

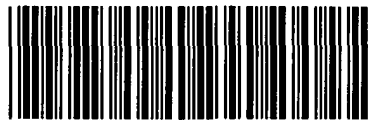
Registration number: 03309912

SDN Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

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SDN Limited

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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.

SDN Limited

Strategic Report for the Year Ended 31 December 2022

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)

D Coughtrie
Director

SDN Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors of the Company

The Directors of the Company who were in office during the year were:

M Brooke

R Appleton (resigned 11 May 2022)

D Coughtrie (appointed 11 May 2022)

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 (2021: £11,348,000). The Directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 December 2022 (2021: £Nil).

Going concern

ITV plc has indicated that for at least twelve months from the date of approval of these financial statements, it intends to continue to make available such funds as are needed by the Company for the period covered by the going concern assessment.

The Directors have a reasonable expectation that 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).

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

SDN Limited

Directors' Report for the Year Ended 31 December 2022

Statement of Directors' responsibilities in respect of the financial statements (continued)

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

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

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.

Re-appointment of auditor

The external auditor for the 2022 financial year was PricewaterhouseCoopers LLP. The Independent Auditor's Report starting on page 5 sets out the information contained in the Annual Report which has been audited by the external auditor.

The Directors considered the performance and audit fees from the external auditor, and the level of non-audit work undertaken. PricewaterhouseCoopers LLP are deemed to be reappointed as external auditors for a further year.

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



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

.....
D Coughtrie
Director

Registered office
ITV White City
201 Wood Lane
London
W12 7RU

SDN Limited

Independent Auditor's Report to the members of SDN Limited

Opinion

In our opinion, SDN Limited's financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2022; the Income Statement and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to Going concern

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

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

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

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

SDN Limited

Independent Auditor's Report to the members of SDN Limited

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

SDN Limited

Independent Auditor's Report to the members of SDN Limited

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to specifically the posting of inappropriate journal entries to manipulate financial statements. Audit procedures performed by the engagement team included:

- Enquiry of management around actual and potential fraud and non-compliance with laws and regulations
- Reviewing journal entries posted to identify any unusual account combinations
- Reviewing financial statement disclosures and testing to support documentation

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

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

Use of this report

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

SDN Limited

Independent Auditor's Report to the members of SDN Limited

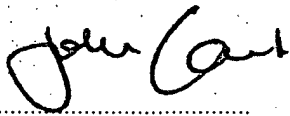
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Lambert (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 August 2023

SDN Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	3	68,540	82,041
Cost of sales		<u>(22,623)</u>	<u>(21,968)</u>
Gross profit		45,917	60,073
Administrative expenses		<u>(2,147)</u>	<u>(2,716)</u>
Operating profit	4	43,770	57,357
Finance income	8	<u>12,283</u>	<u>4,277</u>
Profit before tax		56,053	61,634
Taxation	9	<u>(10,514)</u>	<u>(11,632)</u>
Profit for the financial year		<u><u>45,539</u></u>	<u><u>50,002</u></u>

The above results were derived from continuing operations.

The Company has no other comprehensive income for the year.

SDN Limited

(Registration number: 03309912)

Statement of Financial Position as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Non-current assets			
Property, plant and equipment	10	-	608
Deferred tax assets	11	448	378
		<u>448</u>	<u>986</u>
Current assets			
Trade and other receivables	12	778,065	742,508
Contract assets	13	352	497
		<u>778,417</u>	<u>743,005</u>
Current liabilities			
Trade and other payables	14	(3,201)	(13,919)
Contract liabilities	13	(9,084)	(8,267)
Current tax liabilities		<u>(22,441)</u>	<u>(11,857)</u>
		<u>(34,726)</u>	<u>(34,043)</u>
Net current assets		<u>743,691</u>	<u>708,962</u>
Net assets		<u>744,139</u>	<u>709,948</u>
Equity			
Share capital	17	4,336	4,336
Retained earnings		<u>739,803</u>	<u>705,612</u>
Total equity		<u>744,139</u>	<u>709,948</u>

The financial statements on pages 9 to 28 were authorised for issue by the Board of Directors on 03/08/2023 and signed on its behalf by:



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

.....
D Coughtrie
Director

The notes on pages 12 to 28 form an integral part of these financial statements.

