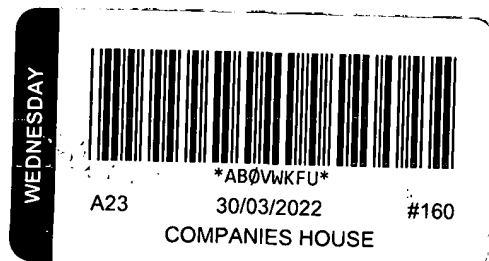


Registration number: 7698963

ITV Breakfast Broadcasting Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



ITV Breakfast Broadcasting Limited

Contents

Strategic Report	1 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report To The Members Of ITV Breakfast Broadcasting Limited	7 to 10
Income Statement	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 to 26

ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

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 £83,604,000 (2019: £81,465,000). The results for the Company show a profit before tax for the year £5,910,000 (2019: £8,618,000). At the statement of financial position date the Company had net assets of £76,043,000 (2019: £71,256,000).

KPIs

In October 2020, the Group announced a restructure of its Broadcast segment to better reflect and serve the changing viewing habits. As part of the restructure, which came into effect from 1 April 2021, Broadcast has been renamed Media & Entertainment ('M&E') with two business streams. These are Broadcast, which includes the ITV linear channels and Streaming, which focuses on digital products such as the ITV Hub+, Britbox and other direct to consumer revenues.

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within the Broadcast (M&E) division. For this reason, the Company's Directors use the ITV plc Group Broadcast (M&E) 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 28 to 41 of ITV plc's 2020 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 up 2.6% in the year. This is due to operational integration of the Company's sales operations with that of other Group companies, that has led to a change in approach in allocating the advertising value delivered between those entities. The impact of the change has been an increase to revenue of £5,833,000. Excluding this, revenues were down 4.5% in the year to £77,771,000 (2019: £81,465,000). Total advertising revenue (TAR), excluding the impact of the reallocation, was down 15.6% in the year in a challenging market caused by the continued impact of Covid-19 and changes in viewing habits. Direct to consumer revenues were up 25% driven by the growth in competition revenues.

	2020	2019	Pts Increase / (Decrease)
- Share of Viewing	1.05%	1.07%	(0.02)

ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2020

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. During 2020 the challenges arising from the COVID-19 pandemic required the Directors to act swiftly and approve measures to increase the resilience of the Company, and protect the interest of all stakeholders. 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 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.

- **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 the 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 97 to 102 of ITV plc's 2020 annual report which does not form a part of this report, with detail on viewers on page 97, advertisers, suppliers and platform owners on page 98, legislators and regulators on page 100.

- **Community & environment:** The Directors have regard to the impact of the Company's operations on the environment and consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in carrying out the duties in respect of the community, wider environmental issues and diversity and inclusion targets. Further information on ITV's Social Purpose strategy and 2020 initiatives that were influenced by the COVID-19 pandemic - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 99 and pages 42 to 49 of ITV plc's 2020 annual report, which does not form a part of this report.

ITV Breakfast Broadcasting Limited

Strategic Report for the Year Ended 31 December 2020

• **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 105 in ITV plc's 2020 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.

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 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 76 of the ITV plc 2020 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 28/03/2022 and signed on its behalf by:



.....
Sarah Clarke
Director

ITV Breakfast Broadcasting Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the company

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

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 2020 (2019: £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

On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The rate change was substantively enacted on 24 May 2021. This will have no material impact on the Company.

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 2020

Appointment of auditor

The external auditor for the 2020 financial year was KPMG LLP. In 2019 the ITV Group Audit and Risk Committee undertook an external audit tender and PricewaterhouseCoopers LLP were appointed auditors and have accepted the appointment as the external auditor, with its appointment to take effect from, and including, the 2021 financial year. Accordingly, a resolution to appoint PricewaterhouseCoopers LLP as external auditor to the ITV plc group from 2021 was passed at the ITV plc AGM.

