2022**	**150,000**	**–**	**150,000**
	2021	137,500	–	137,500
S Miller	**2022**	**44,000**	**13,100**	**57,100**
	2021	40,100	13,400	53,500
A M Cannon	**2022**	**44,000**	**7,500**	**51,500**
	2021	40,100	5,200	45,300
I Steele	**2022**	**44,000**	**7,500**	**51,500**
	2021	40,100	5,200	45,300
D Bergg	**2022**	**44,000**	**–**	**44,000**
	2021	40,100	–	40,100
A Mandhar***	**2022**	**44,000**	**–**	**44,000**
	2021	36,700	–	36,700

* Appointed as Non-Executive Director and Chair Elect on 1 February 2021. Assumed position of Chair on 29 April 2021.
** Appointed as Non-Executive Director on 1 February 2021.

Statement of Directors' shareholding and share interests at 31 December 2022 (audited)
Under the Remuneration Policy, Executive Directors are required to build up a shareholding equal to 150% of salary. 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.

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Director	Number of beneficially owned shares at 31/12/22*	Number of unvested deferred awards**	Number of unvested LTIP awards at 31/12/22	Current shareholding (% salary)	Shareholding requirements	Requirement met at 31/12/22
S Pitts	164,689	94,666	409,068	105%	150% of salary	n/a***
L Dixon	8,785	49,439	229,665	10%	150% of salary	n/a***
P Reynolds	25,000	n/a			20,000 shares	Y
S Miller	7,577	n/a			5,000 shares	Y
A M Cannon	11,167	n/a			5,000 shares	Y
I Steele	9,698	n/a			5,000 shares	Y
D Bergg	12,489	n/a			5,000 shares	Y
A Mandhar	2,627	n/a			5,000 shares	N****

* Beneficial interests include shares held directly or indirectly by connected persons.
** For both Executive Directors this relates to the deferred portion of their 2019 and 2021 annual bonus plans. Additionally, as noted above, both hold unvested LTIP awards which are in excess of the shareholding guidance of 150% of salary.
*** The shareholding requirement is on track to be met by Simon Pitts and Lindsay Dixon in the near future as vested awards with holding periods and deferred awards are released. The Committee is confident that both executives retain a strong interest in the Group.
**** At the date of preparation of the Directors' Remuneration Report, Aki Mandhar holds 6,381 shares following the purchase of 3,754 shares in January 2023.

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

Executive	Award	Granted	Held at 31/12/21	Granted in year	Released in year	Lapsed in year	Held at 31/12/22	Vesting dates*
S Pitts	2019 LTIP	29/05/19	113,223	–	–	56,386**	56,837**	29/05/22
	2020 LTIP	16/12/20	147,095	–	–	–	147,095	16/12/23
	2021 LTIP	24/03/21	127,036	–	–	–	127,036	24/03/24
	2022 LTIP	11/03/21	–	134,937	–	–	134,937	11/03/25
	2021 DBP	11/03/22	–	37,828			37,828	
L Dixon	2019 LTIP	29/05/19	63,567	–	–	31,657**	31,910**	29/05/22
	2020 LTIP	16/12/20	82,584	–	–	–	82,584	16/12/23
	2021 LTIP	24/03/21	71,323	–	–	–	71,323	24/03/24
	2022 LTIP	11/03/22	–	75,758	–	–	75,758	11/03/25
	2021 DBP	11/03/22	–	17,928			17,928	

* LTIP awards are subject to an additional two-year holding period following vesting.
** As disclosed in last year's report, the 2019 LTIP vested at 50.2% of the maximum based on performance over the three year period to 31 December 2021. Vested nil-cost options can be exercised for a period of up to ten years from the date of grant.

Dilution

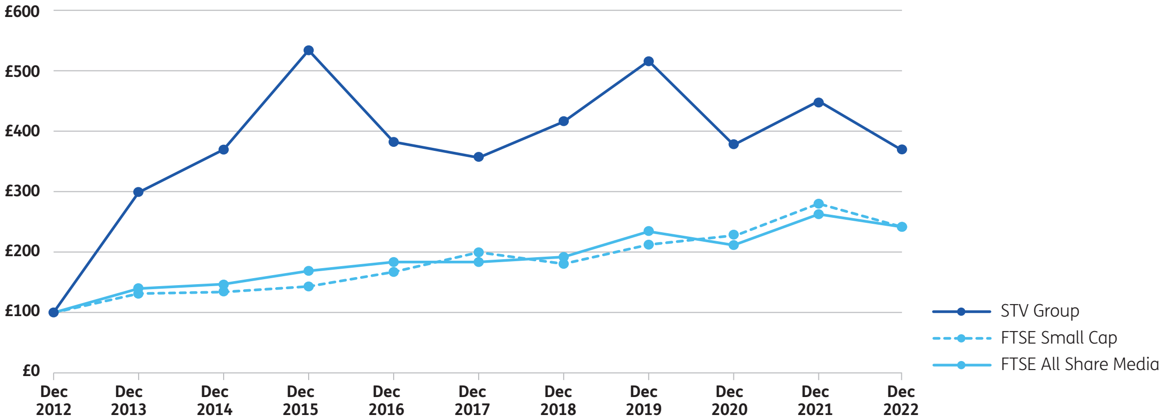
The following table sets out the current level of dilution against the limits in the bonus and long-term incentive plan and sets out the commitments to issue shares made during the financial year reported:

Maximum	Current dilution	Additional dilution during the year in question
10% dilution in ten years	6.68	(0.39)
5% dilution in ten years	0.88	(0.47)

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 2013 to 31 December 2022, 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 over the same period.

Year	Chief Executive	Single figure of total remuneration (£000)	Bonus pay-out (% maximum opportunity)	Long-term incentive vesting (% maximum opportunity)
2022	S Pitts	983	47	35
2021	S Pitts	1,337	96	50
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	–

* 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.

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Percentage change in remuneration

The table below shows the percentage change in the salary/fees, benefits and annual bonus of all Directors of the Company compared to all employees from 2019 to 2020, 2020 to 2021, and 2021 to 2022.

	Salary/fees**			Taxable benefits*			Annual bonus*		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
All employees	3%	0%	2%	n/a*	n/a*	n/a*	n/a*	n/a*	n/a*
S Pitts	3%	15%**	(9)%	0%	62%	0%	(50)%	n/a***	(100)%
L Dixon	3%	15%**	(9)%	39%	16%	0%	(50)%	n/a***	(100)%
P Reynolds****	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
S Miller	7%	15%	(9)%	n/a	n/a	n/a	n/a	n/a	n/a
A M Cannon	14%	15%	(9)%	n/a	n/a	n/a	n/a	n/a	n/a
I Steele	14%	15%	(9)%	n/a	n/a	n/a	n/a	n/a	n/a
D Bergg	10%	15%	(9)%	n/a	n/a	n/a	n/a	n/a	n/a
A Mandhar****	10%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* These benefits are not available to all employees.
** All Executive and Non-Executive Directors volunteered a 25% cut in base salary/fees from 1 April to 31 August 2020, in response to Covid-19, and so the increase in salary/fees in 2021 reflects reinstatement to full pay and is not a real increase.
*** Following suspension of the annual bonus plan in 2020, it was re-instated in 2021 with an outcome of 96.25% and 97.5% of the maximum for the Chief Executive and Chief Financial Officer respectively.
**** Appointed on 1 February 2021.

Chief Executive pay ratio

The table below discloses the ratio of the Chief Executive's pay for 2022, using the single total figure of remuneration (as disclosed on page 80), 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
2022	Option B	37:1	29:1	21:1
2021	Option B	54:1	39:1	32:1
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 2022 for these employees was then calculated using a valuation methodology consistent with that used for the Chief Executive in the single figure table on page 80. 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 2022 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)
2022 salary £	24,720	32,058	41,990
2022 total remuneration £	26,734	34,292	46,374

A significant proportion of the Chief Executive'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 driven largely by the outcome of these awards hence the significant fluctuations on a year-to-year basis. In comparison to last year, the pay ratio has decreased, as a result of the reduction in bonus and LTIP outcomes for the Chief Executive, reflecting this principle of higher proportion of variable remuneration.

The Committee considers the median pay ratio to be consistent with the pay, reward and progression policies for STV's employees, the majority of whom receive fixed remuneration only. Only colleagues in the Commercial team or in senior management roles are eligible to participate in a bonus plan.

Workforce pay

The Committee has oversight of remuneration and related policies across the organisation and gives them due consideration when determining pay for Executive Directors. All roles across the Company are graded with reference to a compensation and benefits survey of companies in the UK media and technology sectors undertaken by Willis Towers Watson. The Company's policy is to ensure pay and benefits provided are positioned fairly; are market competitive in the context of the relevant talent market; and reflect market data and other relevant benchmarks for each role. Pay ratios are also considered as one of several reference points when making decisions on remuneration.

As referenced earlier in this report, the Committee recognises that during 2022 increases to the cost of living have created additional pressures for some colleagues and the Company has sought to be proactive in seeking to support financial wellbeing, including additional payments targeted at those most impacted by inflation, providing this is financially sustainable for the Company.

The Company continues to develop its approach to employee engagement on executive remuneration, building on the various mechanisms in place to gather feedback from colleagues, including regular *'Have Your Say'* employee engagement surveys; engagement with trade union representatives which includes a collective bargaining agreement that covers pay determination for certain members of staff. Relevant feedback is considered by the Board, via the Senior Independent Director in his role as Employee Director, and through regular updates to the Board on the organisation, people and culture.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2022 and 2021 financial years. These were the most significant outgoings for the Company in the last financial year. Overall spend on pay reduced by 2.8% due to lower levels of payments triggered under the performance related bonus plans.

