



Annual Report & Accounts 2013

Commercially focused
Creatively led

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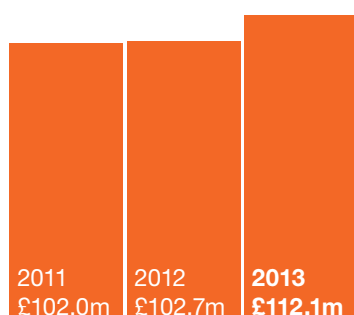
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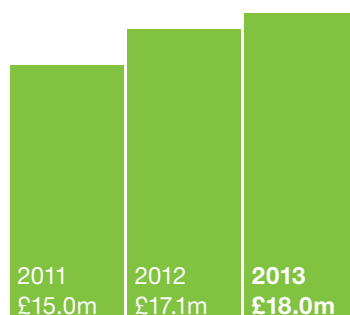
Another year of strong financial results and a further significant reduction in net debt.

Revenue (millions)



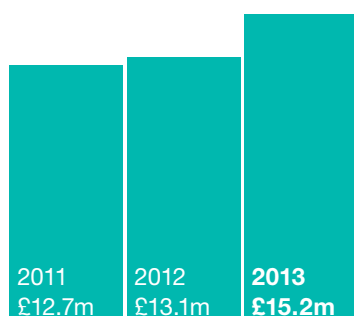
+9%

Operating Profit (millions)*



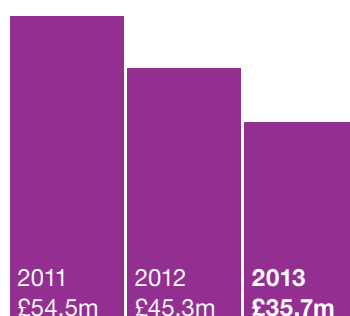
+5%

Pre-tax Profit (millions)*



+16%

Net Debt (millions)



-21%

* Pre-exceptional items and IAS19

02 STV – At a glance

Our business

- STV reaches 3.6 million viewers each month with first class programming and the most comprehensive local news service in the UK.
- STV Productions is one of the UK's leading production businesses, with ambitious plans for growth in the UK and overseas.
- STV's digital business incorporates Scotland's most popular commercial media website, stv.tv. STV recently launched new digital services providing all the latest news, events, offers, pictures and videos for consumers in Scotland's four main cities.
- In June 2014, STV will launch STV Glasgow, a brand new city-focused TV channel available on Freeview, Sky and online.
- STV content is available across multi platforms including iOS, Android, PS3, Windows 8, YouView and Samsung Smart TV.

Our business model



STV Consumer

Delivers unique, high quality content to attract mass audiences which are sold to advertisers to generate revenues. The content is delivered across multiple platforms including digital terrestrial, cable and satellite, online and through connected devices such as games consoles and Smart TVs. The business aims to use its unique content to create communities of interest and to engage consumers. The KPIs have been reviewed and new metrics will be introduced in 2014 to drive increased focus on consumer

engagement and cover all STV services. The key corporate KPIs detailed on pages 27 and 28 are used to monitor and measure the progress of each division in fulfilling its strategy.

STV Productions

Creates and produces high quality content for broadcast networks in the UK and overseas.

Profit is made on initial sale and on the exploitation of back end rights in the UK secondary and overseas markets.

Our strategic aims as set out in 2012

By 2015, we will:

- Grow non-broadcast earnings to represent 33% of Group earnings
- Double STV Productions' revenues (based on 2011 revenues)
- Be the most used digital service in Scotland
- Launch two new market-leading digital consumer propositions
- Maintain our position as the 'voice of Scotland'

Covering Scotland

STV is Scotland’s leading media brand connecting with consumers and creating opportunities for commercial partners across channels and platforms at a national, regional and city level.

Each month, STV reaches 91% of Scots on air.

Network Coverage

STV’s micro regions offer advertisers the opportunity to geo-target their TV marketing campaigns.

Micro Regions

STV secured licences in early 2013 for local TV in Glasgow and Edinburgh.

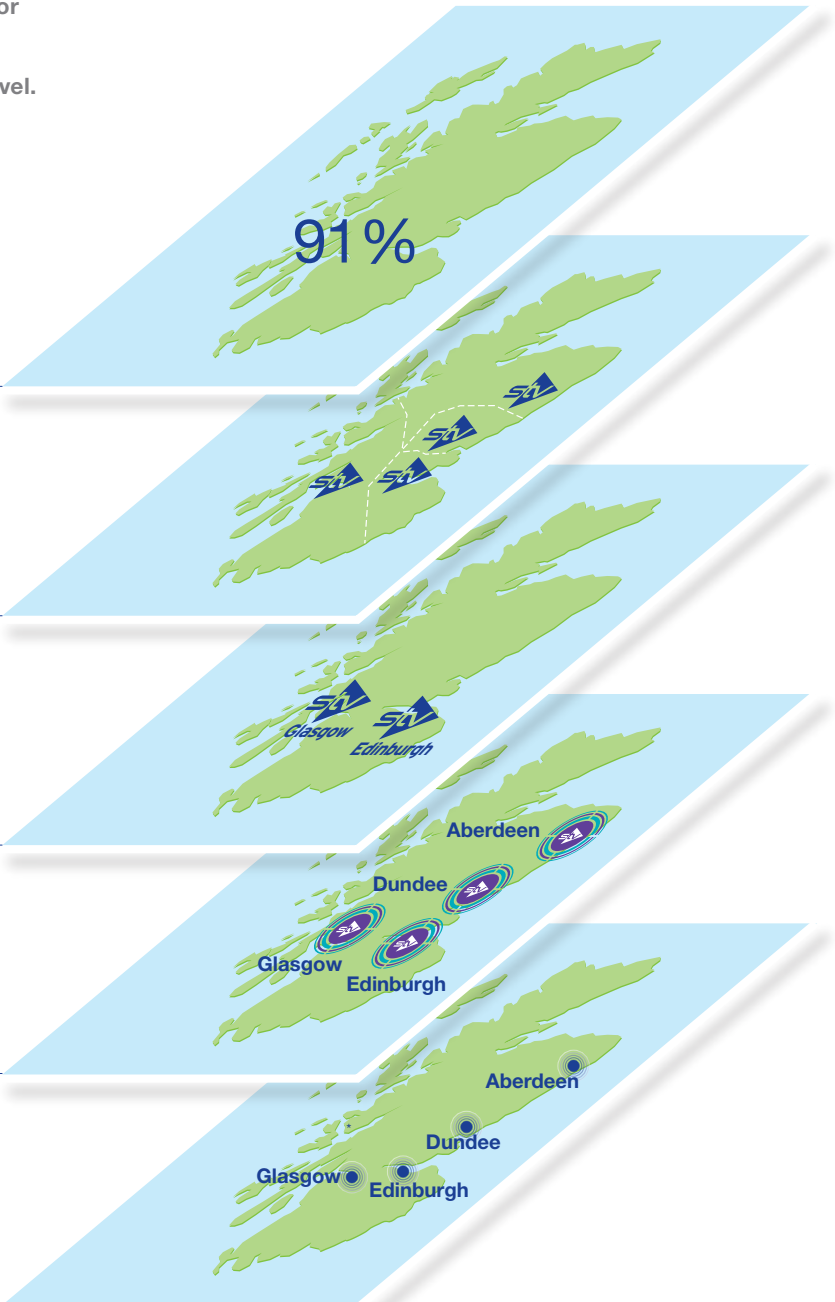
City TV

STV Glasgow, STV Edinburgh, STV Aberdeen and STV Dundee available to download for free as Apps.

City Apps

Super-serving Scotland with relevant, locally-focused and engaging content.

Key Metropolitan Areas





'... continued strength in the overall financial position ... pleased to confirm the return to dividend payments.'

A handwritten signature in blue ink, which appears to read 'Margaret Ford'.

Margaret Ford
Chairman

I was absolutely delighted to join the Board of STV in 2013 and to succeed Richard Findlay as Chairman. Growing up in Scotland in the 1960s, STV was an important part of my life and so it is a great privilege for me to join the company, particularly at such an important time for the company and for Scotland.

Since June, I have observed an organisation that is focused on its consumer relationships, commercially and results oriented with a strong clarity of purpose, objectives and targets and driven by a powerful creative energy at its heart.

Across the company there is a palpable sense of pride in the brand and the strength of connections held with consumers and commercial partners. Combined with a clear strategy to embrace the opportunities presented by a changing media landscape, I am assured of the potential of the company to realise its ambitions.

In particular, I am confident the company is well positioned to achieve its strategic aim of one-third of earnings being derived from non-broadcast activities by 2015. The strategy to deliver this, through growth of the digital business and STV Productions, combined with continuing to build a strong core business founded on the deep connections held with consumers across an increasing range of

platforms, is ambitious and focused and provides a clear plan to deliver future growth and value creation. The recent conclusion of the licence renewal process for the maximum term of 10 years, provides certainty and a stable backdrop to enable continued investment and focus to be placed upon new growth activities, enabling the transformation of STV to continue.

A year of significant progress

During 2013 the company has been successful in further consolidating its leading position in Scotland through the introduction of new ground breaking digital consumer services, whilst continuing to deliver an outstanding quality of public service content. The success achieved by STV Productions has successfully enhanced its reputation as a leading UK production company with growing international connections.

STV holds a unique and ubiquitous connection with communities across Scotland. In addition to serving communities with high quality, trusted, informative and entertaining content, new connections are being formed through seeking to enhance the lives of the most vulnerable children in these communities founded upon a strong commitment to social investment, with over £2.5m raised by the STV Appeal during the 2013 campaign.

Financial performance

Good progress has been made during 2013 in continuing to diversify the structure and revenue base of the business with non-broadcast activities now accounting for almost 20% of earnings. This has been achieved through further strong performance in digital activities and growth momentum in STV Productions arising from a raft of new commissions and achievement of the key priority of securing commissions of returning long-running series for major broadcasters.

The balance sheet has further strengthened as net debt has continued to reduce, down 21% at £35.7m (2012: £45.3m), a reduction of 34% over the past two years. The company remains on track to achieve the target of a ratio of net debt to EBITDA of one and a half times by the end of 2014.

Profit before tax, IAS19 and exceptional items is £15.2m, up 16% on last year, and earnings per share on the same basis are up 13% at 34.4p.

The underlying profitability of all areas of the business continues to perform strongly, with improving margin performance in growth activities. Digital margins increased significantly to 40%, up from 26% the previous year. Margins also improved in STV Productions.

The consumer business delivered a margin of 17.8% (2012: 18.3%)

down slightly as a result of higher network programme costs. Overall, Group operating profit has increased for the third consecutive year, up 5% at £18.0m (2012: £17.1m).

Signs of some improvement in the macro economy have been reflected through a modest upturn in consumer confidence, resulting in an increase in national airtime revenues. These performed in line with expectations, outperforming the market, and up 6% at £71.3m (2012: £67.4m). The Scottish airtime advertising market continues to stabilise with performance flat year on year at £13.1m (2012: £13.1m).

The company has a strong culture of cost control and a relentless focus on operational efficiency balanced with a thriving creative energy. This focus on delivery of commitments is demonstrated through the pursuit of achievement of the 11 KPIs. The KPIs have been reviewed for 2014 and beyond and will include increased visibility with metrics for consumer engagement and reach by platform, reflecting the multi-platform nature of the business.

Dividend

As a result of the continued strength in the overall financial position of the Group, the strength of the balance sheet, and delivery of a strong operational and financial performance, I am pleased to confirm the return to dividend payments.

The Board will recommend the payment of a full-year dividend of 2.0 pence per share in respect of 2013. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 23 May 2014.

I am committed to the introduction of creating sustainable value and through a progressive dividend policy, delivering capital return for shareholders in the long term.

Positive growth momentum across all areas of the business

STV Productions has successfully increased the number of new commissions secured during the year including further commissions of long-running returning series. As the profile of the business develops in the UK and internationally with content of the highest quality being developed and produced across genres; the business is now a multi-genre creative force, well positioned for growth in 2014 with a strong delivery schedule and pipeline for new commissions to be secured.

The success achieved over the past year by the news and current affairs team has confirmed STV as the leading media provider for coverage of the campaign on the referendum for Scottish independence which will take place in September.

This coverage will continue in 2014 with further leaders' debates along with an extensive programme of features and coverage delivered through *STV News* and *Scotland Tonight*, online coverage and social media.

Additionally, a partnership with Debating Matters to provide the opportunity for secondary school pupils from every local authority area in Scotland to debate the big issues in the run up to the referendum on Scottish Independence in 2014, has been a great success in engaging young people in current affairs and strengthening connections with consumers of the future.

One of STV's key differentiators is the ability to operate at both a national and local level and the introduction of the City TV services in 2014 will augment the local relevance of the brand and play a pivotal role in fulfilling the aim of super serving communities across Scotland.

Creating new prospects for future growth

2014 will be an historic year with the eyes of the world on Scotland and STV is in a prime position to deliver against this opportunity. This will present new and positive challenges for the news and current affairs team and provide an exceptional opportunity for the commercial team to increase market share.

The launch of the first of the City TV services will further strengthen the relationship with consumers as a new channel is added to the STV portfolio. This will build on the strong progress made during 2013 through the launch of the digital City services.

The pace of change and opportunity facing STV in 2014 will both continue to increase as the expectations of consumers grow and, with a strong culture at the core of the business founded on employee values to be bold, stand together and strive to surprise, the company is well positioned to realise these opportunities and deliver further success in the year ahead.

The forthcoming year will be an exciting one for everyone associated with STV and the company is in a strong position to deliver further growth and value from that opportunity.

On behalf of your Board, I would like to thank our highly committed and talented staff and leadership team for their exceptional contribution during 2013 and thank shareholders for their support during a formative and successful year for the company.

I would finally like to express the Board's thanks to my predecessor Richard Finlay and Vasa Babic, who is retiring from the Board at the AGM, after seven years of very dedicated service. We have benefited greatly from their wise counsel.

Our focus on technology solutions is meeting emerging consumer needs

Rob Woodward in conversation with Andrew Billen.



'we are well positioned as the fundamental nature of our business is changing'

If ever, enthuses Rob Woodward, there was a Year of Scotland then it will be 2014. The Commonwealth Games begins in Glasgow in July, the biennial Ryder Cup golf competition comes to Gleneagles in September and the same month the crucial referendum on Scottish independence is held. STV will extensively cover each event, further embedding itself into Scottish lives, not only on Channel 3 but through its recently launched mobile apps and new TV city stations in Glasgow and Edinburgh. However, as Rob explains, 2013 was also quite a year for STV...

Q: You won the licence to broadcast on Channel 3 in Scotland again. Was that just a formality?

A: If you look at the track record of STV and ITV and UTV in meeting and exceeding licence obligations it was not a surprise. Ofcom had shown that the commercial benefit of the licence versus the cost of meeting the licence obligations was in deficit. But we don't see high quality public service as a duty. We see it as part of our relationship with the audience and celebrate it. We are nevertheless delighted that we now have certainty in continuing to provide high-quality public service through to the end of 2024 across both our Scottish licences.

Q: The other cause for celebration is that you are paying a dividend this year.

A: When I arrived at the company seven years ago, I set out a route for recovery, a blue-print for how STV was going to rejuvenate itself. One of the key issues was rebuilding financial stability and the financial health of the balance sheet. We have delivered that. We said to investors that when our EBITDA (debt to earnings before interest, tax and depreciation) ratio dipped down below 2 times that we would consider our dividend policy.

We're now at 1.8 times and I'm delighted to confirm that there will be 2.0 pence per share dividend in 2013 and, on top of that, we've confirmed the introduction of a progressive dividend policy in future years.

Q: So it's been a long wait but it's now coming good for investors?

A: We've seen a very significant recovery in the valuation of the business as the investment community has realised the strength of the business that we've built.

Q: What about ratings?

A: For the first time in ten years, our audience has increased over the course of a year. I think what you're seeing is that the impact of the transition from an analogue world to a digital world has now finished. We expect to be able, certainly, to hold that audience stable, if not continue to show slight growth going forward. One of our key performance indicators (KPIs) is to out-perform the rest of the ITV network and I'm delighted that again we've managed to do that, our peak time share being 1.5 share points higher than the rest of the network.

Q: How is on-screen advertising doing?

A: We've seen a recovery back to pre-recession levels. We had a particularly strong performance in the national market through 2013. The local Scottish market was flat but, as we head into 2014, we're expecting to see modest growth in both the national market and the local Scottish market. Television has reclaimed its rightful position as the cornerstone of the advertising sector. I've always had a long term belief in its power and television has more than fought back. What we're now seeing is a new relationship between online and mobile-based advertising versus commercial broadcast advertising.

The two compete around the edges but they're actually fundamentally complementary. One is very much about building awareness, and the other is much more around a call to action: where to go to get it, or where to sample it, special offers.

Q: And this is the way forward?

A: We believe so. We're launching a new set of KPIs this year and in our digital business we're expecting our margin to reach 50% over the next three years. We believe that it will become an increasingly significant component of our business. Another of our KPIs is to generate a third of our earnings from non-broadcast activity between now and the end of 2015.

Q: That aim has been around for a while, hasn't it?

A: Yes. But we've formalised it and we've enshrined it as one of our 11 KPIs.

Q: Isn't that a hostage to fortune?

A: We want to demonstrate to all stakeholders that the fundamental nature of our business is changing and we're becoming less reliant on a single broadcast product. That's why we set out the importance of diversifying our earnings. It is an organic strategy. We see strong growth opportunities remaining in the markets which we're serving across Scotland.

Q: Yet STV is also becoming ever more local, isn't it?

A: Yes. We are a local brand. Our start point is that we are local to Scotland. We have Scotland flowing through our veins and our objective is to super serve Scottish consumers with content that they're unable to get anywhere else, specifically tailored to them. It might be watching the flagship current affairs show *Scotland Tonight*. It might be

08 Chief Executive's Review – Q&A

continued

watching a particular news bulletin for your area, be it Edinburgh, Glasgow, Aberdeen or Dundee. But equally, we'll also be launching City TV in Glasgow in June and Edinburgh at the end of this year. These are 12-year licences that will give us another window to reach consumers right across the central belt of Scotland, representing half the population.

Q: Are you confident people will find these stations at Channel 26 on the EPG? In England the city stations are listed on the first page at number 8.

A: We will use STV on Channel 3 as the main marketing platform to ensure that our audiences do find what they want. These will be channels driven by telling the stories of what is happening in the cities. We will be on air in time for the Commonwealth Games in Glasgow. So STV Glasgow will be the place where we're able to give the people of Glasgow airtime, talking about the impact of the games, how they got involved, what it meant for them. At the end of this year, we'll launch a similar channel in Edinburgh.

Q: Will the two new stations look and sound different from each other?

A: Yes, because they have to represent and reflect their local communities but equally they will be very different to STV. They will enable us to speak with a different voice and reflect different voices. And, you know, it's the first time in STV's 50 plus year history, that we have the opportunity to be responsible for and run our own channels. Reaching our own audiences through these new services is a really exciting prospect and with much lighter regulation we'll be able to experiment with new commercial models.

Q: Can you get even more local?

A: We launched mobile apps for Edinburgh, Glasgow, Aberdeen and

Dundee in October of last year. We're delighted by the response. They're also there to reflect the life and soul of a city: if you're interested in dining out, if you're interested in going out, if you're interested in what's happening on the news, what's happening on the roads, on the rail. They are already developing their own personality and own editorial voice. We're positioning them as the definitive home of what's happening in Scotland's main cities and they'll be very complementary to the City TV services. You'll also start to see them playing the role of a second screen in your hand, enabling our consumers to upload content directly on to STV Glasgow or STV Edinburgh. So if you're out and about in the city and you see something that you think is of real interest then you'll be able to be that citizen journalist, video it and upload on to our site.

Q: Will these apps make money?

A: They're free apps but they are ad supported. Our philosophy is that STV's content, irrespective of platform, is free to consume. And there's been a 50-plus year relationship between brands and our content, which consumers are very used to seeing on screen. We're simply extending that relationship across all other platforms.

Q: The strategy is 'mobile first', which is what everybody says now, don't they?

A: We've been putting mobile first for the last year. We said a year ago that all future development would be driven through mobile platforms and then we would develop accompanying desktop derivatives to support our mobile products.

Q: Will you also be on smart TVs besides Samsung?

A: We'll work with all the leading smart TV developers. This year we've launched apps with Samsung. We've launched on Windows 8. We've launched on

Kindle. We have a healthy development pipeline and set of development priorities to ensure that our content is available across as many platforms as possible. We took a view on what our audiences would demand and consumers would want to consume.

We've also changed the style of development so we're now what's referred to as an Agile developer. It's a methodology which we employ which enables us to move very quickly incorporating many different disciplines from across the business.

Q: I'm imagining a lot of young Scotsmen in Glasgow dressed in T-shirts and drinking Irn Bru – a Scottish Silicon-Valley start-up!

A: They do drink Irn Bru and they do tend to wear T-shirts. It is like a start-up. We have, in my view, the best of both worlds. We have a fantastic heritage, a brand which has a ubiquitous reach and within that we're fostering a start-up mentality. We're doing things that no other media company has done. In particular, no other media company will have the same combination of assets as we have.

Q: Because they don't have a free TV presence?

A: Also our focus on reaching local audiences through digital and mobile products is unique.

Q: How will you be covering the referendum as it gets ever closer?

A: We started in 2013 by being the first broadcaster to broadcast live debates between the Yes Campaign and the Better Together Campaign. The audience reaction was extremely positive. We'll continue those live studio debates. We also have plans to have live debates in front of audiences on location across Scotland. And we have comprehensive plans to cover the night of September 18.

Q: Is the referendum debate pushing audiences towards *Scotland Tonight*?

A: *Scotland Tonight* has established itself as by far and away the leading current affairs show in Scotland. We're typically achieving an audience around about three times that of *Newsnight Scotland*. We'll continue to use that as our flagship programme. We regularly extend that programme into a one-hour format where we take a deep dive into particular issues of the day and would expect to continue to do that through the run-up to the referendum.

Q: So STV Productions. Has it had a good year?

A: We've had a great year. We've had 32% increase in revenues. We've transformed the business from when we had a single client five years ago, which was ITV. We had a single brand in *Taggart*. That was decommissioned and we basically rebuilt by focusing on two areas, one is daytime and we've had great success with the BBC in *Antiques Road Trip* and *Celebrity Antiques Road Trip* – and the other is entertainment. Just three years ago we didn't have an entertainment format and as of now we have six returnable formats which we are producing.

Q: I suppose if there's a uniting theme to programmes, such as ITV's *Catchphrase* and *Fake Reaction* on ITV2, it is that they are not tartan. They don't look like Scottish programmes.

A: No. We are a producer of high-end content which happens to be produced by a Scottish based producer. Our strategy was to set out to become a multi-genre producer and that's exactly what we are doing. From a standing start, we now have a business which is delivering over 30% increases in revenue growth and we have an ambition, as a KPI, to double the size of the business by the end of 2015 from 2011 levels.

Q: What about documentaries?

A: We produced two landmark documentaries last year, *Piper Alpha* and *The Lockerbie Bombing*. *Piper Alpha* was awarded a Scottish BAFTA and the audience award at the Edinburgh International Film Festival. With *Lockerbie* we worked with the US Smithsonian Channel as partners. We've also developed a new relationship with Red Arrow as our new international distribution partner to export either our formats or our finished products.

Q: What is STV doing in the charity business?

A: It is about ensuring that we use the convening power of STV to highlight the horrendous situation of child poverty in Scotland where one in five children grows up below the recognised poverty line. Together we believe that we can do something about it. Our ambition is, over the years, to use that convening power; our fundraising power; our ability to tell stories and build awareness, to eradicate child poverty from our vocabulary in Scotland. It's fantastic to have the generous support of Sir Tom Hunter, Sir Ian Wood and the Scottish Government in meeting our ambitions.

Q: It's not a KPI?

A: But it's rapidly become a very important part of STV's DNA and it's forming a different component of our relationship with our consumers who have responded in their millions through the donations that have been given: £2.5million in the past year.

Q: That's a very good example of consumer engagement, but consumer engagement seems to be at the core of your strategy.

A: We see there's an increasing trend to make TV an active experience as opposed to a passive occupation. It's not for everybody all the time, but it is for some people some of the time.

We consider ourselves at the forefront of offering the most engaging array of complementary services. Some 91% of Scots watch STV in a month but we've also got an audience of over 3 million online and mobile viewers.

Q: Given there are only 5 million people in Scotland, I find that incredible.