Approved by the Board on 28/03/2022 and signed on its behalf by:



.....
Sarah Clarke
Director

Registered office
2 Waterhouse Square
140 Holborn
London
EC1N 2AE

ITV Breakfast Broadcasting Limited

Statement of Directors' Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of ITV Breakfast Broadcasting Limited ("the company") for the year ended 31 December 2020 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 2020 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

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

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and inspection of policy documentation as to ITV plc's high-level policies and procedures to prevent and detect fraud that apply to this group company, and the channel for "whistleblowing", as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering the remuneration incentive scheme for directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risk throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the deal debt liability.

We performed procedures including:

- Testing that the revenue is recognised post transmission by testing IT controls and by agreeing invoices to subsequent cash receipts on a sample basis.
- Challenging the year-end deal debt positions based on comparison with customers' correspondence, contracts and agreed terms of business.
- Performing journal entries testing procedures that included identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. The criteria included unusual revenue account pairings.

We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation and related companies legislation, distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: broadcasting and media regulations, anti-trust and competition law, anti-bribery and corruption, and data privacy recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other Management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

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

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

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

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.

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

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

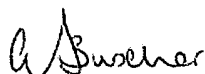
Auditor's responsibilities

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: 28 March 2022

ITV Breakfast Broadcasting Limited

Income Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Revenue	3	83,604	81,465
Other expenses	4	<u>(78,385)</u>	<u>(73,704)</u>
Operating profit		5,219	7,761
Finance income	5	<u>691</u>	<u>857</u>
Profit before tax		5,910	8,618
Taxation	13	<u>(1,123)</u>	<u>-</u>
Profit for the year		<u><u>4,787</u></u>	<u><u>8,618</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.

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

ITV Breakfast Broadcasting Limited

(Registration number: 7698963)

Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Current assets			
Inventory	9	-	-
Trade and other receivables	10	114,861	81,096
Contract assets	12	5,361	4,307
		<u>120,222</u>	<u>85,403</u>
Current liabilities			
Trade and other payables	11	(43,071)	(13,514)
Contract liabilities	12	(1,108)	(633)
		<u>(44,179)</u>	<u>(14,147)</u>
Net assets		<u>76,043</u>	<u>71,256</u>
Equity			
Share capital	14	-	-
Retained earnings		<u>76,043</u>	<u>71,256</u>
		<u>76,043</u>	<u>71,256</u>

Approved by the Board on 28/03/2022 and signed on its behalf by:



.....
Sarah Clarke
Director

ITV Breakfast Broadcasting Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	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

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

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of 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 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 2020

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 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.

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2020.

Amendments to IFRS 3

The amendment provides entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies changes in Accounting Judgements and Estimates'

The amendment clarifies the definition of material throughout IFRSs and the Conceptual Framework for Financial Reporting.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting policies (continued)

IFRS 9, IAS 39 and IFRS 17 - interest benchmark reform

The amendments provide temporary relief which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

Amendments to the Conceptual framework

The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS.

IFRS 16 'Leases'

In response to the COVID-19 coronavirus pandemic, the amendments to IFRS 16 'Leases' allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2020 have had a material effect on the 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 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.

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 2020

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 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

Finance income and costs policy

Finance income and costs comprise interest income on funds invested, gains / losses on the disposal of financial instruments, changes in the fair value of financial instruments, interest expense on borrowings, unwinding of the discount on provisions, unwinding of the discount on liabilities to non-controlling interest, foreign exchange gain/losses, and imputed interest on pension assets and liabilities. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting policies (continued)

Foreign currency transactions and balances

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

Where ITV companies based in the UK transact in foreign currencies, these transactions are translated into pounds sterling at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into pounds sterling at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in the income statement.

Cash bid

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

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 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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting policies (continued)

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. The following temporary differences are not provided for:

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

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

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

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

Trade and other payables

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

Contract assets and liabilities

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

Inventory

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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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.

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. The expected loss model was applied to trade and other receivables and contract assets and the impact was not material.

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

2 Accounting judgements and estimates

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

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

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)

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

3 Revenue

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

	2020 £ 000	2019 £ 000
Total advertising revenue (TAR)	55,829	59,210
Direct to consumer revenue	27,775	22,255
	<u>83,604</u>	<u>81,465</u>

In 2020, total advertising revenue is impacted by operational integration of the Company's sales operations with that of other Group companies, that has led to a change in approach in allocating the advertising value delivered between those entities. The impact of the change has been an increase to revenue of £5,833,000.

