

Registration number: 7698963

ITV Breakfast Broadcasting Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



ITV Breakfast Broadcasting Limited

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ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of ITV Breakfast Broadcasting Limited ("the Company") continues to be the broadcast of the breakfast time television programmes, Good Morning Britain and Lorraine. These programmes are broadcast on weekdays between 6.00 am and 9.25 am.

The Company's business activities, together with the factors likely to affect its future development and position, are set out below.

Fair review of the business

The results for the Company show a profit for the year £13,022,000 (2017: £6,725,000). At the statement of financial position date the Company had net assets of £62,638,000 (2017: £49,616,000). IFRS 15 'Revenue from Contracts with Customers' was effective from 1 January 2018. As a result, 2017 comparatives have been restated in the Income Statement and in the Statement of Financial Position (see note 1).

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 Broadcast & Online division. For this reason, the Company's Directors use the ITV plc Group Broadcast & Online division's business review in managing and understanding the development, performance and position of the Company. The business review is included on pages 46 to 53 of ITV plc's 2018 annual report.

Further to the divisional key performance indicators, the Directors would consider the key financial performance indicators of the Company during the year to include;

- Revenues which were up 12.2% in the year to £84,929,000 (2017: £75,724,000). Total advertising revenue (TAR) was up 14% in the year in a challenging market due to increases in spot advertising and video on demand advertising (VOD). Direct to consumer revenues were up 6.4% driven by growth in interactive revenues through strong performance of our competitions.

	2018	2017	Pts Increase / (Decrease)
- Share of Viewing	0.95%	0.92%	0.03

ITV Breakfast Broadcasting Limited

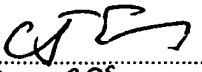
Strategic Report for the Year Ended 31 December 2018

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to any decline of the television advertising market, any decline in audiences, and the retention of key staff. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 54 to 63 of the Group's 2018 annual report.

A comprehensive strategic review of the Company's strategy, outlining the development, performance and position of the Company's business can be found in the Strategic Report of the group in the ITV plc Annual Report. The Annual Report of ITV plc is available to the public and may be obtained from www.itvplc.com or the Company Secretary, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

Approved by the Board on 26/9/2019 and signed on its behalf by:


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C SWORDS
Director

ITV Breakfast Broadcasting Limited

Directors' Report for the Year Ended 31 December 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

The directors who held office during the year were as follows:

Christopher Swords

Kevin Lygo

Sarah Clarke (appointed 31 July 2018)

Andrew Garard (resigned 31 July 2018)

Directors' liabilities

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

Dividends

The Directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 December 2018 (2017: £Nil).

Going concern

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).

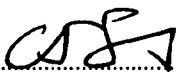
Disclosure of information to the auditor

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.

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 26/9/2019 and signed on its behalf by:


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C SWORDS
Director

Registered office
2 Waterhouse Square
140 Holborn
London
EC1N 2AE

ITV Breakfast Broadcasting Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 affairs of the company and of the profit or loss of the company 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report To The Members Of ITV Breakfast Broadcasting Limited

Opinion

We have audited the financial statements of ITV Breakfast Broadcasting Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report To The Members Of ITV Breakfast Broadcasting Limited

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

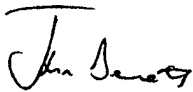
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



John Bennett (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E15 5GL

Date: 27 September 2019

ITV Breakfast Broadcasting Limited

Income Statement for the Year Ended 31 December 2018

		2018	(As restated) 2017
	Note	£ 000	£ 000
Revenue	3	84,929	75,724
Other expenses	4	<u>(72,536)</u>	<u>(69,408)</u>
Operating profit		12,393	6,316
Interest receivable and similar income	5	<u>629</u>	<u>409</u>
Profit before tax		<u>13,022</u>	<u>6,725</u>
Profit for the year		<u><u>13,022</u></u>	<u><u>6,725</u></u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the above.