A: I think what is incredible is if you look back. Online, five years ago, we had something in the order of 50,000 unique users. We've gone from that to over 3 million users.

Q: Ten years ago Scotland seemed to have fallen out of love with STV. Does Scotland love STV again?

A: I think it's a work in progress. Our relationship with our consumers is evolving. We're not harking back to what STV used to be. We're forging new relationships with new consumers trying to position STV right at the heart of the highest quality entertainment, the highest quality news, the highest quality current affairs and then, sitting beneath that, forge a connection across communities, across the country.

Conclusion

As the world looks to Scotland in 2014, Scotland looks set to be following STV in ways old and new.

Super serving Scotland

Earlier this year, it was confirmed that STV had secured renewal of its two Channel 3 broadcast licences for a further 10 year term. This provides long-term certainty for the business and allows us to concentrate on our strategy of diversification and growth.

Non-broadcast earnings share %

2015	Target	33%
2013	Actual	19%
2012	Actual	11%
2011	Actual	11%

Progress towards achievement of the strategy is measured against our KPIs. The KPI metrics and targets for 2014 to 2016 have been reviewed and new measures introduced. Additionally, we have incorporated our strategic aims of one-third earnings from non-broadcast activities into the KPIs to ensure operational focus on achievement of this.

Super serving Scotland's cities

We are committed to delivering relevant and engaging content to our consumers. This is underpinned by a strategic aim to launch two new market leading digital consumer propositions by 2015.

Online

In October 2013, we launched the first of these as four brand new City Apps. The City Apps bring consumers in Scotland's four largest cities all the latest news, social media updates, travel, weather and upcoming events. STV Glasgow, STV Edinburgh, STV Aberdeen and STV Dundee are available as Apps, free to download and use on iOS and Android devices, and accompanying desktop and mobile derivatives. The innovative development of the City Apps has led us to protect our Intellectual Property with several aspects of the Apps submitted for patents in the US and EU. The mobile first approach to delivering content reflects the growing trend in consumers accessing our material via mobile devices.

The City Apps are designed to offer the user 'your city in your hand'. We are delighted with the initial response from consumers and plan to build on the successful launch in 2014 with additional marketing activity. Furthermore, we are confident of achieving our new KPI of 1 million monthly users by 2016 to help realise our ambition to be the most used digital service in Scotland.

The City Apps reinforce our commitment to serving Scottish consumers as we continue to deliver local news on air as well as online, allowing the news team to prioritise stories relevant to the regional audience.

On air

During ITV's morning *Daybreak* programme, STV News broadcasts three bulletins for north and central Scotland. Two lunchtime bulletins are broadcast from Glasgow (for the east and west) and from Aberdeen (for the north).

Consumer Division Margin %

2016	Target	18.0%
2015	Target	17.5%
2014	Target	16.5%
2013	Actual	17.8%
2012	Actual	18.3%
2011	Actual	15.5%

Our dedicated evening news programmes, *STV News at Six*, are broadcast from Glasgow, Aberdeen and Edinburgh, with a bulletin for the Dundee and Tayside area. Evening news bulletins are also broadcast from Glasgow, Edinburgh and Aberdeen during STV's current affairs programme, *Scotland Tonight*, on air Monday to Thursday. We deliver in excess of our licence obligations for news and are committed to continuing this in the new licence period.





Super serving STV cities

We have re-affirmed our commitment to super serving Scotland with the launch of STV Glasgow, STV Edinburgh, STV Aberdeen and STV Dundee as brand new City Apps for the country's largest cities. Dedicated regional news coverage continued on air in 2013 and in the coming year we will launch two local TV channels for Glasgow and Edinburgh.

What does this mean for our consumers?

They receive relevant and engaging content that is locally focused and delivered with mobile consumption in mind.

What does this mean for STV?

We have the ability to prioritise local news and establish new platforms for our commercial partners to reach their target audiences.

Image: STV City Apps offer the user 'your city in your hand'.

'Your city
in your hand'

Anywhere, Anytime

STV has a key strategic aim to provide our content free to consumers 'Anywhere, Anytime'. In 2013, the STV Player launched on Windows 8, Samsung Smart TV and Kindle Fire allowing viewers within our licence areas to access catch-up content on an increasing number of platforms.

What does this mean for our consumers?

They are able to access their favourite STV shows on the platforms they choose.

What does this mean for STV?

This gives us the ability to monetise our content on multiple platforms.



11.5m long form streams in 2013

Image: The STV Player offers catch-up of Channel 3 content within STV's licence areas.

In early 2013, STV secured two local television licences to broadcast across Glasgow and Edinburgh. STV Glasgow will start broadcasting on Freeview, Virgin Media and Sky in June 2014 with the launch of Edinburgh to follow. The new channels will reach a potential audience of almost 2 million in Glasgow and 1.5 million in the capital. Following launch, the new Local TV channels for Glasgow and Edinburgh will work in tandem with the City Apps.

At the end of the year a recruitment campaign was launched offering a wide range of opportunities to get involved in the launch of this exciting new service. A talented and enthusiastic, multi-skilled team are now in place and are preparing for launch.

Consumer Reach (monthly average million)

TV Audience 2016 Target	3.6
TV Audience 2013 Actual	3.6
STV Player 2016 Target	1.0
STV Player 2013 Actual	0.5
City TV 2016 Target	1.0
City TV 2013 Actual	Launches 2014
City Apps 2016 Target	1.0
City Apps 2013 Actual	0.2
STV.tv 2016 Target	3.6
STV.tv 2013 Actual	3.0

The addition of the new city services and local TV channels offer a unique combination of platforms for audiences to consume our content. This gives STV an unrivalled service in Scotland and offers a wealth of targeted advertising opportunities to our commercial partners.

Delivering relevant content

We strive to offer our consumers the best Channel 3 network content complemented by original, Scottish programming. Public Service Broadcasting is at the heart of STV's core channel and we continue to excel in the delivery of quality, engaging and accessible content. STV News at Six achieved an audience share of 25.6% throughout the year with high profile stories including the Clutha helicopter crash, storm force gales and snow, and news on Rangers and Hearts football clubs. To commemorate the 25th anniversary of the Piper Alpha disaster in July, STV News at Six presenter for the North, Andrea Brymer, broadcast live from The Hummingbird Installation over 100 miles north east of Aberdeen.

In the run up to the referendum on Scottish independence in 2014 we have demonstrated our commitment to provide a platform for debate on all the big issues. Current affairs programme *Scotland Tonight* has hosted four debates with members of the Better Together and Yes Scotland campaigns. This will continue in the run up to the vote on 18th September 2014 with live, leaders' debates planned throughout the year.

Scotland Tonight continues to be the most watched Scottish current affairs programme, airing each week, Monday to Thursday, reporting on all the topical issues of the day. The format of the programme provides the flexibility to deliver in-depth coverage of key news events.

Consumer Engagement (mins per day per user)

TV Audience 2016 Target	41
TV Audience 2013 Actual	41
STV Player 2016 Target	41
STV Player 2013 Actual	37
City TV 2016 Target	10
City TV 2013 Actual	Launches 2014
City Apps 2016 Target	6
City Apps 2013 Actual	2
STV.tv 2016 Target	6
STV.tv 2013 Actual	3

For example, the resignation of Cardinal Keith O'Brien in February resulted in an STV News at Six broadcast live from Edinburgh. The *Scotland Tonight* programme that followed the same evening on the resignation of Cardinal O'Brien was one of the best performing *Scotland Tonight*'s of the year, up 32% on the average programme performance with 8.4% share, demonstrating our news team's ability to respond quickly to developing stories in a constantly moving editorial landscape.

New KPIs are being introduced to measure reach and engagement levels across all of our channels and platforms

In June, STV aired a unique, three-part series examining the history and development of the independence question in Scotland. *Road to Referendum* included exclusive interviews with the Prime Minister and First Minister along with a wide range of politicians, cultural commentators and well-known Scottish faces.

In 2013, we broadcast top commercial programmes, including *The X Factor* and *Coronation Street*.

Performance vs
ITV network

2013	Actual	1.5pts
2012	Actual	1.3pts
2011	Actual	0.85pts

The best watched programme of the year on STV was the England vs Scotland football match in August which delivered an average audience of 1.2 million and 63% share. Football continues to be a popular choice for STV viewers with positive ratings for our UEFA Champions League Specials. In February, STV sports presenter, Raman Bhardwaj, was joined by special guests Henrik Larsson and David Moyes at Celtic Park for Celtic's match against Juventus. The special programme achieved an average audience of over 850,000, winning its slot with a reach of nearly 1.4 million viewers.

Our peak-time share across the year was the highest in three years. In 2013, the peak-time share grew by 1.3 share points year-on-year to 22.12% meaning we tracked 1.5 share points ahead of the ITV network, a key KPI for the consumer business. The growth in share makes STV the best performing channel in Scotland. From September to December we were the best watched peak time channel in Scotland, with a higher viewing share than BBC One Scotland.

STV continued to attract an audience share ahead of the ITV Network and average peak-time audience increased year-on-year

In December, with two major network shows on air, our peak time share was 29.2% – the highest of any channel in Scotland. Overall across 2013, our peak time audience increased by 5,000 year-on-year to 405,000 viewers while in Scotland the BBC, Channel 4 and Channel 5 peak-time audiences dropped. We also broadcast original content such as the new series of *Scottish Passport* and *Moviejuice*, including a One Direction special which premiered on the STV Player ahead of transmission, hosted by Grant Lauchlan.

At the start of 2013, a one-hour documentary went *In Search of Robert Burns* with actor David Hayman exclusively unveiling what Scotland's most famous poet really looked like. A life-size model of Robert Burns' head was reconstructed using state-of-the-art forensic technology by Professor Caroline Wilkinson and a team at The University of Dundee. Sponsored content was broadcast in the form of *Coached Off The Couch: Passing It On* and *RBS – Finding Scotland's Real Heroes* creating innovative ways for commercial partners to reach their target markets. We also aired a number of acquired programmes, including Scottish charity Mary's Meals' *Child 31* and *Silent Odyssey* about the remarkable journey of Scot Gerry Hughes, the first Deaf person to sail single-handed around the world passing all five capes.

STV's charity, the STV Appeal, also contributed to a number of hours of original content. In its third year, the Appeal raised £2.5 million for children and young people in Scotland living in poverty. The year-long campaign was supported with a series of

fundraising programmes that culminated in a live, Friday night show hosted by Lorraine Kelly. The week of Appeal programming reached 2.3 million Scots. That amounts to six in ten adults within the STV transmission area.

Consumer Insights Records
(million)

2016	Target	2.4
2015	Target	1.6
2014	Target	0.8
2013	Actual	0.6
2012	Actual	0.5
2011	Actual	0.3

Providing free to consume
content across all platforms

The launch of the City Apps cements our commitment to deliver free content for our audience on multi-platforms as we continue to progress our 'Anywhere, Anytime' strategy. In 2013, we launched the STV Player on Windows 8, Samsung Smart TV and Kindle Fire. These new devices join a wide range of platforms already hosting the STV Player, including YouView, PS3, iOS tablets and smartphones, Android tablets, smartphones and the web. The STV Player allows viewers within the STV licence areas of Scotland to catch up on STV programmes and is achieving over one million long-form streams per month.

We have also invested in the architecture of the STV Player to ensure the best possible user experience. The upgraded design includes more predominant categories,



A photograph of Carol Smillie, a woman with reddish-brown hair, smiling and wearing a pink sequined dress. She is standing in front of a backdrop that features the words 'REAL HEROES' in large, stylized letters. The backdrop is decorated with red and black diagonal stripes. The overall lighting is warm and festive.

Image: Carol Smillie presented
Sponsored Series *RBS – Finding Scotland's
Real Heroes*.

Serving our commercial partners

In 2013, we aired a brand new series, *RBS – Finding Scotland's Real Heroes*, to celebrate inspiring Scots who go the extra mile for their community. The series, presented by Carol Smillie, paid tribute to people whose hard work, ingenuity, ambition and generosity has improved local communities across Scotland and their work was recognised at a star studded awards ceremony on STV. The series was complemented by a dedicated micro-site for viewers to vote for their real hero.

What does this mean for our consumers?

Branded content allows us to create original, Scottish programmes for our audience.

What does this mean for STV?

We can offer innovative advertising solutions to our commercial partners to reach their target consumers.

RBS campaigns on STV Player, stv.tv & STV

Engaging Public Service content

STV combines the best Channel 3 network content with original, Scottish programming. News and current affairs is at the heart of what we deliver to audiences across Scotland with seven news bulletins each week day and current affairs programme *Scotland Tonight* on air four week nights. We are committed to providing a platform for all of the big issues and will continue this commitment in the run up to the referendum on independence in 2014.

What does this mean for our consumers?

STV viewers receive their favourite entertainment shows alongside informative news and current affairs programming.

What does this mean for STV?

Due to relevant, engaging and entertaining content, STV was the best performing channel in Scotland in 2013 with our peak time share growing to 22.2%.

Image: STV broadcasts relevant and engaging content, including popular current affairs programme *Scotland Tonight*.



No. 1 Scottish current affairs programme

Digital Revenues (£ million)

2016	Target	13.0
2015	Target	11.0
2014	Target	8.5
2013	Actual	7.5
2012	Actual	6.5
2011	Actual	7.1

clearer navigation, improved access to popular content and greater flexibility to showcase top shows. The new format also allows the screen view to adapt to any device, whether consumers are watching their favourite STV programme on a smartphone, tablet, desktop or television.

Our relationship with ITV ensures that the STV Player is geo-located within our licence areas to ensure STV viewers can access Channel 3 content exclusively on the STV Player. This supports our commercial strategy to increase the number of long-form views. In 2013, the total number of long-form streams was 11.5 million, an increase of 125% from 2012.

Deepening our consumer relationships

We are continually looking for ways to develop our understanding of our consumers' behaviour and are exploring a number of ways to generate data through transactional services, registration and loyalty awards.

The number of consumer insights we hold on our database is nearly 600,000, up by 25% year-on-year.

Digital Margin %

2016	Target	50
2015	Target	50
2014	Target	45
2013	Actual	40
2012	Actual	26
2011	Actual	17

Through our partnership with Gigya, the deployment of their social infrastructure technology has provided further opportunities to garner consumer data and will be fully integrated in 2014.

These initiatives form a pivotal component of our future strategy to build consumer insights and will ultimately enable us to provide personalised content services for our consumers and advertisers.

Delivering innovative commercial partnerships

Two series of branded content aired throughout the year with programme sponsors the Scottish Government revisiting the families that were *Coached off the Couch* in 2012.

The three new episodes, presented by Kelly Cates, encouraged previous participants to pass on their new active lifestyles to families, friends and colleagues.

RBS sponsored a brand new series, *RBS – Finding Scotland's Real Heroes*, which celebrated Scotland's most deserving community heroes.

The series, presented by Carol Smillie, paid tribute to people whose hard work, ingenuity, ambition and generosity has improved local communities across Scotland and their work was recognised at a star studded awards ceremony broadcast on STV. The series reached just under 1 million Scots across the series with an average audience of 218,000, and 11.4% share.

STV delivered extensive scale and cut through on multi-platforms for supermarket chain Lidl. 'Lidl Surprises' was one of the biggest on air campaigns of 2013 and included: Mystery Drama sponsorship including *Law & Order*; one minute programmes with a cooking theme produced by STV Creative; TV advertising; channel sponsorship; online digital takeovers, including wallpapers, display and themed features, for example an interview with the band that performed the song in the TV adverts.

Long form video streams (million)

2016	Target	20.5
2015	Target	18.0
2014	Target	14.0
2013	Actual	11.5
2012	Actual	5.1
2011	Actual	3.9

The campaign was Lidl's biggest marketing push with previous campaigns concentrated on in store leaflets, flyers and press.

The commercial team strives to create multi-platform campaigns that deliver results for clients. The ability to regionalise campaigns depending on the geographical requirements of the client ensures they are responsive to market demands.

The KPI targets will continue to include measurement of digital revenues and margin and a new target measuring the key revenue source of long-form video streams is being introduced

STV Productions has firmly established itself as a thriving content business, securing commissions across a number of genres and delivering new series for the majority of UK broadcasters. The strategy for growth is underpinned by the principles that wherever possible we retain the rights to programme formats, create returnable formats, and produce programmes that enhance the business' reputation. In 2013, productions revenues were up to £13.5m showing a significant growth of 32% from the previous year.

Building an international business

In October we announced a new strategic international partnership with Red Arrow Entertainment Group. The deal incorporates co-investment, co-development and worldwide distribution. The partnership enables STV Productions and Red Arrow Entertainment Group to work closely together to develop brand new formats for the UK and international markets. Newly created formats will then be co-produced and piloted on STV's core channel in Scotland before being launched internationally. In addition, from January 2014, Munich-based Red Arrow International became STV Productions' worldwide distributor for completed programmes and formats outside the UK.

Production Revenue
(£ millions)

2016	Target	23.0
2015	Target	20.0
2014	Target	16.8
2013	Actual	13.5
2012	Actual	10.2
2011	Actual	8.4

Delivering growth from a multi-genre strategy

Our strategy for growth is underpinned by three principles: retention of rights, returnable formats, and enhancement of reputation.



Returnable formats

In 2013, STV Productions brought back iconic game show *Catchphrase* to Sunday evenings on ITV. Nine episodes of the primetime series, hosted by Stephen Mulhern, aired in spring including a celebrity edition. The show returned for a Christmas special and the second series will continue on air in 2014. *Catchphrase* has proved to be a popular format with good potential for repeat commissions.

Image: Stephen Mulhern presents STV Productions *Catchphrase*.

A full-page photograph of Stephen Mulhern, the host of the game show Catchphrase. He is standing in the center, wearing a grey suit, white shirt, and red tie. He has his hands clasped in front of him and is looking directly at the camera with a slight smile. To his left is a large, illuminated 'CATCH PHRASE' logo with a rainbow-colored circular border. The background is a dark studio set with blue and orange lighting accents.

Best performing game show for 16-34 year olds

Securing rights

STV Productions exclusively owns the rights to the *Antiques Road Trip* and *Celebrity Antiques Road Trip* formats. Eight series of *Antiques Road Trip* and three series of the celebrity version have been delivered to BBC One and BBC Two with further commissions already confirmed. In addition to the first run on BBC One and BBC Two, both series have been acquired by UKTV's Yesterday channel. The programmes have also sold internationally with acquisitions from broadcasters in countries including Australia, New Zealand, Denmark and Sweden.

Image: James Martin and Jodie Kidd take to the antiques trail.

A photograph of James Martin and Jodie Kidd, hosts of the Antiques Road Trip. James Martin, on the left, is a man with brown hair, wearing a grey blazer over a white shirt, holding a large, ornate brass bowl. Jodie Kidd, on the right, is a woman with long blonde hair, wearing a white cable-knit sweater, holding a small, clear glass bottle with a metal stopper. Both are smiling at the camera. The background is slightly blurred, showing an indoor setting with a security camera visible on the wall.

BBC One:
one of top
five daytime
shows

In conjunction with this partnership, STV Productions will continue its innovative format deal with US production company, Kinetic Content, part of the Red Arrow Entertainment Group. In 2010, the businesses announced an exclusive agreement to license each other's original formats in their respective countries.

STV's relationship with key commercial partner GroupM Entertainment also continues with co-funding for a number of productions, such as *Let Me Entertain You* for ITV, *The Lie* for TV3 and STV, and *Pothole Britain* for Channel 5.

The international sales of existing programmes continued in 2013 with popular programmes, including *Taggart*, *Antiques Road Trip* and *Rebus* acquired by broadcasters in countries including Australia, New Zealand, Denmark and Sweden.

In 2013, STV Productions secured a number of commissions from international broadcasters. The Smithsonian Channel in America co-commissioned *The Lockerbie Bombing*, along with STV, to mark the 25th anniversary of the disaster, and TV3 in Ireland ordered ten episodes of *The Lie*.

The increasing slate of specialist factual programmes includes two Egyptology documentaries, including a new theory on what killed Tutankhamen which starts filming in 2014. These documentaries will see further international development and co-production opportunities in the year ahead with interest from two North American partners.

Creative force

The productions business gained momentum throughout 2013 with over 20 commissions secured in the period. At this scale we engage approximately 700 freelancers on an annual basis creating opportunities within the creative industries across Scotland and London.

New creative formats were commissioned and will be aired in 2014. These include *The Lie*, a general knowledge quiz with a difference – there are no questions. Instead, a team of two contestants compete to win a cash prize by identifying the one lie from a set of otherwise true statements. Eight episodes for STV are hosted by comedian Susan Calman and ten episodes for TV3 will be hosted by Jonathan McCrea.

ITV commissioned eight episodes of STV Productions innovative entertainment show *Let Me Entertain You*. The show combines the best online content with contributors' funny, entertaining and ridiculous videos to create a programme filled with extraordinary user-generated content. These shows are in production and will be on screen in 2014.

BBC One also commissioned 25 episodes of *The Link* for daytime audiences. The brand new quiz show produced in association with LTV sees three teams compete to find the link between a series of questions to win money. The show will be produced and broadcast in Spring 2014. Warner Bros. International Television Distribution has been confirmed as the global distributor to bring the brand new format to the international market.

STV Productions' programmes on air in 2013 included popular daytime cookery show *Country Show Cook Off*. Twenty episodes of the series followed Britain's best loved celebrity chefs as they went head-to-head at cooking competitions at country shows and specialist food festivals across the country.

Ratings success *Antiques Road Trip* and the celebrity version both returned in 2013 with a total of 80 hours and 30 hours of re-versions delivered for BBC One and BBC Two.

2013 was the most successful year so far for *Antiques Road Trip* with a move to BBC One and a place in the channel's top-five daytime programme series. The January and February episodes achieved an average audience of 2.3 million while the series in November maintained its audience averaging 2.2 million viewers. The third series of *Celebrity Antiques Road Trip* returned to BBC Two delivering an average audience of 1.8 million viewers per episode, a 25% increase on the previous series in 2012.

Both represent a key success of the productions business to develop returnable series. Previous episodes of *Antiques Road Trip* and *Celebrity Antiques Road Trip* have been acquired by UKTV's Yesterday channel with further episodes commissioned for 2014.

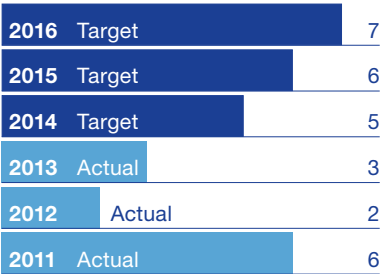
Diversification of genres

The strategy to secure commissions across multiple genres contributed to a key growth metric in 2013 with an increase in the total number of production hours. The 2013 target of 150 hours was exceeded with 157 hours delivered. This reflects an increase of 16 hours on the previous year.

Our new Production KPI targets, focused on revenue and margin, demonstrate the scale of our growth ambitions

Production Margin

%



This includes STV Productions' first feature film, *Fire in the Night*. The film was made to commemorate the 25th anniversary of the Piper Alpha disaster and was aired on BBC Two following a cinematic release. *Fire in the Night* launched at the Edinburgh International Film Festival in June 2013 and was awarded the acclaimed Audience Award. The film was also recognised with a BAFTA Scotland award for Best Single Documentary.

Fire in the Night was produced by STV Productions and Berriff McGinty Films with funding from BBC Scotland and Creative Scotland and benefiting from the UK Feature Film tax break.

A further documentary was produced to commemorate the 25th anniversary of the Lockerbie disaster. *The Lockerbie Bombing* combining footage from STV's news archives, including some material that had never previously been broadcast, with moving testimonies from local residents. The one-hour programme was acquired by ITV to broadcast on the network to mark the anniversary.

Two one-off documentaries were delivered for Channel 5. *Fighters' Wives: The World of MMA* aired in January, revealing what it takes to be the partners of the men who earn their living in Britain's toughest profession, mixed martial arts.

STV Productions is a multi-genre creative force with a strong delivery schedule and pipeline for new commissions

Pothole Britain was broadcast on Channel 5 in December achieving an average audience of 1 million viewers.

The diverse work of the productions team included the delivery of three historical crime-drama documentaries for BBC ALBA. The Gaelic programmes examined the crimes of Edward Pritchard, Donald Merrett and Eugene Chantrelle.

STV Productions remains committed to the development of drama formats and a pilot for Australian format *Laid* has been announced for ITV2.

In addition to programmes for several of the main broadcasters, STV Productions is responsible for all the programming for the STV Appeal and branded content for STV, including the *Young Scot Awards*, *RBS – Finding Scotland's Real Heroes* and *Coached Off The Couch – Passing it On* sponsored by the Scottish Government.