Significant distributions	2022	2021	% change
Overall spend on pay	**£24.3m**	£25.0m	(2.8%)
Dividend or share buy back	**£5.1m**	£4.4m	15.9%

Consideration by the Directors of matters relating to Directors' remuneration

Members of the Committee
During the year, the Committee comprised the following Non-Executive Directors: Anne Marie Cannon (Chair); Simon Miller; 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 2022, the Committee received advice from Deloitte. The total fees paid to Deloitte for the provision of advice to the Committee in 2022 were £25,900, charged on a time and materials basis. Deloitte provided no other services to the Company during the year, however, Deloitte did participate in the Group's external tender process to appoint a new independent auditor. Deloitte was successful in this process and upon appointment as the independent auditor will be prohibited from providing other services, including remuneration advice. This coincided with the lead advisor on remuneration moving to Alvarez & Marsal ('A&M') and in January 2023 A&M was appointed as the independent advisor to the Remuneration Committee.

Deloitte and A&M are both members of the Remuneration Consultants' Group and have signed up to their Code of Conduct on executive remuneration consulting. The Committee is satisfied that the advice received from Deloitte and A&M 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 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 (2022 AGM) and Remuneration Policy (2021 AGM).

	Votes for	%	Votes against	%	Total votes cast	Votes withheld*
2021 Remuneration Report (2022 AGM)	30,518,653	74.98	10,185,852	25.02	40,704,505	3,174
Remuneration Policy (2021 AGM)	25,095,568	74.94	8,390,031	25.06	33,485,599	4,063

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

As shown in the table above, with around three quarters of votes cast in favour, shareholders approved the Directors' Remuneration Policy and last year's Remuneration Report by a clear majority. The voting outcomes were primarily a result of one shareholder with a significant holding voting against the resolution. While this shareholder is supportive of the performance of the Executive Directors and the Company's overall approach to executive remuneration, in engagement with the Committee Chair they have expressed reservations regarding one specific element of the Policy. The Committee has carefully considered the issues but, given the strong support of the majority of shareholders (both in engagement and in their voting decisions) and in recognition of the clear alignment of our framework to both well-established shareholder guidance and market practice, the Company has not made any changes to reflect the feedback from this one shareholder. The Committee plan to engage with all major shareholders during the forthcoming triennial review of the Remuneration Policy, and this specific matter will be considered.

Anne Marie Cannon
Chair of the Remuneration Committee
7 March 2023

Directors' report

The Directors present their report for the year ended 31 December 2022. The Directors' report comprises pages 88 to 90 and the sections of the annual report incorporated by reference, as set out below:

Directors during 2022 financial year – See pages **56 and 57**
Risk management – See pages **34 to 40**
Streamlined Energy and Carbon Reporting (SECR) – See pages **44 and 45**
TCFD report – See pages **42 to 45**
Corporate governance report – See pages **55 to 87**
Stakeholder engagement (S.172) – See pages **12 and 13**
Employee diversity and inclusion – See pages **49 to 51**
Employee involvement and engagement – See pages **47 and 48**
Principal risks and uncertainties – See pages **37 to 40**
Disability reporting – See pages **49 and 50**

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 54, 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 7.4p per share has been declared for 2022 which, subject to approval at the AGM in April 2023, will be paid on 26 May 2023, to shareholders on the register at 14 April 2023. The interim dividend for 2022 was 3.9p per share. The proposed total dividend for 2022 is therefore 11.3p per share.

Share capital and substantial shareholders

On 7 March 2023 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 84.

As at 7 March 2023, 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	9,301,705	19.91
Aberforth Partners	4,841,892	10.36
M&G Investments	3,308,737	7.08
Columbia Threadneedle Investments	2,507,954	5.37
Chelverton Asset Mgt	2,205,821	4.72
Bohroder Investment Mgt	2,087,121	4.47
Octopus Investments	2,006,011	4.29
Janus Henderson Investors	1,677,420	3.59
Royal London Asset Mgt	1,417,872	3.03
Telworth Investments	1,414,080	3.03
Canaccord Genuity Wealth Mgt	1,408,740	3.02
Unicorn Asset Mgt	1,400,000	3.00

Annual General Meeting (AGM)

Details of the 2023 AGM, together with the resolutions being put to shareholders, can be found in the separate Notice of AGM.

Directors

The Directors of the Company and their profiles are detailed on pages 56 to 58. All the Directors served throughout the year under review.

Details of Directors' interest are on page 84 of the Remuneration Report.

In accordance with the Code, at the 2023 AGM each Director will stand for re-election, except for Anne Marie Cannon who will step down from the Board at the conclusion of the 2023 AGM, having served for more than 8 years.

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 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 2022.

Donations

The Group made no political donations or any contributions to any political party during the year (2021: £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 be required 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.

Going concern

The going concern statement is set out on page 102. The statement is incorporated by reference and deemed to form part of this report.

Statement of Directors' responsibilities in respect of the financial statements

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 and the parent company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 UK-adopted international accounting standards have been followed, 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 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 also 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' report

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 in the Board of Directors confirm that, to the best of their knowledge:

- the group and parent company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the group and parent company, and of the profit of the group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

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

- so far as the Director is aware, there is no relevant audit information of which the group's and parent 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 parent company's auditors are aware of that information.

By order of the Board

Paul Reynolds
Chairman
7 March 2023

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 2022 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 UK-adopted international accounting standards as applied in accordance with the provisions 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 2022; 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.

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.

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 Parent company or its controlled undertakings in the period under audit.

Our audit approach

Context

The context for our audit was that the Group financial performance has remained broadly consistent with the prior year, with adjusted operating profit showing a small increase, reflecting a decline in the advertising market offset by growth in the non-broadcast businesses of Digital and STV Studios. As in prior years, there is a very significant retirement benefit obligation relative to the size of the Group.

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) (Group).
- Carrying value of investments (Parent).

Materiality

- Overall Group materiality: £1,135,000 based on 5% of profit before tax and exceptional items.
- Overall Parent company materiality: 1% of total assets capped at £1,000,000, being an allocation of Group materiality.
- Performance materiality: £851,250 (Group) and £750,000 (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.

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.

Carrying value of investments is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of STV Group plc

Key audit matter	How our audit addressed the key audit matter
Retirement benefit obligations (Group and Parent) (Refer to note 23 (Retirement benefit schemes)) The Group has a net pension deficit at 31 December 2022 of £63.1m (2021: £79.4m) and the Parent company a net pension deficit of £29.0m (2021: £35.9m). The gross defined benefit scheme obligations of the Group and Parent company are £352.9m (2021: £519.4m) and £139.0m (2021: £202.0m) respectively. These balances are significant in the context of the Consolidated and Parent company balance sheets and are dependent on certain key assumptions, including the discount rate, inflation rates and mortality assumptions adopted by the Directors in the actuarial valuations. Given the judgements involved and the fact that small changes to these assumptions can have a material impact on the overall valuation of the obligation, this was an area of significant risk in our audit. Given the material value of the related pension scheme assets at a Group level of £289.8m (2021: £440.0m) and Parent company level of £110.0m (2021: £166.1m), we undertook substantial procedures with regards to the existence and valuation of these assets.	In assessing whether the key assumptions of discount rate, inflation rates and mortality were within our acceptable ranges, we undertook the following work: • We assessed the competence and objectivity of our own and Management's Actuarial experts (who had determined the key assumptions and calculated the value of the benefit scheme obligations). • Together with our experts, we discussed the methodology and assumptions used in calculating the obligation with Management's experts and challenged the approaches they had taken to ensure they were appropriate. • Our work included understanding and assessing the proposed assumptions at 31 December 2022, testing of internal consistency and reasonableness of 2022 data, and assessing the appropriateness of the method used to calculate the 31 December 2022 defined benefit obligation. • We considered the methods by which the assumptions were derived and how the assumptions sit within our acceptable ranges at the year end, and 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 regard. All of the discount rate, inflation and mortality actuarial assumptions fell within our acceptable ranges based on the nature of the schemes and scheme experience. In respect of the related pension scheme assets, we obtained 3rd party confirmation for existence of assets with the exception of annuity policies which are matched with a pension liability. In respect of valuation, where possible, we independently repriced the asset, and for the remainder obtained other corroborating evidence. As a result of our audit work, there were no matters arising which would indicate that the gross and net defined benefit scheme obligations were materially misstated, and the associated disclosures contain the required information.
Deferred programme production stock (DPS) (Group) (Refer to note 15 (Inventories)) DPS of £12.0m (2021: £11.3m) relates to costs incurred in the production of programming which is deferred on the Consolidated balance sheet at the point of initial sale and charged to the income statement in line with the associated forecast future revenue. In prior periods, we considered this to be an area of significant audit risk. Due to the reducing balance, we concluded in 2020 that the audit risk was normal, which continues to be our audit risk assessment for 2022. 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 obtained the sales forecast and related net present value calculations performed by management to support the carrying value of DPS and undertook the following work: • We verified that they were mathematically accurate and the method of calculation was appropriate and consistent with prior years; • We challenged management's forecast for each significant production by comparison with the actual sales history and prior forecasting accuracy; • Where relevant we obtained and reviewed new contracts which had been signed in 2022 and supported future forecasts; and • We also performed sensitivities on the key assumptions underpinning the net present value of DPS, being future sales, discount rates and the time period over which sales could be achieved. We did this by reference to independently determined benchmarks. There were no matters arising from the audit work performed, and we did not identify any indicators that the carrying value of DPS was not recoverable.
Carrying value of investments (Parent) (Refer to note 14 (investments)) The carrying value of investments in the Parent company balance sheet is £121.8m (2021: £121.8m). The market capitalisation of the Group as at 31 December 2022 is £129m, this is below the net asset position of the Company of £232m and represents an impairment trigger. This is an area of audit focus because the support for the carrying value is based on judgements and estimates made by management in their impairment assessment, in particular in respect of projected cash flows and discount rate.	In assessing whether there was an impairment to the carrying value of investments in subsidiaries, we undertook the following work: • Obtained and verified that value in use calculation used by management was mathematically accurate and the method of calculation was appropriate; • Compared management's cash flow forecast to the board approved forecast, and compared it to the forecasts used in the going concern and viability statement for consistency; • Performed a look back test by comparing previous management forecasts to actual performance in order to assess management's ability to accurately forecast; • Assessed the reasonableness of the cash flows by comparing to independent market analysts reports; • Compared longer term growth rates to PwC's assessment of growth rates in entertainment and digital markets and the terminal growth rate to the Bank of England long term UK growth rate; • Engaged our valuations experts to benchmark the discount rate used by management; • Performed sensitivities on the key assumptions underpinning the cash flows; and • Reviewed the financial statement disclosures. The discount rate used by management was below our independently assessed benchmark, however application of our independently assessed range of discount rates did not result in the identification of a material impairment. As a result, we did not identify any matters that would conclude that the carrying value of investments in subsidiaries are materially misstated.

