

Registration number: 7698963

ITV Breakfast Broadcasting Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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ITV Breakfast Broadcasting Limited

Contents

Strategic Report	1 to 3
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report To The Members Of ITV Breakfast Broadcasting Limited	6 to 7
Income Statement	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 to 24

ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

Principal activity

The principal activity of 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 £8,618,000 (2018: £13,022,000). At the statement of financial position date the Company had net assets of £71,256,000 (2018: £62,638,000).

KPIs

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

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 down 4.1% in the year to £81,465,000 (2018: £84,929,000). Total advertising revenue (TAR) was down 7.7% in the year in a challenging market due to the impact of the political and economic uncertainty around Brexit and changes in viewing habits. Direct to consumer revenues were up 7.3% driven by the growth in competition revenues.

	2019	2018	Pts Increase / (Decrease)
- Share of Viewing	1.07%	0.95%	0.12

Future developments

The Company's operational and financial performance in the first half of 2020 has been impacted by the COVID-19 pandemic. While the future is still uncertain due to the pandemic, we are seeing some signs of improvement in advertising demand. The actions we have taken in response to the pandemic, along with the resilience of our colleagues and strength of our business has all helped to mitigate some of the impact of COVID-19, and puts us in a good position to continue to invest in our strategy.

ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2019

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

The Directors of ITV plc are responsible for the governance of, and oversight over, the ITV Group as a whole and have their respective duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of ITV plc. As ITV Breakfast Broadcasting Limited is part of the ITV Group, 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 Directors of ITV plc in relation both to the ITV Group and the Company and reference to this is made below as appropriate.

The Directors consider and approve matters that relate to the Company. To the extent necessary for an understanding of the development, performance and position of ITV Breakfast Broadcasting Limited, an explanation of how the Directors have specifically considered the matters set out in s172 is set out below:

- **The long term:** The Directors' are fully cognisant of the evolving competitor and viewer landscape in which the Company operates and the main focus during the year has been helping to drive ITV's Group strategy to transform the broadcast business. They have considered how to address both the opportunities and challenges of wider structural change on the morning schedule and how to continue to drive mass audiences that remain highly valuable to advertisers.

- **Business relationships - suppliers, customers:** The Directors are committed to fostering good working business relationships with their key stakeholders which include viewers, suppliers, advertisers, platform owners, legislators and regulators. The Directors recognise that an understanding of issues relating to these stakeholders is fundamental to building and maintaining the successful relationships that enable ITV Breakfast Broadcasting Limited to take advantage of the strong and mutually beneficial opportunities needed to ensure the success of the Company. As ITV Breakfast Broadcasting Limited 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 is set out in ITV plc's 2019 annual report which does not form a part of this report. Detail on viewers set out on page 90; suppliers, advertisers and platform owners is set out on page 91; and detail on legislators and regulators on page 92 of that report.

- **Community and environment:** The Directors have regard to the impact of the Company's operations on the environment and consider that as a part of the ITV Group due consideration is given to the community and wider environmental issues. Further information on ITV's Social Purpose strategy - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 62 and pages 44 to 49 of ITV plc's 2019 annual report, which does not form a part of this report.

- **High standards of business conduct:** The Directors' intention is to ensure that ITV Breakfast Broadcasting Limited operates in an ethical and responsible way. As a part of the ITV Group they recognise that a healthy corporate culture is the cornerstone to ensuring high standards of business conduct and governance that also pervade business dealings with stakeholders outside of the organisation. The Directors consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in promoting these facets and details on how it monitored and assessed culture during the year is set out on page 94 ITV plc's 2019 annual report, which does not form a part of this report. ITV's commitment to high standards of business conduct is also enshrined in the Code of Conduct available on the ITV plc website. ITV's culture also pervades its business dealings with stakeholders outside of the organisation, as exemplified by its work with suppliers in relation to modern slavery and membership of the Prompt Payment Code.

- **Employees:** ITV Breakfast Broadcasting Limited does not have any employees.

ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2019

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 66 to 79 of the Group's 2019 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 11/12/2020 and signed on its behalf by:



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Christopher Swords
Director

ITV Breakfast Broadcasting Limited

Directors' Report for the Year Ended 31 December 2019

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

Directors of the company

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

Christopher Swords

Kevin Lygo

Sarah Clarke

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 2019 (2018: £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).

Subsequent events

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

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 11/12/2020 and signed on its behalf by:



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Christopher 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom 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 2019 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 2019 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 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 other information, which comprises the strategic report, and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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 5, 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.



Gemma Buschor (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E15 5GL

Date: 11 December 2020

ITV Breakfast Broadcasting Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	3	81,465	84,929
Other expenses	4	<u>(73,704)</u>	<u>(72,536)</u>
Operating profit		7,761	12,393
Interest receivable and similar income	5	<u>857</u>	<u>629</u>
Profit before tax		8,618	13,022
Taxation	12	<u>-</u>	<u>-</u>
Profit for the year		<u><u>8,618</u></u>	<u><u>13,022</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 2019

	Note	2019 £ 000	2018 £ 000
Current assets			
Trade and other receivables	9	81,096	75,059
Contract assets	11	<u>4,307</u>	<u>4,129</u>
		<u>85,403</u>	<u>79,188</u>
Current liabilities			
Trade and other payables	10	(13,514)	(15,968)
Contract liabilities	11	<u>(633)</u>	<u>(582)</u>
		<u>(14,147)</u>	<u>(16,550)</u>
Net assets		<u>71,256</u>	<u>62,638</u>
Equity			
Share capital	13	-	-
Retained earnings		<u>71,256</u>	<u>62,638</u>
		<u>71,256</u>	<u>62,638</u>

Approved by the Board on 11/12/2020 and signed on its behalf by:



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Christopher Swords
Director

The notes on pages 11 to 24 form an integral part of these financial statements.

ITV Breakfast Broadcasting Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance at 1 January 2019	-	62,638	62,638
Profit for the year	<u>-</u>	<u>8,618</u>	<u>8,618</u>
Balance at 31 December 2019	<u><u>-</u></u>	<u><u>71,256</u></u>	<u><u>71,256</u></u>

	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance at 1 January 2018	-	49,616	49,616
Profit for the year	<u>-</u>	<u>13,022</u>	<u>13,022</u>
Balance at 31 December 2018	<u><u>-</u></u>	<u><u>62,638</u></u>	<u><u>62,638</u></u>

The notes on pages 11 to 24 form an integral part of these financial statements.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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.

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. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') as adopted by the EU. The amendments to FRS 101 (2015/16 cycle) issued in July 2016, amendments to FRS 101 (2016/17 cycle) issued in July 2017 and other amendments 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

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;
- Disclosures in respect of goodwill or intangibles with an indefinite life; 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:

- 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;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations; 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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 2019.

IFRS 16 Leases

The Company has adopted IFRS 16 'Leases' from 1 January 2019 which has changed lease accounting for lessees under operating leases. Such agreements now require recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs (such as property rent) are recognised in the form of depreciation and interest, rather than as an operating cost.

The Company has adopted the modified retrospective approach with the right of use asset equal to the lease liability at transition date, adjusted by any prepayments or lease incentives recognised immediately before the date of initial application. Under the modified retrospective transition approach, the comparative information is not restated.

The Company does not have any leases and therefore the standard has not resulted in any changes to the financial statements.

Other new or amended accounting standards

Amendment to IAS 19 'Employee Benefits'

The amendment clarifies that the current service costs and net interest for the period after a plan amendment, curtailment or settlement, are determined using the assumptions used for the remeasurement.

Amendment to IAS 28 'Investments in Associates and Joint Ventures'

The amendment clarifies the application of IFRS 9 'Financial Instruments' to long-term interests in associates or joint ventures.

IFRIC 23 'Uncertainty over Income Tax treatments'

The interpretation clarifies the determination of taxable profits or losses, tax bases, unused tax losses or credits and tax rate, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

Amendment to IFRS 9 'Financial Instruments'

The amendment allows for more assets to be measured at amortised cost in particular some prepayable financial assets. The amendment also clarifies how to account for a modification of a financial liability.