The productions team also made *Road to Referendum*, commissioned by STV, which was acquired as a one-hour special by ITV as part of their current affairs coverage on the Scottish referendum on independence.

Entertainment was a particularly strong growth genre with re-commissions for 13 episodes of *Catchphrase*, including four celebrity specials, for ITV and ten episodes of *Fake Reaction* for ITV2. *Catchphrase*, hosted by Stephen Mulhern, reached 21.9 million viewers across 2013 with an average audience of 4.9 million per episode.

It was the best watched ITV game show across 2012 and 2013 for the hard to reach 16-34 audience.

The *Fake Reaction* audience grew throughout the first series, increasing by 20% from the first transmission to the last episode. The average audience of the first-run episodes was 442,000 meaning the series reached over 2 million viewers across the series. The second series of each show is on air in 2014.

In June, *Jo Brand's Great Wall of Comedy* was broadcast on UKTV Gold. Five episodes of the chat show hosted by comedian Brand with Barry Cryer and Rebecca Front were commissioned for UKTV's flagship comedy channel GOLD.

Looking to 2014, a number of productions have already been commissioned, as we work towards our strategic aim to double STV Productions revenues by 2015.

Rob Woodward
Chief Executive

Enhancing reputation

In 2013, STV Productions made *Fire in the Night* and *The Lockerbie Bombing*. *Fire in the Night* is STV Productions' first feature-length film. The documentary, made to commemorate the 25th anniversary of the Piper Alpha disaster, opened at the Edinburgh International Film Festival in June 2013 to much critical acclaim. *The Lockerbie Bombing* aired in December 2013 to mark the 25th anniversary of the Lockerbie disaster. The one-hour documentary was ordered by The Smithsonian Channel in America and STV. Both documentaries reinforce STV Productions' position as a producer of high quality, ground-breaking content.

Image: STV Productions documentary *Fire in the Night* commemorated the 25th anniversary of Piper Alpha.



BAFTA Scotland winner: Best Single Documentary



‘Total revenue was up 9% at £112.1m (2012: £102.7m) driven by growth in broadcast, digital and productions revenues.’

George Watt
Chief Financial Officer

Our businesses have continued to perform well this year delivering revenue and profit growth combined with significant net debt reduction. Our 2015 strategic objective of achieving 33% of total earnings from non-broadcast areas remains on track with 19% achieved in 2013 up from 11% last year.

Performance against the existing KPIs has been robust, with 5 exceeded and 6 not achieved, and we have refreshed our KPIs and updated the targets to cover the period through to 2016.

In February 2014 our bank facility was extended to March 2016 following completion of the broadcast licence renewal process and net debt at the year end was down 21% at £35.7m (2012: £45.3m).

Revenue

Total revenue was up 9% at £112.1m (2012: £102.7m) driven by growth in broadcast, digital and productions revenues.

Consumer revenues at £98.6m (2012: £92.5m) reflect a strong airtime performance, with national airtime revenues up 6%, outperforming the broader television market.

Digital revenues grew by 15% to £7.5m (2012: £6.5m), with digital growth revenues up 23% as long-form catch-up viewing continued to grow strongly.

Productions revenue grew by 32% to £13.5m (2012: £10.3m) as the business continues to win new commissions and remains on track to more than double its 2011 revenues by 2015.

Operating Profit

Operating profit before exceptional items increased by 5% to £18.0m (2012: £17.1m). Consumer division operating profit grew by £0.7m to £17.6m (2012: £16.9m) with margins ahead of the KPI target and broadly flat on last year at 17.8% (2012: 18.3%). This was an excellent performance given the significant £2.1m increase in Network programme costs in the period and continued investment in our digital services.

Operating Profit (million)

2013	£18.0m
2012	£17.1m
2011	£15.0m
2010	£14.4m

+5%

Productions operating profit was doubled to £0.4m (2012: £0.2m) although this business remains in the investment phase of its rebuilding and expansion plan. As revenue grows in future years we expect to see margins improve which is reflected in the updated KPI targets.

Finance Costs

Net finance costs decreased by £1.7m to £3.7m (2012: £5.4m), principally due to a reduction in cash interest costs of £1.2m. This resulted from net debt falling together with a lower interest margin paid, due to a reduction in the net debt: EBITDA ratio.

Exceptional Items

There were no exceptional items in 2013. 2012 had a £5.3m charge, net of tax, for the final accounting of the ITV settlement and related change to affiliate status.

Statutory Result

The statutory result for the year after tax and exceptional items amounted to a profit of £11.4m (2012: £4.9m). The Group's effective tax rate has stabilised at 15% (2012: 15%) as prior year losses are being utilised. Corporation tax payments will resume in 2015.

Earnings per Share

EPS before exceptional items and IAS19 non-cash pension interest amounted to 34.4p up 13% (2012: 30.4p). On a statutory basis EPS amounted to 32.2p (2012: 13.0p).

Shares and Other Interests

As at 12 March 2014, the Group had been notified of the following interests of 3% or more in its ordinary shares:

Shareholder	Total Shares	%
Odey Asset Mgt	6,549,764	16.77
UBS Global Asset Mgt	3,904,592	9.99
Blackrock Inv Mgt	2,773,335	7.10
Threadneedle Asset Mgt	2,404,031	6.16
Cavendish Asset Mgt	1,913,117	4.91
River & Mercantile Asset Mgt	1,882,551	4.82
Scottish Widows Inv P'ship	1,639,544	4.20
Crystal Amber Asset Mgt	1,374,500	3.52
JP Morgan Asset Mgt	1,305,155	3.34

Balance Sheet

The principal balance sheet movements over the last year were a reduction in net debt and a movement from our pension deficit to surplus on an IAS19 basis.

The prior year deficit of £17.7m (net of deferred tax) moved to a surplus of £1.2m due to improvement in the asset values and deficit funding payments.

The 2012 triennial valuation process remains ongoing at this time. We continue a constructive dialogue with the defined benefit schemes' trustees and the Pension Regulator to finalise the funding deficit and future contribution plan which is prepared under a different set of assumptions, in particular in relation to the discount rate, which will leave a deficit on this basis of calculation. The £4.7m deficit funding payment due under the existing recovery plan for 2014 was paid in January.

Cash flow and Net Debt

Net debt fell by 21% to £35.7m (2012: £45.3m) and has now reduced by over a third in the last two years. This was due to the strong cash generation of the core business with 94% of operating profit converted to free cash flow (2012: 120%). Pension deficit funding (£4.2m), interest payments (£3.1m)

and capital expenditure (£1.4m) were the principal outflows.

Net debt at the 2013 year end represented 1.8x EBITDA, down from 2.3x in 2012 and 3.2x in 2011, and is on track to meet the Group's 1.5x EBITDA target level in 2014.

Dividends

The Board has declared a final dividend for 2013 of 2.0 pence per share which, subject to approval by shareholders at the AGM in April, will be paid in May 2014. A progressive dividend policy has been announced and the expected level of total 2014 dividends is 3.0 pence per share.

Principal Activities

The principal activities of the Group are the production and broadcasting of television programmes, internet services and the scale of advertising airtime and space in these media. The Group continues to focus on its television and digital media business.

Compliance

Part of the information that fulfils the Companies Act requirements of the Directors' Report can be found in the Performance Review on pages 24 to 28. The Group's principal operating subsidiaries are listed in note 2 of the Company financial statements and details of the principal risks and

Production Revenue Growth

2013	£13.5m
2012	£10.2m

+32%

Debt Reduction

2013	£35.7m
2012	£45.3m

-21%

uncertainties facing the Group can be found on pages 29 and 30.

Independent Auditors and Disclosure of Information

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

Going Concern

The Group continues to review forecasts to determine the impact of both the short-term and long-term liquidity position. After making appropriate enquiries, and taking into account the extension of the banking facility in February 2014, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future.

Accordingly, the group continues to adopt the going concern basis in preparing its consolidated financial statements.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and the profit and loss of the Group for that period.

In preparing these financial statements the directors are required to:

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

The directors consider that the annual report and accounts for the year ending 31 December 2013, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Directors' Statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on page 38 confirm that, to the best of his or her knowledge and belief:

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

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

The KPIs have provided focus and a transparent measure of progress during 2013.

Consumer

Peak time audience v ITV Network

Why it's important

Our programme strategy results in more Scottish based content appearing on our screen and savings being made in programme costs but it is key that an audience share is delivered at least equivalent to that of the ITV Network.

How we measure it

Peak audience (1800-2230) for all adults is compared to the ITV Network.

2013 Actual	+1.50pts
2012 Actual	+1.30pts
2011 Actual	+0.85pts

Objective is to exceed the Network performance

Increase consumer margin

Why it's important

Margin improvement across the period provides evidence of profitable growth.

How we measure it

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

2013 Actual	17.8%
2013 Target	16.0%
2012 Actual	18.3%
2011 Actual	15.5%

Consumer insights

Why it's important

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

How we measure it

Using a platform with our data partner, Experian, we capture key consumer data.

2013 Actual	0.6m
2013 Target	1.2m
2012 Actual	0.5m
2011 Actual	0.3m

Monthly unique users (Q4 monthly average)

Why it's important

Unique users to our websites are key to driving advertising revenues through their engagement with the site.

How we measure it

Using analytical tools, the number of unique users per month can be identified and collated and this is the monthly average figure across Q4.

2013 Actual	3.1m
2013 Target	3.5m
2012 Actual	3.2m
2011 Actual	3.0m

Monthly page impressions (Q4 monthly average)

Why it's important

Page impressions are a key advertising currency and are directly related to generating advertising revenues.

How we measure it

Using analytical tools, the number of page impressions per month can be identified and collated and this is the monthly average figure across Q4.

2013 Actual	27.0m
2013 Target	22.0m
2012 Actual	20.4m
2011 Actual	17.0m

28 Performance Review – KPIs 2011-2013

continued

Monthly video streams (Q4 monthly average)

Why it's important

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

How we measure it

Using analytical tools, the number of video streams across all platforms can be identified and collated and this is the monthly average figure across Q4.

2013 Actual	2.3m
2013 Target	3.8m
2012 Actual	3.1m
2011 Actual	2.9m

Digital revenue value

Why it's important

Digital revenue growth is a key strategic objective and this measure tracks evidence of this growth being delivered.

How we measure it

It is the value of revenues generated from the Group's various digital operations.

2013 Actual	£7.5m
2013 Target	£11.3m
2012 Actual	£6.5m
2011 Actual	£7.1m

Digital margin

Why it's important

Margin improvement across the period provides evidence of profitable growth.

How we measure it

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

2013 Actual	40%
2013 Target	25%
2012 Actual	26%
2011 Actual	17%

Production

Production hours

Why it's important

A key strategic objective is to grow our productions business and this provides clear evidence of that growth.

How we measure it

It is the total of all hours of new external production delivered in the financial year to third party broadcasters.

2013 Actual	157
2013 Target	150
2012 Actual	141
2011 Actual	121

Production revenues

Why it's important

Doubling of Production revenues is a key strategic aim and this measure tracks evidence of this growth being delivered.

How we measure it

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

2013 Actual	£13.5m
2013 Target	£15.0m
2012 Actual	£10.2m
2011 Actual	£8.4m

Production margin

Why it's important

Margin improvement across the period provides evidence of profitable growth.

How we measure it

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

2013 Actual	3%
2012 Actual	2%
2011 Actual	6%

**Objective is to exceed
10% in all years**

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

Following an in-depth review of the risk register last year which was facilitated by Deloitte, the internal auditor, the register has been developed in a way which now allows the key risks facing STV to be summarised and actions taken to improve control able to be tracked and changes to the risk portfolio monitored.

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

All of the risks identified have been fully evaluated and taken into account in preparing the budgets and forecasts which support going concern and impairment assessments. The risks have also been reviewed and agreed with both internal and external auditors.

Regulatory environment

Our television business is operated under licences which are regulated by Ofcom and on 11 February 2014 both licences were renewed for a further 10 year term through to 2024. These Channel 3 licences contain conditions around contribution to public service broadcasting, programme production and compliance with Ofcom's codes. As licensees it is STV's responsibility to ensure that the terms of these licences are adhered to and measures have been put in place internally to ensure that this occurs. In the event of any serious or repeated breaches, Ofcom has powers to impose sanctions on licensees including, in the most extreme circumstances, financial penalties or revocation of licences.

In August 2012, Scotland's First Minister confirmed that should Scotland become an independent country, STV's broadcasting licences would be honoured for their full duration through until December 2024. In addition, The Scottish Culture Cabinet confirmed in November 2013 that the local TV licences covering Glasgow and Edinburgh would also be honoured for their full duration.

Dependence on advertising

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

Performance of the ITV Network

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

Pension scheme shortfalls

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

Financial

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

30 Principal Risks

continued

STV uses derivative financial instruments to hedge certain risk exposures.

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

a) Currency risk

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

b) Credit risk

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

c) Liquidity risk

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

d) Cash flow interest rate risk

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



'... using our unparalleled convening power to raise awareness of child poverty and make a positive difference ...'

Rob Woodward
Chief Executive

As a company with deep connections with consumers, communities and a strong public service content ethos, we recognise the need to give something back and make a positive difference.

STV Appeal 2013

The Appeal was set up in 2011 by STV and The Hunter Foundation and is committed to being a force for good in the fight against child poverty in Scotland. In its third year, the STV Appeal raised an incredible £2.5m for children and young people in Scotland affected by poverty.

In 2013, The Wood Family Trust committed £150,000 funding for three years to support projects in the North East and Sir Ian Wood joined the board of the charity. STV's chairman, Baroness Margaret Ford, was appointed as chair of the STV Appeal, taking over from Richard Findlay.

All overheads are met by STV and The Hunter Foundation so every penny donated to the Appeal stays in Scotland and goes directly to the children that need it most. Each year the STV Appeal supports projects in every local authority in Scotland. We believe this is an approach that resonates with our consumers and has helped to establish the Appeal as a major Scottish charity.

For the third consecutive year, the fundraising efforts were supported by match funding from the Scottish Government for the first £1 million raised.

The Appeal continues to work closely with six charities, each of which are recognised as experts in the area of child poverty, and smaller community based projects. The STV Appeal endeavours to work beyond reactive grant-making, to identify and target key areas of unmet need. Investment is made in innovative and effective projects that will make a sustainable difference to Scotland's most disadvantaged children and young people, and support long-term social change.

The money raised by the STV Appeal helps make a real difference in the lives of Scotland's children and young people by providing food and warm clothes; creating opportunities for training and employability; and enabling practical, social and emotional support for those who need it most. Over the last three years, 172 big and small grants have been made to projects across all 32 local authority areas in Scotland, providing much needed support to 27,000 children.

The grants made from 2013 fundraising have already been invested in a variety of projects. With the ambition of supporting long term change in the area of child poverty, 28% of funds were distributed to projects that build stronger communities and 25% of projects support employability.

The Appeal raises funds across the country and is supported by individual donations from STV viewers and

fundraising from corporate partners. Scotland's leading Scottish businesses, including Tunnock's and Optical Express, got involved in the 2013 Appeal and once again STV employees, including the senior management team, took part in volunteering and fundraising.

In 2013, the Appeal became the official charity partner of the freshnlo Pedal for Scotland, Glasgow to Edinburgh cycle. The event raised over £100,000 and provided a great opportunity for supporters and STV employees to get involved and raise money for the cause.

The freshnlo Pedal for Scotland event featured as part of the dedicated STV Appeal programming in 2013. A series of engaging, entertaining, hard-hitting and celebrity packed programmes were screened in October to encourage donations and engage Scots in the Appeal which once again culminated in a live show, hosted by Lorraine Kelly.

STV's Appeal programming celebrated the fantastic fundraising efforts of the year. This included Mark Beaumont's Highland Line challenge which saw him run and swim the breadth of Scotland in 10 days, a grueling 230 mile journey from Arran to Aberdeen. STV's Sean Batty took on a Northern Isles cycling challenge and John Michie was joined by Carole Smillie and Bruce Devlin for a 12-hour dance marathon.

32 Corporate Responsibility

continued

The Appeal received great support from many STV employees. A number of teams within the company championed fundraising activities and raised awareness both across the business and outwith STV. Staff have also taken the time to visit the projects that are benefiting from the money raised by the STV Appeal and meet with the project workers and community members.

STV is in a privileged position using our unparalleled convening power to raise awareness of child poverty and make a positive difference and this commitment will continue in the year ahead.

Our People ***The STV Way***

Core to the success of STV is the creativity and commercial focus of our people. Over the past year investment has been made in a programme of activities to redefine the culture of the organisation.

In early 2013, *The STV Way*, the company's employee value framework was introduced. The *STV Way* encourages everyone in the business to be bold; to stand together; and to strive to surprise in pursuing their individual and collective goals and in responding to future challenges and opportunities.

Achieving sustainable growth through developing innovative services, creating engaging content, and strengthening consumer relationships is founded upon the capabilities, creativity and innovativeness of everyone in the business. Employee engagement levels have continued to increase as an increasing number of staff have participated in the activities implemented during 2013 to embed *The STV Way*.

Equipped to deliver growth

Investment in new talent across all areas of the business has continued during 2013. There has been a particular focus on strengthening and expanding the product development team to support the ambitious development roadmap underpinning the continued growth in digital activities. The product development philosophy is based upon ensuring STV's content and services are available anywhere and anytime, to reflect changes in media consumption patterns.

During the year the product development team has been coached and trained in Agile principles as the underlying approach to achieve the company's ambitious programme of technology innovation and to incorporate a rapid response team to improve product and platform reliability and provide a leading consumer service.

The growth of STV Productions has also created opportunities to attract new creative talent to the business as the team has become established across all genres. We have continued to support the development of new talent to the industry at entry level and work closely with Skillset Scotland to identify opportunities to co-ordinate on the job experience with formal development.

In the core areas of the business, investment has been made in skills acquisition and development as the digital publishing team has been re-focused to respond to the launch of the new digital city services.

In response to investment in new technology which has transformed the workflows across the news and current affairs team, an extensive skills development programme has been completed by the news team during the second half of 2013.

In late 2013 a campaign to recruit the production and technical teams to deliver the new City TV service which will launch during 2014 commenced. A key criterion in the selection process is to recruit a team who will embody the mindset of the next generation of television and media services. The campaign conducted solely through social media elicited a high response with the majority of vacancies filled by January 2014. Induction and training of the new recruits commences in March.

Clarity of purpose

The focus on KPIs continues to be the main operational driver across the business. This provides all staff with a clear vision of the strategic aims of the company; the key performance indicators and measures against which the company's success will be evaluated and through this, individual performance goals and targets are assigned providing a reference for every employee of the impact of their contribution to the company's progress and results.

Our culture is based on the belief that everyone can make a difference and should strive for continuous improvement to surprise and delight our audiences and consumers. Monthly staff briefing sessions are held by members of the leadership team as we continue to increase the range of opportunities for staff to have their say on all aspects of business strategy and performance. The Chief Executive Officer conducts regular all-staff sessions to provide updates on business performance, strategy and developments affecting the business, and to obtain feedback and suggestions on the development and growth of the business.

Our senior leadership management forum, comprising the staff responsible for key growth and revenue targets, meets on a monthly basis to encourage collaborative working and facilitate the acquisition of knowledge of future trends impacting the sector.

The relationship with trade unions recognised by the company for collective bargaining purposes is based on a partnership approach with open dialogue and regular consultation to ensure a shared understanding of the company's aims and the contribution expected from our people in delivering these.

Learning and development

Ensuring our staff have the capability, skills and confidence to deliver the goals and targets of the business is achieved through our employee development framework, STV Learning. This is linked to the development goal setting undertaken through our employee performance and development process.

Through STV Learning we provide development opportunities and learning sessions linked to key business priorities and future skills requirements.

We maintain strong relationships with colleges and universities to support the development of future talent to the industry and work to develop relationships with educational institutions across Scotland.

As we prepare for the launch of the new City TV services, we have established formal strategic partnership agreements with two leading universities in each of the cities in which the new services will be delivered: Glasgow Caledonian University and Napier University in Edinburgh. Through these partnerships students will be able to develop skills in a live broadcast and production environment and they will

be provided opportunities to showcase content they develop.

During 2013, we have provided employment opportunities for over 700 freelance production staff and talent. As STV Productions continues to secure re-commissions of long running commissions, this is contributing to more stable employment opportunities for freelance staff working in television production in Scotland, deepening the talent pool and making a positive impact to the creative economy of Scotland.

We provide work placements across all areas of the business for pupils in secondary education and further and higher education to funded internships and work placements of up to twelve months' duration. During 2013, we provided 70 placements.

The Company has continued to support the Government's 'Get Ready for Work' programme, providing mentored training programmes for young people not in education, employment or training.

Reward and recognition

All aspects of reward and benefits are benchmarked against an independent, cross-industry group of UK media companies to ensure that the employee benefits structure is effective in attracting and retaining the best talent.

The company's reward strategy was reviewed during 2013 and a salary award was implemented with the specific aim of achieving more rapid salary progression for staff on lower salary ranges relative to the market position for their role. This approach was deemed necessary to deal with the impact of salary restraint over recent consecutive years which was applied in response to the market downturn. As a result an average salary increase of 3.1% was awarded to staff.

Equal opportunities and diversity

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

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

A number of registered disabled persons are employed, all of whom have had equivalent access to training and career development opportunities as their able-bodied colleagues. No employees became disabled during the course of their employment in 2013.

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

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

Achieving the right mix of talent, skills and experience on the Board is critical for business and STV's aim is to have an appropriate level of diversity in the Boardroom to support the achievement of its strategic objectives. Diversity of perspective is vital and having directors from different backgrounds and with different skill sets, ensures that decisions are challenged in a credible manner and 'group think' is avoided. Each person is different and diversity is about recognising, respecting and valuing these differences. STV has chosen not to target a specific number, or percentage of women for its Board, but to concentrate its efforts on encouraging more women to remain within the Company and progress through the ranks to senior positions. Three of the 10 members of the Leadership Team are female as is STV's Company Secretary and as at 31 December 2013, 49% of STV's staff were female, up 1% from last year.

	2012		2013		% change
	M	F	M	F	
Directors	87.50%	12.50%	75%	25%	up 100%
Leadership Team	70%	30%	70%	30%	none
Employees	52%	48%	51%	49%	up 1%

Debating Matters

In 2013, we launched a competition for secondary school pupils across Scotland to debate the big issues in the run up to the referendum on Scottish independence in 2014. STV teamed up with Debating Matters to give secondary school pupils from all 32 local authority areas the opportunity to research and discuss issues which will affect the future of Scotland. Many of the secondary five and six pupils who take part will be eligible to vote in the referendum in 2014.

The Scotland wide competition, Referendum Schools Debate, is open to secondary five and six pupils. They were given the chance to compete with other schools in their local authority area in preliminary rounds throughout the summer. The winners of the preliminary rounds went on to regional heats followed by the semi-finals held in Aberdeen. The final will be held at STV's Glasgow studios in spring 2014.

Health and Safety

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

First Aid training refreshers are carried out on a continual basis and we have a full complement of 41 first aiders located throughout STV sites.

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

We have continued our programme of Defensive Driving Training. Training has been targeted at employees who drive for work on a regular basis and a further four drivers based at STV Edinburgh have completed the course. The training instructs drivers on methods of fuel efficient, defensive driving. As part of the training the driving standards of our drivers are assessed to identify any risks to STV. So far no areas of concern have been identified and we have received very good positive feedback from those who have attended the course.

We have continued to place our News and Creative Teams on safety training with a Chartered Health and Safety Consultant who specialises in media safety training. Four members of our News Team completed News




A photograph of Lorraine Kelly, a woman with shoulder-length brown hair and bangs, smiling at the camera. She is wearing a purple long-sleeved top and a necklace with a small cross pendant. She is sitting on a light-colored sofa, holding a purple box with a white heart design. The background is a dimly lit room with a lamp and some decorative items.

Image: STV Appeal trustee Lorraine Kelly presents fundraising show, *The Big Live*.

The STV Appeal

The STV Appeal has been established as a force for good in the fight against child poverty in Scotland.

In the three years since launch, The STV Appeal has raised over £5.7 million which has allowed us to make 172 big and small grants to projects across all 32 local authority areas.

The money raised by the STV Appeal helps make a real difference in the lives of Scotland's children and young people by providing practical help like food and warm clothes; creating opportunities for training and employability; and enabling social and emotional support for those who need it most.

£2.5m raised
in 2013

36 Corporate Responsibility

continued

Assignment and Locations Safety Training and 14 of our Creative Team have completed Managing Safety in Film and Television Production. This was provided by a Chartered Health and Safety Consultant who specialises in media safety training.