4 Other expenses

Other expenses of £78,385,000 (2019: £73,704,000) includes amounts relating to programming budget costs, transmission costs and other administrative expenses.

5 Finance income

	2020 £ 000	2019 £ 000
Interest receivable	691	857
	<u>691</u>	<u>857</u>

6 Staff costs

There were no employees and hence no staff costs during the year (2019: £nil).

7 Directors' remuneration

In the year to 31 December 2020 Directors were remunerated by other ITV plc Group companies. These Directors received no remuneration in respect of their qualifying services to the Company (2019: £Nil).

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

8 Auditor's remuneration

The auditor's remuneration of £2,046 (2019: £1,786) 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.

9 Inventory

	2020	2019
	£ 000	£ 000
Acquired programme rights	-	-
Commissions	-	-
	<u>-</u>	<u>-</u>

During the year, a total of £43,813,000 (2019: £45,318,000) of inventories was included in the income statement as an expense. This includes an amount of £70,000 (2019: £Nil) resulting from write-down of inventories.

10 Trade and other receivables

	2020	2019
	£ 000	£ 000
Trade receivables	5,409	6,650
Amounts due from group undertakings	109,378	74,434
Prepayments	71	9
Other receivables	3	3
	<u>114,861</u>	<u>81,096</u>

Included in amounts due from group undertakings are amounts of £103,295,000 (2019: £70,169,000) 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% (2019: 0.5%) above base rate per annum.

Included in amounts due from group undertakings is an amount of £6,083,000 (2019: £4,265,000) which represents intercompany trading, has no associated interest and is repayable on demand.

The expected loss model was applied to trade and other receivables 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 2020

11 Trade and other payables

	2020	2019
	£ 000	£ 000
Trade payables	14	21
Accrued expenses	859	580
Amounts due to group undertakings	38,126	4,131
Group relief payable	1,123	-
Other payables	2,949	8,782
	<u>43,071</u>	<u>13,514</u>

Included in amounts due to group undertakings is an amount of £38,126,000 (2019: £4,131,000) 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.

12 Contract assets and liabilities

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

	2020		2019	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	£ 000	£ 000	£ 000	£ 000
Balance at 31 December	<u>5,361</u>	<u>(1,108)</u>	<u>4,307</u>	<u>(633)</u>

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £633,000 (2019: £582,000).

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

13 Taxation

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
Group relief payable	1,123	-
Total current tax	1,123	-
Deferred taxation		
Arising from origination and reversal of temporary differences	-	-
Tax expense in the income statement	1,123	-

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019: lower than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	5,910	8,618
Corporation tax at standard rate of 19% (2019: 19%)	1,123	1,637
Group relief claimed	(1,123)	(1,637)
Payment for group relief	1,123	-
Total tax charge	1,123	-

A reduction in the UK corporation tax rate from 19% to 17% (effective 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.

Factors Impacting Future Tax Charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will have no material impact on the Company.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

14 Share capital

Allotted, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary share of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

15 Dividends

The Directors are proposing a final dividend of £Nil (2019: £Nil) per share totalling £Nil (2019: £Nil). This dividend has not been accrued in the statement of financial position.

16 Contingent liabilities

Under a Group registration the Company is jointly and severally liable for VAT at 31 December 2020 of £124 million (2019: £40 million).

17 Related party transactions

	2020	2019
	£ 000	£ 000
Purchases from Digital 3 and 4 Limited	413	447

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.

	2020	2019
	£ 000	£ 000
Purchases from Freesat Limited	108	105

The transactions with Freesat Limited primarily relate to purchases of 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.

ITV Breakfast Broadcasting Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

17 Related party transactions (continued)

	2020	2019
	£ 000	£ 000
Purchases from Clearcast Limited	80	87

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.

18 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.

19 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.

20 Subsequent events

On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The rate change was substantively enacted on 24 May 2021. This will have no material impact on the Company.