Annual Improvements to IFRS Standards 2015 - 2017 cycle

Amendments to a number of IFRSs including IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements' providing clarity on control of a business that is a joint operation, IAS 12 'Income Taxes' clarifying income tax consequences of dividends, IAS 23 'Borrowing costs' clarifying borrowings outstanding after the related asset is ready for use or sale.

None of the above standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

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 Directors have prepared a going concern assessment covering a period of 12 months from the date of approval of these accounts which indicates that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, 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.

The Company is 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.

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.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 approval of these financial statements. 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 2019

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 Net advertising revenue (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	Net advertising revenue (NAR) is generated from selling spot airtime on linear TV 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

Finance income and costs policy

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

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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

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.

Amounts due (to) / from group undertakings

The Company relies on the in-house bank with ITV plc for its working capital. These 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's 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.

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.

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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies (continued)

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.

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.

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.

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 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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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:

	2019 £ 000	2018 £ 000
Total advertising revenue (TAR)	59,210	64,188
Direct to consumer revenue	22,255	20,741
	<u>81,465</u>	<u>84,929</u>

4 Other expenses

Other expenses of £73,704,000 (2018: £72,536,000) includes amounts relating to programming budget costs, transmission costs and other administrative expenses.

5 Finance income

	2019 £ 000	2018 £ 000
Interest receivable	857	629
	<u>857</u>	<u>629</u>

6 Staff costs

There were no employees and hence no staff costs during the year (2018: £nil).

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 (2018: £Nil).

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

8 Auditor's remuneration

The auditor's remuneration of £1,786 (2018: £5,000) was borne by ITV Services Limited, another group Company. The decrease in the period relates to a revised allocation by company across the ITV Group.

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 Trade and other receivables

	2019 £ 000	2018 £ 000
Trade receivables	6,650	6,906
Amounts due from group undertakings	74,434	68,143
Prepayments	9	7
Other receivables	3	3
	<u>81,096</u>	<u>75,059</u>

Included in amounts due from group undertakings are amounts of £70,169,000 (2018: £62,043,000) 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% (2018: 0.5%) above base rate per annum.

Included in amounts due from group undertakings is an amount of £4,265,000 (2018: £6,100,000) 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.

10 Trade and other payables

	2019 £ 000	2018 £ 000
Trade payables	21	43
Accrued expenses	580	654
Amounts due to group undertakings	4,131	3,696
Other payables	8,782	11,575
	<u>13,514</u>	<u>15,968</u>

Included in amounts due to group undertakings is an amount of £4,131,000 (2018: £3,696,000) 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 2019

11 Contract assets and liabilities

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

	2019		2018	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	£ 000	£ 000	£ 000	£ 000
Balance at 31 December	4,307	(633)	4,129	(582)

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £582,000 (2018: £1,482,000).

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

12 Taxation

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	-	-
Total current tax	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	-	-
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 (2018: lower than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	8,618	13,022
Corporation tax at standard rate of 19% (2018: 19%)	1,637	2,474
Group relief surrendered / (claimed)	(1,637)	(2,474)
Total tax charge/(credit)	-	-

Post balance sheet event

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase any future tax charge accordingly.

13 Share capital

Allotted, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary share of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

14 Dividends

The Directors are proposing a final dividend of £Nil (2018 - £Nil) per share totalling £Nil (2018 - £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 VAT at 31 December 2019 of £40 million (2018: £39 million).

16 Related party transactions

	2019	2018
	£ 000	£ 000
Sales to Digital 3 and 4 Limited	-	-
Purchases from Digital 3 and 4 Limited	447	404
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.

	2019	2018
	£ 000	£ 000
Sales to Freesat Limited	-	-
Purchases from Freesat Limited	105	78
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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

16 Related party transactions (continued)

	2019	2018
	£ 000	£ 000
Sales to Thinkbox Limited	-	8
Purchases from Thinkbox Limited	-	-
Balance due (to) / from Thinkbox Limited	-	-

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.

	2019	2018
	£ 000	£ 000
Sales to Clearcast Limited	-	-
Purchases from Clearcast Limited	87	78
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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

19 Subsequent events

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