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.

As part of our planning procedures, utilising our knowledge of the Group gained in previous audits, we reviewed management's Sustainability strategy, assessment of the risks of Climate Change and Governance with regards to the potential impacts of Climate Change. We formed our own view in concluding that climate risk is not considered to result in a significant audit risk in the context of the Group and Parent company audits for the current year.

The impact of climate risk on our audit
As part of our planning procedures, utilising our knowledge of the Group gained in previous audits, we reviewed management's sustainability strategy, assessment of the risks of climate change and governance with regards to the potential impacts of climate change. We formed our own view in concluding that climate risk is not considered to result in a significant audit risk in the context of the Group and Parent company audits for the current year. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit. Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended.

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	£1,135,000.	£1,000,000.
How we determined it	5% of profit before tax and exceptional items	1% of total assets, capped at £1,000,000 being an allocation of Group materiality.
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.	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 £14,075-£1,000,000. 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 £851,250 for the Group financial statements and £750,000 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 £56,750 (Group audit) and £50,000 (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 Group plc's business and plans;
- Confirming the availability of facilities included in management's going concern model; 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.

Independent auditors' report to the members of STV Group plc

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 directors' 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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.

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 2022 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 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 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 and Parent company 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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 risk of non-compliance with laws and regulations related to 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 financial statements such as the Companies Act 2006 and UK Tax legislation. 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 divisional profit allocations. Audit procedures performed by the engagement team included:

- Discussions with management, reading reports from internal audit, reviewing the OFCOM complaints register 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 with unusual account combinations or reallocation of profits between divisions.

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.

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.

Independent auditors' report to the members of STV Group plc

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 19 years, covering the years ended 31 December 2004 to 31 December 2022.

Other matter
In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
7 March 2023

Consolidated income statement

Year ended 31 December 2022

	Note	2022 Before exceptional items £m	2022 Exceptional items (note 7) £m	2022 Results for the year £m	2021 Before exceptional items £m	2021 Exceptional items (note 7) £m	2021 Results for the year £m
Revenue	4	**137.8**	**–**	**137.8**	144.5	–	144.5
Net operating expenses	5	**(112.0)**	**(0.5)**	**(112.5)**	(121.2)	(1.7)	(122.9)
Operating profit		**25.8**	**(0.5)**	**25.3**	23.3	(1.7)	21.6
Finance costs							
– borrowings		**(1.1)**	**–**	**(1.1)**	(1.2)	–	(1.2)
– defined benefit pension schemes		**(1.4)**	**–**	**(1.4)**	(0.8)	–	(0.8)
– lease interest		**(0.5)**	**–**	**(0.5)**	(0.3)	–	(0.3)
Provision for impairment losses – ELM debtor		**–**	**–**	**–**	–	0.3	0.3
Total finance costs		**(3.0)**	**–**	**(3.0)**	(2.3)	0.3	(2.0)
Share of loss of an associate		**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)
Gain on sale of non-current asset		**–**	**–**	**–**	–	0.6	0.6
Profit before tax		**22.7**	**(0.5)**	**22.2**	20.9	(0.8)	20.1
Tax charge	8	**(5.0)**	**0.1**	**(4.9)**	(1.0)	0.3	(0.7)
Profit for the year		**17.7**	**(0.4)**	**17.3**	19.9	(0.5)	19.4
Attributable to:							
Equity holders of the Company		**17.9**	**(0.4)**	**17.5**	19.9	(0.5)	19.4
Non-controlling interests		**(0.2)**	**–**	**(0.2)**	–	–	–
		17.7	**(0.4)**	**17.3**	19.9	(0.5)	19.4
Earnings per share	9						
Basic		**39.3p**		**38.3p**	43.8p		42.7p
Diluted		**37.5p**		**36.6p**	42.1p		41.0p

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

Consolidated statement of comprehensive income

Year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the year		**17.3**	19.4
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	23	**6.5**	(17.2)
Deferred tax (charge)/credit	20	**(1.5)**	8.5
Revaluation loss on listed investments to market value	14	**(0.3)**	(2.3)
Other comprehensive income/(expense) – net of tax		**4.7**	(11.0)
Total comprehensive income for the year		**22.0**	8.4
Attributable to:			
Owners of the parent		**22.2**	8.4
Non-controlling interests		**(0.2)**	–
		22.0	8.4

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 2022

		Group		Company	
	Note	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Non-current assets					
Intangible assets	11	**1.2**	1.6	**–**	–
Property, plant and equipment	12	**10.6**	9.8	**–**	–
Right-of-use assets	13	**18.6**	19.9	**–**	–
Investments	14	**2.5**	1.9	**121.8**	122.1
Deferred tax asset	20	**21.9**	26.5	**7.3**	9.0
Trade and other receivables	16	**1.5**	0.4	**–**	–
		56.3	60.1	**129.1**	131.1
Current assets					
Inventories	15	**47.0**	17.7	**–**	–
Trade and other receivables	16	**39.9**	30.1	**139.7**	138.2
Cash and cash equivalents		**11.3**	14.7	**(5.4)**	0.3
		98.2	62.5	**134.3**	138.5
Total assets		**154.5**	122.6	**263.4**	269.6
Equity					
Ordinary shares	21	**23.3**	23.3	**23.3**	23.3
Share premium	21	**115.1**	115.1	**115.1**	115.1
Capital redemption reserve		**0.2**	0.2	**0.2**	0.2
Merger reserve		**173.4**	173.4	**–**	–
Other reserve		**1.8**	1.4	**1.8**	1.1
Accumulated (losses)/profit		**(321.8)**	(339.2)	**87.8**	92.6
Shareholders' equity		**(8.0)**	(25.8)	**228.2**	232.3
Non-controlling interests		**(0.3)**	(0.1)	**–**	–
Total equity		**(8.3)**	(25.9)	**228.2**	232.3
Non-current liabilities					
Borrowings	18	**26.4**	14.4	**–**	–
Lease liabilities	19	**18.7**	19.7	**–**	–
Retirement benefit obligations	23	**63.1**	79.4	**29.0**	35.9
		108.2	113.5	**29.0**	35.9
Current liabilities					
Trade and other payables	17	**53.7**	33.8	**6.2**	1.4
Lease liabilities	19	**0.9**	1.2	**–**	–
		54.6	35.0	**6.2**	1.4
Total liabilities		**162.8**	148.5	**35.2**	37.3
Total equity and liabilities		**154.5**	122.6	**263.4**	269.6

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 loss for the parent company for the year was £2.6m (2021: loss of £3.5m).

The consolidated financial statements on pages 97 to 124 were approved by the Board on 7 March 2023 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 2022

	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 2022	23.3	115.1	0.2	173.4	1.4	(339.2)	(25.8)	(0.1)	(25.9)
Profit/(loss) for the year	–	–	–	–	–	17.5	17.5	(0.2)	17.3
Other comprehensive income	–	–	–	–	–	4.7	4.7	–	4.7
Total comprehensive income/(expense) for the year	–	–	–	–	–	22.2	22.2	(0.2)	22.0
Net share based compensation	–	–	–	–	0.4	0.3	0.7	–	0.7
Dividends paid (note 10)	–	–	–	–	–	(5.1)	(5.1)	–	(5.1)
At 31 December 2022	**23.3**	**115.1**	**0.2**	**173.4**	**1.8**	**(321.8)**	**(8.0)**	**(0.3)**	**(8.3)**
At 1 January 2021	23.3	115.1	0.2	173.4	1.0	(342.8)	(29.8)	(0.1)	(29.9)
Profit for the year	–	–	–	–	–	19.4	19.4	–	19.4
Other comprehensive expense	–	–	–	–	–	(11.0)	(11.0)	–	(11.0)
Total comprehensive income for the year	–	–	–	–	–	8.4	8.4	–	8.4
Net share based compensation	–	–	–	–	0.4	(0.4)	–	–	–
Dividends paid (note 10)	–	–	–	–	–	(4.4)	(4.4)	–	(4.4)
At 31 December 2021	**23.3**	**115.1**	**0.2**	**173.4**	**1.4**	**(339.2)**	**(25.8)**	**(0.1)**	**(25.9)**
Company									
At 1 January 2022	23.3	115.1	0.2	–	1.1	92.6	232.3		
Loss for the year	–	–	–	–	–	(2.6)	(2.6)		
Other comprehensive income	–	–	–	–	–	2.6	2.6		
Total comprehensive result for the year	–	–	–	–	–	–	–		
Net share based compensation	–	–	–	–	0.7	0.3	1.0		
Dividends paid (note 10)	–	–	–	–	–	(5.1)	(5.1)		
At 31 December 2022	**23.3**	**115.1**	**0.2**	**–**	**1.8**	**87.8**	**228.2**		
At 1 January 2021	23.3	115.1	0.2	–	1.0	102.9	242.5		
Loss for the year	–	–	–	–	–	(3.5)	(3.5)		
Other comprehensive expense	–	–	–	–	–	(2.4)	(2.4)		
Total comprehensive loss for the year	–	–	–	–	–	(5.9)	(5.9)		
Net share based compensation	–	–	–	–	0.1	–	0.1		
Dividends paid (note 10)	–	–	–	–	–	(4.4)	(4.4)		
At 31 December 2021	**23.3**	**115.1**	**0.2**	**–**	**1.1**	**92.6**	**232.3**		