SDN Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
Balance at 1 January 2022	4,336	705,612	709,948
Profit for the year	-	45,539	45,539
Dividends	-	(11,348)	(11,348)
Balance at 31 December 2022	<u>4,336</u>	<u>739,803</u>	<u>744,139</u>

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
Balance at 1 January 2021	4,336	666,958	671,294
Profit for the year	-	50,002	50,002
Dividends	-	(11,348)	(11,348)
Balance at 31 December 2021	<u>4,336</u>	<u>705,612</u>	<u>709,948</u>

The notes on pages 12 to 28 form an integral part of these financial statements.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies

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

Basis of preparation

SDN Limited (the "Company") is a private company limited by shares incorporated, domiciled and registered in England in the UK. The registered number is 03309912, and the registered address is ITV White City, 201 Wood Lane, London, W12 7RU.

The Company is a qualifying entity as it is a member of the ITV plc Group where ITV plc, the ultimate parent prepares publicly available consolidated financial statements.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies (continued)

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' - comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

As the consolidated financial statements of ITV plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to apply the reduced disclosure framework of FRS 101 in its next financial statements.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

Going Concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

The Company participates in the ITV plc intra-group cash pool arrangement. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to £Nil via daily bank transfers to / from ITV plc. The Company is therefore dependent on ITV plc for its working capital. The Directors of the Company have no reason to believe that this financial support will not be forthcoming in the event that it is required.

The Directors have prepared a going concern assessment covering a period of 12 months from the date of approval of the financial statements, which indicates that, although current economic conditions continue to create uncertainty, the Company will have sufficient funds through funding from its ultimate parent company, ITV plc, to meet its liabilities as they fall due for that period.

ITV plc has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company.

On this basis, and on their assessment of the Company's financial position, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of this report. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the Company this is when the goods or services have transferred to the customer and the customer has control of these. The Company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is generated from the carriage fee or capacity of the digital multiplex and is recognised over the term of the contract and payment term is over the term of the contract.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies (continued)

Foreign currency transactions and balances

The primary economic environment in which the Company operates is the UK and therefore the financial statements are presented in pounds sterling (£).

Where the Company transacts in foreign currencies, these transactions are translated into pounds sterling at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into pounds sterling at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into pounds sterling at the exchange rate on the date of the transaction.

Finance income and costs

Finance income and costs comprise interest income on funds invested and interest expense on borrowings. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

Tax

The tax charge for the period is recognised in the income statement, the statement of comprehensive income and directly in equity, according to the accounting treatment of the related transactions. The tax charge comprises both current and deferred tax. The calculation of the Company's tax charge involves estimation and judgement in respect of certain items whose tax treatment cannot be fully determined until a resolution has been reached by the relevant tax authority.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment in respect of previous years.

The Company recognises liabilities for anticipated tax issues based on estimates and judgement of the additional taxes that are likely to become due. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies (continued)

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax is calculated using tax rates that are enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets, therefore, involves judgement regarding the timing and level of future taxable income.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Company has the right of set-off.

Current / non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Company's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Company's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis over their estimated useful lives. The annual depreciation charge is sensitive to the estimated useful life of each asset and the expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Asset class	Depreciation method and rate
Vehicles, equipment and fittings	3 years straight line

Investments

The statement of financial position includes investments at cost less amounts written off in respect of any impairment.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies (continued)

Contract assets and liabilities

Contract assets (accrued income) primarily relate to the Company's right to consideration for work completed but not billed at the reporting date.

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service.