ITV Breakfast Broadcasting Limited

(Registration number: 7698963)

Statement of Financial Position as at 31 December 2018

		2018	(As restated)
	Note	£ 000	2017
			£ 000
Current assets			
Trade and other receivables	10	75,059	66,834
Contract assets	12	4,129	3,976
		<u>79,188</u>	<u>70,810</u>
Current liabilities			
Trade and other payables	11	(15,968)	(19,712)
Contract liabilities	12	(582)	(1,482)
		<u>(16,550)</u>	<u>(21,194)</u>
Total assets less current liabilities		<u>62,638</u>	<u>49,616</u>
Net assets		<u>62,638</u>	<u>49,616</u>
Capital and reserves			
Share capital	13	-	-
Retained earnings		62,638	49,616
		<u>62,638</u>	<u>49,616</u>

Approved by the Board on 26/9/2019 and signed on its behalf by:


C Sworos
 Director

ITV Breakfast Broadcasting Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	-	49,616	49,616
Profit for the year	-	13,022	13,022
At 31 December 2018	-	62,638	62,638

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	-	42,891	42,891
Profit for the year	-	6,725	6,725
At 31 December 2017	-	49,616	49,616

The notes on pages 10 to 21 form an integral part of these financial statements.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

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

ITV Breakfast Broadcasting Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 7698963 and the registered address is 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and FRS 101 (2015/16) issued in July 2016 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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.

Measurement convention

The financial statements are prepared on the historical cost basis.

Summary of disclosure exemptions

The Company is taking advantage of the following disclosure exemptions under FRS 101:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and
- Disclosures in respect of revenue being the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers.

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:

- 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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 introduces new models for classification of financial assets and accounting for credit losses. Hedging rules have been amended to allow hedge accounting to be applied to more risks.

Adoption of IFRS 9 resulted in no adjustments to previously reported results.

IFRS 15 Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations.

The Company has adopted IFRS 15 on a fully retrospective basis.

The following table summarises the impacts of adopting IFRS 15 on the Company's Income Statement for the year end 31 December 2017.

Impact on income statement	As reported	Adjustment	Restated
	2017	2017	2017
	£ 000	£ 000	£ 000
Revenue	74,821	903	75,724
Other expenses	(68,505)	(903)	(69,408)
Operating profit	<u>6,316</u>	<u>-</u>	<u>6,316</u>

The following table summarises the impacts of adopting IFRS 15 on the Company's Statement of Financial Position as at 31 December 2017.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Impact on Statement of Financial Position	As reported	Adjustment	Restated
	2017	2017	2017
	£ 000	£ 000	£ 000
Trade and other receivables due within one year	70,810	(3,976)	66,834
Contract assets	-	3,976	3,976
Trade and other payables due within one year	(21,194)	1,482	(19,712)
Contract liabilities	-	(1,482)	(1,482)
Net assets	<u>49,616</u>	<u>-</u>	<u>49,616</u>
Share capital	-	-	-
Retained earnings	49,616	-	49,616
Equity	<u>49,616</u>	<u>-</u>	<u>49,616</u>

The changes to revenue recognition as a result of IFRS 15 relate to:

- Principal versus agent consideration resulted in movements between revenue and costs. This resulted in an increase to revenue of £903,000 with a corresponding increase in operating costs
- The changes in the Statement of Financial Position relate to the reclassification of accrued revenue to contract assets and deferred revenue to contract liabilities

None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

Exemption from preparing group accounts

The financial statements contain information about ITV Breakfast Broadcasting Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, ITV plc, a company incorporated in the United Kingdom.

Going concern

The Company participates in the Group's intra-group cash pool policy. 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 funding. 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. On this basis, and on their assessment of the Company's financial position, 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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Revenue

The Company derives revenue from the transfer of goods and services. Revenue recognition is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

The transaction price, being the amount to which the Company expects to be entitled and has rights to under the contract is allocated to the identified performance obligations. The transaction price will also include an estimate of any variable consideration where the Company's performance may result in additional revenues based on the achievement of agreed targets such as audience targets. Variable consideration is not recognised until the performance obligations are met.

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

Complexity in advertising revenue recognition is driven by automated and manual processes involved in measuring the value delivered to the customer.

Customer contracts can have a wide variety of performance obligations, but consist mainly of Advertising (NAR), Video on demand (VOD), Sponsorship of programmes and Interactive revenues. For each contract, the performance obligation/(s) are identified and evaluated. The performance obligations under IFRS15 for each revenue stream are detailed below:

Segment	Major classes of revenue	Payment terms
Total advertising revenue	Advertising (NAR) is generated from selling spot airtime and is recognised at the point of transmission	Received in the month after transmission
Total advertising revenue	Video on demand (VOD) revenue is generated from selling advertising on the ITV Hub and is recognised at the point of delivery.	Received in the month after the campaign is delivered
Total advertising revenue	Revenue from the sponsorship of programmes across ITV linear channels and online is recognised over the period of transmission	Received prior to transmission
Direct to consumer	Revenue from 'interactive' is from entries to competitions and is recognised as the event occurs	Payment is over the terms of the contracts

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.

