

Registration number: 07698963

ITV Breakfast Broadcasting Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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ITV Breakfast Broadcasting Limited

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ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for the year ended 31 December 2021.

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 Company has revenue for the year of £83,112,000 (2020: £83,604,000). The results for the Company show a profit before tax for the year £7,227,000 (2020: £5,910,000). At the statement of financial position date the Company had net assets of £81,897,000 (2020: £76,043,000).

KPIs

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within 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 26 to 31 of ITV plc's 2021 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;

- Revenue is down 1% in the year. Total Advertising revenue (TAR) has risen by 8%. 2020 was significantly hit by the impacts of Covid-19 restrictions and uncertainty forcing companies to reduce or stop spending on advertising. This picked up again in 2021 when restrictions were lifted, resulting in record TAR. Direct to customer revenue has fallen by 18%. Due to Covid-19 restrictions in 2020, more people were staying home or working from home creating extra competition entries. This caused bigger spend on prizes resulting in increased related revenue. In 2021, with lockdown restrictions lifted, the related competition revenue dropped.

Future developments

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

ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2021

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 ITV Breakfast Broadcasting 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 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:** 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 optimise 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.
- **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 viewers, suppliers, advertisers, platform owners, legislators and regulators. The Directors recognise that an understanding of the issues relating to these stakeholders is fundamental to building and maintaining successful relationships, enabling the Company to take advantage of 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 in the context of the significant financial and economic uncertainty caused by COVID-19 and Brexit are set out on page 107 to 112 of ITV plc's 2021 annual report which does not form a part of this report, with detail on viewers on page 107, advertisers, suppliers and platform owners on page 109, legislators and regulators on page 110.
- **Community and environment:** The Directors have regard to the impact of the Company's operations on the community and 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 wider societal and environmental issues, diversity and inclusion targets. Further information on ITV's Social Purpose strategy and 2021 initiatives - structured around better health, giving back, climate action and diversity and inclusion, environment and giving back targets - is set out on pages 48 to 55 of ITV plc's 2021 annual report, which does not form a part of this report.
- **High standards of business conduct:** The Directors' intention is to ensure that the Company 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 116 in ITV plc's 2021 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 Ethics and 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.

ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2021

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 and any decline in audiences. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 72 to 87 of the Group's 2021 annual report.

Covid-19 has had and may continue to have a strategic, operational and financial impact on the business. In particular, the challenges faced by the general economy during Covid-19 and the associated impact on the advertising market. The ITV Group has developed a Covid-19 response governance structure with responsibility for managing the response to the risks of the pandemic. Detailed information on the Group's response to the pandemic is discussed on page 74 of the ITV plc 2021 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, ITV White City, 201 Wood Lane, London, W12 7RU.

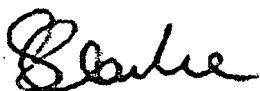
Financial risk management

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.

Approved by the Board on 06/04/2023 and signed on its behalf by:



.....
Sarah Clarke
Director

ITV Breakfast Broadcasting Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

As permitted by Section 414C(11) of the Companies Act 2006, some matters required to be included in the Directors' Report have instead been included in the Strategic Report as the directors consider they are of strategic importance to the Company.

Directors of the company

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Christopher Swords (resigned 30 June 2021)

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 2021 (2020: £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).

ITV Breakfast Broadcasting Limited

Directors' Report for the Year Ended 31 December 2021

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 regulations.

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.

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.

ITV Breakfast Broadcasting Limited

Directors' Report for the Year Ended 31 December 2021

Appointment of auditor

The external auditor for the 2021 financial year was PricewaterhouseCoopers LLP. The Independent Auditors' Report starting on page 7 sets out the information contained in Annual Report and Financial Statements which has been audited by the external auditor.

Following an external audit tender undertaken by the Audit and Risk Committee in 2019 PricewaterhouseCoopers LLP was duly appointed as the external auditor at the close of the 2021 AGM, with its appointment taking effect from, and including the 2021 financial year.

The Audit and Risk Committee considered the performance and audit fees of the external auditor, and the level of non-audit work undertaken. A resolution to reappoint PricewaterhouseCoopers LLP as external auditors for a further year was passed at the ITV plc AGM.