Trade and other receivables

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost). Where payments are not due for more than one year, they are shown in the financial statements at their net present value to reflect the economic cost of delayed payment. The Company provides goods and services to substantially all of its customers on credit terms.

The credit risk management practices of the Company include internal review and reporting of the ageing of trade and other receivables by days past due. The Company applies the IFRS 9 simplified approach in measuring expected credit losses, which use a lifetime expected credit loss allowance for all trade receivables.

To measure expected credit losses, trade receivables are grouped by shared credit risk characteristics and days past due. In addition to the expected credit losses, the Company may make additional provisions for the receivables of particular customers if the deterioration of financial position was observed.

Amounts due (to) / from group undertakings

The Company participates in the intra-group cash pool arrangement with other 100% owned UK subsidiaries of the ITV Group. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to £nil via daily bank transfers to/from ITV plc. These daily transactions create a corresponding intercompany creditor or debtor which can result in significant movements in amounts owed to and from subsidiary undertakings in the Company statement of financial position.

Trade and other payables

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of current and non-current trade payables is considered to approximate fair value.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or payment.

Defined contribution pension obligation

A defined contribution plan is a post-employment benefit plan under which the Company pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies (continued)

Share based payments

The Company utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of share-based compensation schemes, namely the Deferred Share Award (DSA), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes. The share-based compensation is not pensionable.

A transaction will be classed as share-based compensation where the Company receives services from employees and pays for these in shares or similar equity instruments. If the Company incurs a liability based on the price or value of the shares, this will also fall under a share-based transaction. The Company recognises the retained earnings impact of the share-based compensation for the Group as awards are settled in ITV plc shares. The cost of providing those awards is recognised as a cost of investment to the subsidiaries that receive the service from employees. The fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the income statement with a corresponding increase in equity.

The fair value of the share options and awards is measured using either market price at grant date or, for the SAYE scheme, a Black-Scholes model, taking into account the terms and conditions of the individual scheme. Expected volatility is based on the historic volatility of ITV plc shares over a three or five year period, based on the life of the options.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. The estimate is then used to determine the option fair value, discounted to present value. The Company revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies (continued)

Financial risk management

The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including in relation to its business model, future performance, solvency and liquidity. The Company's maximum exposure to credit risk is represented by the carrying amount of trade receivables and cash and cash equivalents.

The Company's exposure to credit risk for trade and other receivables is influenced mainly by the individual characteristics of each customer. The Company reviews significant receivables and will seek to take out credit insurance on an individual basis where appropriate.

The ITV Group operates investment guidelines with respect to surplus cash that emphasise preservation of capital. The guidelines set out procedures and limits on counterparty risk and maturity profile of cash placed. Counterparty limits for cash deposits are largely based upon long-term ratings published by the major credit rating agencies.

Rounding

All amounts in the financial statements and notes have been rounded off to the nearest thousand Sterling Pound, unless otherwise stated.

Contingent assets and liabilities

A contingent asset or liability is a liability or assets that is not sufficiently certain to qualify for recognition as an asset or provision where uncertainty may exist regarding the outcome of future events.

2 Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

For the current year, there were no significant judgements or estimates that require disclosure.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Products and services transferred over time	<u>68,540</u>	<u>82,041</u>

Revenue, which arises wholly in the United Kingdom, is stated net of VAT.

4 Operating profit

Arrived at after charging

	2022 £ 000	2021 £ 000
Depreciation expense	<u>608</u>	<u>664</u>

5 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	-	136
Social security costs	-	16
Other pension costs	-	24
Share-based payment expenses	<u>-</u>	<u>1</u>
	<u>-</u>	<u>177</u>

The monthly average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
Management	<u>-</u>	<u>1</u>

6 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	-	45
Contributions paid to defined contribution schemes	<u>-</u>	<u>7</u>
	<u>-</u>	<u>52</u>

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

6 Directors' remuneration (continued)

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	-	1

In the year to 31 December 2022, 3 directors (2021: 2) were remunerated by other ITV plc Group companies. These Directors received no remuneration in respect of their qualifying services to the Company (2021: £Nil).