Consolidated and parent company statements of cash flows

Year ended 31 December 2022

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Operating activities					
Cash generated by operations	22	**11.5**	34.8	**4.5**	8.0
Interest and fees paid in relation to banking facilities		**(1.1)**	(1.4)	**–**	–
Corporation tax received/(paid)		**0.2**	(1.2)	**(1.0)**	(1.2)
Pension deficit funding – recovery plan payment		**(9.5)**	(9.3)	**(3.6)**	(3.9)
Contingent cash payment to pension schemes		**(2.4)**	(0.3)	**(0.5)**	(0.1)
Net cash (used in)/generated by operating activities		**(1.3)**	22.6	**(0.6)**	2.8
Investing activities					
Proceeds from sale of investments		**–**	4.7	**–**	4.7
Proceeds from disposal of subsidiary		**–**	0.6	**–**	0.6
Purchase of investment in associate		**(0.9)**	(0.6)	**–**	–
Loan notes provided to associate		**–**	(0.4)	**–**	–
Production finance provided to associate		**(2.4)**	(0.6)	**–**	–
Purchase of intangible assets		**(0.5)**	(0.4)	**–**	–
Purchase of property, plant and equipment		**(3.4)**	(2.5)	**–**	–
Net cash (used in)/generated by investing activities		**(7.2)**	0.8	**–**	5.3
Financing activities					
Payment of obligations under leases		**(1.8)**	(1.5)	**–**	–
Borrowings drawn		**38.0**	3.1	**–**	–
Borrowings repaid		**(26.0)**	(11.1)	**–**	–
Dividends paid		**(5.1)**	(4.4)	**(5.1)**	(4.4)
Net cash generated by/(used in) financing activities		**5.1**	(13.9)	**(5.1)**	(4.4)
Net (decrease)/increase in cash and cash equivalents		**(3.4)**	9.5	**(5.7)**	3.7
Cash and cash equivalents at beginning of year		**14.7**	5.2	**0.3**	(3.4)
Cash and cash equivalents at end of year		**11.3**	14.7	**(5.4)**	0.3

Notes to the financial statements

For the year ended 31 December 2022

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 2022 were approved and authorised for issue in accordance with a resolution of the Directors on 7 March 2023. The comparative information is presented for the year ended 31 December 2021.

STV Group plc is a public limited company, limited by shares, incorporated in Scotland, United Kingdom, 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.

2. Significant accounting policies

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

Basis of preparation

The financial statements are prepared in accordance with IFRS as adopted by the UK Endorsement Board and in accordance with the UK adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Group and Company operates and rounded to the nearest 0.1 million pounds (£m) except where otherwise indicated. They have been prepared under the historical cost convention and where other bases are applied these are identified in the relevant accounting policy below.

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.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in, but not control or jointly control, the financial and operating decisions of an entity. These investments are also accounted for using the equity method.

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.

Adoption of new and revised standards

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

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 – effective date 1 January 2022

Standards and amendments to standards that have been issued but are not effective for 2022 and have not been early adopted are:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies – effective date 1 January 2023
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates – effective date 1 January 2023
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective date 1 January 2023
- IFRS 17 Insurance Contracts – effective date 1 January 2023
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information policies – effective date 1 January 2023

The above standards and amendments issued but not yet effective will be adopted in accordance with their effective dates.

Going concern

At 31 December 2022, the Group was in a net debt position (excluding lease liabilities) of £15.1m comprising drawdowns under its banking facility of £26.4m partially offset by a gross cash balance of £11.3m. 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.

The Group has in place a £60m revolving credit facility, with £20m accordion, that matures in March 2026 following exercise of both one-year extension options that were available to the Group (the second being exercised in March 2023). The covenant package remains unchanged and includes the key financial covenants of net debt to EBITDA (leverage), which must be less than 3 times, and interest cover, which must be greater than 4 times.

Notes to the financial statements

For the year ended 31 December 2022

2. Significant accounting policies continued

As part of the going concern review, the Group considers forecasts of the total advertising market, from which the Group generates the majority of its cash inflows, 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 financial covenants.

The Directors performed a full review of principal risks and uncertainties during the year and approved the Group's updated three-year plan covering the period to 31 December 2025 in December 2022. As part of this process, the Board gave specific consideration and challenge to the first year of this plan and approved it as the budget for FY23. A severe but plausible downside scenario was identified against the base assumptions in that budget that reflected crystallisation of a number of risks, principally in relation to advertising revenues and the number and scale of programme commissions. Even under this scenario, the Group generated sufficient cash to enable it to continue in operation and remain within covenant levels under the Group banking arrangements. Therefore, the Board concluded that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show it will be able to operate within the level of its current available funding and covenant levels.

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.

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 the broadcaster for the period of their licence.

Revenues from the licencing of programmes to overseas broadcasters or in the UK secondary market (usually digital channels) is recognised on the licence commencement date. 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 3).

iii) Lottery service revenues
Up to the date of disposal in August 2021, revenue was recognised for lottery operating costs recharged to the Scottish Children's Lottery at the point when the lottery draw to which the service related had taken place.

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

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. They are presented on the face of the Consolidated Income Statement, in the column headed 'Exceptional items', so as to present a transparent view of the trading of the Group both excluding and including these items.

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.

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.

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	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.

Notes to the financial statements

For the year ended 31 December 2022

2. Significant accounting policies continued

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 or the Group's incremental borrowing rate where not readily available.

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 non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ('CGU's') fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

- 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. Certain costs incurred in the development of creative ideas and the programme slate are recognised as inventory and amortised to the income statement over a period of up to 4 years. This period is deemed to be the average life of a creative concept from initiation to commissioning.

- 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 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 judgements and estimates section (note 3).

- Recorded programmes
  Recorded programmes are programmes which the Group purchases for transmission on its broadcast and Video on Demand platforms. 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.

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.

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 equity 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.

ii) Investments
Investments are classified as fair value through other comprehensive income (FVOCI) with subsequent gains or losses arising from changes in fair value recognised in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit and loss following the derecognition of the investment.

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
From time-to-time the Group uses derivative financial instruments to hedge its exposure to fluctuations in interest rates.

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 is 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 into 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.

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2. Significant accounting policies continued

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.

3. Critical accounting judgements and estimates

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 the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Management bases these judgements and estimates 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 and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised. Significant judgements in the current year and on a recurring basis are presented to the Audit & Risk Committee.

Judgements

In the course of preparing the financial statements, no judgements have been made in applying the Group's accounting policies that have had a significant effect on the amounts recognised in the consolidated Group or parent company financial statements, other than those involving estimation below.

Estimates

The Directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long term:

Group

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. The key assumption is estimating the likely future revenues for which associated programme costs are expensed in line with. A detailed forecast of future secondary sales is prepared by management based on historic experience and expected future trends. £1.4m was expensed through the income statement in the year (2021: £1.5m). Additional information is disclosed in note 15.

Pension obligations

The present value of the pension obligations depends on several 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.

Regarding 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 23.

Company

Carrying value of parent company investments

The Company's policy is to carry out annual reviews of the carrying value of investments. In determining the recoverable amount, key assumptions are made regarding future performance, growth rates and discount rate. Based on forecast cashflows of subsidiary undertakings, 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 14.

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4. 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 are Broadcast, Digital and Studios. The trade of STV ELM is included within 'Other' up to the date of disposal in August 2021.

	Broadcast		Digital		Studios		Other		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Sales	**107.6**	108.8	**19.0**	17.8	**23.9**	27.0	**–**	1.0	**150.5**	154.6
Inter-segment sales	**(12.5)**	(9.7)	**–**	–	**(0.2)**	(0.4)	**–**	–	**(12.7)**	(10.1)
Segment revenue	**95.1**	99.1	**19.0**	17.8	**23.7**	26.6	**–**	1.0	**137.8**	144.5
Segment result										
Adjusted operating profit	**20.7**	21.8	**8.5**	7.9	**1.4**	1.3	**–**	–	**30.6**	31.0
Unallocated corporate expenses									**(4.8)**	(5.8)
Adjusted operating profit									**25.8**	25.2
Exceptional items (note 7)									**(0.5)**	(0.8)
HETV tax credits (note 27)									**–**	(1.9)
Finance costs									**(3.0)**	(2.3)
Share of loss in associate									**(0.1)**	(0.1)
Profit before tax									**22.2**	20.1
Tax charge									**(4.9)**	(0.7)
Profit for the year									**17.3**	19.4

Adjusted operating profit (as shown above) is the statutory operating profit before exceptional items and includes High-End Television (HETV) tax credits receivable. The HETV tax credits relate solely to the Studios operating segment. In the current year, no HETV tax credit claims were made (2021: £1.9m) and so there is no impact on the adjusted operating profit metric from this adjustment (2021: statutory operating loss of £0.6m).