Cash bid

The cash bid payments made to the Treasury relate to the ongoing activities of the business, and are accounted for on an accruals basis.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Amounts due (to) / from group undertakings

The Company participates in an intra-group cash pool policy 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.

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 transaction. The tax charge comprises both current and deferred tax. The calculation of the Company's tax charge involves a degree of 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 of the additional taxes that are likely to become due, which require judgement. 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.

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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Trade 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.

Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. These estimates include such factors as historical experience, the current state of the UK and overseas economies and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Company will not be able to collect all amounts due. We have applied the expected loss model and the impact was not material.

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

Inventory

Programmes commissioned by the Company, film, sports and series rights are valued at cost and are written off in the period of transmission, in the case of acquired programmes, where programmes are expected to be shown more than once, the cost is allocated over the expected number of transmissions.

Assets and liabilities relating to acquired programmes are recognised on signature of contract, sport programmes on the earlier of payment or transmission and commissions and ITV (formerly ITV1) repeats on the earlier of delivery of programmes or payment. Agreements for future purchase of programmes whose licence period has not commenced and where there has been no payment by the statement of financial position date are disclosed as purchase commitments.

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.

Contract assets and liabilities

Contract assets (accrued revenue) primarily relate to the Company's right to consideration for work completed but not billed at the reporting date. Contract liabilities (deferred revenue) primarily relate to the consideration received from customers in advance of transferring a good or service.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation arising from past events, it is probable cash will be paid to settle it and the amount can be estimated reliably. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the income statement. The value of the provision is determined based on assumptions and estimates in relation to the amount and timing of actual cash flows which are dependent on future events.

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 neutral, the initial measurement is on a present value basis.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Critical accounting judgements and key sources of estimation uncertainty

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.

The area involving a high degree of estimation, judgement or complexity is set out below and in more detail in the related note:

- Revenue recognition (note 1)

3 Revenue

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

	2018	(As restated) 2017
	£ 000	£ 000
Total advertising revenue (TAR)	64,188	56,239
Direct to consumer revenue	20,741	19,485
	<u>84,929</u>	<u>75,724</u>

The Company has applied IFRS 15 'Revenue from Contracts with Customers' at 1 January 2018. Under the transition method chosen, the comparative information has been restated. See note 1.

4 Other expenses

Other expenses of £72,536,000 (2017: £69,408,000) includes amounts relating to programming budget costs, transmission costs and other administrative expenses.

The Company has applied IFRS 15 'Revenue from Contracts with Customers' at 1 January 2018. Under the transition method chosen, the comparative information has been restated. See note 1.

5 Interest receivable and similar income

	2018	2017
	£ 000	£ 000
Interest receivable	<u>629</u>	<u>409</u>

6 Staff costs

There were no employees and hence no staff costs during the year (2017: £nil).

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Directors' remuneration

The Directors were remunerated by other ITV plc Group companies. The Directors received no remuneration in respect of their qualifying services to the Company (2017: £Nil).

8 Auditor's remuneration

The auditor's remuneration of £5,000 (2017: £5,000) was borne by another group 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.

9 Taxation

Tax charged/(credited) in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	-	-
Total current income tax	-	-
Deferred taxation		
Total deferred taxation	-	-
Tax expense/(receipt) in the income statement	-	-

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	13,022	6,725
Corporation tax at standard rate of 19% (2017: 19.25%)	2,474	1,295
Group relief surrendered / (claimed)	(2,474)	(1,295)
Total tax charge/(credit)	-	-

The Finance Act 2016, which was substantively enacted on 6 September 2016, provides for a reduction in the main rate of corporation tax to 17% from 1 April 2020 (this supersedes the reduction to 18% which was provided for in the Finance Act 2015). These rate reductions have been reflected in the calculation of deferred tax at the statement of financial position date.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Trade and other receivables

	2018	(As restated) 2017
	£ 000	£ 000
Trade receivables	6,906	6,793
Amounts due from group undertakings	68,143	60,014
Prepayments	7	-
Other receivables	3	27
	<u>75,059</u>	<u>66,834</u>

The Company has applied IFRS 15 'Revenue from Contracts with Customers' at 1 January 2018. Under the transition method chosen, the comparative information has been restated. See note 1.