7 Auditor's remuneration

The Company's auditor in 2022 is PricewaterhouseCoopers LLP. The auditors remuneration of £26,000 (2021: £13,000) was borne by another company.

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent ITV plc. There were no fees payable in 2022 or 2021 to PricewaterhouseCoopers LLP or their associates for the auditing of financial statements of any associate or pension scheme of the ITV Group, internal audit, and services relating to corporate finance transactions entered into or proposed to be entered into, by or on behalf of the ITV Group or any of its associates.

8 Finance income

	2022 £ 000	2021 £ 000
Interest receivable from group undertakings	12,283	4,277

9 Taxation

Tax charged/(credited) in the income statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	10,693	11,748
UK corporation tax adjustment to prior periods	(109)	-
Foreign tax	-	-
	<u>10,584</u>	<u>11,748</u>
Total current tax	<u>10,584</u>	<u>11,748</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(56)	(36)
Arising from changes in tax rates and laws	(94)	(80)
Deferred tax adjustment to prior periods	<u>80</u>	<u>-</u>
Total deferred taxation	<u>(70)</u>	<u>(116)</u>

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

9 Taxation (continued)

	2022 £ 000	2021 £ 000
Tax expense in the income statement	<u>10,514</u>	<u>11,632</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021: lower than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit before tax	<u>56,053</u>	<u>61,634</u>
Corporation tax at standard rate of 19% (2021: 19%)	10,650	11,710
Decrease in current tax from adjustment for prior periods	(109)	-
Deferred tax adjustment to prior periods	80	-
Increase / (decrease) from effect of expenses not deductible in determining taxable profit	(13)	2
Deferred tax credit relating to changes in tax rates or laws	<u>(94)</u>	<u>(80)</u>
Total tax charge	<u>10,514</u>	<u>11,632</u>

Factors Impacting Future Tax Charges

The increase in the UK corporation tax rate from 19% to 25% which is effective from 1 April 2023 will increase the Company's future current tax charge and the impact on deferred tax in the current year is £94,000 credit through the income statement.

In October 2021, the Organisation for Economic Co-operation and Development (OECD) agreed a two-pillar solution to address the tax challenges arising from the digitalisation of the economy. We are working through the implications of this and the financial impact it might have on ITV.

10 Property, plant and equipment

	Vehicles, equipment and fittings £ 000	Total £ 000
Cost or valuation		
At 1 January 2022	1,991	1,991
Additions	-	-
Disposals	-	-
Transfers	-	-
At 31 December 2022	<u>1,991</u>	<u>1,991</u>
Accumulated depreciation		

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

10 Property, plant and equipment (continued)

	Vehicles, equipment and fittings £ 000	Total £ 000
At 1 January 2022	1,383	1,383
Charge for the year	608	608
At 31 December 2022	1,991	1,991
Carrying amount		
At 31 December 2022	-	-
At 31 December 2021	608	608

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Deferred tax

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2022			
Accelerated tax depreciation	448	-	448
	<u>448</u>	<u>-</u>	<u>448</u>
			Net deferred
	Asset	Liability	tax
	£ 000	£ 000	£ 000
2021			
Accelerated tax depreciation	378	-	378
	<u>378</u>	<u>-</u>	<u>378</u>

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	378	70	448
	<u>378</u>	<u>70</u>	<u>448</u>

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	262	116	378
	<u>262</u>	<u>116</u>	<u>378</u>

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

12 Trade and other receivables

	2022 £ 000	2021 £ 000
Trade receivables	827	835
Amounts due from group undertakings	777,165	741,652
Other receivables	-	20
Prepayments	73	1
	<u>778,065</u>	<u>742,508</u>

Included in amounts due from group undertakings are amounts of £775,688,000 (2021: £739,668,000) which relate to balances associated with the ITV plc intra-group treasury arrangement. This balance is repayable on demand and attracts interest of 0.5% above base rate per annum.