Approved by the Board on 06/04/2023 and signed on its behalf by:



.....
Sarah Clarke
Director

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

Independent auditors' report to the members of ITV Breakfast Broadcasting Limited

Report on the audit of the financial statements

Opinion

In our opinion, ITV Breakfast Broadcasting Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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, which comprise: the Statement of Financial Position as at 31 December 2021; the Income Statement and the 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.

Independent auditors' report to the members of ITV Breakfast Broadcasting Limited (continued)

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 or, 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 Directors' 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 Directors' Report for the year ended 31 December 2021 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 Directors' 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.

Independent auditors' report to the members of ITV Breakfast Broadcasting Limited (continued)

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 data privacy and broadcasting and media regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax regulations and Companies Act 2006. 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 posting inappropriate journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- inquiry of those charged with governance to assess if there are any instances of non-compliance with laws or regulations that have a material effect on the financial statements;
- identifying and testing journal entries meeting specific risk criteria; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;

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.

Independent auditors' report to the members of ITV Breakfast Broadcasting Limited (continued)

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.



Louise Lazarus (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
06 April 2023

ITV Breakfast Broadcasting Limited

Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	3	83,112	83,604
Other expenses	4	(75,989)	(78,385)
Impairment of Inventories		<u>(465)</u>	<u>-</u>
Operating profit		6,658	5,219
Finance income	8	<u>569</u>	<u>691</u>
Profit before tax		7,227	5,910
Taxation	9	<u>(1,373)</u>	<u>(1,123)</u>
Profit for the financial year		<u><u>5,854</u></u>	<u><u>4,787</u></u>

The above results were derived from continuing operations.

The Company has no other comprehensive income for the year, other than the above.

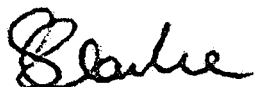
ITV Breakfast Broadcasting Limited

(Registration number: 07698963)

Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Current assets			
Inventories	10	-	-
Trade and other receivables	11	105,917	114,860
Contract assets	12	3,665	5,361
		<u>109,582</u>	<u>120,221</u>
Current liabilities			
Trade and other payables	13	(24,477)	(43,070)
Contract liabilities	12	(3,208)	(1,108)
		<u>(27,685)</u>	<u>(44,178)</u>
Net assets		<u>81,897</u>	<u>76,043</u>
Equity			
Called up share capital	15	-	-
Retained earnings		81,897	76,043
		<u>81,897</u>	<u>76,043</u>

The financial statements on pages 11 to 26 were approved by the Board on 06/04/2023 and signed on its behalf by:



.....
Sarah Clarke
Director

ITV Breakfast Broadcasting Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance at 1 January 2021	-	76,043	76,043
Profit for the year	-	5,854	5,854
Balance at 31 December 2021	-	81,897	81,897

	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance at 1 January 2020	-	71,256	71,256
Profit for the year	-	4,787	4,787
Balance at 31 December 2020	-	76,043	76,043

The notes on pages 14 to 26 form an integral part of these financial statements.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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 limited by shares incorporated, domiciled and registered in England in the UK. The registered number is 07698963 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. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ("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 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.

Measurement convention

The financial statements are prepared on the historical cost basis under the historical cost convention.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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:

- 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 required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures regarding leases; 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; 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 2021

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 2021 that have a material impact on the company's financial statements.

Exemption from preparing group financial statements

The Company is a wholly owned subsidiary of its ultimate parent, ITV plc. It is included in the consolidated financial statements of ITV plc, which are publicly available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated 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 Directors have prepared a going concern assessment covering a period of 12 months from the date of approval of these financial statements 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.

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 2021

1 Accounting policies (continued)

Revenue

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.

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 IFRS 15 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

Foreign currency transactions and balances

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other (expenses)/income'.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 Accounting policies (continued)

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 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 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.

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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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. Production work in progress is treated as a contract asset until the point the programme is completed.

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

Inventories

Acquired programme rights (which include films) are purchased for the primary purpose of broadcasting on the channels. These are recognised within current assets the earlier of when payments are made or when the rights are ready for exploitation. The Company generally expenses these rights through operating costs over a number of transmissions reflecting the pattern and value in which the right is consumed.

Commissions, which primarily comprise programmes purchased, based on editorial specification and over which the Company has some control, are recognised in current assets as payments are made and are generally expensed to operating costs in full on first transmission. Where a commission is repeated on any platform, incremental costs associated with the broadcast are included in operating costs.