	2013	2012	2011
Total accidents	29	29	28
Number attributable to driver error	24	12	18
Percentage attributable to driver error	83%	41%	64%

Health and Safety Performance in 2012

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

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

RIDDOR three-day reportable accidents

	2013	2012	2011
RIDDOR three-day reportable accidents	0	3	0
Total of all accidents	5	11	4

Donations

The Company's policy is not to make donations which are of a political nature.

Our Environment

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

The average monthly recycling in 2012 was 92%. During 2013 our waste management company changed its recycling structure and can now recycle 100% of our waste via refuse-derived fuel (RDF) so no waste is going to landfill.

STV has a Green Travel Plan at the Glasgow headquarters to encourage staff to use more sustainable means of transport to commute. To promote cycling, shower facilities, cycle parking and lockers are provided for employees. A car sharing initiative, matching up employees living in the same area, enabling them to travel to work together is managed. There are currently 31 members of staff taking part in this initiative. STV also took part in the Walk at Work initiative for the third consecutive year.

As the Scottish Government has launched its Zero Waste Plan – aiming to increase Scotland's recycling to 70% by 2025 – the Company has a goal to improve year-on-year to achieve this target and increase recycling figures.

STV is working towards retaining its 'Gold' award from the National Recycling Stars (Environment Media Group) in recognition of our recycling efforts, and will do all we can to retain this.

The number of recycle bins throughout the offices, mainly with the introduction of food waste recycling, has increased. This was only introduced in June 2012, but has continued to be a successful initiative with staff.

Reporting Greenhouse Gas Emissions

Assessment Parameters	
Boundary summary	See below
Materiality threshold	Materiality was set at 5%
Intensity ratio	Emissions per £m of revenue

Greenhouse Gas Emission Source	FY2013		FY2012	
	(tCO ₂ e)	(tCO ₂ e/£m revenue)	(tCO ₂ e)	(tCO ₂ e/£m revenue)
Scope 1*	442.26	3.94	413.62	4.03
Scope 2	1,924.24	17.17	2,072.17	20.17
Statutory total (Scope 1 & 2)	2,366.50	21.11	2,485.79	24.20

Scope 1: emissions from activities and sources we own and control e.g. cars.
 Scope 2: emissions associated with our consumption of purchased electricity, heat, steam, and cooling, heating offices etc.

*Scope 1 emissions increased during 2013 as a result of the relocation of some Sales, Creative and Production staff to the London office thus necessitating more travel between London and Glasgow.

Boundary Summary:

STV reports utility usage on five of its six sites. As an overall service charge is paid for the Inverness site, a breakdown of electricity and gas usage is not provided by the landlord. The waste and recycling is reported only for Pacific Quay which is by far the biggest site. We have been unable to establish weights and tonnage of waste uplifted for other sites but will endeavour to do this in the future.

ii) resulting from the purchase of electricity, heat, steam or cooling by us for our own use.

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

GHG Emissions Statement

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

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

- i) from activities for which we are responsible, including the combustion of fuel and the operation of our facilities; and

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

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



Rob Woodward
Chief Executive

38 Board of Directors

Margaret Ford (56)

Chairman³

Appointed to the Board in June 2013, Margaret Ford has over 20 years experience as a non-executive Director and Chairman of private and listed companies and extensive experience of working with Government. She is currently Chairman of Barchester Healthcare Limited, the private healthcare provider, and is a non-executive director of Taylor Wimpey plc, Segro plc and Grainger plc. From 2009 to 2012, she was a member of the Olympic Board and Chairman of the Olympic Park Legacy Company. She was appointed to the House of Lords in 2006 and sits as an Independent Peer.

Rob Woodward (54)

Chief Executive

Appointed to the Board in February 2007. Previously, Rob was Commercial Director of Channel 4 Television Corporation and on the main board. He achieved a dramatic turnaround of legacy businesses and built a set of successful new media and digital businesses. Rob was previously an MD of UBS Warburg and global COO of corporate finance in Media and Communications. Prior to this he was Managing Partner of Deloitte's European Telecoms Media and Technology business and UK strategy consulting practice. Rob is a trustee of the STV Appeal charity. He was appointed Pro-Chancellor and Chair of the Council of City University London in February 2012, is a Trustee of Nesta and a non-executive director of Regeneris plc.

George Watt (46)

Chief Financial Officer

Appointed to the Board in February 2001 as Group Finance Director. George is a member of the Institute of Chartered Accountants in Scotland. He joined the Company in 1998 as Group Financial Controller and Treasurer and prior to this worked with KPMG's audit and assurance services practice in the UK and also in the US. George is a non-executive director of MirriAd Limited, a leading Digital product placement company, and GamesAnalytics Ltd, a data-mining and analytics company. George is also

an executive committee member of the Scottish Council for Development and Industry, a member of the CBI Scotland Council and a trustee of the STV Appeal.

David Shearer (54)

Senior Independent Director^{1,3}

Appointed to the Board in February 2007, David is an experienced corporate financier and turnaround specialist and was previously Senior Partner of Deloitte LLP for Scotland & Northern Ireland and a UK Executive Board member of Deloitte LLP. He recently stood down as Chairman of Mouchel Group having led its restructuring, is Chairman of Aberdeen New Dawn Investment Trust plc, Co-Chairman of Martin Currie (Holdings) Limited and a non-executive director of Mithras Investment Trust plc. He was previously Chairman of Crest Nicholson plc and a non-executive director of City Inn Limited where he stood down after successfully completing the financial restructuring of these businesses, was a non-executive director of Renold plc, Superglass Holdings plc, Scottish Financial Enterprise and a Governor of The Glasgow School of Art.

Vasa Babic (47)

Non-Executive Director^{1,2}

Appointed to the Board in February 2007. Vasa works as an independent advisor to large European companies. Previously, he was a Partner of Hanover Investors, Group Director of Business Integration at Vodafone plc and a partner in the London office of consulting firm Oliver Wyman. Vasa works in a broad range of sectors, with a focus on Telecoms, Internet, Media and Technology industries. He has an MA in Economics from King's College, Cambridge.

Jamie Matheson (59)

Non-Executive Director^{1,2}

Appointed to the Board in March 2007. Jamie's career spans some 40 years principally in the financial sector. He was, for eight years until his retirement in March 2013, Executive Chairman of Brewin Dolphin Holdings PLC, a leading private client investment manager. He was previously a non-executive director of Scottish Radio Holdings plc until its sale to EMAP plc and a non-executive

director of Maven Income and Growth VCT5 PLC from 2001 to 2013. He is a director of Scottish Financial Enterprise and has a number of charitable interests including being a director of The HMS Victory Preservation Company. Jamie has recently been appointed Chairman of the Beatson Cancer Charity.

Michael Jackson (56)

Non-Executive Director²

Appointed to the Board in May 2009, Michael is an advisor, investor and director for digital and television businesses in the US and UK. Previously he was President of Programming at InterActiveCorp, the internet conglomerate, where he was responsible for overseeing the development, acquisition and distribution of content based websites. Prior to this Michael was Chairman of Universal Television Group, in charge of the creative and strategic direction of the television business. He served four years as Chief Executive Officer of Channel 4 Television, where, in addition to commissioning programmes, he refocused the channel to exploit digital opportunities and launched two new channels, FilmFour and E4. Before joining Channel 4, Michael worked as Controller of BBC One and Director of Television and as Controller of BBC Two. He was previously a non-executive director of EMI Group plc.

Genevieve Shore (44)

Non-Executive Director^{2,3}

Genevieve Shore joined the Board on 1 March 2012. Genevieve's career includes extensive digital, technology and commercial experience in the media, publishing and technology sectors with a particular focus on development of consumer products and services. Genevieve currently sits on the management board of Pearson plc, reporting to John Fallon as Chief Product and Marketing Officer of Pearson plc. Previously Genevieve has held leadership roles with Pearson Group including Global Digital Director, Penguin and Group Sales Director, Penguin.

Key

- ¹ Audit Committee
- ² Remuneration Committee
- ³ Nomination Committee



left to right, from top

Margaret Ford
Rob Woodward
George Watt
David Shearer
Vasa Babic
Jamie Matheson
Michael Jackson
Genevieve Shore

40 Corporate Governance Report

‘Good Corporate Governance enhances and underpins a company’s long-term sustainable performance; it is critical to long-term value creation and economic growth.’

Financial Reporting Council

Principles Statement

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

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

Statement of Compliance

The Board considers that, in respect to the financial year ended 31 December 2013, the Company has complied fully with the UK Corporate Governance Code 2012 ('the Code') and this section, together with the report by the directors on remuneration, [set out on pages 46 to 54], describes in greater detail how the principles and provisions of the Code have been complied with. The Code is published by the Financial Reporting Council from whom paper and downloadable versions can be obtained via its website: www.frc.org.uk.

Board of Directors

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

Chairman	Baroness Margaret Ford (appointed non-executive director 1 June 2013) appointed Chairman 31 August 2013) Richard Findlay (retired 31 August 2013)
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Chief Executive Officer	Rob Woodward
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Chief Financial Officer	George Watt
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Non-Executive Directors

David Shearer (Senior Independent Director)
Vasa Babic
Jamie Matheson
Michael Jackson
Genevieve Shore

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

Board Appointment, Balance and Independence

The Board has considered the independence of the non-executive directors and regards all of the current directors to be of independent character and judgement. Upon her appointment as Chairman, Baroness Margaret Ford met, and continues to meet, the independence criteria set out in the Code. However, Vasa Babic would not be considered independent in the strict terms of the Code, since he was formerly an advisor to and a partner of, Hanover Investors, which was a shareholder in STV up until 2011.

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

The non-executive directors do not participate in any share option or pension scheme of the Company.

Directors have a statutory duty to avoid situations where they have or can have, any interest that conflicts or possibly may conflict with the interests of the Company. A director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other directors. The directors confirm that there have been no such conflicts during the year to 31 December 2013.

Directors and officers of the Company and its subsidiaries have the benefit of a directors' and officers' liability insurance policy. The Company's Articles of Association also provide that every director and other officer of the Company is to be indemnified out of the assets of the Company against any liability he or she incurs in defending any proceedings brought against them (provided that judgement is not given against them). All directors have access to the advice and services of the Company Secretary and, at the Company's expense, the Company's legal advisors. The Company Secretary is an employee of the Company and attends all meetings of the Board and its committees. She is responsible for making sure that all Board procedures are observed and for advising the Board on corporate governance matters. She also has responsibility for ensuring the flow of information within the Board, its committees and between senior management and non-executive directors.

Board Responsibilities

There is a well-established division of authority and responsibility within the Company through the separation of the roles of Chairman and Chief Executive which is set out in writing and has been approved by the Board. The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that directors receive accurate, timely and clear information, as well as setting the agenda. She provides a conduit for communication to and from shareholders and facilitates the contribution of the non-executive directors while ensuring constructive relations between the executive and non-executive directors.

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

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

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

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

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

Board Meetings

Attendance of Board members at Board and Committee meetings held in 2013 is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held:	9	4	2	4
Attendance:				
Richard Findlay (retired 31 August)	5			1
Margaret Ford (appointed 1 June)	5	1*	1*	2
David Shearer	9	4		4
Rob Woodward	9	4*		2*
George Watt	9	4*		
Vasa Babic	9	4	2	
Jamie Matheson	9	4	2	
Michael Jackson	7		1	
Genevieve Shore	7			4

*Attended at the invitation of the respective Chairman.

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

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

All directors attended the annual Strategy Day held during 2013 and consider that the session is an important tool in agreeing STV's overall strategic direction and discussing goals and objectives.

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

Board Focus

The main areas of Board focus during 2013 included:

Operational and financial performance, including monitoring

- receipt of operational and financial updates at each Board meeting;
- review of monthly finance reports, including details of performance against budget and the Company's financial position;
- approval of the Annual Report, its full and half-year financial results and IMS statements made;
- approval of the 2014 Budget;

Strategy

- presentations on initiatives to grow revenue;
- approval of the Company's strategy;

Corporate development

- agreement of STV's corporate objectives and values for 2013;
- approval of investment in predictive analytics specialists, GamesAnalytics;
- approval of further investment in digital product placement company, MirriAd;
- launch of four new digital services with apps for Glasgow, Edinburgh, Aberdeen and Dundee;
- planning for the launch in 2014 of the two local TV licences covering Glasgow and Edinburgh which were awarded to STV in January 2013;

Governance and risk

- review of reports on risk and the appropriateness of the financial statements being prepared on a going concern basis;
- review and approval of the Risk Register;
- through the Audit Committee, approval of tender for the Statutory Audit
- approval of the internal audit plan for 2013/2014;
- approval of the 2014 AGM Resolutions;
- approval of the appointment of Baroness Margaret Ford firstly as a non-executive director and then as Chairman, replacing Richard Findlay after his retirement;
- performance evaluation;
- review and consideration of pensions deficit;

Investor relations

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

Corporate Social Responsibility

- involvement in the STV Appeal 2013 which raised over £2.5m for children living in poverty in Scotland.

Board Committees

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

Leadership Board of Directors	<ul style="list-style-type: none">• Determines long-term direction and strategic aims• Sets framework of appropriate and robust controls• Ensures efficient and effective operation of the business• Engages with shareholders and stakeholders	
 Audit Committee <ul style="list-style-type: none">• Monitors the integrity of the published financial statements• Reviews the effectiveness of internal financial controls• Reviews the operation of the risk management process• Discusses with the Company's auditors, matters arising from their work• Reviews the scope of work and reports produced by the internal auditors• Monitors and reviews the effectiveness of the internal audit function and the external auditors Page 45 Audit Committee Report	 Remuneration Committee <ul style="list-style-type: none">• Determines and agrees with the Board the framework for the remuneration policy• Reviews the ongoing appropriateness and relevance of the remuneration policy• Approves the design of, targets for, and payments from any performance related pay schemes• Reviews the design of all share incentive plans• Determines the remuneration packages for executive directors and other senior executives• Reviews and notes annually the remuneration trends across the Company Page 54 Remuneration Committee Report	 Nomination Committee <ul style="list-style-type: none">• Reviews the structure, size and composition of the Board• Reviews succession plans and makes recommendations to the Board• Identifies and nominates candidates for approval of the Board• Recommends to the Board membership of the Board Committees Page 45 Nomination Committee Report

Each of these committees held an evaluation of their work and effectiveness during the year, the results of which were reported to the Board by the respective Committee Chairman. The reviews concluded that each Committee was operating in an effective manner and carrying out its respective delegated duties efficiently. The Board and its Committees will continue to review critically their procedures, effectiveness and development throughout the year ahead with any concerns or observations raised with the Chairman.

Remuneration Committee

The members of the Committee during the year were:

Vasa Babic (Chairman)
Jamie Matheson
Michael Jackson

The activities of the Remuneration Committee are described within the report by the directors on remuneration which can be found on pages 54 to 78. The terms of reference of the Remuneration Committee are available on request and on the Company's website www.stvplc.tv

Report from the Nomination Committee

The members of the Committee during the year were:

Richard Findlay (Chairman) (retired 31 August 2013)
 Baroness Margaret Ford (appointed 20 August 2013, becoming Chairman upon Richard Findlay's retirement)
 David Shearer
 Genevieve Shore

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

Early in 2013 the Board agreed, following a recommendation from the Nomination Committee, that an additional non-executive director be sought to ensure progressive refreshing of the Board and, taking into account future needs, that this person be capable of carrying out the role of Chairman when that vacancy arose.

Given this point and that Mr Findlay had taken over the Chairmanship of the Nomination Committee last year, he had excluded himself from any discussions and meetings on this matter.

A formal tender was thereafter carried out to select the best recruitment consultant to assist STV, following which the services of Isabel Bird from Bird & Co Group were engaged. Neither Ms Bird nor Bird & Co Group have any other connection with STV.

The process carried out by the Committee was vigorous and robust, firstly evaluating the balance of skills, experience, independence and knowledge currently on the Board and in light of this, creating a specification of the role sought including an assessment of the time commitment expected. Consideration was also given to the benefits of diversity on the Board.

The Committee reviewed the profiles of 19 candidates, the majority of whom were subsequently approached and thereafter a shortlist was created each of whom met with Mr Shearer, Ms Shore and Mr Woodward, who agreed that all were strong in their own right and could execute the role competently.

After discussion, the Committee agreed that Baroness Ford's experience, reputation and management style made her an excellent candidate and recommended her appointment to the Board, which was unanimously agreed. Baroness Ford was appointed non-executive director on 1 June 2013 and became Chairman on 31 August 2013 following Richard Findlay's retiral.

Report from the Audit Committee

The members of the Committee during the year were:

David Shearer (Chairman)
 Vasa Babic
 Jamie Matheson

The Audit Committee, chaired by David Shearer, who has recent and relevant financial experience, is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the Committee. The Audit Committee has written terms of reference which are available on request and on the Company's website www.stvplc.tv

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

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

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

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

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

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

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

Significant issues considered by the Audit Committee in relation to the 2013 financial statements included the following:

Deferred Production Stock

Deferred production stock forms part of inventory and is stated in the accounts at the lower of cost and net realisable value. Programme costs are expensed in line with expected future revenues which are a judgemental area. A detailed forecast of future sales is prepared by management based on historic experience and expected future trends. The Audit Committee and PwC both concluded this was an appropriate basis of accounting.

Pensions

The assumptions adopted by STV had been updated from those used at 31 December 2012 and the appropriateness of the updated assumptions was considered by PwC.

The discount rate, salary increases, RPI and CPI were all within a range that PwC considered appropriate and were consistent with assumptions being used by other companies. Although the assumptions in relation to mortality had historically been lower than were typically used by other companies, STV's figures were supported by an independent report obtained by management and therefore accepted by PwC.

A new accounting standard IAS19 (revised) had been adopted at the half year and management's treatment and disclosures in relation to this new standard were considered to be appropriate.

Independence of the external auditor

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

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

External auditor tender

PwC was appointed the Company's auditor in 2004 following a tender process and while the Committee was satisfied with PwC's effectiveness and independence, it was felt appropriate to conduct an independent audit and tax services tender during 2013.

The process carried out was thorough with five firms invited to tender, each of whom submitted a proposal document, met with various senior members of the finance team and thereafter discussed their respective documents with the Chairman of the Audit Committee.

While all proposals were of a high calibre with each firm having a strong team of people, the Audit Committee selected three to deliver presentations. After careful consideration of the proposals and presentations, the Committee recommended to the Board that the incumbent, PwC, was best placed to fulfil the role of external auditor. In reaching this conclusion, the Committee took into account the specific requirements of the Group and PwC's detailed knowledge of the business. It was acknowledged that while the tender process had been successful, it had also been beneficial in that it had widened management's contacts with all five firms which had taken part.

There are no contractual obligations restricting the Company's choice of external auditor and a resolution to re appoint the auditors will be put before shareholders at the Annual General Meeting.

External audit effectiveness

With regard to the requirement for the Audit Committee to assess the effectiveness of the external audit process, the Committee considers that this obligation has been fulfilled since a comprehensive review of the external audit function was carried out during the tender process. In future STV will adopt a formal framework involving a questionnaire to be completed each year by each member of the Audit Committee and by the Chief Financial Officer. Feedback will also be sought from STV's finance team. The comprehensive questionnaire will cover 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. Once completed, the feedback from the process will be considered by the Audit Committee and thereafter be provided both to the auditors and to management.

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Internal Audit

Deloitte LLP ('Deloitte') was appointed as the Company's Internal Auditor in November 2009 and the primary focus of its comprehensive internal audit programme is to provide assurance over key revenue streams and operating costs. Deloitte review systems and processes and ensure that the Company is operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards. Its work is designed to provide insights into the internal control environment and efficiencies of key processes, as well as providing feedback on the effectiveness of interfaces between the business and enabling functions.

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

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

Committee Activities

The principal activities undertaken by the Board Committees during 2013 included:

Month	Committee	Activity
January	Nomination	Succession Planning
February	Audit	Review of Year End Results Review of Prelim Announcement Review of Annual Report Review of Independence of Auditors Review of external audit/non-audit fees Approve Internal Audit Plan for the year Review of internal controls/risk management
February	Remuneration	Approval of Remuneration Report
May	Nomination	Recommendation of Appointment of Baroness Margaret Ford
June	Audit	Recommendation of Appointment of external Audit and Tax Services Advisor
August	Audit	Review of Interim Results Internal Audit update Review of internal controls/risk management
October	Audit	In Depth Business Risk Review Internal Audit Update Performance Evaluation
October	Nomination	Succession Planning Performance Evaluation
December	Remuneration	Review of Remuneration Policy Approval of Executive-director: – Bonuses – Salary and bonus for 2014 – Bonus Plan targets – Performance Evaluation
December	Nomination	Succession Planning

Leadership Team

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

Diversity

STV takes the concept of diversity seriously and further details can be found on page 33.

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

STV has chosen not to target a specific number or percentage of women for its Board, but to concentrate its efforts on encouraging more women to remain within the Company and progress through the ranks to senior positions. The number of female staff increased last year by 1% to 49%.

Training and Development

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

Development and training of directors is an ongoing process. Throughout their period in office the directors are regularly updated on the Company's business; legal matters concerning their role and duties; the competitive environments in which the Company operates; and any other significant changes affecting the Company and the market sector of which it is a part. In addition, the Board regularly receives presentations from senior managers within the Company to ensure that directors' knowledge, skills and familiarity with the Company's businesses and people are updated and maintained. In addition, Board training and development is considered as part of the annual performance evaluation exercise and during the year the Chairman confirmed with each director that they were content with the level of training and development given with no director requesting additional training.

Performance Evaluation

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

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

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The evaluation is conducted using a detailed questionnaire which canvasses the opinions of the directors on a wide range of matters including Board composition, Board meetings and processes, Board performance, the performance of individual directors as well as the Board's communication both with external stakeholders and the Company's senior management. The performance evaluation questionnaire is followed by meetings of the full Board, the Chairman with the non-executive directors only, and a meeting of the non-executive directors led by the Senior Independent Director without the Chairman present. The non-executive directors, led by the Senior Independent Director, are responsible for evaluating the performance of the Chairman, taking into account the views of the executive directors. However, the Chairman's performance was not evaluated this year as she did not take up the role until 31 August 2013.

On completion of the 2013 performance evaluation during which open and frank discussions were held, the performance of each director was found to be effective and the mix of skills and experience on the Board was felt to be appropriate. Measured against the principal duties expected of it, and building upon the progress of previous years, the Board continued to operate effectively and to meet in full its obligations to support management, to monitor performance across a wide area, and to maintain its strategic oversight. Accordingly, the process concluded that the Board provides the effective leadership and control required for a listed company. Directors noted in particular the great chemistry, that all were engaged in the success of STV and that there was a close working relationship with executives. The Board had dealt well with all issues which had arisen during 2013 and there had been a good process in place regarding the change of Chairman.

The high quality of the reports produced by the executives, being extremely thorough yet easily understood, was particularly noted and with frequent contact with the Leadership Team, all directors felt they had a good 360 view of STV.

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

The Chairman reported the results of the evaluations at the Board meeting held on 21 January 2014. The Nominations Committee confirmed to the Board that the contributions made by the directors offering themselves for re-election at the AGM in April 2014 continue to be effective and that the Company should support their re-election.

Re-Election

Directors stand for election by shareholders at the first Annual General Meeting following their appointment and thereafter for re-election at intervals of no more than three years. At each AGM, at least one third of the directors are required to retire. The report from the Nomination Committee contained in this report explains the process for the selection of directors and succession planning. Copies of the non-executives' letters of appointment are available for inspection at the Company's registered office and will be available at the Annual General Meeting.

The Chairman and other members of the Board recommend that the directors retiring be re-elected and their biographies can be found on page 38. The Chairman has confirmed that all directors retiring and seeking re-election have been subject to performance evaluation and as part of this evaluation the Chairman confirms that they continue to demonstrate commitment to their role and continue to fulfil their functions responsibly.

Risk Management and Internal Control

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

These reviews included an assessment of internal controls (in particular, financial, operational and compliance controls) and risk management and their effectiveness and were supported by reports from the internal auditors as well as from the external auditors on matters identified in the course of their statutory audit work.

During 2013, the following reviews were carried out by the internal auditors: (i) an appraisal of the procedures to manage and exploit Productions to maximise return on investment; (ii) an assessment of the Agresso accounting system; and (iii) an evaluation of IT resilience and disaster recovery.