Included in amounts due from group undertakings are amounts of £62,043,000 (2017: £20,105,000) which relate to balances associated with the ITV plc group treasury pooling arrangements. This balance is repayable on demand and attracts interest of 0.5% (2017: 0.5%) above base rate per annum.

Included in amounts due from group undertakings is an amount of £6,100,000 (2017: £39,909,000) which represents intercompany trading, has no associated interest and is repayable on demand.

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

11 Trade and other payables

	2018	(As restated) 2017
	£ 000	£ 000
Trade payables	43	45
Accrued expenses	654	570
Amounts due to group undertakings	3,696	4,209
Other payables	11,575	14,888
	<u>15,968</u>	<u>19,712</u>

The Company has applied IFRS 15 'Revenue from Contracts with Customers' at 1 January 2018. Under the transition method chosen, the comparative information has been restated. See note 1.

Included in amounts due to group undertakings is an amount of £3,696,000 (2017: £4,209,000) which represents intercompany trading, has no associated interest and is repayable on demand.

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

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Contract assets and liabilities

The following table provides information about opening and closing contract assets and contract liabilities from contracts with customers. The Company recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance as at 1 January 2018.

	2018		2017	
	Contract assets £ 000	Contract liabilities £ 000	Contract assets £ 000	Contract liabilities £ 000
Balance at 31 December	4,129	(582)	3,976	(1,482)

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £1,482,000.

13 Share capital

Allotted, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary share of £1 each	1	1	1	1
	1	1	1	1

14 Dividends

The Directors are proposing a final dividend of £Nil (2017 - £Nil) per share totalling £Nil (2017 - £Nil). This dividend has not been accrued in the statement of financial position.

15 Contingent liabilities

Under a Group registration the Company is jointly and severally liable for the VAT at 31 December 2018 of £39 million (2017: £45 million).

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

16 Related party transactions

	2018	2017
	£ 000	£ 000
Sales to Digital 3 and 4 Limited	-	-
Purchases from Digital 3 and 4 Limited	404	469
Balance due (to) / from Digital 3 and 4 Limited	-	-

The transactions with Digital 3 and 4 Limited primarily relate to purchases of transmissions infrastructure. Digital 3 and 4 Limited is a joint venture undertaking of ITV plc, the ultimate parent of the Company.

All transactions with Digital 3 and 4 Limited are in the normal course of business on an arms length basis. None of these balances are secured.

	2018	2017
	£ 000	£ 000
Sales to Freesat Limited	-	-
Purchases from Freesat Limited	78	21
Balance due (to) / from Freesat Limited	-	-

The transactions with Freesat Limited primarily relate to purchases of EPG slots. Freesat Limited is a joint venture undertaking of ITV Broadcasting Limited, the immediate parent of the Company.

All transactions with Freesat Limited are in the normal course of business on an arms length basis. None of these balances are secured.

	2018	2017
	£ 000	£ 000
Sales to Thinkbox Limited	8	15
Purchases from Thinkbox Limited	-	-
Balance due (to) / from Thinkbox Limited	-	2

The transactions with Thinkbox Limited primarily relate to airtime sales. Thinkbox Limited is an associated undertaking of ITV plc, the ultimate parent of the Company.

All transactions with Thinkbox Limited are in the normal course of business on an arms length basis. None of these balances are secured.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

16 Related party transactions (continued)

	2018	2017
	£ 000	£ 000
Sales to Clearcast Limited	-	-
Purchases from Clearcast Limited	78	67
Balance due (to) / from Clearcast Limited	-	-

The transactions with Clearcast Limited primarily relate to broadcasting services. Clearcast Limited is an associated undertaking of ITV plc, the ultimate parent of the Company.

All transactions with Clearcast Limited are in the normal course of business on an arms length basis. None of these balances are secured.

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

The name of the parent of the group in whose consolidated financial statements the Company's financial statements are consolidated is ITV plc.

These financial statements are available upon request from 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

18 Parent and ultimate parent undertaking

The Company's immediate parent is ITV Broadcasting 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 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

The ultimate controlling party is ITV plc.