

SDN Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activity

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

The current licence runs until November 2022.

Fair review of the business

The results for the Company show a profit before tax for the period of £67,618,000 (2018: £72,469,000) and revenue of £83,201,000 (2018: £89,509,000). At the statement of financial position date the Company had net assets of £629,168,000 (2018: £577,892,000).

KPIs

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within the Broadcast & Online division. For this reason, the Company's Directors use the ITV plc Group Broadcast & Online division's operating and performance review in managing and understanding the development, performance and position of the Company. The operating and performance review is included on pages 37 to 43 of ITV plc's 2019 annual report.

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

	2019	2018
Revenue change compared with prior year	(7.0%) decrease	(0.1%) decrease
Change in cost of sales compared with prior year	0.2% increase	2.2% increase

Developments during the year

Revenue, which is generated from licence sales for DTT Multiplex A, reduced 7.0% to £83,201,000 (2018: £89,509,000). The decline in revenue is due to the resale of multiplex capacity during the year.

Principal risks and uncertainties

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

- Fluctuations 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 is unable to fulfil its transmission supply contract.
- SDN's multiplex licence expires in 2022. We are fully engaged with both Government and Ofcom in relation to the possible renewal or extension of the licence.

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Strategic Report for the Year Ended 31 December 2019

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

The Directors of ITV plc manage the ITV Group governance structure. As SDN is embedded within this governance structure, the Directors of SDN believe that certain matters they are responsible for under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Directors of ITV plc in relation both to the ITV Group and the Company and reference to this is made below as appropriate.

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 SDN, an explanation of how the Directors have specifically considered the matters set out in s172 is set out below:

- **The long term:** The Directors' main focus during the year has been the renewal of the DTT Multiplex licence that expires in 2022. They are fully engaged with both Government and Ofcom in relation to the possible renewal or extension of the licence, and how this affects SDN's longer-term strategy. Separately, in 2010 ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN and the value of the licence as an asset. The Directors have been liaising with ITV plc on the effect that the upcoming renewal process for the licence will have on this relationship.
- **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 SDN 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 91 of ITV plc's 2019 annual report, with detail on legislators and regulators on page 92, which does not form a part of this report.
- **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 46 to 47 of ITV plc's 2019 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 13/11/2020 and signed on its behalf by:



Magnus Brooke
Director

SDN Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the Company

The Directors, who held office during the year, were as follows:

M Brooke

T Cadbury

R Appleton

A Newnham (resigned 28 February 2019)

Directors' liabilities

The Directors benefit from third party insurance provisions in place during the financial year and at the date of this report.

Dividends

An interim dividend of £11,348,000 was paid during the year (2018: £11,348,000). The Directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 December 2019 (2018: £Nil). This dividend has not been recognised as a liability in the financial statements.

Going concern

The Directors have a reasonable expectation that, having a positive net asset position and history of profitability, the Company has adequate resources to continue in operation for at least twelve months from the date of this report. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements (see note 1).

Subsequent events

The uncertainty as to the future impact on the financial performance as a result of the COVID-19 pandemic has been considered as part of the Company's adoption of the going concern basis which is detailed in note 1. There has been no material impact on the recoverability of assets at the balance sheet date.

Business relationships

For further information regarding this see the S172 (1) disclosure contained in the Strategic Report.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


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Directors' Report for the Year Ended 31 December 2019

Reappointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 13/11/2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M. Brooke', written over a dotted line.

Magnus Brooke
Director

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