The system is designed to manage rather than eliminate risk and in pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. All points raised by the internal auditor were addressed and executive management believes that the control environment has been strengthened further by the actions taken. A follow up review is carried out by the internal auditor of the work performed by management to implement the recommendations raised during the internal audit which will involve liaising with members of staff across the business who would have been allocated the responsibility of executing the recommendations raised and this will be supported by detailed testing where required. A key element of the risk management process is the method of profiling risk. This determines the threats to the achievement of business objectives and day-to-day operations in terms of likelihood and consequence at a residual level, after taking account of mitigating and controlling actions.

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

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

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

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Following the in-depth review of the Risk Register carried out during 2012 and facilitated by Deloitte, the presentation and content of the Risk Register has now been developed in a way which now allows:

- the key risks facing STV to be summarised;
- actions taken to improve control to be tracked; and
- changes to the risk portfolio to be monitored.

As with the previous Risk Register, the revised one comprises risks specific to the different areas of the business and is reviewed and updated on an ongoing basis both at an operational level and on a bi-annual basis by the Board, with the Audit Committee conducting an annual review. The Register sets out the key risks that have been identified, allocating an owner to each, together with the risk impact, likelihood and score both on a gross and, after the current mitigating controls have been taken into account, a net basis. The effectiveness of the current mitigating controls is graded as either strong, adequate or weak and any additional controls required is also noted.

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

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

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

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

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

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

The risk management framework and internal controls system across the Company, which are subject to continuous development, provides the basis on which the Company has complied with the Code provisions on internal control.

Relations with Shareholders

STV's corporate website at www.stvplc.tv has information for institutional and private shareholders alike and shareholders seeking information may contact the Company directly throughout the year. In addition, STV has an electronic communication facility to allow shareholders to receive information more quickly and in a manner more convenient for them.

The Board recognises the importance of having an ongoing relationship with its shareholders and other stakeholders and fully supports the principles of the Code which encourage open dialogue between companies and their shareholders. The Board welcomes and encourages the participation of all shareholders at the Company's Annual General Meeting which all directors attend. Shareholders also have the opportunity to meet with directors and ask questions after the formal business of the meeting has been concluded.

Institutional Shareholders

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

The Chairman, the Senior Independent Director and other non-executive directors are available to meet with shareholders to discuss governance and strategy, and develop a balanced understanding of their issues and concerns and various meetings have taken place with shareholders during the year. Discussions at these meetings are conveyed to all directors in order that each can develop an understanding of major shareholders' views on the Company. Communication with major shareholders, analysts and the financial press is maintained throughout the year and feedback from major shareholders is regularly sought and reviewed by the Board. Copies of analysts' research relating to the Company are circulated to all directors upon publication and a brief analysis of the shareholder register is prepared quarterly and made available to the Board.

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

Private Shareholders

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



‘... the 2013 Remuneration Report reflects the new reporting requirements providing increased transparency for shareholders.’

Vasa Babic

Vasa Babic
Chairman of the Remuneration Committee

Annual Statement

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2013. This report has been prepared by the Remuneration Committee and approved by the Board.

As a result of the strong financial performance delivered in 2013, payments have been triggered under the Bonus Plan, through achievement of operating profit, PBT, cash flow and personal objectives targets. No long-term incentives vested during the year and the next vesting date for a long-term incentive plan is 1 January 2016 for the 2013 Value Creation Plan. As a result of the improved share price performance since grant, the Value Creation Plan is on track to generate rewards at the end of the performance period.

An extensive shareholder consultation exercise was concluded in early 2013 to approve the company's remuneration policy and introduction of a new performance-related Bonus Plan and Value Creation Plan, granted on 1 January 2013.

Since implementation of these changes, the Committee is reviewing the operation of the Bonus Plan with a view to simplification whilst maintaining the existing reward levels and maximum payment opportunities. The Committee will discuss its proposals with shareholders before making any changes.

As required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations), this remuneration report is split into two parts:

- The **Directors' Remuneration Policy** sets out the policy for 2014 and the key factors that were taken into account in setting the policy. The Directors' Remuneration Policy will be subject to a binding vote for a period of three years.
- The **Annual Report on Remuneration** sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the 2013 financial year. The Annual Report on Remuneration together with this Annual Statement is subject to an advisory shareholder vote at the AGM on 23 April 2014.

I look forward to receiving your support for the resolution seeking approval of the Annual Report on Remuneration at our forthcoming AGM as well as on the Remuneration Policy applicable to our Directors which will apply from 1 January 2014.

Directors' Remuneration Policy

This section of the Remuneration Report contains details of the Company's Directors' Remuneration Policy that will govern the Company's future remuneration payments.

The policy described in this part is intended to apply for three years and will be applicable from 23 April 2014 subject to approval by shareholders at the Company's AGM on that date. The policy part will be displayed on the Company's website, in the investor relations section, after the 2014 AGM.

The objective of STV's remuneration policy is to encourage, reward and retain the current Executive Directors and ensure their actions are aligned with the Company's strategy. The Committee applies the following principles to ensure alignment with the Company's strategic objectives, targets and key performance indicators:

- total compensation should be competitive and commensurate with comparable packages within the market;
- a significant percentage of potential maximum reward should be conditional on long-term performance;
- the interest of Executives should be closely aligned with those of the Company's shareholders through the provision of equity incentives; and
- reward should be linked to the satisfaction of the targeted objectives linked to the Company's key performance indicators.

At all times, the Committee seeks to act sensitively in determining Executives' remuneration. To support this, the Remuneration Committee reviews whether the Remuneration Policy remains appropriate for the relevant financial year, taking into account factors such as:

- market conditions;
- the recruitment market in the Company's sector;
- market practice;
- the views of shareholders and their representative bodies;
- corporate performance against the KPIs set out on pages 27 and 28 of the Annual Report; and
- pay and conditions throughout the Group.

Future policy table

Executive Directors

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

Objective and link to strategy	Operation
Base salary	
The Committee sets salaries as a retainer for the Executive Directors to recognise status and responsibility to deliver the strategy.	<p>Salaries are reviewed annually, and any changes are effective from 1 January in the financial year.</p> <p>When determining the salary of the Executives the Committee takes into consideration:</p> <ul style="list-style-type: none"> the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity, in particular the median salary levels of those comparable companies within the media sector; the performance of the individual Executive Director; the individual Executive Director's experience and responsibilities; pay and conditions throughout the Company.
Benefits	
To provide competitive levels of employment benefits consistent with role.	<p>Executives are entitled to receive a taxable cash allowance in lieu of benefits in kind, including car and private medical insurance. The Company actively reviews the levels of benefit received to ensure that they remain market competitive.</p> <p>This cash benefits allowance is excluded from the calculation of any other benefit provided by the Company.</p>
Annual bonus	
The Bonus Plan aligns reward to key strategic objectives over the short-medium term.	<p>The Bonus Plan operates in respect of three Plan Years (beginning in 2013), but pays out over four years.</p> <p>Contributions to each participant's Bonus Plan account are made following the publication of the audited financial statements, based on the satisfaction of the performance targets.</p> <p>Following the end of each of the three Plan Years, 50% of the balance in the account is paid out. The remaining 50% is deferred as shares.</p> <p>The balance of the account pays out in the fourth year.</p> <p>A forfeiture provision applies such that 50% of the account balance is forfeited if a minimum threshold target is not met in any financial year.</p> <p>Bonus Plan payments are not pensionable.</p> <p>Looking ahead, the Committee is reviewing the operation of the Bonus Plan with a view to simplification whilst maintaining the existing reward levels and maximum payment opportunities.</p>

Maximum opportunity	Performance conditions and assessment
<p>Annual rate for each Executive Director is set out in the statement of implementation of remuneration policy for 2014 on page 75.</p> <p>Salary levels will be set by reference to the Median levels of salary of comparable companies within the media sector. In general any salary increase applied to the Executive Directors' will be in line with other employees in the Group.</p>	None
<p>Benefit values vary year-on-year, depending on premiums, and the maximum potential value is the cost of the provision of the benefits outlined.</p>	None
<p>The Maximum Annual Contribution is 125% of salary for all Executive Directors.</p> <p>At threshold performance bonus payable is equivalent to 12.5% of maximum opportunity and at target performance, bonus payable is equivalent to 50% of maximum opportunity.</p>	<p>Performance targets will be set annually based on a range of financial and strategic measures including:</p> <ul style="list-style-type: none"> • Operating Profit; • Group PBT; • Cash Flow; • Personal objectives. <p>As well as determining the measure and targets, the Committee will also determine the weighting of the various measures to ensure that they support the business strategy and objectives for the relevant year.</p> <p>The Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the year.</p> <p>Further details of the measures for 2014 are set out in the statement of implementation of remuneration policy on page 75.</p> <p>The Committee is of the opinion that the performance targets for the Bonus Plan are commercially sensitive and it would be detrimental to the interests of the Company to disclose them before the start of the financial year. The targets therefore will be disclosed after the end of the relevant financial year in that year's Remuneration Report.</p>

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continued

Objective and link to strategy	Operation
Long-term Incentive Plan	
<p>The Company operates a Value Creation Plan (VCP) to align the interests of the Executive Directors with those of shareholders by focusing on delivering superior returns to shareholders.</p>	<p>Each participant, including the Executive Directors, was granted Performance Units on 11 March 2013.</p> <p>Subject to the performance criteria being met at the end of a three year performance period (which commenced on 1 January 2013), these Performance Units will convert into a Nil-Cost Option over sufficient shares to deliver the participant's share of the Maximum Incentive Value.</p> <p>The Nil-Cost Option may be exercised until the tenth anniversary of the date of grant of the Performance Units.</p> <p>VCP payments are not pensionable.</p>
Pension	
<p>To provide competitive levels of retirement benefit.</p>	<p>The Group operates a defined benefit (DB) scheme (closed to new members); a defined contribution (DC) scheme (available only by invitation) and a group personal pension plan, administered by NEST. Executives have the option to receive a taxable cash allowance in lieu of pension benefits.</p> <p>Neither of the Executive Directors are members of any Company pension scheme and both receive a taxable cash allowance. George Watt was a participating member of the Scottish and Grampian Television Retirement Benefits Scheme, which is an approved defined benefits occupational pension scheme, until 31 March 2010, when he became a deferred member. No benefits accrued under this scheme during 2013.</p>
SAYE	
<p>To strengthen alignment between the interest of staff and shareholders.</p>	<p>The Executive Directors are eligible to participate in the Company's Save-As-You-Earn plans, as offered from time to time, subject to HMRC limits.</p>
Shareholding requirement	
<p>To strengthen alignment between the interests of the Executive Directors and those of shareholders.</p>	<p>Executive Directors are required to hold shares equivalent to 100% of their annual salary.</p> <p>Share price is measured at the end of each financial year.</p>
Provisions of previous policy that will continue to apply (2012 Bonus Plan)	
<p>The Bonus Plan aligns reward to key strategic objectives over the short to medium-term.</p>	<p>50% of bonus paid for 2012 financial year was paid in cash and 50% will be released in shares in March 2014.</p>

Maximum opportunity	Performance conditions and assessment																		
<p>The table below sets out the number of Performance Units allocated to participants:</p> <table> <tr> <th colspan="2">Participant Performance Units</th></tr> <tr> <td>R Woodward</td><td>330,000</td></tr> <tr> <td>G Watt</td><td>170,000</td></tr> <tr> <td>Other participants</td><td>500,000</td></tr> <tr> <td>Total</td><td>1,000,000</td></tr> </table> <p>The aggregate number of Performance Units under option as a result of the VCP is limited to one million.</p>	Participant Performance Units		R Woodward	330,000	G Watt	170,000	Other participants	500,000	Total	1,000,000	<p>The Maximum Incentive Value for all participants will be conditional upon achieving an average share price of £1.50 or higher over the last 30 days of the three year performance period (the Measurement Price).</p> <p>The share price at date of grant on 1 January 2013 was £1.00. Provided the Measurement Price is above £1.50, a percentage of the additional value created is used to create a pool (the Incentive Value) in line with the table below:</p> <table> <tr> <th>Measurement price</th><th>Contribution percentage¹</th></tr> <tr> <td>Below £1.50</td><td>0%</td></tr> <tr> <td>£1.50-£2.00</td><td>5%</td></tr> <tr> <td>Above £2.00</td><td>7.5%</td></tr> </table> <p>¹ The contribution percentage is the proportion of the value created allocated to participants</p> <p>The Incentive Value, calculated in accordance with the table above will be multiplied by the number of shares in issue at the Measurement Date to determine the Maximum Incentive Value for all participants.</p>	Measurement price	Contribution percentage ¹	Below £1.50	0%	£1.50-£2.00	5%	Above £2.00	7.5%
Participant Performance Units																			
R Woodward	330,000																		
G Watt	170,000																		
Other participants	500,000																		
Total	1,000,000																		
Measurement price	Contribution percentage ¹																		
Below £1.50	0%																		
£1.50-£2.00	5%																		
Above £2.00	7.5%																		
<p>Both Rob Woodward and George Watt are entitled to receive a pension contribution or a taxable cash allowance in lieu of pension benefits equal to 20% of salary.</p> <p>These cash payments are not included in base salary for the calculation of any other benefit including the value of incentive awards.</p> <p>Under the DC scheme, the Company contribution is 6.5% of base salary up to the Pension Earnings Cap.</p>	None																		
Maximum contributions as defined by HMRC and subject to HMRC and plan rules.	Subject to HMRC and plan rules.																		
100% of salary	None																		

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continued

Notes to the Policy table

Performance measures and targets

The Committee selected the performance conditions for the Bonus Plan because these are central to the Company's overall strategy, and are the key metrics used by the Executive Directors to oversee the operation and performance of the business. The performance targets are determined annually by the Committee, and are typically set at a level that is above the level of the Company's forecasts.

The Board set objectives for the Company over the period from 2012 to 2015, and the Committee believes that the successful delivery of these objectives will flow through to a material increase in shareholder returns. The Value Creation Plan is designed to incentivise the Executive Directors to maximise shareholder returns by the successful delivery of these objectives, and to share in the resulting increase in shareholder value.

Both the Bonus Plan and the VCP were approved by shareholders at the Company's AGM on 24 April 2013.

Changes to remuneration policy from previous policy

There have been no changes to the operation, maximum or performance measures in relation to the salary, annual bonus, pension and other benefits or the long-term incentives arrangements.

Discretion

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Differences in remuneration policy for all employees

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

Non-Executive Directors

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

Objective and link to strategy	Operation	Maximum	Performance conditions and assessment
NED fees			
To attract Non-Executive Directors with the requisite skills and experience.	<p>The remuneration of the Non-Executive Directors is determined by the Board based upon recommendations from the Chairman and Chief Executive Officer (or, in the case of the Chairman, based on recommendations from the Senior Independent Non-Executive Director and the Chief Executive Officer) and is within the limits set by the Articles of Association.</p> <p>NEDs are paid a base fee and additional fees for:</p> <ul style="list-style-type: none"> • carrying out the duties of Senior Independent NED and Committees; • an additional fee of for carrying out the specific duties of sitting on the Company's Audit, Nomination and/or Remuneration Committees; • an additional fee (on top of the committee fee) to reflect the additional duties involved in Chairing that committee. <p>Fees are reviewed annually with changes effective from 1 January. Any increases to fees will be determined based on workload and level of responsibility and current market rates.</p> <p>Fees are paid in cash. NEDs do not participate in any Bonus Plan or share incentive programme operated by the Company, and are not entitled to pension contributions or other benefits provided by the Company.</p>	<p>Current fee levels are set out in the statement of implementation of remuneration policy on page 75.</p> <p>The Company's policy is to set the level of fees by reference to the median level of fees in comparable companies within the media sector. In general, any increase in fees will be in line with increases in salary levels for employees in the Group.</p>	None

Recruitment remuneration policy

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

The principle is that the pay of any new recruit would be assessed following the same principles as for the Executive Directors.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and is mindful of guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance conditions associated with an award.

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

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continued

The table below summarises the key policies with respect to recruitment remuneration:

Element	Policy
Base salary and benefits	<p>The salary level will be set taking into account the levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity in particular the Median level at those companies in the media sector and the pay and conditions throughout the Company.</p> <p>The Executive Director shall be eligible to receive benefits in line with the Company's benefits policy as set out in the remuneration policy table.</p>
Pension	<p>The Executive Director will be eligible to receive a supplement in lieu of pension contribution of 20% of base salary or join the Company's DC scheme, the STV Pension Scheme, in line with STV's pension policy as set out in the remuneration policy table.</p>
Annual bonus	<p>The Executive Director will be eligible to participate in the Bonus Plan as set out in the remuneration policy table.</p> <p>The Maximum Annual Contribution under this plan is 125% of salary for each Bonus Plan year.</p>
Long-term incentives	<p>The Executive Director will be eligible to participate in the Company's Value Creation Plan set out in the remuneration policy table.</p> <p>Under the Value Creation Plan, a Maximum Incentive Value is determined for all participants at the end of the performance period as set out in the remuneration policy table. New Executives may be granted awards under the plan which will entitle them to a percentage of the Maximum Incentive Value.</p>
Maximum level of variable remuneration	<p>The maximum annual variable remuneration that an Executive Director can receive is limited to 125% of salary under the Bonus Plan.</p> <p>Awards under the Value Creation Plan have no value at grant but provide the participants with the opportunity to receive a percentage of the Maximum Incentive Value (see remuneration policy table).</p>
Share buy-outs	<p>The Committee will seek to structure any replacement awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited.</p> <p>In determining quantum and structure of these commitments, the Committee will seek to replicate the broadly equivalent economic value and, as far as practicable, the timing and performance requirements of remuneration foregone.</p>
Relocation policies	<p>In instances where the new Executive relocates from one work-base to another, the Company will provide compensation to reflect the cost of relocation for the Executive.</p> <p>The level of relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences; housing allowance and schooling in accordance with the company's normal relocation package for employees.</p>

Service contracts and payment for loss of office

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

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

Director	Date of contract/ letter of appointment	Date(s) of (re) appointment	Unexpired as at 12 March 2014
Non-executive Director			
Baroness Ford	1 June 2013	1 June 2013	2 years 2 months
D Shearer	28 February 2007	18 April 2012	1 year 1 month
V Babic	28 February 2007	24 April 2013	2 years 1 month
J Matheson	5 March 2007	24 April 2013	2 years 1 month
M Jackson	1 May 2009	18 April 2012	1 year 1 month
G Shore	1 March 2012	18 April 2012	1 year 1 month

All service contracts and letters of appointments are available for viewing at the STV Group plc registered office.

The table below sets out the Company's termination policy in respect of Executive Director contracts for each element of total remuneration. For each element the table also sets out the boundaries of Committee discretion to apply flexibility to the default position.

Element	Approach	Application of Remuneration Committee discretion
General	When determining any loss of office payment for a departing individual the Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time.	The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's discharge of office or employment.
Base salary, pension and benefits	In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances, Executive Directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary, pension supplements, and benefits that the Executive would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss within a 12 month period of their departure from the Company.	None
Annual bonus	<p>The treatment of Bonus Plan awards is governed by the rules, as approved by shareholders.</p> <p>Where an Executive Director's employment is terminated, they will forfeit the unpaid balance of the Plan Account unless the reason for the termination is one of the following circumstances: death, ill-health, injury, disability, redundancy, retirement by agreement with the company by which he is employed; or where the Committee determines the Award Holder is a 'good leaver'.</p> <p>In such circumstances, the Company will make a distribution to the Executive Director of the whole of the plan account at the date of cessation. Further, on the next normal Measurement Date, if the Board determines that a Bonus Plan Contribution should be made, then the Executive's Contribution will be pro-rated to reflect the period worked in that performance year.</p>	<p>As per the Plan Rules approved by shareholders on 24 April 2013, the Committee retains the discretion to consider an Executive to be a 'good leaver', with the effect set out on the left.</p> <p>It should be noted that it is the Committee's policy to only apply its discretion if the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.</p>

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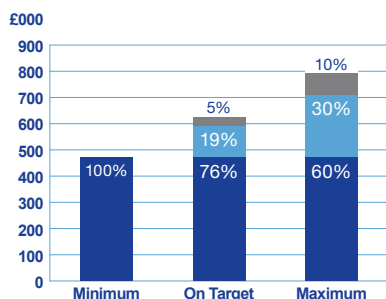
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Element	Approach	Application of Remuneration Committee discretion
Long-term Incentive	<p>The treatment of awards granted under the VCP is governed by the rules, as approved by shareholders.</p> <p>The performance conditions will be measured at the normal Measurement Date at the end of the three year performance period.</p> <p>On termination of employment prior to the performance Measurement Date (i.e. before the conversion of Performance Units into Nil-Cost Options), all Performance Units will lapse, unless one of the following circumstances apply: death, ill health, injury or disability, redundancy, retirement by agreement with the company by which he is employed, the Award Holder is employed by a company that ceases to be part of STV Group plc, the Award Holder is employed in an undertaking or part of an undertaking that is transferred to a person who is not an STV Group plc member; or any other circumstances if the Board so determines in a particular case.</p> <p>If an Executive Director leaves under a circumstance set out above, the Committee may use its discretion to determine that all or a proportion of the Performance Units shall convert on the Measurement Date.</p> <p>On death or termination of employment after the Measurement Date, the Executive Director will be entitled to exercise their Nil-Cost Options at any time during the period permitted by the Committee.</p>	<p>As per the Plan Rules approved by shareholders on 24 April 2013, the Committee retains the discretion to consider an Executive to be a 'good leaver', with the effect set out on the left.</p> <p>The Committee has the discretion whether to pro-rate the number of Performance Units that may convert into Nil-Cost options at the normal Measurement Date.</p> <p>For Performance Units that are converted on termination, the Committee can determine the period over which the Nil-Cost Options may be exercised.</p> <p>It should be noted that it is the Committee's policy to only apply its discretion of the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.</p>
SAYE plan	The treatment of the SAYE plan will be in accordance with HMRC and plan rules.	
Other contractual obligations	There is no contractual provision agreed prior to 27 June 2012 that could impact quantum of the payment.	
Change of control		
Bonus Plan	On a change of control, the value of Participant's Plan Account will be released.	The Committee will take into account such factors as it considers relevant in relation to the Bonus Plan Contribution for the year in which the event occurs, including the proportion of the Bonus Plan Year elapsed at the date of the event.
Value Creation Plan	The three year performance period will end on a change of control. Performance Units may convert into Nil-Cost Options immediately prior to the change of control, based on the satisfaction of the performance criteria.	In exceptional circumstances the Committee may, in its absolute discretion, determine the proportion of the Performance Units which shall be capable of conversion shall be reduced to take account of the period from the date of Change of Control as a proportion of the period from the award date until the original Measurement Date.

Illustrations of application of remuneration policy

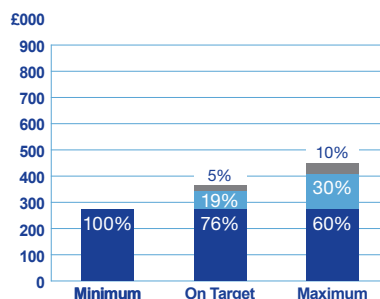
The graphs below seek to demonstrate how pay varies with performance for the Executive Directors based on our stated remuneration policy.

Rob Woodward



■ Multiple Variable Reporting
■ Annual Variable
■ Fixed

George Watt



■ Multiple Variable Reporting
■ Annual Variable
■ Fixed

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

Element	Minimum	On-target	Maximum
Fixed elements	Fixed elements do not vary with performance and comprise: <ul style="list-style-type: none"> – 2014 base salary – Benefits – Cash in lieu of pension contributions at 20% of base salary 		
Annual Variable Element			
Bonus Plan Annual cash element where performance measures relate to one financial year.	0%	25% of maximum Annual Contribution ^{1,2}	50% of maximum Annual Contribution ¹
Multiple Reporting Period Elements			
Bonus Plan Deferred element where performance measures relate to more than one financial year.	0%	25% of maximum Annual Contribution ^{1,2}	50% of maximum Annual Contribution ¹
Value Creation Plan	0%	50% of maximum ³	One-third of total IFRS2 charge ³

Notes

- 1 Maximum Annual Contribution is 125% of salary for each Executive Director.
- 2 A level of 50% vesting for 'on-target' performance.
- 3 The 2013 VCP is a one-off award granted for the next 3 year period. The maximum value represents one-third of the total illustrative IFRS2 fair value of the Performance Units at the date of grant for an individual as set out in the Company's consolidated statement of income.
- 4 In accordance with the UK Government's new Remuneration Reporting Regulations, no allowance has been made for share price appreciation.

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continued

Consideration of employment conditions elsewhere in the Company in developing policy

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

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

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

Although the Committee takes into account the pay and conditions of other employees, the Company did not consult with employees when drawing up the policy report.

No comparison metrics were used by the Committee.