Revenue includes £1.7m from sources outside the UK (2021: £1.1m). Operating profit includes £1.0m arising outside the UK (2021: £0.7m).

	Broadcast		Digital		Studios		Total	
Segment assets and liabilities	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Assets	**40.2**	29.6	**2.3**	1.9	**71.0**	33.0	**113.5**	64.5
Liabilities	**(17.6)**	(22.3)	**–**	–	**(36.4)**	(7.7)	**(54.0)**	(30.0)
Segment total	**22.6**	7.3	**2.3**	1.9	**34.6**	25.3	**59.5**	34.5
Unallocated corporate assets							**41.0**	58.1
Unallocated corporate liabilities							**(108.8)**	(118.5)
Consolidated							**(8.3)**	(25.9)

Segment assets consist primarily of property, plant and equipment, certain leased assets, inventories, trade and other receivables and cash and bank deposits. In the prior year amounts due from HMRC in regard to HETV tax relief is disclosed within Studios. All other corporation tax balances are disclosed within corporate.

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.

The increase in Studios assets and liabilities primarily relates to the cost of production of *Criminal Record* and the associated monies received and deferred from Apple TV+. The programme will be delivered in 2023 and all associated costs and deferred income will be recognised on delivery.

All the net assets in 2021 and 2022 were held in the UK and therefore operate in a single geographical segment.

	Broadcast		Digital		Other		Total	
Other segment information	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Capital additions	**2.3**	2.0	**0.5**	0.4	**1.1**	0.5	**3.9**	2.9
Depreciation and amortisation	**1.9**	2.0	**0.9**	1.0	**2.0**	2.3	**4.8**	5.3

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5. Net operating expenses

	2022 £m	2021 £m
Programming and production costs	**56.0**	62.6
Staff costs (note 6)	**28.8**	28.7
Other operational costs	**22.4**	24.6
Depreciation and amortisation	**4.8**	5.3
	112.0	121.2
Exceptional items (note 7)	**0.5**	1.7
	112.5	122.9

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

	2022 £000	2021 £000
Group		
Fees payable to Company auditors for the audit of the parent company and consolidated financial statements	**250**	207
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**45**	38
– Audit-related assurance services	**35**	35
	330	280

Included in the audit fees payable is £6,000 (2021: £5,000) paid in respect of the parent company.

6. Staff

Group

Aggregate remuneration	2022 £m	2021 £m
Wages and salaries	**24.3**	25.0
IFRS 2 expense	**0.8**	0.5
Social security costs	**2.9**	2.4
Other pension costs	**0.8**	0.8
Total aggregate remuneration	**28.8**	28.7

Average monthly number of employees (including Executive Directors)	2022 Number	2021 Number
Permanent	**463**	441
Contract	**37**	22
Total average number of employees	**500**	463

Contract staff numbers consist of employees on fixed-term contracts and does not include those on freelance contracts.

Details of Directors' remuneration is provided in the Remuneration Report on pages 72 to 87.

Company
The Company had no employees during the current or preceding year.

The only element of Director remuneration recognised in the Company income statement in the year is the estimated charge associated with share-based payments of £0.8m (2021: £0.2m). No Director received any other remuneration from the Company during the year (2021: £nil). The emoluments of the Directors are paid by another Group company which makes no recharge to the parent company.

7. Exceptional items

To provide the users of the consolidated financial statements with a transparent view of significant and/or non-recurring items and their impact on the underlying trading of the Group, the Group presents items recognised in profit or loss for each year analysed between:

i) Profit before exceptional items; and
ii) The effect of exceptional items

The table below analyses the exceptional items in the current financial year and their impact on key financial statement lines in the consolidated income statement.

	2022			2021		
	Before exceptional items £m	**Exceptional items £m**	**Results for the year £m**	Before exceptional items £m	Exceptional items £m	Results for the year £m
Operating profit (i)	**25.8**	**(0.5)**	**25.3**	23.3	(1.7)	21.6
Finance costs (ii)	**(3.0)**	**–**	**(3.0)**	(2.3)	0.3	(2.0)
Share of loss of an associate	**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)
Gain on sale of non-current asset (iii)	**–**	**–**	**–**	–	0.6	0.6
Profit before tax	**22.7**	**(0.5)**	**22.2**	20.9	(0.8)	20.1
Tax charge (iv)	**(5.0)**	**0.1**	**(4.9)**	(1.0)	0.3	(0.7)
Profit for the year	**17.7**	**(0.4)**	**17.3**	19.9	(0.5)	19.4
Earnings per share						
Basic	**39.3p**		**38.3p**	43.8p		42.7p
Diluted	**37.5p**		**36.6p**	42.1p		41.0p

i) Operating profit

On 8 December 2022, the Group announced an extended partnership with ITV for digital content and advertising sales. The agreement is effective from 1 January 2023, however there were a small number of one-off costs incurred in 2022 as part of the agreement reached, principally redundancy and legal costs, that have been presented as exceptional in the current year. Please refer to note 28 for further information.

In May 2021, the Group repaid the full amount of furlough grants received in 2020 under the Government's Coronavirus Job Retention Scheme (£1.7m) before resuming payment of cash dividends to shareholders. The Group presented the cost of repayment as exceptional so as not to distort the underlying trading results of the business.

ii) Finance costs

In the prior year, an exceptional credit of £0.3m was recognised relating to amounts recovered from the Scottish Children's Lottery (SCL) in excess of the expected credit loss provided for in 2020.

iii) Gain on sale of non-current asset

In 2021, an exceptional gain of £0.6m was recognised, being net proceeds received on disposal of STV ELM Ltd.

iv) Tax (charge)/credit

Tax adjustments are the tax effects of the exceptional items recognised in both years.

8. Tax charge

	2022 £m	2021 £m
Corporation tax		
Current year charge	**1.8**	0.9
High-end television tax credit	**–**	(1.9)
Adjustments in respect of prior years	**–**	(0.2)
	1.8	(1.2)
Deferred tax (note 20)	**3.1**	1.9
Tax charge for the year	**4.9**	0.7

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8. Tax charge continued

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

	2022 £m	2021 £m
Profit before tax	**22.2**	20.1
Tax at the UK corporation tax rate of 19% (2021: 19%)	**4.2**	3.8
Tax effects of:		
Other expenses not deductible for tax purposes	**–**	0.4
High-end television tax credits	**–**	(1.9)
Impact of changes in tax rates	**0.7**	(1.4)
Changes in estimates related to prior years	**–**	(0.2)
Tax charge for the year	**4.9**	0.7

9. 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 not expected to recur every year and are therefore considered to be distortive. The adjusting items recognised in the current and prior years are operating and non-operating exceptional items and the IAS 19 net financing cost, as well as the related tax effect. Adjusted earnings per share have been presented to provide shareholders with an additional measure of the Group's year on year performance.

Earnings per share	2022 pence	2021 pence
Basic earnings per share	**38.3p**	42.7p
Diluted earnings per share	**36.6p**	41.0p
Basic earnings per share (before exceptional items)	**39.3p**	43.8p
Diluted earnings per share (before exceptional items)	**37.5p**	42.1p
Adjusted basic earnings per share	**42.3p**	45.6p
Adjusted diluted earnings per share	**40.4p**	43.8p

The following reflects the earnings and share data used in the calculation of earnings per share:

Earnings	Ref	2022 £m	2021 £m
Profit for the year attributable to equity shareholders		**17.5**	19.4
Exceptional items (net of tax)	(i)	**0.4**	0.5
Profit for the year (before exceptional items)		**17.9**	19.9
Excluding IAS 19 net financing cost	(ii)	**1.4**	0.8
Adjusted profit		**19.3**	20.7

Number of shares	2022 million	2021 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**45.6**	45.5
Dilution due to share options	**2.2**	1.8
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**47.8**	47.3

Details of the adjustments to earnings are as follows:

i) Exceptional items (net of tax) £0.4m (2021: £0.5m)
Exceptional charge of £0.5m (2021: £0.8m), net of related tax credit of £0.1m (2021: £0.3m). See note 7 for more details.

ii) Adjustment for IAS 19 financing cost £1.4m (2021: £0.8m)
An adjustment for the IAS 19 financing cost of £1.4m (2021: £0.8m). The IAS 19 financing cost is adjusted as it is a non-cash item that relates to historical defined benefit pension schemes; there is no tax associated with this amount as it is non-deductible for corporation tax purposes.

10. Dividends

	2022 per share	2021 per share	2022 £m	2021 £m
Dividends on equity ordinary shares				
Paid final dividend	**7.3p**	6.0p	**3.3**	2.7
Paid interim dividend	**3.9p**	3.7p	**1.8**	1.7
Dividends paid	**11.2p**	9.7p	**5.1**	4.4

A final dividend of 7.4p per share (2021: 7.3p per share) has been proposed by the Board of Directors and is subject to approval by shareholders at the 2023 AGM scheduled for 27 April 2023. The proposed dividend would be payable on 26 May 2023 to shareholders who are on the register at 14 April 2023. The ex-dividend date is 13 April 2023. This final dividend, amounting to £3.4m has not been recognised as a liability in these financial statements.