Included in amounts due from group undertakings is an amount of £1,477,000 (2021: £1,984,000) which represents intercompany trading, has no associated interest and is repayable on demand.

The carrying value of trade and other receivables is considered to approximate fair value.

13 Contract assets and liabilities

The following table provides information about opening and closing contract assets and liabilities from contracts with customers.

	2022		2021	
	£000	£000	£000	£000
Balance at 31 December	352	(9,084)	497	(8,267)

The amount of revenue recognised in the current year that was included in the contract liability balance at the beginning of the year was £8,267,000 (2021: £8,303,000).

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Trade and other payables

	2022 £ 000	2021 £ 000
Accrued expenses	981	672
Amounts due to group undertakings	64	462
Group relief payable	2,156	12,685
Other payables	-	100
	<u>3,201</u>	<u>13,919</u>

Included in amounts due to group undertakings is an amount of £64,000 (2021: £462,000) which represents intercompany trading, has no associated interest and is repayable on demand.

The carrying value of trade and other payables is considered to approximate fair value.

15 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £Nil (2021: £24,000).

16 Dividends

	2022 £ 000	2021 £ 000
Interim dividend of £11,348,000 (2021: £11,348,000)	11,348	11,348
	<u>11,348</u>	<u>11,348</u>

The Directors are proposing a final dividend of £Nil (2021: £Nil) per share.

17 Share capital

	31 December		31 December	
	2022		2021	
Allotted, called up and fully paid	No. 000	£000	No. 000	£000
Ordinary shares of £0.10 each	43,365	4,336	43,365	4,336
	<u>43,365</u>	<u>4,336</u>	<u>43,365</u>	<u>4,336</u>

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

18 Commitments

Capital commitments

In 2010, the ITV Group established a Pension Funding Partnership (PFP) with the Trustee backed by the assets of the Company which resulted in the assets of Section A of the defined benefit pension scheme being increased by £200 million and the Company becoming an Obligor to the resulting Deed of Covenant with the PFP. On 26 May 2022, the existing PFP agreement was amended and extended to May 2031. As a result of this agreement, the Company became an Obligor to a replacement Deed of Covenant with the PFP. The intention of ITV plc is to continue to ensure the Company's obligations under the Deed of Covenant can be fulfilled.

19 Contingent liabilities

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2022 of £35 million (31 December 2021: £53 million).

20 Parent of group in whose consolidated financial statements the Company is consolidated

The smallest and largest group in whose consolidated financial statements the Company's financial statements are consolidated is ITV plc.

These financial statements are available upon request from ITV White City, 201 Wood Lane, London, W12 7RU.

21 Parent and ultimate parent undertaking

The Company's immediate parent is ITV Holdings (Cayman) Limited.

The ultimate parent is ITV plc. ITV plc is incorporated in the UK.

The most senior parent entity producing publicly available financial statements is ITV plc. These financial statements are available upon request from ITV White City, 201 Wood Lane, London, W12 7RU.

The ultimate controlling party is ITV plc.

SDN Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Investments

The following investments are held at £Nil as at 31 December 2022 (2021: £Nil):

Associates

Details of the associates as at 31 December 2022 are as follows:

Name of Subsidiary	Registered Office	Share Type	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held
DTV Services Limited	Fieldfisher Riverbank House, Swan Lane, London, England, EC4R3TT	Ordinary	UK	25%

Companies Limited by Guarantee

As at 31 December 2022, the Company has the following interest in Companies Limited by Guarantee:

Name of Subsidiary	Registered Office	Interest	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held
DTT Multiplex Operators Limited	2 Swan Lane, London, England, EC4R3TT	Guarantee	UK	25%