Consideration of shareholder views

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

The Committee consulted with its major shareholders in early 2013 to receive feedback on the remuneration policy and the introduction of the Bonus Plan and Value Creation Plan to understand their views and expectations. The major shareholders consulted were supportive of the proposed introduction of the new incentive arrangements and overall remuneration policy.

In preparing this report, we have had regard to comments provided over the year by shareholders and institutional investor representative bodies.

Annual Report on Remuneration

This section of the remuneration report is audited and contains details of how the Company's 2013 remuneration policy for Directors was implemented during the financial year ending on 31 December 2013.

Single total figure of remuneration

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director paid in the 2013 financial year. Comparative figures for 2012 have also been provided. Figures provided have been calculated in accordance with the new remuneration disclosure regulations (The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013).

Executive Director		Salary (£000)	Taxable benefits (£000)	Annual bonus (£000)	Long-term incentives ¹ (£000)	Pension	Total
R Woodward	2013	380	16	129	n/a	76	601
	2012	380	16	117	107 ¹	76	696
G Watt	2013	214	16	73	n/a	43	346
	2012	214	16	66	53 ¹	43	392

Notes

¹ Value of awards at the vesting date at a share price of £1.00 per share on 31 December 2013.

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Non-Executive Directors

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

Non-Executive Director	Financial year	Basic Fees £	Additional Fees ¹ £	Total Fees £
R Findlay (retired 31 August)²	2013	56,667	–	56,667
	2012	85,000	–	85,000
Baroness Ford (appointed 1 June)²	2013	55,416	–	55,416
	2012	n/a	n/a	n/a
D Shearer	2013	40,000	7,500	47,500
	2012	40,000	7,500	47,500
V Babic	2013	30,000	7,500	37,500
	2012	30,000	7,500	37,500
J Matheson	2013	30,000	5,000	35,000
	2012	30,000	5,000	35,000
M Jackson	2013	30,000	5,000	35,000
	2012	30,000	5,000	35,000
G Shore	2013	30,000	5,000	35,000
	2012	25,000	–	25,000

Notes

1 Additional fees relate to a fee of £5,000 per annum for sitting on the Company's Audit and/or Remuneration Committees and an additional fee of £2,500 per annum to reflect the additional duties involved in chairing that Committee.

2 Richard Findlay retired on 31 August 2013 and Baroness Ford was appointed on 1 June 2013.

Additional details in respect of single total figure table

Taxable benefits

Executives are entitled to receive a taxable, cash allowance in lieu of benefits-in-kind, including car and private medical insurance.

Executive Director		Cash allowance in lieu of benefits-in-kind (£000)
R Woodward	2013	16
	2012	16
G Watt	2013	16
	2012	16

Annual Bonus

Performance against the performance conditions for the Bonus Plan for the year ended 31 December 2013.

In respect of the year under review, the Executive Directors' performance was carefully reviewed by the Committee and performance as against the Bonus Plan measures is summarised below:

Performance condition	Weighting	Threshold Annual Contribution (% salary)	Maximum Annual Contribution (% salary)	Targets	Annual performance outcome	Actual contribution (% salary)	Contribution to Plan account for 2013	
							R Woodward	G Watt
Operating Profit	25%	3.125%	31.25%	Threshold: £16.2m Max: £20.7m	£18.0m	16%	£59,374	£33,468
Group PBT	25%	3.125%	31.25%	Threshold: £13.7m Max: £17.4m	£15.2m	16%	£59,374	£33,468
Cash flow	25%	3.125%	31.25%	Threshold: £12.1m Max: £15.5m	£13.8m	18%	£68,170	£38,426
Personal objectives	25%	3.125%	31.25%	Targets relating to: Delivery of growth plans for STV Productions; Delivery of growth plans for digital activities; Achievement of outcome in commercially sensitive negotiations; Progress against KPI targets.		18%	£71,250	£40,162
Total	100%	12.5%	125%				£258,168	£145,524

The Committee exercised their discretion in respect of the personal objectives performance condition. It was felt that the amount awarded reflects the progress achieved and performance delivered during 2013.

The personal objectives were set at the start of the year by the Committee and relate to strategic business targets. The Committee assessed performances against these targets and concluded that they had been partially satisfied at the end of the financial year. This resulted in a bonus payment equal to 18.75% of salary to each Executive Director. The Committee considers that the actual performance targets and outcomes relating to the personal objectives element of the 2013 Bonus Plan and are commercially sensitive at this current time on the basis that disclosure could damage the Company's final outcomes.

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Bonus deferred under the Bonus Plan

Under the Bonus Plan, the earned bonus for the year is added to each individual Executive Director's plan account. 50% of the balance on the plan account at the end of the financial year is released and 50% deferred. See remuneration policy table on pages 56 and 57 for details on the operation of the Bonus Plan. The deferred balances on each Executive Director's plan account are set out below.

Executive Directors	a. Plan account brought forward (shares)	b. Plan account brought forward £	c. Contribution into plan account for 2013 £	d. Plan account balance following contribution for 2013 £	e. Amount released following contribution for 2013 £	f. Amount released of which annual bonus (50% of column c) £	g. Amount released of which LTI (column e less column f) £	h. Plan account carried forward £	i. Plan account carried forward (shares)
R Woodward	–	–	258,172	258,172	129,086	129,086	–	129,086	43,245
G Watt	–	–	145,528	145,528	72,764	72,764	–	72,764	24,376

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

Long-term incentives

No long-term incentives vested in the financial year. The VCP is due to vest in 2016. Further details are available on page 58.

Total pension entitlements

The Company operates a defined benefits scheme (closed to new members); a defined contribution scheme and Executives have the option to receive a taxable cash allowance in lieu of pension benefits. Neither of the Executive Directors are members of any Company pension scheme and both receive a taxable cash allowance. George Watt is a deferred member of the defined benefits scheme and as such no additional value was accrued by him under this plan during the year. For reference, the following payments were made in respect of this:

Executive Director	Cash in lieu in 2013 (£000)	Cash in lieu in 2012 (£000)
R Woodward	76	76
G Watt	43	43

Scheme interests awarded in 2013 financial year

The table below sets out the details of the long-term incentive awards granted in the 2013 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods. No Non-Executive Directors received scheme interests during the financial year.

Executive Director	Type of interest awarded	Basis on which award made	Face value of award made ¹	Percentage receivable for minimum performance	End of performance period
R Woodward	Performance Unit	Awards have been made under the VCP	See note below	100%	1 January 2016
G Watt	Performance Unit	Awards have been made under the VCP	See note below	100%	1 January 2016

Notes

1 The Performance Units have no value on grant. Performance Units will convert into a number of Nil-Cost Options at the end of the performance period provided the performance conditions are achieved. The holding period before the Nil-Cost Options vest will be three years from the date of grant on 24 April 2013. See policy table for details on the Maximum Incentive Value payable to all participants.

Payments to past Directors

No payments to past Directors were made during the year.

Payments for loss of office

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

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Statement of Directors' shareholding and share interests

Executive Directors are required to build up a shareholding equal to 100% of salary. The table below summarises the Directors' interests in shares and the extent to which the shareholding requirements have been achieved.

Director	Shareholding			2012 Bonus Plan interests ²	SAYE interests	Total interests held at 31 Dec 2013	Shareholding requirements ⁹
	Shares required to be held (% salary)	Number of shares required to hold	Number of beneficially owned shares ¹	Number of deferred Bonus Plan shares subject to conditions	Number of options subject to conditions		
Executive							
R Woodward	100%	127,303	460,881	58,634	7,337	460,881	Met
G Watt	100%	71,758	234,260	33,020	7,337	234,260	Met
Non-executive Directors							
Baroness Ford	–	–	23,258	–	–	–	–
D Shearer	–	–	100,000	–	–	–	–
V Babic	–	–	–	–	–	–	–
J Matheson	–	–	12,500	–	–	–	–
M Jackson	–	–	–	–	–	–	–
G Shore	–	–	16,063	–	–	–	–

Notes

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

2 Half of 2012 bonus award is payable in shares and will be awarded in 2014. 2013 bonus plan shares will be awarded in 2014 and are therefore not included in this table.

3 Shareholding requirement calculation excludes invested awards.

The following table sets out the details of the vested options exercised during the year:

Executive	Type of award	Exercised during the year	Exercise Price of Exercised Options	Market value on Exercise	Gain on Exercise
R Woodward	2009 LTIP	84,463	Nil	£1.32/share	£111,913
G Watt	2009 LTIP	48,630	Nil	£1.32/share	£64,434

2012 Bonus Plan awards

Under the 2012 performance related Bonus Plan, bonus payments commenced at 90% of fulfilment of targets, with bonus potential maximum payable upon achievement of performance levels of 125% of targets. Bonus payments are payable in two tranches with the first payment, payable in cash, due in March 2013 and the deferred and final payment, payable in shares at a price of 100 pence (representing the closing share price at the end of the performance period), payable in March 2014.

Accordingly, Rob Woodward received a cash payment of £58,634 in March 2013, and a share award of 58,634 shares in March 2014. George Watt received a payment of cash payment of £33,020 in March 2013, and an award of 33,020 shares in March 2014.

2009 LTIP

This award was approved by shareholders on 22 April 2009 and was granted on 7 May 2009. A total of one million units were awarded in total to participants with Rob Woodward and George Watt receiving 330,000 and 190,000 units respectively. Following the testing of the performance conditions, Nil Cost awards vested on 12 November 2012, of which 84,463 ordinary shares were awarded to Rob Woodward and 48,630 ordinary shares were awarded to George Watt. These can be exercised until the seventh anniversary of the date of grant.

Both executives exercised their awards in 2013.

SAYE awards

Under an all-employee share based Save As You Earn (SAYE) scheme, launched in June 2011, both Rob Woodward and George Watt were each granted 7,337 options under the scheme. A second all employee Save As You Earn (SAYE) scheme was launched in October 2013. Neither Rob Woodward or George Watt were eligible to participate in this scheme as both are contributing to the 2011 scheme at the HMRC contribution limit.

Shareholder dilution

The Company operates all of its share arrangements for all employees within the Association of British Insurers (ABI) Guidelines on dilution. The ABI Guidelines provide that the Company can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share plans. In addition, of this 10% the Company can only issue 5% to satisfy awards under discretionary or executive plans.

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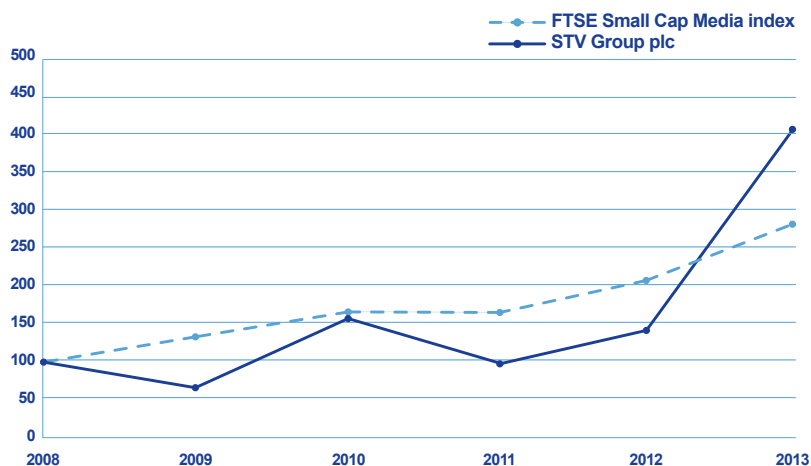
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The following table sets out the current level of dilution against the ABI limits for all share plans and discretionary plans and sets out the commitments to issue shares made during the financial year reported:

Maximum	Current dilution	Additional dilution during the year in question
10% dilution in ten years	4.14	0.08
5% dilution in ten years	2.92	(0.42)

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 Media Index. This FTSE Small Cap Media Index was selected because the Company is part of this index.



The table below shows the Executive Officer's remuneration package over the past 5 years.

Year	Single figure of total remuneration (£000) R Woodward ¹	Bonus pay-out (as % maximum opportunity) ^{1,2}	Long-term incentive vesting rates (as % maximum opportunity)
2013	601	54	–
2012	696	31	100%
2011	958	15	–
2010	472	90	–
2009	472	–	–

Notes

1 2011 single figure of remuneration of £958,000 includes deferred bonus payment of £427,500 from 2010 bonus plan which carried performance conditions.

2 Maximum potential bonus opportunity has varied in the period between 2009 and 2013 and therefore this is not a like-for-like comparison.

Percentage change in Chief Executive Officer's remuneration

The table below compares the percentage increase in the Chief Executive Officer's remuneration (including salary, taxable benefits and annual bonus) with the wider employee population between 2012 and 2013. The Company considers the full-time employee population excluding Executive Directors to be an appropriate comparator group and the most stable point of comparison:

	Salary	Taxable benefits	Bonus ¹
	% increase	% increase	% increase
Chief Executive Officer (£000)	–	–	10
Total Employee pay (£m)²	-4	11	28
Average Employee pay (£000)	-9	–	33

Notes

1 Half of 2013 bonus payment is subject to deferral and forfeiture conditions.

2 Average employee numbers were 396 in 2013 and 376 in 2012.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2013 financial year and 2012 financial year compared with other disbursements from profit. These were the most significant outgoings for the Company in the last financial year.

Significant distributions	Disbursements from profit in 2013 financial year		Disbursements from profit in 2012 financial year		% change
	(£m)	(% total spend)	(£m)	(% total spend)	
Overall spend on pay including Directors	16.5	18	16.2	18	–
Profit distributed by way of dividend or share buyback	–	–	–	–	–

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Statement of implementation of remuneration policy in the following financial year

Executive Directors

The remuneration policy and its implementation for the forthcoming financial year is summarised below:

Salary

The salaries for 2014 are set out below:

Executive Director	2013 Salary £000	2014 Salary £000	% increase
R Woodward	380	380	–
G Watt	214	214	–

The base salary levels of executive directors have not been increased since 2007 and this will continue during 2014. Salary levels of employees throughout the Company were increased by an average of 3.1% in 2014.

Benefits and Pension

No changes are proposed to the provision of benefits or pension in 2014, as set out in the Directors' Remuneration Policy section on pages 55 to 66.

Bonus Plan

See remuneration policy table on pages 55 to 66 for details on the operation of the Bonus Plan.

The Committee is of the opinion that the performance targets for the Bonus Plan are commercially sensitive in respect of the Company, and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. The targets will be disclosed after the end of the relevant financial year in that year's remuneration report.

The bonus payable to each of the Chief Executive Officer and the Chief Financial Officer is determined by reference to the performance conditions outlined in the table below.

Performance condition	Weighting	Targets	R Woodward		G Watt	
			Threshold Bonus Contribution	Maximum Bonus Contribution	Threshold Bonus Contribution	Maximum Bonus Contribution
Operating Profit	25%	For disclosure at end of 2014 financial year	3.125%	31.25%	3.125%	31.25%
Group PBT	25%		3.125%	31.25%	3.125%	31.25%
Cash Flow	25%		3.125%	31.25%	3.125%	31.25%
Personal objectives	25%		3.125%	31.25%	3.125%	31.25%
Totals			12.5%	125%	12.5%	125%

Since implementation of the Bonus Plan, the Committee is reviewing the operation of the Bonus Plan with a view to simplification whilst maintaining the existing reward levels and maximum payment opportunities.

Long-term incentives

No changes are proposed to the current operation of the Company's long-term incentive arrangements in 2014. The operation of the VCP is set out in the Directors' Remuneration Policy on page 58.

Non-Executive Directors

The following table sets out the fee rates for the Non-Executive Directors in the year ended 31 December 2013:

Fee	2013 £	2014 ¹ £	% increase ¹
Chairman Fee	95,000	95,000	–
Senior Independent Director Fee	40,000	45,000	12.5
NED Basic Fee	30,000	32,500	8.3
Committee Membership Fee	5,000	5,000	–
Chair of Committee Fee	2,500	2,500	–

Notes

1 The 2014 fees will apply from 1 May 2014.

Consideration by the directors' of matters relating to director's remuneration

Members of the Committee

At 31 December 2013, the Committee comprised of three Independent Non-Executive Directors, Vasa Babic (Chairman), Jamie Matheson and Michael Jackson. The members of the Committee have no personal financial interest other than as shareholders in matters to be decided, no potential conflicts of interest arising from cross Directorships and no day-to-day involvement in the running of the business.

Director	Number of meetings during term	Number of meetings attended
V Babic	2	2
J Matheson	2	2
M Jackson	2	1

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the senior management and for setting the remuneration packages for each Executive Director. The Committee also has oversight of the remuneration policy and packages for other senior members of staff.

The Committee has formal terms of reference which describes its full remit. This can be downloaded from the STV website (www.stvplc.tv).

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The Committee's activities during the 2013 financial year included:

Meeting	Items discussed
18 February 2013	Conclusion of shareholder consultation on future remuneration arrangements; implementation of new remuneration arrangements; approval of 2012 performance related bonus payments; review and approval of 2012 Remuneration Report and remuneration related shareholder communications for AGM.
12 December 2013	Remuneration policies; 2013 performance related bonus payments.

Advisors to the Committee

The Committee appointed and received advice over the year from independent remuneration consultants PricewaterhouseCoopers LLP, who acquired Halliwell Consulting, the previous advisers, in December 2008. Halliwell Consulting were selected as advisors by the Committee through a competitive tendering process.

Work undertaken by PricewaterhouseCoopers LLP for the Committee included updating the Committee on trends in compensation and governance matters and advising the Committee in connection with the design and operation of the Company's incentive arrangements.

PricewaterhouseCoopers LLP was paid £51,000 in 2013. PricewaterhouseCoopers LLP is a member of the Remuneration Consultants' Group and has signed up to that group's Code of Conduct. On that basis, the Committee is satisfied that the advice received is objective and independent.

PricewaterhouseCoopers LLP is also the Company's statutory auditors. The Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services. The Committee reviews the objectivity and independence of the advice it receives from PricewaterhouseCoopers LLP annually and it is satisfied that PricewaterhouseCoopers LLP is providing robust and professional advice.

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

Statement of voting at general meeting

The table below shows the advisory vote on the 2012 Remuneration Report the Bonus Plan and the Value Creation Plan at the AGM held on 24 April 2013.

	Votes for	%	Votes against	%	Votes withheld	%*
2012 Remuneration Report	19,771,058	99.94	12,848	0.06	17,722	0.09
2013 Bonus Plan	19,779,208	99.91	17,616	0.09	4,804	0.02
2013 Value Creation Plan	16,849,568	99.84	27,000	0.16	2,925,060	14.77

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

The 2014 AGM is the first time the Directors' Remuneration Policy will be put to a shareholder vote.

Please note that the first votes on the Annual Report on Remuneration and the Directors' Remuneration Policy are due to take place at the 2014 AGM.



Vasa Babic
Remuneration Committee Chairman
12 March 2014

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Independent Auditors' Report to the Members of STV Group plc

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements, which are prepared by STV Group plc, comprise:

- the Group statement of financial position as at 31 December 2013;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group statement of changes in equity and statement of cash flows for the year then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £717,000. This represents approximately 5% of profit before tax which we consider to be the most relevant measure of underlying performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £35,900 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured in two business lines, being Consumer and Production. The Group financial statements are a consolidation of 18 reporting units, comprising the group's operating entities within the Consumer and Production divisions in addition to some centralised functions.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as both the group engagement team and component auditors. We audited the complete financial information of 15 of the 18 reporting units using materiality levels appropriate for their individual statutory accounts that were lower than the materiality determined for the Group financial statements as a whole. These reporting units account for 100% of group turnover, profit before tax and net assets. This gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements

against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 46.

Area of focus	How the scope of our audit addressed the area of focus
Retirement benefit schemes The retirement benefit obligation is sizeable in the context of the group and is dependent on key assumptions adopted by the directors in the actuarial valuation. (Refer also to note 28 to the financial statements.)	<p>We considered the reasonableness of the key assumptions used in the actuarial valuation, being the discount rate, RPI, CPI and mortality rates, assessing if they were within our expected range.</p> <p>For any assumptions that fell outside of our expected range, we challenged the directors on their rationale for the assumption and what evidence they had to support it, taking into account factors caused by the specific industry and location. We also tested the completeness of the census data given to the scheme actuaries on which to base their valuations. In addition, we obtained third-party confirmations of the assets held within the pension schemes and considered their validity.</p>

Inventory valuation

We focused on this area because of the level of judgement involved in calculation of the amount to be deferred on the balance sheet in respect of production stock in order to take account of future revenue which will be generated from these programmes.

(Refer also to note 17 of the financial statements.)

We analysed the directors' assessment of each production in the catalogue to determine, based on the past history of sales and licence periods, the appropriateness of management's projected future revenues, which are expected to be generated from the productions through secondary sales in the UK and abroad and new media sales routes. We also considered the actual sales in 2013 against forecast to establish the level of accuracy in management's forecasting, and reperformed management's calculations of forecast revenues on a net present value basis.

Fraud in revenue recognition

ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. We focused on the timing of the recognition of revenue.

(Refer also to note 3 of the financial statements.)

As the foundation of the evidence we obtained regarding the revenue recognised during the year, we evaluated the relevant IT systems and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements.

We tested a sample of revenue to invoice and cash receipts to verify the accuracy and occurrence of revenue. We tested the timing of revenue recognised around the year-end date to check it was recorded in the correct period. We also tested journal entries posted to revenue accounts to identify unusual or irregular items.

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Independent Auditors’ Report to the members of STV Group plc
continued

Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to ‘whistle-blow’ inappropriate actions, and interviewed senior management and reviewed reports prepared by the internal auditors. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We assessed the overall control environment of the Group. In particular, we considered the assumptions used in the retirement benefit scheme valuations and inventory cost deferral calculation. We also tested journal entries and built in a level of unpredictability to our testing, such as testing some low value balances.
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Going Concern

Under the Listing Rules we are required to review the directors’ statement, set out on page 25, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors’ statement, the directors have concluded that it is appropriate to prepare the Group’s financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors’ use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group’s ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors’ Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors’ remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors’ remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors’ remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company’s compliance with nine provisions of the UK Corporate Governance Code (‘the Code’). We have nothing to report having performed our review.