11. Intangible assets

	Web development £m
Cost	
At 1 January 2021	5.7
Additions	0.4
At 1 January 2022	6.1
Additions	0.5
At 31 December 2022	**6.6**
Accumulated amortisation and impairment	
At 1 January 2021	3.4
Amortisation	1.1
At 1 January 2022	4.5
Amortisation	0.9
At 31 December 2022	**5.4**
Net book value at 31 December 2022	**1.2**
Net book value at 31 December 2021	1.6

12. Property, plant and equipment

	Leasehold improvements £m	Plant, technical equipment and other £m	Assets under construction £m	Total £m
Cost				
At 1 January 2021	0.4	30.8	1.3	32.5
Additions	–	–	2.5	2.5
Transfers	–	3.0	(3.0)	–
At 1 January 2022	0.4	33.8	0.8	35.0
Additions	–	–	3.4	3.4
Transfers	–	2.3	(2.3)	–
At 31 December 2022	**0.4**	**36.1**	**1.9**	**38.4**
Accumulated depreciation and impairment				
At 1 January 2021	0.1	22.5	–	22.6
Charge for year	0.1	2.5	–	2.6
At 1 January 2022	0.2	25.0	–	25.2
Charge for year	-	2.6	–	2.6
At 31 December 2022	**0.2**	**27.6**	**–**	**27.8**
Net book value at 31 December 2022	**0.2**	**8.5**	**1.9**	**10.6**
Net book value at 31 December 2021	0.2	8.8	0.8	9.8

The Group and Company did not have any capital commitments at 31 December 2022 (2021: nil).

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13. Right-of-use assets

The balance sheet shows the following amounts relating to leases:

	Property £m	Vehicles £m	Total £m
Cost			
At 1 January 2021	13.9	0.3	14.2
Additions	11.0	0.1	11.1
Derecognition of assets	–	(0.1)	(0.1)
At 1 January 2022 and 31 December 2022	**24.9**	**0.3**	**25.2**
Depreciation			
At 1 January 2021	3.6	0.2	3.8
Disposals	–	(0.1)	(0.1)
Charge for the year	1.5	0.1	1.6
At 1 January 2022	5.1	0.2	5.3
Charge for the year	1.3	–	1.3
At 31 December 2022	**6.4**	**0.2**	**6.6**
Net book value at 31 December 2022	**18.5**	**0.1**	**18.6**
Net book value at 31 December 2021	19.8	0.1	19.9

The addition in the prior year relates to the lease extension of the Group Head office building at Pacific Quay, Glasgow.

14. Investments

	2022 £m	2021 £m
Group		
Listed	–	0.3
Associates	2.4	1.5
Other	0.1	0.1
	2.5	1.9

Listed investments comprise entirely of shares held in Mirriad Advertising plc and are measured at fair value through the Consolidated Statement of Comprehensive Income.

The movement in investments in associates during 2022 relates to the acquisition of a 25% stake in quiz show producer, Mighty Productions Limited, for consideration of £0.9m in March 2022. The investment was initially recognised at cost and has subsequently been updated to reflect the Group's share of post-acquisition losses (less than £0.1m) in accordance with the equity method of accounting. The Group acquired a 25% shareholding in the unscripted production company, Hello Mary, for consideration of £0.6m in September 2021 with subsequent recognition of the Group's accumulated share of the loss of £0.1m. The Group also owns a 25% stake in Two Cities Television which has a carrying value of £0.9m at both balance sheet dates. No dividends have been received from any associate undertaking.

	2022 £m	2021 £m
Company		
Share in Group undertakings	121.8	121.8
Other investments		
Listed	–	0.3
	121.8	122.1

Impairment of investments in subsidiary undertakings

At the end of each reporting period the Company assesses whether there is any indication that its investments in subsidiary undertakings may be impaired. Where such indications exist, the recoverable amount of the associated investment is calculated by determining the higher of its fair value less cost of disposal and value in use, which is then compared to the carrying value of the investment. Where the fair value less cost of disposal cannot be determined, the value in use is deemed to be the recoverable amount. The value in use is calculated based on the five year cash flow projections which are grounded in the three year plan, prepared by the Management Board and subsequently approved by the Board in December 2022. Overall, the forecast demonstrated strong revenue and profit growth in Studios and Digital in particular, albeit offset in the early part of the period by declines in advertising as a result of an anticipated recession in the UK. A terminal value was determined thereafter based on growth of 2.0%. (2021: 1.5%). The resulting valuation provided headroom against the investment carrying value.

Further sensitivities were modelled to provide management with comfort that no impairment would be required, namely a +/- 1% change in discount rate and also an operating profit fall in 2023 of 10% followed by flat performance. Both scenarios still left the Group with headroom. The post-tax discount rate applied was 8.8% (2021: 7.3%).

Based on the above the Directors consider that the investments' recoverable amount is greater than their carrying value and consequently no impairment is considered necessary.

Subsidiary undertakings
A full list of subsidiary undertakings as at 31 December 2022 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	Programme production	
STV Drama Productions Limited	Programme production	
STV Drama Productions 2 Limited	Programme production	
STV Drama Productions 3 Limited	Programme production	
STV Tod Productions Limited	Programme production	
Primal Media Limited (52%)	Programme production	(1)
Ginger Television Productions Limited	Dormant	(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*	Dormant	
Peoples champion.com Limited	Dormant	
The Ginger Media Group Limited	Dormant	(1)

* directly held

The registered address for all companies (except where noted) is Pacific Quay, Glasgow, G51 1PQ.

(1) 9 Savoy Street, London, WC2E 7EG

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

15. Inventories

	Group 2022 £m	Group 2021 £m
Deferred programme production	**12.0**	11.3
Programme production work in progress	**35.0**	5.9
Recorded programmes	**–**	0.5
	47.0	17.7

Deferred programme production stock represents costs of original 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 £1.1m (2021: £1.0m) is likely to be realised within 12 months.

At 31 December 2022, 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 £15.1m (2021: £17.8m), with the net book value of £12.0m (2021: £11.3m). A discount rate of 8.8% (2021: 7.3%) was applied. Revenues in 2023 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 £0.2m
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by £0.2m
Sales	Increase/decrease by 10.0%	Increase/decrease by £1.4m

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16. Trade and other receivables

	Group				Company	
	Current		Non-current		Current	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Trade receivables	**22.6**	18.6	**–**	–	**–**	–
Amounts owed by Group undertakings	**–**	–	**–**	–	**138.5**	136.4
Prepayments	**4.1**	1.7	**–**	–	**–**	0.1
Contract assets	**8.7**	6.3	**–**	–	**–**	–
Other receivables	**4.0**	1.0	**1.5**	0.4	**1.2**	1.1
Income tax recoverable	**0.5**	2.5	**–**	–	**–**	0.6
	39.9	30.1	**1.5**	0.4	**139.7**	138.2

Group

At 31 December, the ageing analysis of the trade receivables, net of any provisions for impairment, is as follows:

	2022 £m	2021 £m
Not past due	**18.6**	16.5
Up to 30 days overdue	**3.2**	1.4
Between 30 and 90 days overdue	**0.4**	0.4
Over 90 days overdue	**0.4**	0.3
	22.6	18.6

The Group engages in a number of contra deals whereby advertising is provided in exchange for goods and services instead of cash consideration. Balances that are more than 90 days overdue relate to the proportion of contra deals not yet utilised by the Group.

The Group applies the simplified approach to measuring expected credit losses, and so uses a lifetime expected loss allowance. At 31 December 2022, trade receivables with an initial carrying value of £0.1m (2021: £0.1m) were impaired and fully provided for. The movements in the provision were as follows:

	2022 £m	2021 £m
At 1 January	**0.1**	0.3
Charge for the year	**0.1**	–
Amounts utilised	**(0.1)**	(0.1)
Unused amounts reversed	**–**	(0.1)
	0.1	0.1

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Except for 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.

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.

All amounts owed by Group undertakings are unsecured, interest free and have no fixed date of repayment. These are trade related and disclosed within current receivables as they are repayable on demand.

17. Trade and other payables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Current				
Trade payables	**8.1**	4.2	**–**	–
Accrued expenses	**11.3**	21.4	**–**	0.1
Contract liabilities	**31.1**	2.4	**–**	–
Amounts owed to Group undertakings (payable on demand)	**–**	–	**6.2**	1.3
Bank overdraft	**–**	–	**–**	–
Social security and other taxes	**3.2**	5.8	**–**	–
	53.7	33.8	**6.2**	1.4

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.

18. Borrowings

	Group	
	2022 £m	2021 £m
Bank loans	**26.4**	14.4

Since March 2021, the Group has had in place a £60m revolving credit facility, with £20m accordion. The original tenor was 3 years, however two one-year extension options have been exercised (in February 2022 and March 2023) with the facility now extending to March 2026. Commercial terms are in line with the existing facility and the covenant package also remains unchanged. Key covenants are net debt to EBITDA (leverage) must be less than 3 times, and interest cover must be greater than 4 times.

