

SDN Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

Principal activity

The principal activity of SDN Limited ("the Company") continues to be that of the operator of 'COM4' (Digital Terrestrial Television) for which it was awarded the licence by Ofcom (formerly the Independent Television Commission) in May 1998.

SDN's historic multiplex licence was renewed by Ofcom with effect from 15 November 2022. The renewed licence continues until 31 December 2034.

Fair review of the business

The results for the Company show a profit before tax for the year of £56,053,000 (2021: £61,634,000) and revenue of £68,540,000 (2021: £82,041,000). At the statement of financial position date the Company had net assets of £744,139,000 (2021: £709,948,000).

KPI's

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within the Media and Entertainment division. For this reason, the Company's Directors use the ITV plc Media and Entertainment division's Operating and Performance Review in managing and understanding the development, performance and position of the Company. The business review is included on pages 28 to 43 of ITV plc's 2022 Annual Report.

The Company's key financial and other performance indicators during the year were as follows:

| | 2022 | 2021 |
|--|----------------|---------------|
| Revenue change compared with prior year | 16.5% decrease | 5.0% decrease |
| Change in cost of sales compared with prior year | 3.0% increase | 3.6% increase |

Developments during the year

Revenue, which is generated from licence sales for DTT Multiplex A, decreased 16.5% to £68,540,000 (2021: £82,041,000). The decrease in revenue is driven by the impact of renewed agreements on revised terms and due to reduction in video streams. During the year and in 2023, several long standing contracts agreed at the peak of the DTT capacity market 10 years ago have come and will come to an end and we expect these to revert to current market rates.

Future developments

The Directors do not anticipate any changes to the principal activities of the Company.

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks:

- Demand in the market for DTT capacity;
- Long term viability of the DTT platform, in particular with regard to other competing platforms, e.g. digital, satellite or Internet Protocol Television; and
- The Company's key supplier's ability to fulfil its transmission supply contract.

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Section 172 (1) Statement - Directors Statement in performance of their duties under section 172(1)

The Board of ITV plc are responsible for governance and oversight across the ITV Group and the duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of ITV plc. As SDN Limited (the 'Company') is part of the ITV Group, its directors (the "Directors") believe that certain matters they are responsible for under s172 in respect of the Company have been considered to an appropriate extent by the Board of ITV plc in relation both to the ITV Group and the Company and reference to this is made below.

The Directors meet as required to consider and approve relevant matters during the year. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors have specifically considered the matters set out in s172 is set out below:

- **The long term:** In 2010 ITV established a Pension Funding Partnership (PFP) with the ITV Pension Trustees backed by the Company and the value of the licence as an alternative asset. The Directors continued to liaise with ITV plc on the licence renewal and the effect the process had on this relationship. With confirmation on the licence renewal the arrangement was extended until May 2031. The Directors also considered and approved the launch of the ITV Together Programme, a hugely significant global programme for our business and transforming how we all work.
- **Employees:** The Company does not have any employees.
- **Business relationships - suppliers, customers:** The Directors are committed to fostering good working business relationships with their key stakeholders which include ITV, other broadcasters, platform owners and regulators. The Directors recognise that an understanding of issues relating these stakeholders is fundamental to building and maintaining the successful relationships, enabling the Company to maintain the strong and mutually beneficial opportunities needed to ensure the success of the Company. As the Company is fully embedded within the ITV Group governance structure, the Directors seek to align themselves with ITV plc's engagement mechanisms and an explanation of how the Directors of ITV plc have had regard to the need to foster the Company's business relationships with other Broadcasters and Platform owners is set out on page 106 of ITV plc's 2022 annual report, with detail on legislators and regulators on page 108.
- **Community & environment:** The Directors have regard to the impact of its operations on the environment and consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in carrying out the duties in respect of the community and wider environmental issues. Further information on how ITV aims to reduce its carbon emissions and waste, and source responsibly is set out on pages 47 to 50 of ITV plc's 2022 annual report, which does not form a part of this report.
- **High standards of business conduct:** The Board's intention is to ensure that the Company operates in an ethical and responsible way. As a part of the ITV Group it recognises that a healthy corporate culture is the cornerstone of high standards of business conduct and governance. ITV's culture also pervades its business dealings with stakeholders outside of the organisation.

Approved by the board on 03/08/2023 and signed on its behalf by:



David Coughtrie (Aug 3, 2023 14:30 GMT+1)

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D Coughtrie
Director