On page 26 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group’s performance, business model and strategy. On page 46, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit;
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the Parent Company financial statements of STV Group plc for the year ended 31 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

12 March 2014

84 Consolidated Income Statement

Year ended 31 December 2013

	Note	2013 £m	Restated (note 2) 2012 £m
Revenue	5	112.1	102.7
Net operating expenses	6	(94.1)	(90.9)
Operating profit		18.0	11.8
Analysed as:			
Operating profit before exceptional items		18.0	17.1
– Exceptional items	8	–	(5.3)
Operating profit after exceptional items		18.0	11.8
Finance income		–	0.1
Finance costs – borrowings	9	(2.8)	(4.1)
– IAS 19 pension	9	(0.9)	(1.4)
		(3.7)	(5.4)
Profit before tax		14.3	6.4
Tax charge	10	(2.1)	(1.5)
Profit for the year		12.2	4.9
Earnings per share			
Basic	12	32.2p	13.0p
Diluted	12	31.2p	12.5p

The notes on pages 88 to 111 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Note	2013 £m	Restated (note 2) 2012 £m
Profit for the year		12.2	4.9
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement gains on defined benefit pension schemes	28	21.2	5.2
Deferred tax charge	22	(4.9)	(1.9)
Other comprehensive income for the year net of tax		16.3	3.3
Total comprehensive income for the year		28.5	8.2

Consolidated Balance Sheet

At 31 December 2013

	Note	2013 £m	Restated (note 3) 2012 £m
Non-current assets			
Goodwill	13	7.9	7.9
Other intangible assets	14	0.7	–
Property, plant and equipment	15	6.7	8.2
Investments	16	0.9	0.6
Deferred tax asset	22	5.1	12.1
Retirement benefit asset	28	1.3	–
		22.6	28.8
Current assets			
Inventories	17	17.6	18.5
Trade and other receivables	18	21.4	18.9
Cash and cash equivalents	19	8.8	3.9
		47.8	41.3
Total assets		70.4	70.1
Equity attributable to owners of the parent			
Ordinary shares	24	19.5	19.5
Share premium	24	112.0	112.0
Merger reserve		173.4	173.4
Other reserve		0.3	0.4
Accumulated losses		(297.6)	(326.2)
Total equity		7.6	(20.9)
Non-current liabilities			
Borrowings	21	–	44.2
Derivative financial instruments	30	–	0.2
Retirement benefit obligations	28	–	23.0
Provisions	23	0.8	1.1
		0.8	68.5
Current liabilities			
Borrowings	21	44.5	5.0
Trade and other payables	20	16.9	17.0
Provisions	23	0.6	0.5
		62.0	22.5
Total liabilities		62.8	91.0
Total equity and liabilities		70.4	70.1

The notes on pages 88 to 111 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 84 to 111 were approved by the Board on 12 March 2014 and were signed on its behalf by:

Rob Woodward
Chief Executive

George Watt
Chief Financial Officer

86 Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Ordinary shares £m	Share premium £m	Merger reserve £m	Other reserve £m	Accumulated losses £m	Total Equity £m
Balance at 1 January 2013	19.5	112.0	173.4	0.4	(326.2)	(20.9)
Profit for the year	–	–	–	–	12.2	12.2
Remeasurement gain	–	–	–	–	21.2	21.2
Deferred tax thereon	–	–	–	–	(4.9)	(4.9)
Total comprehensive income for the year	–	–	–	–	28.5	28.5
Equity-settled share-based payments	–	–	–	(0.1)	0.1	–
Balance at 31 December 2013	19.5	112.0	173.4	0.3	(297.6)	7.6
Balance at 1 January 2012	19.5	112.0	173.4	0.6	(335.2)	(29.7)
Profit for the year restated	–	–	–	–	4.9	4.9
Remeasurement gain restated	–	–	–	–	5.2	5.2
Deferred tax thereon restated	–	–	–	–	(1.9)	(1.9)
Total comprehensive income for the year	–	–	–	–	8.2	8.2
Own shares awarded	–	–	–	–	0.6	0.6
Equity-settled share-based payments	–	–	–	(0.2)	0.2	–
Balance at 31 December 2012	19.5	112.0	173.4	0.4	(326.2)	(20.9)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

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	Note	2013 £m	Restated (note 3) 2012 £m
Operating activities			
Cash generated by operations	25	18.3	11.9
Interest paid		(2.5)	(2.2)
Pension deficit funding – recovery plan payment		(4.2)	(4.3)
Net cash generated by operating activities		11.6	5.4
Investing activities			
Interest received		–	0.6
Loan note received		–	5.0
Purchase of investment		(0.3)	(0.1)
Capitalised web development spend		(0.7)	–
Purchase of property, plant and equipment		(0.7)	(1.0)
Net cash (used in)/generated by investing activities		(1.7)	4.5
Financing activities			
Net borrowings repaid		(5.0)	(6.5)
Net cash used by financing activities		(5.0)	(6.5)
Net increase in cash and cash equivalents		4.9	3.4
Cash and cash equivalents at beginning of year		3.9	0.5
Cash and cash equivalents at end of year	25	8.8	3.9

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

Reconciliation of movement in net debt			
Year ended 31 December 2013			
	Note	2013 £m	2012 £m
Opening net debt		(45.3)	(54.5)
Net increase in cash and cash equivalents		4.9	3.4
Movement in debt financing		4.7	5.8
Closing net debt	25	(35.7)	(45.3)

88 Notes to the Financial Statements

for the year ended 31 December 2013

1. General information

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

2. Adoption of new and revised standards

The following new standards, amendments to standards or interpretations are mandatory for the first time for accounting periods beginning on or after 1 January 2013:

IAS 1	Amendments to financial statement presentation
IAS 19 (revised)	Amend the accounting for employee benefits
IFRS 13	Fair value measurement

IFRS 13 and IAS 1 were either not relevant for the Group or had no material impact on the financial statements of the Group.

Amendment to IAS 36 “Impairment of assets” relates to the recoverable amount disclosures for non-financial assets and removes certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is effective for accounting periods beginning on or after 1 January 2014 but has been early adopted by the Group.

There are no IFRS or IFRIC interpretations which are not yet effective that would have a material impact on the Group.

IAS 19 amends the accounting for employee benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high quality corporate bonds. This has changed the income statement interest from a credit to a charge as the discount rate applied to assets is lower than the expected return on assets. This has no effect on comprehensive income as the increased charge in profit is offset by a credit in other comprehensive income. The effect has been that the income statement profit for the year to 31 December 2012 has decreased by £2.0m. The basic EPS has decreased by 5.3p to 13.0p and the diluted EPS has decreased by 5.1p to 12.5p.

There is a new term “remeasurements”. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

The change in accounting policy had no impact on the statement of cash flows.

3. Significant accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention and on a going concern basis.

Remeasurement

Investments at 1 January 2013 have been restated to include an amount of £0.6m previously held within trade and other receivables. The effect on the cash flow has been to increase cash generated by operations by £0.1m and decrease cash generated by investing activities by £0.1m.

In adopting the going concern basis for preparing the financial statements, the directors have continued to review forecasts to determine the impact of both the short-term and long-term liquidity position. After making appropriate enquiries and taking into account the extension of the banking facility in February 2014, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Consolidation

The financial statements comprise a consolidation of the financial statements of the Company and all its subsidiaries up to 31 December each year. Subsidiaries include all entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which the Group has the power to control and de-consolidated from the date that control ceases. On consolidation, intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group on consolidation.

Revenue recognition

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

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

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

Exceptional items

Exceptional items, as disclosed on the face of the income statement, are items which due to their material and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts and to show the underlying results of the Group.

Dividends

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.

Pensions

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

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The defined benefit cost is made up of three categories:

The service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to operating profit in the year.

The net interest expense or income is recognised within finance costs. Net interest expense includes a credit representing the expected return on the assets of the retirement benefit schemes and a charge representing the expected increase in the liabilities of the retirement benefit schemes during the year.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

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

Intangible assets

Goodwill

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

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

Other intangible assets

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

Internally generated software	between 10% and 25%
-------------------------------	---------------------

Property, plant and equipment

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

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

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

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

Any impairment in value is charged to the income statement.

Impairment

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

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

Leasing

Where assets are financed by leasing agreements and the risks and rewards are substantially transferred to the Group (finance leases) the assets are treated as if they had been purchased outright, and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement.

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

Inventories

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

Recorded programmes and films

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

Onerous contracts

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

Share-based payments

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

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

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

Foreign currencies

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.

Taxation

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

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

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

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

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

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

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.

Trade receivables

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

Investments

Investments are measured at reporting dates at fair value.

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.

Bank borrowings

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

Trade payables

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

Equity instruments

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

Derivative financial instruments and hedge accounting

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

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

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

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

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continued

4. Critical accounting estimates and judgements

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

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which the goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the impairment testing are set out in note 13.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 28.

Inventory

Deferred production stock forms part of inventory and is stated in the accounts at the lower of cost or net realisable value. Programme costs are expensed in line with expected future revenues. A detailed forecast of future sales is prepared by management based on historic experience and expected future trends.

5. Business segments

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

The performance of the segments is assessed based on a measure of adjusted operating profit. This measurement basis excludes the effects of exceptional items.

Segment revenues	External sales	
	2013 £m	2012 £m
Consumer	98.6	92.5
Productions	13.5	10.2
	112.1	102.7

Revenue in 2013 includes £1.2m of revenues from sources outside the UK (2012: £1.1m).

Segment result	2013 £m	Restated 2012 £m
Consumer	17.6	16.9
Productions	0.4	0.2
	18.0	17.1
Affiliate status change	–	(5.3)
Operating profit	18.0	11.8
Financing	(3.7)	(5.4)
Profit before tax	14.3	6.4
Tax charge	(2.1)	(1.5)
Profit attributable to owners of the parent	12.2	4.9

Operating profit in 2013 includes £0.6m arising outside the UK (2012: £0.6m).

In 2012, the £5.3m exceptional charge relates to Consumer and is in relation to the Group's ITV network affiliate status.

	Assets		Liabilities	
Segment assets and liabilities	2013 £m	2012 £m	2013 £m	2012 £m
Consumer	22.2	27.8	11.7	12.1
Productions	37.4	31.8	3.5	2.7
Total of all segments	59.6	59.6	15.2	14.8
Unallocated corporate	10.8	10.5	47.6	76.2
Consolidated	70.4	70.1	62.8	91.0
Other segment information	Consumer		Productions	
	2013 £m	2012 £m	2013 £m	2012 £m
Capital additions	1.4	1.2	–	–
Depreciation	2.1	2.4	–	–

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

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

All the net assets in 2012 and 2013 were held in the UK and therefore operate in a single geographical segment.

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6. Operating expenses by nature

	2013 £m	Restated 2012 £m
Programming costs	54.7	54.5
Staff costs	21.2	21.5
Other external charges	14.1	5.1
Depreciation	2.1	2.4
Operating lease charges	1.9	2.0
Other operating charges	0.1	0.1
	94.1	85.6
Exceptional affiliate status change	–	5.3
	94.1	90.9

Services provided by the Group's auditor

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

	2013 £000	2012 £000
Group		
Fees payable to Company auditor for the audit of parent company and consolidated financial statements	75	95
Fees payable to the Company's auditor and its associates for other services:		
– The audit of Company's subsidiaries pursuant to legislation	15	15
– Audit-related assurance services	25	25
– Tax advisory services	110	77
– Tax compliance services	91	93
– Other services	68	53
	384	358

Included in the audit fees payable is £5,000 (2012: £5,000) paid in respect of the parent company.

Other services comprise employee benefit advisory services.

Fees in respect of STV Group plc pension schemes

	2013 £000	2012 £000
Audit	20	21

7. Staff

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

	2013 Number	2012 Number
Consumer and Productions		
Established	372	343
Contract	24	33
	396	376

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

Their aggregate remuneration comprised:

	2013 £m	Restated 2012 £m
Wages and salaries	16.5	16.1
Social security costs	1.6	1.5
Other pension costs (see note 28)	3.1	3.9
	21.2	21.5

Included within the retirement obligation above is a £2.2m pension cost (2012: £2.5m) and £0.9m interest (2012: £1.4m). The interest element is included within finance costs on the face of the income statement.

2012 aggregate remuneration has been restated by £5.5m to include news staff costs previously included in programming.

Details of directors' remuneration is provided in the Remuneration Report on pages 54 to 78.

8. Exceptional items

Affiliate status change

A non-cash stock write-down of £4.1m was booked in 2012 relating to the Group's ITV network affiliate status. In addition, legal and other costs of £1.2m in relation to this were incurred.

9. Finance costs

	2013 £m	Restated 2012 £m
Bank borrowings	2.8	3.9
Fair value loss on interest rate swaps	–	0.2
	2.8	4.1
Pension finance charge	0.9	1.4
	3.7	5.5

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10. Tax charge

	2013 £m	Restated 2012 £m
Corporation tax:		
Current year	–	–
Adjustment in respect of prior years	–	–
	–	–
Deferred tax (see note 22)	2.1	1.5
Tax charge for the year	2.1	1.5

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

	2013 £m	Restated 2012 £m
Profit before tax	14.3	6.4
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	3.3	1.6
Tax effects of:		
Other expenses not deductible for tax purposes	0.2	0.8
Movement in tax losses and other temporary differences	(0.1)	(1.2)
Impact of changes in tax rates	0.4	0.4
Adjustments in respect of prior years	(1.7)	(0.1)
Tax charge for the year	2.1	1.5

11. Dividends

	2013 £m	2012 £m
Proposed final dividend for the year ended 31 December 2013 of 2.0p (2012: nil) per share	0.8	–

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12. Earnings per share

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

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

EPS has been presented below both including and excluding exceptional items in order to provide a fuller understanding of the Group's underlying performance.

	Earnings £m	2013 Weighted average number of shares (m)	Per share Pence	Restated Earnings £m	2012 Weighted average number of shares (m)	Restated Per share Pence
EPS (pre-exceptional items):						
Earnings attributable to ordinary shareholders	12.2	37.8	32.2p	10.2	37.7	27.1p
Basic EPS	12.2	37.8	32.2p	10.2	37.7	27.1p
Potential dilutive ordinary shares		1.3			1.4	
Diluted EPS	12.2	39.1	31.2p	10.2	39.1	26.1p
EPS (including exceptional items):						
Earnings attributable to ordinary shareholders (including exceptional items)	12.2	37.8	32.2p	4.9	37.7	13.0p
Basic EPS	12.2	37.8	32.2p	4.9	37.7	13.0p
Potential dilutive ordinary shares		1.3			1.4	
Diluted EPS	12.2	39.1	31.2p	4.9	39.1	12.5p

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13. Goodwill

Goodwill at 1 January and 31 December 2013 was £7.9m (2012: £7.9m). It comprises capitalised goodwill on acquisitions completed since 1 January 1998 and the cost and impairment provision is split £10.6m and £2.7m respectively.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. All goodwill recognised at the year end and previous year end relates to Productions.

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

Growth rate (long-term)	2%
Discount rate	14%

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using an estimated growth rate of 2%. The growth rate is not considered to exceed the long-term average growth rate for the media business in which the CGU operates.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. A change in the discount rate to 20% would result in the carrying value of goodwill being reduced to its recoverable amount.

Management determined Net Cash Flow based on past performance and its expectations of market development. No impairment charge is considered to have arisen this year.

14. Other intangible assets

	Web development £m
Cost	
At 1 January 2012 and 2013	–
Additions	0.7
At 31 December 2013	0.7
Accumulated depreciation and impairment	
At 1 January and 31 December 2013	–
Net book value at 31 December 2013	0.7
Net book value at 31 December 2012	–

15. Property, plant and equipment

	Leasehold buildings £m	Plant, technical equipment and other £m	Total £m
Cost			
At 1 January 2012	0.2	25.3	25.5
Additions	–	1.2	1.2
Disposals	–	(0.3)	(0.3)
At 1 January 2013	0.2	26.2	26.4
Additions	–	0.7	0.7
Write offs	(0.1)	(2.1)	(2.2)
At 31 December 2013	0.1	24.8	24.9
Accumulated depreciation and impairment			
At 1 January 2012	0.1	15.9	16.0
Charge for year	–	2.4	2.4
Disposals	–	(0.2)	(0.2)
At 1 January 2013	0.1	18.1	18.2
Charge for year	–	2.1	2.1
Write offs	–	(2.1)	(2.1)
At 31 December 2013	0.1	18.1	18.2
Net book value at 31 December 2013	–	6.7	6.7
Net book value at 31 December 2012	0.1	8.1	8.2

16. Investments

	£m
Cost/Valuation	
At 1 January 2013	–
Adjustment (see below)	0.6
At 1 January 2013 restated	0.6
Additions	0.3
At 31 December 2013	0.9

Investments at 1 January 2013 have been restated to include an amount of £0.6m previously held within trade and other receivables.

17. Inventories

	2013 £m	2012 £m
Recorded programmes and films	17.6	18.5

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18. Trade and other receivables

	2013 £m	2012 £m
Trade receivables	10.9	10.4
Less: Provision for impairment of receivables	–	(0.1)
Trade receivables – net	10.9	10.3
Prepayments and accrued income	10.0	8.2
Other receivables	0.5	1.0
	21.4	19.5

As of 31 December 2013, trade receivables of £0.8m (2012: £0.8m) are past due. These are net of a provision for bad debts of £nil (2012: £0.1m). Trade receivables relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of the trade receivables is as follows:

	Gross £m	2013 Provision £m	Gross £m	2012 Provision £m
Up to 3 months	10.9	–	10.2	–
3 to 5 months	–	–	0.1	0.1
	10.9	–	10.3	0.1

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

19. Cash and cash equivalents

	2013 £m	2012 £m
Cash and cash equivalents	8.8	3.9

20. Trade and other payables

	2013 £m	2012 £m
Current		
Trade payables	2.8	4.8
Accrued expenses	10.4	8.8
Social security and other taxes	3.5	3.2
Other payables	0.2	0.2
	16.9	17.0
Non-current		
Derivative financial instruments (note 30)	–	0.2
	–	0.2

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

21. Borrowings

	2013 £m	2012 £m
Bank loans	44.5	49.2
The borrowings are repayable as follows:		
Expiring within 1 year	44.5	5.0
Expiring in 2 to 5 years	–	44.2
All undrawn committed borrowing facilities are repayable within one year (2012: within two to four years).		
The effective interest rates were as follows:		
	2013 %	2012 %
Bank loans (floating)	4.1	5.1

At 31 December 2013, the Company had bank facilities in place totalling £57.5m consisting of a £25.0m term facility and a £32.5m revolving credit and overdraft facility (2012: £30.0m and £32.5m respectively). At 31 December 2013 £12.5m (2012: £12.5m) of the £57.5m (2012: £62.5m) bank facility in place at that date remains undrawn.

The facilities were due to expire on 31 December 2014 and consequently the borrowings have all been classified as current liabilities as at 31 December 2013. Subsequent to the balance sheet date, the renewal of the Channel 3 broadcast licences in February 2014 resulted in the facilities being extended to 31 March 2016.

The term loan partially amortises across the facility term and £5.0m was amortised on 31 December 2013. Security is provided to the debt providers by way of cross guarantees and a share pledge.

The effect of the Group's interest rate swaps is to classify £24.0m (2012: £30.0m) of borrowings as fixed rate. The notional principal amount of the outstanding interest rate swap contracts at 31 December 2013 was £24.0m (2012: £30.0m). A fair value on the interest rate swaps of £nil (2012: £0.2m) has been recognised at 31 December 2013.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

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22. Deferred tax

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

	2013 £m	2012 £m
Deferred tax asset:		
Deferred tax to be recovered after more than one year	(3.7)	(8.6)
Deferred tax to be recovered within one year	(1.4)	(3.5)
	(5.1)	(12.1)
Net deferred tax asset	(5.1)	(12.1)
Deferred tax asset not recognised	(9.1)	(11.9)

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

The deferred tax asset of £9.1m (2012: £11.9m) which has not been recognised relates to a combination of trading tax losses and non-trade debits.

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

	Tax trading losses £m	Other temporary differences £m	Accelerated tax depreciation £m	Retirement benefit obligations £m	Total £m
At 1 January 2013	(2.8)	(0.4)	(3.6)	(5.3)	(12.1)
Charge/(credit) to income	(0.5)	0.1	1.9	0.6	2.1
Charge to equity	–	–	–	4.9	4.9
At 31 December 2013	(3.3)	(0.3)	(1.7)	0.2	(5.1)

During the year, a change in the UK corporation tax rate from 24% to 23%, effective from 1 April 2013, was substantively enacted in March 2013.

In addition, a number of further changes to the UK corporation tax system were announced in the March 2013 UK Budget statement. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 was included in the Finance Act 2013, which was enacted in July 2013. The closing deferred tax balances have therefore been remeasured accordingly.

23. Provisions

	Onerous lease provisions	
	2013 £m	2012 £m
At 1 January	1.6	3.0
Provided during the year	0.5	–
Utilised during the year	(0.7)	(1.4)
At 31 December	1.4	1.6

The provisions are expected to be utilised:

	Onerous lease provisions	
	2013 £m	2012 £m
Within one year	0.6	0.5
Greater than one year	0.8	1.1
	1.4	1.6

24. Share capital and premium

	Number of shares (thousands)	Ordinary shares £m	Share premium £m	Total £m
At 1 January and 31 December 2013	39,050	19.5	112.0	131.5

The total authorised number of ordinary shares is 63 million shares (2012: 63 million shares) with a par value of £0.50 per share (2012: £0.50 per share). All issued shares are fully paid.

On 14 February 2014, the Court of Session granted a reduction in the share premium account of £11.0m.

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25. Notes to the consolidated statement of cash flows

	2013 £m	Restated 2012 £m
Operating profit (before exceptional items)	18.0	17.1
Depreciation	2.1	2.4
	20.1	19.5
Decrease in inventories	0.9	6.5
Increase in trade and other receivables	(2.5)	(1.2)
Decrease in trade and other payables	(0.2)	(6.6)
Underlying cash generated by operations	18.3	18.2
Litigation matters	–	(5.1)
Costs of change and onerous property costs	–	(1.2)
Cash generated by operations	18.3	11.9

	At 1 January 2013 £m	Cash flow £m	Non-cash movements £m	At 31 December 2013 £m
Analysis of movements in net debt				
Cash and cash equivalents (note 19)	3.9	4.9	–	8.8
Bank borrowings (note 21)	(49.2)	5.0	(0.3)	(44.5)
Net debt	(45.3)	9.9	(0.3)	(35.7)

26. Operating lease commitments

At 31 December 2013 the Group had minimum commitments in respect of non-cancellable operating leases for leasehold buildings payable as follows:

	2013 £m	2012 £m
Within one year	1.6	1.5
Between two and five years	6.7	6.5
After five years	9.3	10.8
	17.6	18.8

27. Transactions with related parties

During the year £13,000 (2012: £8,000) income was received from related parties and a balance of £3,500 was owed by related parties at 31 December 2013 (31 December 2012: £2,000). These amounts relate to fees received from group investment companies.

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

Key management remuneration is detailed as follows:

	2013 £m	2012 £m
Short-term employee benefits*	1.3	1.3

* See Remuneration Report pages 67-68 for details.

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

28. Retirement benefit schemes

Defined contribution schemes

The Group operates two money purchase schemes, the STV Pension Scheme and the Pearl & Dean Cinemas Pension Scheme, for which the pension cost charge for the year amounted to £0.7m (2012: £0.7m).

Defined benefit schemes

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

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

A full actuarial valuation of the schemes was carried out at 1 January 2009 and updated to 31 December 2013 by a qualified independent actuary. The major assumptions used by the actuary were:

Key assumptions:

	2013	2012
Rate of increase in salaries	1.00%	1.00%
Rate of increase of pensions in payment	3.35%	3.15%
Discount rate	4.55%	4.35%
Rate of price inflation (RPI)	3.35%	3.15%

Mortality assumptions:

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

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

	2013 Years	2012 Years
Retiring at balance sheet date:		
Male	14.3	14.3
Female	17.1	17.1
Retiring in 20 years:		
Male	16.6	16.6
Female	19.5	19.5

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

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

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28. Retirement benefit schemes continued

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

	2013 £m	Restated 2012 £m
Current service cost – defined benefit	(1.5)	(1.8)
Net interest expense	(0.9)	(1.4)
	(2.4)	(3.2)

Of the total charge £1.5m (2012: £1.8m) has been included in operating expenses and £0.9m (2012: £1.4m) has been included in finance costs (see note 9).

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

	2013 £m	Restated 2012 £m
Actuarial gains arising from changes in financial assumptions	21.2	5.2

The amounts recognised in the balance sheet were as follows:

	2013 £m	2012 £m
Present value of defined benefit obligations	(295.7)	(302.4)
Fair value of schemes' assets	297.0	279.4
Surplus/(deficit) in the schemes	1.3	(23.0)

A related offsetting deferred tax charge of £0.2m (2012: asset £5.3m) is included under non-current assets. Therefore the net pension scheme surplus amounts to £1.1m at 31 December 2013 (£17.7m deficit at 31 December 2012).

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

	2013 £m	Restated 2012 £m
At 1 January	302.4	295.0
Current service cost	0.3	0.4
Interest cost	12.8	14.2
Contributions from plan participants	0.1	0.1
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	(4.2)	9.0
Benefits paid from plan	(15.7)	(16.3)
At 31 December	295.7	302.4

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

	2013 £m	Restated 2012 £m
At 1 January	279.4	264.1
Interest income	11.9	12.8
Remeasurement gain/(loss):		
Return on plan assets (excluding interest income)	17.0	14.2
Contributions from the employer	5.5	5.9
Managing plan asset costs	(1.2)	(1.4)
Contributions from plan participants	0.1	0.1
Benefits paid from plan	(15.7)	(16.3)
At 31 December	297.0	279.4

Plan assets comprised the following:

	2013 £m	%	2012 £m	%
Equities	150.5	51	140.4	50
Corporate bonds	83.1	28	78.0	28
Government bonds and cash	63.4	21	61.0	22
	297.0	100	279.4	100

29. Share-based payments

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

Refer to the Remuneration Report on pages 54 to 78 for share based payments.

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30. Financial instruments

Capital risk management

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

The capital structure of the Company consists of debt, which includes the bank loans disclosed in note 21, 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.

Gearing ratio

This ratio is calculated as net debt divided by total capital.

	2013 £m	2012 £m
Total borrowings (note 21)	44.5	49.2
Cash and cash equivalents	(8.8)	(3.9)
Net Debt	35.7	45.3
Total equity	7.6	(20.9)
Total capital	43.3	24.4
	82%	186%

Covenants

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

Derivative financial instruments

The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of floating and fixed rates. The Group's primary funding is at floating rates through its bank facilities. In order to manage its associated interest rate risk, the Group uses interest rate swaps to vary the mix of fixed and floating rates. Interest rate swap contracts of £24.0m (2012: £30.0m) were entered into on 7 February 2012 and expired in January 2014. Fair value is based on the market price of these instruments at the balance sheet date. In accordance with IFRS 7, the interest rate swaps are considered to be level 2 with the fair value being calculated at the present value of the estimated future cash flows using market interest rates. As the interest rate swaps expired on 23 January 2014, their fair value at 31 December 2013 is immaterial (2012: £0.2m).