The effective interest rate was:

	2022 %	2021 %
Bank loans (floating)	**3.7**	1.8

19. Lease liabilities

	Group	
	2022 £m	2021 £m
Current	**0.9**	1.2
Non-current	**18.7**	19.7
	19.6	20.9

The income statement shows the following amounts relating to leases:

	Group	
	2022 £m	2021 £m
Interest expense (included in finance costs)	**0.5**	0.3

Maturity analysis

	Minimum payments		Present value of payments	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Not later than 1 year	**1.4**	1.6	**0.9**	1.2
Later than 1 year but not later than 5 years	**5.6**	6.0	**4.0**	4.1
Later than 5 years	**17.7**	18.9	**14.7**	15.6
	24.7	26.5	**19.6**	20.9
Less: future finance charges	**(5.1)**	(5.6)		
Present value of lease obligations	**19.6**	20.9		

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For the year ended 31 December 2022

20. Deferred tax asset

The analysis of the deferred tax balance is as follows:

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Deferred tax asset to be recovered after more than one year	**(21.9)**	(26.5)	**(7.3)**	(9.0)

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 2021	(5.3)	(0.5)	(0.8)	(13.3)	(19.9)
(Credit)/charge to income	(0.1)	–	–	2.0	1.9
Credit to equity/OCI	–	–	–	(8.5)	(8.5)
At 1 January 2022	(5.4)	(0.5)	(0.8)	(19.8)	(26.5)
(Credit)/charge to income	–	(0.1)	0.7	2.5	3.1
(Credit)/charge to equity/OCI	–	(0.1)	–	1.6	1.5
At 31 December 2022	**(5.4)**	**(0.7)**	**(0.1)**	**(15.7)**	**(21.9)**
Company					
At 1 January 2021	–	–	–	(6.9)	(6.9)
Charge to income	–	–	–	0.8	0.8
Credit to equity/OCI	–	–	–	(2.9)	(2.9)
At 1 January 2022	–	–	–	(9.0)	(9.0)
Charge to income	–	–	–	0.8	0.8
Charge to equity/OCI	–	–	–	0.9	0.9
At 31 December 2022	**–**	**–**	**–**	**(7.3)**	**(7.3)**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 on 10 June 2021. These included an increase in the UK corporation tax rate to 25% effective from 1 April 2023. The deferred tax balances at 31 December 2022 have been stated at a rate of 25% (2021: 25%), which is the rate at which the temporary differences are expected to unwind.

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 £13.5m has not been recognised (2021: £13.5m, disclosure updated to include capital losses not recognised) and relates to a combination of trading tax losses, capital losses and non-trade costs. There are no associated expiry dates applicable.

Company	Loss category	Gross amount £m	Deferred tax asset not recognised £m
STV Group plc	Capital	42.7	10.7
STV News Services Ltd	Non-trade loan relationships	8.7	2.2
STV Central Ltd	Trading	1.8	0.4
STV Television Ltd	Management expenses	0.7	0.2

21. Ordinary shares and share premium

	Number of shares (thousands)	Ordinary shares £m	Share premium £m	Total £m
Group and Company				
At 1 January and 31 December 2022	**46,723**	**23.3**	**115.1**	**138.4**

The total authorised number of ordinary shares is 63 million shares (2021: 63 million shares) with a par value of £0.50 per share (2021: £0.50 per share). All issued shares are fully paid.

22. Notes to the consolidated and parent statement of cash flows

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Operating profit/(loss) for the year	**25.3**	21.6	**(1.2)**	(2.9)
Adjustments for:				
Depreciation and amortisation (note 5)	**4.8**	5.3	**–**	–
Share based payments	**0.8**	0.5	**0.8**	0.2
Increase in inventories	**(29.3)**	(2.3)	**–**	–
(Increase)/decrease in trade and other receivables (excluding STV ELM Ltd)	**(10.6)**	(2.3)	**–**	0.3
Increase in trade and other payables (excluding STV ELM Ltd)	**20.5**	11.2	**0.4**	0.1
Net decrease in STV ELM Ltd working capital	**–**	0.8	**–**	–
Decrease in intra Group balances	**–**	–	**4.5**	10.3
Cash generated by operations	**11.5**	34.8	**4.5**	8.0

Non-cash investing and financing activities
Right-of-use assets of nil (2021: £11.1m) were acquired during the year.

Net debt reconciliation

	Long-term borrowings £m	Cash and cash equivalents £m	Net (debt)/ cash £m	Lease liabilities £m	Net debt including lease liabilities £m
At 1 January 2021	(22.7)	5.2	(17.5)	(10.8)	(28.3)
Cash flows	8.8	9.5	18.3	1.5	19.8
Non-cash flows (i)	(0.5)	–	(0.5)	(11.6)	(12.1)
At 1 January 2022	(14.4)	14.7	0.3	(20.9)	(20.6)
Cash flows	(11.8)	(3.4)	(15.2)	1.8	(13.4)
Non-cash flows (i)	(0.2)	–	(0.2)	(0.5)	(0.7)
At 31 December 2022	**(26.4)**	**11.3**	**(15.1)**	**(19.6)**	**(34.7)**

(i) Non-cash movements relate to the amortisation of borrowing costs (for long-term borrowings), the acquisition of right-of-use assets and lease interest.

23. Retirement benefit schemes

Defined contribution schemes
The Group operates two money purchase schemes, the STV Pension Scheme and the Pearl & Dean Cinemas Pension Scheme. Total employer contributions expensed by the Group in the year was £0.8m (2021: £0.8m).

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 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Defined benefit scheme obligations	**(352.9)**	(519.4)	**(139.0)**	(202.0)
Defined benefit scheme assets	**289.8**	440.0	**110.0**	166.1
Net pension deficit	**(63.1)**	(79.4)	**(29.0)**	(35.9)

A related, offsetting deferred tax asset for the Group of £15.7m (2021: £19.8m) and the Company of £7.3m (2021: £9.0m) is included within non-current assets. Therefore, the pension scheme deficit net of deferred tax for the Group was £47.4m at 31 December 2022 (2021: £59.6m) and the Company was £21.7m (2021: £26.9m).

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23. Retirement benefit schemes continued

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 2022 %	2021 %
Rate of increase in salaries	**nil**	nil
Rate of increase of pensions in payment	**3.45**	3.55
Discount rate	**4.85**	1.90
Rate of price inflation (RPI)	**3.45**	3.55

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	
	2022 Years	2021 Years	2022 Years	2021 Years
Retiring at balance sheet date:				
Male	**20.9**	21.0	**20.4**	20.6
Female	**23.1**	23.2	**22.7**	22.8
Retiring in 25 years:				
Male	**22.1**	22.3	**21.9**	22.1
Female	**24.4**	24.6	**24.1**	24.3

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%	Decrease/increase by 3%
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by 1%
Rate of mortality	Decrease by 1 year	Decrease by 4%
Company		
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 3%
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by 1%
Rate of mortality	Decrease by 1 year	Decrease by 5%

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Fair value of scheme assets at 1 January	**440.0**	437.2	**166.1**	166.2
Interest income	**8.2**	5.4	**3.1**	2.0
Return on plan assets excluding interest income	**(146.1)**	12.7	**(52.8)**	3.9
Contributions from the employer	**12.5**	11.0	**4.4**	4.6
Administrative expenses paid from plan assets	**(1.3)**	(2.0)	**(0.7)**	(0.8)
Benefits paid from plan	**(23.5)**	(24.3)	**(10.1)**	(9.8)
Fair value of scheme assets at 31 December	**289.8**	440.0	**110.0**	166.1

At 31 December 2022, the assets were invested in a diversified portfolio that consisted primarily of investment funds and debt instruments. One of the schemes also holds insurance policies that pay an income into the scheme. The corresponding assets are included within the fair value of the scheme assets. The fair value of the Scheme's assets is shown below:

Group	At 31 December 2022 Quoted £m	Unquoted £m	Total £m	At 31 December 2021 Quoted £m	Unquoted £m	Total £m
Investment funds	–	86.5	86.5	9.1	149.1	158.2
Debt instruments	151.5	6.0	157.5	201.9	26.5	228.4
Cash and cash equivalents	25.4	(4.0)	21.4	21.7	5.0	26.7
Derivatives	–	9.7	9.7	–	7.1	7.1
Annuity policies	–	14.7	14.7	–	19.6	19.6
	176.9	112.9	289.8	232.7	207.3	440.0

Company	At 31 December 2022 Quoted £m	Unquoted £m	Total £m	At 31 December 2021 Quoted £m	Unquoted £m	Total £m
Investment funds	–	35.1	35.1	3.4	59.3	62.7
Debt instruments	62.7	(0.4)	62.3	81.4	9.0	90.4
Cash and cash equivalents	10.2	(1.6)	8.6	8.1	1.9	10.0
Derivatives	–	4.0	4.0	–	3.0	3.0
	72.9	37.1	110.0	92.9	73.2	166.1

Note the prior year comparative has been updated to reflect £7.5m (Group) and £3.2m (Company) of assets previously disclosed within unquoted investment funds to unquoted derivatives to be consistent with current year classification.

Defined benefit scheme obligations
The movement in the present value of the defined benefit obligation is analysed below:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Defined benefit obligation at 1 January	519.4	507.5	202.0	202.4
Experience loss	10.9	16.3	3.5	1.4
Interest cost	9.6	6.2	3.7	2.4
Remeasurement (gains)/losses	(163.5)	13.7	(60.1)	5.6
Benefits paid from the schemes	(23.5)	(24.3)	(10.1)	(9.8)
Defined benefit obligation at 31 December	352.9	519.4	139.0	202.0

The defined benefit obligation at 31 December 2022 includes an amount of £14.7m 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:

	2022 £m	2021 £m
Amount charged to net operating expenses:		
Administration expenses	(1.3)	(2.0)
Amount charged to finance costs:		
Net interest expense	(1.4)	(0.8)
Total charged in the consolidated income statement	(2.7)	(2.8)

Amounts recognised through the statement of comprehensive income
The amounts recognised in the consolidated statement of comprehensive income are:

	2022 £m	2021 £m
Return on plan assets excluding interest income	(146.1)	12.8
Actuarial losses on liabilities arising from change in:		
– demographic assumptions	11.0	(42.5)
– financial assumptions	152.5	28.8
– experience adjustments	(10.9)	(16.3)
Total recognised in the consolidated statement of comprehensive income	6.5	(17.2)

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23. Retirement benefit schemes continued

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 2020. This valuation resulted in a deficit of £116m on a pre-tax basis at 30 September 2021 compared to £127.0m on a pre-tax basis at the previous settlement date of 28 February 2019. The next triennial valuation will take place as at 31 December 2023.