The net realisable value assessment for acquired and commissioned rights is based on estimated airtime value, with consideration given to whether the number of transmissions purchased can be efficiently played out over the licence period. The net realisable value is assessed on a portfolio basis unless specific indicators of impairment are identified.

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.

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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 Accounting policies (continued)

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.

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.

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.

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

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 areas involving material judgement or complexity are set out below. Additional detail on the judgements and sources of estimation uncertainty applied by management are set out in the accounting policies section of the relevant notes:

- Revenue recognition (note 1)

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

3 Revenue

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

	2021 £ 000	2020 £ 000
Total advertising revenue (TAR)	60,388	55,829
Direct to consumer revenue	22,724	27,775
	<u>83,112</u>	<u>83,604</u>

4 Other expenses

Other expenses of £75,989,000 (2020: £78,385,000) includes amounts relating to programming budget costs, transmission costs and other administrative expenses.

5 Staff costs

There were no employees and hence no staff costs during the year (2020: £nil).

6 Directors' remuneration

In the year to 31 December 2021, 2 Directors were remunerated by other ITV plc Group companies. These Directors received no remuneration in respect of their qualifying services to the Company (2020: £Nil). There were no payments made to Directors for loss of office in 2021.

7 Auditor's remuneration

The Company's auditor in 2021 is PricewaterhouseCoopers LLP (PwC). In previous years, the position was held by KPMG LLP (KPMG). The auditor's remuneration of £13,000 (2020: £2,046) was borne by ITV Services Limited, 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.

8 Finance income

	2021 £ 000	2020 £ 000
Interest receivable	569	691
	<u>569</u>	<u>691</u>

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

9 Taxation

Tax charged in the income statement

	2021 £ 000	2020 £ 000
Current taxation		
Group relief payable	1,373	1,123
Total current tax	1,373	1,123
Deferred taxation		
Arising from origination and reversal of temporary differences	-	-
Tax expense in the income statement	1,373	1,123

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2020: the same as the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	7,227	5,910
Corporation tax at standard rate of 19% (2020: 19%)	1,373	1,123
Group relief claimed	(1,373)	(1,123)
Payment for group relief	1,373	1,123
Total tax charge	1,373	1,123

Factors Impacting Future Tax Charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced on 3 March 2021, the rate change was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly and the impact on deferred tax for this entity is forecast to be nil.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10 Inventories

	2021	2020
	£ 000	£ 000
Acquired programme rights	-	-
Commissions	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

During the year, a total of £43,871,000 (2020: £43,813,000) of inventories was included in the income statement as an expense. This includes an amount of £465,000 (2020: £70,000) resulting from write-down of inventories.

11 Trade and other receivables

	2021	2020
	£ 000	£ 000
Trade receivables	4,932	5,408
Amounts due from group undertakings	100,804	109,378
Other receivables	-	3
Prepayments	181	71
	<u>105,917</u>	<u>114,860</u>

Included in amounts due from group undertakings are amounts of £90,378,000 (2020: £103,295,000) 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 £10,426,000 (2020: £6,083,000) 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.

12 Contract assets and liabilities

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

	2021		2020	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	£ 000	£ 000	£ 000	£ 000
Balance at 31 December	<u>3,665</u>	<u>(3,208)</u>	<u>5,361</u>	<u>(1,108)</u>

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

18 Related party transactions

	2021	2020
	£ 000	£ 000
Purchases from Digital 3 and 4 Limited	435	413

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.

	2021	2020
	£ 000	£ 000
Purchases from Freesat Limited	24	108

The transactions with Freesat Limited primarily relate to purchases of Electronic Programme Guide (EPG) slots. Freesat Limited is a joint venture undertaking of ITV plc, the ultimate 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.

	2021	2020
	£ 000	£ 000
Sales to What3Words Limited	52	-

The transactions with What3Words Limited primarily relate to airtime sales. What3Words Limited is an associated undertaking of ITV plc, the ultimate parent of the Company.

All transactions with What3Words Limited are in the normal course of business on an arms length basis. None of these balances are secured.

	2021	2020
	£ 000	£ 000
Purchases from Clearcast Limited	77	80

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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

18 Related party transactions (continued)

	2021	2020
	£000	£000
Sales to Feel Holdings Limited	100	-
Balance due from Feel Holdings Limited	20	-

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

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

19 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

20 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 ITV White City, 201 Wood Lane, London, W12 7RU

The ultimate controlling party is ITV plc.