Financial risk management objectives

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

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

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 2013 the Group had no forward foreign currency contracts in place (2012: £nil).

Credit risk

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

Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises of the undrawn borrowing facility (note 21) and cash and cash equivalents (note 19)) 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.

Cash flow interest rate risk

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

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

A monthly sensitivity analysis is carried out, and on the level of borrowings of the Group at 31 December 2013, a movement of 0.25% in interest rates would change the level of interest paid in the year by +/- £0.1m (2012: £0.1m). 0.25% is considered a reasonably possible change.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowing from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rate directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. An interest rate swap was entered into on 7 February 2012 and expired in January 2014.

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Independent Auditors' Report to the members of STV Group plc

Report on the Parent Company financial statements

Our opinion

In our opinion the Parent Company financial statements, defined below:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Parent Company financial statements, which are prepared by STV Group plc, comprise:

- the Parent Company balance sheet as at 31 December 2013; and
- the notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Parent Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other Matter

We have reported separately on the group financial statements of STV Group plc for the year ended 31 December 2013.

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

12 March 2014

114 Company Balance Sheet

At 31 December 2013

	Note	2013 £m	Restated 2012 £m
Fixed assets			
Investments	2	28.2	27.9
Current assets			
Debtors			
– due within one year	3	39.9	41.2
– due after one year	3	138.2	126.8
		178.1	168.0
Creditors: amounts falling due within one year	4	(67.6)	(23.1)
Net current assets		110.5	144.9
Total assets less current liabilities		138.7	172.8
Creditors: amounts falling due after more than one year	4	–	(44.4)
Net assets excluding pension liability		138.7	128.4
Pension liability		–	(7.5)
Net assets including pension liability		138.7	120.9
Capital and reserves			
Called up share capital	6	19.5	19.5
Share premium account	6	112.0	112.0
Profit and loss account	6	6.9	(11.0)
Other reserve	6	0.3	0.4
Shareholders' funds		138.7	120.9

The accompanying notes are an integral part of this balance sheet.

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company profit and loss account. The profit for the parent company for the year was £10.5m (2012: £6.0m).

The financial statements on pages 114 to 121 were approved by the Board on 12 March 2014 and were signed on its behalf by:

Rob Woodward
Director

George Watt
Director

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2013

	2013 £m	2012 £m
Profit for the financial year	10.5	6.0
Actuarial gain	–	2.0
Deferred tax thereon	–	(0.7)
Total recognised gains in the year	10.5	7.3

116 Notes to the Company Financial Statements

For the year ended 31 December 2013

1. Accounting policies

Accounting convention and basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. The separate financial statements have been prepared in accordance with all applicable UK Accounting Standards and have been prepared consistently from year to year, under the historical cost convention, in accordance with applicable accounting standards on a going concern basis.

Basis of consolidation

As permitted under Section 408 of the Companies Act 2006, no separate profit and loss account for the holding company is presented. The consolidated financial statements as presented within the Annual Report include the results of STV Group plc, the holding company, and all of its subsidiaries and associated undertakings up to 31 December 2013.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Performance Review on page 25.

Investments

Fixed asset investments are stated at cost, less any provision for impairment.

Impairment

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying value exceeds its recoverable amount.

Share-based payments

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

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

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

Full disclosure of share-based payment awards is provided within the Group financial statements.

Dividends

The liability for final dividends is recorded when the dividends are approved by the Company's shareholders. For interim dividends, the liability is recorded when the dividends are paid.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

The taxation liabilities of certain group companies are reduced wholly or in part by losses surrendered by other group companies. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient companies.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest rate. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account 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.

118 Notes to the Company Financial Statements

continued

2. Investments

	Subsidiaries £m	Other £m	Total £m
At 1 January 2013	27.3	–	27.3
Adjustment (see below)	–	0.6	0.6
At 1 January 2013 restated	27.3	0.6	27.9
Additions	–	0.3	0.3
At 31 December 2013	27.3	0.9	28.2
Provisions for impairment			
At 1 January and 31 December 2013	–	–	–
Net book value at 31 December 2013	27.3	0.9	28.2
Net book value at 31 December 2012	27.3	0.6	27.9

Investments at 1 January 2013 have been restated to include an amount of £0.6m previously held within trade and other receivables.

Subsidiary undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to the subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affect the results of the Group:

Undertaking	Country of incorporation or registration and operation	Principal activity
STV Central Limited	Scotland	Television broadcasting
STV North Limited	Scotland	Television broadcasting
STV Productions Limited	Scotland	Programme production
Solutions.tv Limited	Scotland	Television technical facilities
Ginger Television Productions Limited	England	Programme production

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

None of the above investments are held directly by STV Group plc. The investments are stated in the balance sheet at cost less amounts written off for impairment in value. All shares are ordinary shares. All of the above investments are 100% shareholdings within the Group.

A full list of subsidiary undertakings is included in the Annual Return.

3. Debtors

	2013 £m	Restated 2012 £m
Due within one year		
Amounts owed by group undertakings	37.0	40.6
Prepayments and accrued income	0.8	0.6
Deferred tax (note 7)	2.1	–
	39.9	41.2
Due after one year		
Amounts owed by group undertakings	138.2	126.8

Included within amounts owed by group undertakings due after one year is a loan of £100.0m to a subsidiary undertaking. Interest on the loan accrues at a rate of 9% and is payable from 1 April 2010. Interest accrued is capitalised and added to the principal amount. Interest will also accrue on interest which is capitalised in this way. The loan is repayable on 31 March 2020.

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

2012 has been restated to adjust for the investment in Mirriad Limited now shown under investments.

4. Creditors

	2013 £m	2012 £m
Amounts falling due within one year:		
Trade creditors and accruals	0.8	1.1
Bank loans	44.5	5.0
Amounts owed to subsidiary undertakings	22.3	17.0
	67.6	23.1
Amounts falling due after more than one year:		
Bank loans	–	44.2
Derivative financial instruments	–	0.2
	–	44.4

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

5. Bank loans

	2013 £m	2012 £m
Bank loans	44.5	49.2
The borrowings are repayable as follows:		
Expiring within 1 year	44.5	5.0
Expiring in 2 to 5 years	–	44.2
	44.5	49.2

All undrawn committed borrowing facilities are repayable within one year (2012: within two to four years).

The effective interest rates were as follows:

	2013 %	2012 %
Bank loans (floating)	4.1	5.1

At 31 December 2013, the Company had bank facilities in place totalling £57.5m consisting of a £25.0m term facility and a £32.5m revolving credit and overdraft facility (2012: £30.0m and £32.5m respectively). At 31 December 2013 £12.5m (2012: £12.5m) of the £57.5m (2012: £62.5m) bank facility in place at that date remains undrawn.

The facilities were due to expire on 31 December 2014 and consequently the borrowings have all been classified as current liabilities as at 31 December 2013. Subsequent to the balance sheet date, the renewal of the Channel 3 broadcast licences in February 2014 resulted in the facilities being extended to 31 March 2016.

The term loan partially amortises across the facility term and £5.0m was amortised on 31 December 2013. Security is provided to the debt providers by way of cross guarantees and a share pledge.

Derivative financial instruments

The Group manages its cash flow interest rate risk by using floating-fixed interest rate swaps. Interest rate swap contracts of £24.0m (2012: £30.0m) were entered into on 7 February 2012 and expired in January 2014. Fair value is based on the market price of these instruments at the balance sheet date. In accordance with IFRS 7, the interest rate swaps are considered to be level 2 with the fair value being calculated at the present value of the estimated future cash flows using market interest rates. As the interest rate swaps expired on 23 January 2014, their fair value at 31 December 2013 is immaterial (2012: £0.2m).

6. Reserves and movements in shareholders' funds

	Called up share capital £m	Share premium account £m	Profit and loss account £m	Other reserve £m	Total £m
At 1 January 2012	19.5	112.0	(19.1)	0.6	113.0
Profit for the year	–	–	6.0	–	6.0
Actuarial gain	–	–	2.0	–	2.0
Deferred tax thereon	–	–	(0.7)	–	(0.7)
Equity-settled share-based payments	–	–	0.2	(0.2)	–
Own shares awarded	–	–	0.6	–	0.6
At 1 January 2013	19.5	112.0	(11.0)	0.4	120.9
Profit for the year	–	–	10.5	–	10.5
Pension transferred to a fellow group undertaking	–	–	7.3	–	7.3
Equity-settled share-based payments	–	–	0.1	(0.1)	–
At 31 December 2013	19.5	112.0	6.9	0.3	138.7

Included within profit and loss reserves is an unrealised amount of £78.6m at 31 December 2013.

The Caledonian pension scheme was transferred during the year to STV Television Limited when it became sponsoring employer of the pension scheme. As such, details of the current and prior year pension commitments are disclosed in STV Television Limited's accounts.

On 20 February 2014, the Court of Session granted a reduction in the share premium account of £11.0m.

7. Deferred taxation

Deferred taxation is provided as follows:

	Tax losses £m
At 1 January 2013	–
Provided in year	2.1
At 31 December 2013	2.1
Deferred tax asset not recognised	2.0

Refer to note 3 for the above deferred tax asset.

During the year, a change in the UK corporation tax rate from 24% to 23%, effective from 1 April 2013, was substantially enacted in March 2013.

In addition, a number of further changes to the UK corporation tax system were announced in the March 2013 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 was included in the Finance Act 2013, which was enacted in July 2013. The closing deferred tax balances have therefore been removed accordingly.

8. Transactions with related parties

There were no transactions with any related parties during the year other than those exempt from disclosure under FRS 8.

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For the year ended 31 December 2013

	IFRS				
	2009 £m	2010 £m	2011 £m	Restated** 2012 £m	2013 £m
Results					
Revenue					
Continuing operations	90.3	104.8	102.0	102.7	112.1
Discontinued operations	19.9	6.9	–	–	–
	110.2	111.7	102.0	102.7	112.1
Profit from operations before exceptional items					
Continuing operations	9.2	14.4	15.0	17.1	18.0
Discontinued operations	–	–	–	–	–
	9.2	14.4	15.0	17.1	18.0
Profit on ordinary activities before taxation and exceptional items	5.5	12.5	14.0	11.7	14.3
Assets					
Non-current assets	32.1	29.1	32.9	28.2	22.6
Current assets	84.2	69.9	53.8	41.9	47.8
Assets classified as held for sale	12.1	–	–	–	–
Total assets	128.4	99.0	86.7	70.1	70.4
Equity and liabilities					
Current liabilities	100.8	35.4	82.3	22.5	62.0
Non-current liabilities	38.3	83.4	34.1	68.5	0.8
Liabilities directly associated with assets held for sale	21.2	–	–	–	–
Equity	(31.9)	(19.8)	(29.7)	(20.9)	7.6
Total equity and liabilities	128.4	99.0	86.7	70.1	70.4
Key statistics					
Earnings per ordinary share* – basic	13.7p	34.3p	38.0p	13.0p	32.2p
– diluted	13.7p	32.9p	36.1p	12.5p	31.2p
Dividends per ordinary share	–	–	–	–	2.0p

* The 2010 earnings per ordinary share figures have been restated to exclude ordinary shares purchased by the Company from the weighted average number of ordinary shares calculation.

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

Registrars

Capita Asset Services,
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Tel: 0871 664 0300*
Tel: (overseas) +44 20 8639 3399
Fax: +44 (0) 1484 600 911
Email: ssd@capita.co.uk
Website: www.capitashareportal.com

Independent Auditors

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

Solicitors

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

Burness Paull LLP
120 Bothwell Street
Glasgow G2 7JL

Principal Bankers

Bank of Scotland plc
The Mound
Edinburgh EH1 1YZ

Stockbrokers

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120 London Wall
London EC2Y 5ET

Secretary and Registered Office

Jane E A Tames
Company Secretary
STV Group plc
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Tel: 0141 300 3074
Email: jane.tames@stv.tv

Company Registration Number

SC203873

Annual Report on Internet

The 2013 Annual Report of STV Group plc including the financial statements is available at: www.stvplc.tv

124 Shareholder Information

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Amalgamation of Accounts

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

Investor Relations

For investor enquiries please contact:

Eleanor Marshall

PR Manager

STV Group plc

Pacific Quay

Glasgow G51 1PQ

Tel: 0141 300 3670

Email: eleanor.marshall@stv.tv

Share Price Information

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

Individual Savings Accounts (ISAs)

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

Dividend Reinvestment Plan

STV Group plc operates a Dividend Reinvestment Plan to provide United Kingdom shareholders with a facility to invest cash dividends by purchasing further STV Group plc shares. Further details are available from the Registrar on: 0871 664 0381*.

Your Shareholding

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

Capita Share Dealing Services

Capita offer a quick and easy share dealing service to buy or sell STV Group plc shares. An online telephone dealing facility is available providing STV Group plc shareholders with an easy to access and simple to use service. There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing services allow you to trade "real time" at a known price which will be given to you at the time you give your instruction. For further information on this service, or to buy and sell shares, please contact: www.capitadeal.com (online dealing); 0871 664 0454** (telephone dealing).

* Calls cost 10p per minute plus network extras. Lines are open 8:30am-5:30pm, Monday to Friday.

** Calls cost 10p per minute plus network extras. Lines are open 8am-4:30pm, Monday to Friday.

THIS INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

The AGM is an important opportunity for all shareholders to express their views by asking questions of the directors and voting on the resolutions.

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

Notice is hereby given that the Annual General Meeting of the Company will be held at Pacific Quay, Glasgow G51 1PQ on Wednesday 23 April 2014 at 11 am for the purpose of considering the resolutions below.

Resolutions 1 to 10 (inclusive) will be proposed as ordinary resolutions and Resolutions 11 to 13 (inclusive) shall be proposed as special resolutions.

Ordinary Resolutions

1. To consider and adopt the annual accounts of the Company for the financial year ended 31 December 2013 which includes the reports of the directors and the report by the auditors on the annual accounts and the auditable part of the directors' remuneration report.
2. To approve the directors' remuneration report, other than the part containing the directors' remuneration policy in the form set out on pages 67 to 78 of the Annual Report and Accounts for the financial year ended 31 December 2013.

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

3. To approve the directors' remuneration policy, in the form set out on pages 55 to 66 of the Annual Report and Accounts for the financial year ended 31 December 2013.

Following a change in law since the 2013 AGM, resolution 3 seeks approval (on a binding basis) of the remuneration policy governing directors' remuneration. If the remuneration policy is approved and remains unchanged, it will be valid for up to three financial years without a new shareholder approval. If the Company wishes to change the directors' remuneration policy, it will need to put the revised policy to shareholders to vote on before it can implement any new policy.

4. To declare a final dividend of 2.0p per ordinary share.

The Board proposes a dividend of 2.0p per ordinary share for the year ended 31 December 2013. If approved, the recommended dividend will be paid on 23 May 2014 to all shareholders who are on the register of members at the close of business on the record date of 22 April 2014.

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continued

5. To elect Margaret Ford as a director of the Company, having been appointed since the last Annual General Meeting.

Margaret Ford is standing for election following her appointment as a non-executive director on 1 June 2013 and as non executive Chairman on 31 August 2013. The Articles of Association require that a director appointed by the Board since the last Annual General Meeting should retire at the next Annual General Meeting and stand for election to the Board in order to give shareholders a chance to confirm the appointment.

Biographical details of Margaret Ford can be found on page 38 and the Board confirms that she meets the independence criteria as set out in B.1.1 of the UK Corporate Governance Code.

6. To re-elect George Watt as a director of the Company

The Articles of Association require that every year a proportion of our directors retire and that all directors have to stand for re-election on the third anniversary of their election or re-election. This gives you the chance to confirm their appointments.

Biographical details of George Watt can be found on page 38 and following formal performance evaluation, Mr Watt's performance continues to be effective and to demonstrate commitment to the role.

7. To re-elect David Shearer as a director of the Company.

The Articles of Association require that every year a proportion of our directors retire and that all directors have to stand for re-election on the third anniversary of their election or re-election. This gives you the chance to confirm their appointments.

Biographical details of David Shearer can be found on page 38 and the Board confirms that he meets the independence criteria as set out in B.1.1 of the UK Corporate Governance Code. Following formal performance evaluation, Mr Shearer's performance continues to be effective and to demonstrate commitment to the role

8. To re-elect Michael Jackson as a director of the Company.

The Articles of Association require that every year a proportion of our directors retire and that all directors have to stand for re-election on the third anniversary of their election or re-election. This gives you the chance to confirm their appointments.

Biographical details of Michael Jackson can be found on page 38 and the Board confirms that he meets the independence criteria as set out in B.1.1 of the UK Corporate Governance Code. Following formal performance evaluation, Mr Jackson's performance continues to be effective and to demonstrate commitment to the role.

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

10. That for the purpose of Section 551 of the Companies Act 2006, the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of that Act):

- (a) up to an aggregate nominal amount of £6,508,370;
- (b) up to an aggregate nominal amount of £6,508,370 in connection with a rights issue in favour of ordinary shareholders of the Company where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them in the Company, or in favour of the holders of other equity securities as required by the rights of those securities, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the

laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matters, provided that this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of the resolution, but so that the directors may at any time prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired; and all unexercised authorities previously granted to the directors to allot equity securities are revoked.

The directors require the authority of shareholders to allot the Company's shares and the first part of this resolution extends for a further year the general authority for the directors to allot a limited number of ordinary shares (13,016,740 being shares representing one third of the ordinary issued share capital at 12 March 2014, (the latest practicable date prior to publication) excluding treasury shares, none of which are held by the Company) to provide the flexibility to take advantage of business opportunities as they arise. The second part of this resolution allows the directors to allot a limited number of ordinary shares (13,016,740 being shares representing one third of the ordinary issued share capital at 12 March 2014, excluding treasury shares, none of which are held by the Company) pursuant to a fully pre-emptive rights issue of the Company. The authority will terminate at the next Annual General Meeting of the Company, which must be held no later than 30 June 2015. The directors do not have any present intention of exercising this authority except to satisfy awards of shares under the Company's employee share schemes and no issue of ordinary shares will be made which would effectively alter control of the Company without the prior approval of the Company in general meeting. The directors confirm that, if this further authority were utilised during the year, they intend to follow the guidance of the Association of British Insurers and would all stand for re-election at the next AGM.

Special Resolutions

11. That subject to the passing of resolution 10, the directors be and are hereby empowered, pursuant to Section 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of that Act) for cash either pursuant to the authority conferred by resolution or by way of a sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 10 by way of rights issue only) in favour of ordinary shareholders of the Company and other persons entitled to participate therein where the equity securities respectively attributable to the interest of all such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and
 - (b) the allotment of equity securities (otherwise than pursuant to paragraph (a) above) having a nominal value not exceeding in the aggregate £976,255.

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

When ordinary shares are issued for cash, they normally have to be offered, in the first instance, to existing holders of ordinary shares in proportion to their respective shareholdings. This resolution extends for a further year the authority granted to the directors to allot a limited number of ordinary shares (1,952,511 shares representing 5% of the ordinary issued share capital at 12 March 2014) other than to existing shareholders in proportion to their existing shareholdings.

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continued

It also allows the directors to allot shares up to a nominal amount of £13,016,740 (representing two thirds of the Company's issued share capital) on an offer to existing shareholders on a preemptive basis. However, unless the shares are allotted pursuant to a rights issue, the directors may only allot shares up to a nominal value of £6,508,370 (representing one third of the Company's issued share capital). The authority will terminate at the next Annual General Meeting, which must be held no later than 30 June 2015. No issue of ordinary shares will be made which would effectively alter control of the Company without the prior approval of the Company in general meeting. The Board also confirms that no more than 7.5% of the issued share capital would be issued on a non pre-emptive basis in any three-year period.

12. That the Company be and is hereby generally and unconditionally authorised pursuant to Section 701 of the Act to make market purchases (as defined in Section 693(4) of the Act) of ordinary shares of 50p each in the capital of the Company ("Shares") and the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to purchase the Shares, provided that:

- (a) the maximum number of Shares acquired pursuant to this authority shall not exceed 3,905,022 shares, the nominal value of which is £1,952,511;
- (b) the minimum price (excluding expenses) which may be paid by the Company for a Share purchased pursuant to this authority shall be 50p;
- (c) the maximum price (excluding expenses) which may be paid by the Company for a Share purchased pursuant to this authority shall not be more than the higher of: (i) 5% above the average of the middle market quotations for a Share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Share is purchased; and (ii) the price stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation (EC2273/2003); and
- (d) unless renewed, the authority conferred by this resolution shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and the expiry of 12 months from the date of passing this resolution, save that the Company may before such expiry make a contract to purchase which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of such Shares after such expiry pursuant to such contract.

This resolution seeks the authority of shareholders to allow the Company to purchase its own shares. The authority sought extends to 3,905,022 shares, representing 10% of the ordinary issued share capital in issue at 12 March 2014. The maximum price, which may be paid, amounts to not more than 5% above the average of the middle market quotations of the Company's shares for the five business days immediately preceding the date of purchase. The power will only be used if the Board is satisfied that it will be in the best interests of shareholders generally.

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

As at 12 March 2014 warrants and options to subscribe for 658,523 of the Company's shares were outstanding, representing 1.69% of the ordinary shares in issue at 12 March 2014 (excluding treasury shares held by the Company) and 1.87% of the ordinary shares in the Company (excluding treasury shares held by the Company) following the exercise in full of this authority to purchase shares.

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

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

By order of the Board

Jane E A Tames
Company Secretary

STV Group plc
Pacific Quay
Glasgow G51 1PQ

12 March 2014

Notes

1. Information regarding the meeting, including the contents of this notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the meeting, details of the totals of the voting rights that members are entitled to exercise at the meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, is available from the Investor Centre at www.stvplc.tv.
2. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.
3. A proxy need not be a shareholder of the Company but must attend the meeting to represent you. Your proxy could be the Chairman or other person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form.
4. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Capita Asset Services on 0871 664 0300 or shareholderenquiries@capita.co.uk (calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm Monday to Friday). Alternatively, you may appoint a proxy electronically at www.capitashareportal.com. Please see the notes to the form of proxy for further details.
5. To be valid any proxy form or other instrument appointing a proxy must be received by post or online or (during normal business hours only) by hand at Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11.00am on 21 April 2014 or 48 hours before the time of any adjournment of the meeting.
6. The return of a completed proxy form, in writing or online or any CREST Proxy Instruction (as described in paragraph 11 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

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continued

7. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a "Nominated Person"). The right to appoint a proxy cannot be exercised by a Nominated Person. However, a Nominated Person may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6pm on 21 April 2014 (or, in the event of any adjournment, at 6pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting or the adjourned meeting.
9. As at 12 March 2014 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 39,050,220 ordinary shares of 50p each, carrying one vote each. The Company does not hold any ordinary shares in the capital of the Company in treasury. Therefore, the total voting rights in the Company as at 12 March 2014 are 39,050,220.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ("a CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications, and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrars, Capita Asset Services (IDRA10) by 11.00am on 21 April 2014 or 48 hours before the time of any adjournment of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

14. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services on 0871 664 0300 or shareholderenquiries@capita.co.uk (calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm Monday to Friday). If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

15. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

- By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- By sending an e-mail to shareholderenquiries@capita.co.uk

In either case, the revocation notice must be received by Capita Asset Services no later than 8am on 23 April 2014 or 3 hours before the time of any adjourned meeting thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Annual General Meeting and voting in person. If you have appointed a proxy and attend the Annual General Meeting in person, your proxy appointment will automatically be terminated.

16. The Company must answer any question asked which relates to the business being dealt with at the meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

17. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company cannot require the shareholders requesting any such website publication to pay its expenses. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

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continued

18. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the Annual General Meeting includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the Annual General Meeting.
19. Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the Annual General Meeting.
20. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
21. Copies of executive directors' service agreements and copies of the letters of appointment of non-executive directors are available for inspection at the Company's registered office during normal business hours from the date of this notice until the close of the Annual General Meeting (Saturdays, Sundays and public holidays excepted) and will be available for inspection at the place of the meeting for at least 15 minutes prior to and during the meeting.
22. Except as provided above, members who have general queries about the Annual General Meeting should call our shareholder helpline on 0871 664 0300.

You may not use any electronic address provided either:

- in this notice of Annual General Meeting; or
- any related document (including the chairman's letter and proxy form)

to communicate with the Company for any purposes other than those expressly stated.



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