Deficit recovery plans, which end on 31 October 2030, have been agreed with aggregate monthly payments unchanged from the previous recovery plans. The 2022 deficit recovery payments totalled £9.5m, with annual payments then increasing at the rate of 2% per annum over the term of the recovery plans. A contingent cash mechanism is also in place, which triggers contingent funding payments equivalent to 20% of any outperformance above a benchmark of available cash to be paid to the schemes.

The recovery plans are designed to enable the schemes to reach a fully funded position, using prudent assumptions about the future, by 2030.

24. 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
ii) Employee share plans

Total share-based compensation costs were £0.8m (2021: £0.5m).

i) Long-term incentive plans (LTIP)

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 2022 LTIP valuation are:

	%
Risk-free interest rate expected	1.5
Dividend yield expected share	2.5
Price volatility	43.3

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 £	2022 Number	2021 Number
2014 LTIP	3.40	1,873	1,873
2015 LTIP	4.25	1,607	1,607
2016 LTIP	3.67	3,755	3,755
2017 LTIP	3.65	7,118	7,118
2019 LTIP	3.55	209,565	417,461
2020 LTIP	2.85	542,413	542,413
2021 LTIP	3.30	468,448	468,448
2022 LTIP	3.20	471,267	–

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 quotation of a share on the dealing day last preceding the relevant date of invitation, as derived from the London Stock Exchange daily office list, and can be purchased once a year. There are currently 3 employee share plans outstanding and the exercise prices for options under these plans range from £2.47 to £3.31. At 31 December 2022 there were 537,320 (2021: 439,369) options outstanding under the plans. The employee share plans are valued using the Black-Scholes model.

Employee Benefits Trust
The Group has investments in its own shares as a result of shares purchased by the STV Employees' Benefit Trust ('EBT'). Transactions with the Group-sponsored EBT are included in these financial statements and consist of the EBT's purchases of shares in STV plc, which is accounted for as a reduction to retained earnings. The table below shows the number of STV plc shares held in the EBT at 31 December 2022 and the purchases/(releases) from the EBT made in the year to satisfy awards under the Group's share schemes disclosed above and in relation to shares awarded to certain employees for the achievement long term service milestones (Loyalty awards):

Scheme	Shares held at	Number of shares (released)/purchased	Nominal value £
	1 January 2022	1,250,301	625,150
LTIP releases – all employee share award		(90,301)	
SAYE releases		(4,290)	
Loyalty releases		(5,148)	
Shares purchased		31,470	
	31 December 2022	**1,182,032**	**591,016**

The total number of shares held by the EBT at 31 December 2022 represents 2.52% (2021: 2.67%) of STV's issued share capital. The market value of own shares held at 31 December 2022 is £3.2m (2021: £4.3m).

25. 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 18, 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 2022 and 2021 were as follows:

	2022 £m	2021 £m
Total borrowings (note 18)	**26.4**	14.4
Cash and cash equivalents	**(11.3)**	(14.7)
Net debt/(cash)	**15.1**	(0.3)
Total equity	**(8.3)**	(25.9)
Total capital	**6.8**	(26.2)
	222%	1%

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. The Group complied with all the covenants in each of the test periods to 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.

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.

a. 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 2022 the Group had no forward foreign currency contracts in place (2021: £nil).

Notes to the financial statements

For the year ended 31 December 2022

25. Financial risk management continued

b. 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. The Group disposed of its lottery operation in the prior year and therefore is no longer exposed to this risk. 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.

c. 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 18) 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.

d. 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.

Regular sensitivity analysis is carried out, and on the level of borrowings of the Group at 31 December 2022, a movement of 1.00% in interest rates would change the level of interest paid in the year by +/- £0.3m (2021: £0.1m). 1.00% is considered a reasonably possible change from significant increase in the bank of England base rate already incurred in the year.

26. 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:

	2022 £m	2021 £m
Short-term employee benefits*	1.5	2.1

* See the Directors' Remuneration Report on pages 72 to 87 for details.

Other related party transactions

The Group agreed to provide programme production financing to Two Cities for the production of Blue Lights, a drama series commissioned by the BBC and scheduled for delivery over the course of December 2022 and early January 2023. £3.0m was drawn down at the balance sheet date. The facility was originally due to mature at the end of September 2022 but was extended to June 2023 to allow for full delivery and receipt of tax credit owed before repayment. The Group also provided a working capital loan of £0.2m (2021: nil).

The Group provided advertising with an estimated fair value of £0.5m (2021: £0.8m) for nil consideration to the charity organisation STV Appeal.

Amounts paid to the Group's retirement benefit plans are set out in note 23.

27. 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 to exclude the effects of exceptional items and adjust for other material amounts that it believes are distortive to the underlying trading performance of the Group. By presenting these alternative performance measures, the Group believes it is providing additional insight into the performance of the business that may be useful to stakeholders.

Below sets out a reconciliation of the statutory results to the adjusted results:

	2022			2021		
	Operating profit £m	Profit before tax £m	Basic earnings per share Pence	Operating profit £m	Profit before tax £m	Basic earnings per share Pence
Statutory result	25.3	22.2	38.3p	21.6	20.1	42.7p
Exceptional items (note 7)	0.5	0.5	1.0p	1.7	0.8	1.1p
Result for the year before exceptional items	25.8	22.7	39.3p	23.3	20.9	43.8p
IAS 19 net finance costs	–	1.4	3.0p	–	0.8	1.8p
High-End Television tax credit	–	–	–	1.9	1.9	–
Adjusted results	25.8	24.1	42.3p	25.2	23.6	45.6p

IAS 19 related items, principally the net finance cost included in the consolidated income statement, are excluded from non-statutory measures as they are non-cash items that relate to legacy defined benefit pension schemes.

The Group meets the eligibility criteria to claim HETV tax relief through the production of certain dramas created in its Studios division. This incentive was introduced in the UK to support the creative industries and is a critical factor when assessing the viability of investment decisions in the production of high-end drama programmes. These production tax credits are reported within the total tax charge in the Consolidated Income Statement in accordance with IAS 12. However, STV considers the HETV tax credits to be a contribution to production costs and therefore more aligned to working capital in nature. Therefore, the adjusted results for the Group reflect these credits as a contribution to operating cost and not a tax item. There were no HETV tax credits claimed in the current year.

28. Contingent liabilities and other commitments

Group

The Group has commitments under its new arrangements with ITV to pay a tech fee and commencement fee in H1 2023. The amount of these payments has not been finalised at the balance sheet date, or to the date of this report and accounts, but is expected to be in the region of £2.6m.

Company

Under a group registration for Value Added Tax, the companies within the Group are jointly and severally liable for Value Added Tax due by any member of the group registration. At 31 December 2022, the Value Added Tax payable by other members of the group registration amounted to £2.3m (2021: £5.0m).

Five year summary

For the year ended 31 December 2022

	2018 £m	2019 £m	2020 £m	2021 £m	**2022 £m**
Results					
Revenue	125.9	123.8	107.1	144.5	**137.8**
Profit from operations before exceptional items	20.1	22.6	18.2	23.3	**25.8**
Profit on ordinary activities before taxation and exceptional items	17.2	19.0	15.4	20.9	**22.7**
Assets					
Non-current assets	40.1	52.0	50.1	60.1	**56.3**
Current assets	43.4	41.0	46.2	62.5	**98.2**
Total assets	83.5	93.0	96.3	122.6	**154.5**
Equity and liabilities					
Current liabilities	21.5	22.0	24.1	35.0	**54.6**
Non-current liabilities	121.1	118.3	102.1	113.5	**108.2**
Equity attributable to the owners	(59.1)	(47.1)	(29.8)	(25.8)	**(8.0)**
Non-controlling interests	–	(0.2)	(0.1)	(0.1)	**(0.3)**
Total equity and liabilities	83.5	93.0	96.3	122.6	**154.5**
Key statistics					
Earnings per ordinary share – basic	4.2p	41.7p	18.2p	42.7p	**38.3p**
– diluted	4.1p	40.3p	17.5p	41.0p	**36.6p**
Dividends per ordinary share	20.0p	6.3p	9.0p	11.0p	**11.3p**

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Company registration number

SC203873

Annual Report on internet

The 2022 Annual Report of STV Group plc including the financial statements is available at: www.stvplc.tv

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* 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.

Shareholder services

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 queries

If you have any questions in relation to your shareholding, please contact Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL; email: **shareholderenquiries@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**

* 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

STV Zero **is an ambitious and wide-reaching sustainability strategy to become net zero carbon by 2030; and to encourage viewers, colleagues and partners to help create a more sustainable society, as together we tackle humanity's greatest challenge.**

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
- achieving a sustainable supply chain

Visit stvplc.tv/social-impact/sustainability

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Company Registration Number SC203873