

# ITV Breakfast 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 Limited continues to be that of the production of the breakfast time television programmes. The productions are sold predominantly to ITV Breakfast Broadcasting Ltd, and are broadcast daily throughout the year between 6.00am and 9.25am.

### Fair review of the business

The results for the Company show a profit after tax of £12,715,000 (2019: £13,035,000). At the statement of financial position date the Company had net assets of £152,504,000 (2019: £139,794,000). During the year the Company paid a dividend of £Nil (2019: £Nil) to a fellow group undertaking.

The increase in profit before tax is due to higher volume of output alongside a lower cost base as a result of COVID-19. The movement in net assets was due to the profit after tax earned in the year.

### KPI's

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within the Studios division. For this reason, the Company's Directors use the ITV plc Studios division's Operating Review in managing and understanding the development, performance and position of the Company. The business review is included on pages 32 to 47 of ITV plc's 2021 annual report.

- Revenues. Growing ITV Breakfast revenue is an important part of the ITV Strategy to reduce the group's reliance on television advertising revenues. ITV Breakfast's turnover increased by 9% compared to 2019 due to increased volume output.

- EBITA is a key profitability measure. In 2020 EBITA grew 28% compared to 2019. The increase is due to a rise in output and a reduction in cost. The reduction in cost very much a result of COVID-19 dramatically changing ways of working during 2020.

### Developments during the year

Production continued throughout COVID-19 but ways of working had to be adapted significantly in order to work safely. This has led to a lower cost base in 2020.

### Future developments

COVID-19 had a minimal impact on the operations of the Company in 2020 with production continuing during the year however ways of working were affected resulting in lower costs and higher EBITA. These cost savings are not expected to continue in 2021.

## **ITV Breakfast Limited**

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#### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the Company are considered to relate to the retention of customer contracts, erosion of margin and retaining key staff. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 72-87 of the Group's 2021 annual report. Risk and uncertainties specific to the Broadcasting and Online division as mentioned on these pages do not apply to this company.

COVID-19 has had and may continue to have a strategic, operational and financial impact on the business. In particular, operational challenges associated with filming during COVID-19 may result in further production delays. 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](http://www.itvplc.com) or the Company Secretary, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

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#### 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 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 aware that the production environment remains competitive. As a part of the ITV Group strategy to be a leading creative force in global content production, the Directors' focus is to attract and retain leading talent across Good Morning Britain and Lorraine, and to continue to nurture the right creative and commercial environment to do this. A major focus in 2020 was to minimise the disruption of COVID-19 on production. ITV worked closely with the UK Government and the production industry to develop a set of protocols to minimise the risks of the pandemic during production. As a result, due to the innovation, creativity and dedication of the team the Company was able to continue producing its shows throughout the year.

- **Employees:** The Directors know that the workforce are key to the Company's success and are dedicated to nurturing an inclusive working environment where everyone can reach their full potential and thrive. As the Company is embedded within the ITV Group governance structure it is fully aligned with ITV on workforce engagement and an explanation of how ITV plc have engaged with the workforce and taken them into consideration through its discussions and decision-making is set out on page 102 of ITV plc's 2020 annual report. Further information on ITV's commitment to its workforce is set out on pages 50 to 51 of ITV plc's 2020 annual report, which does not form part of this report.

- **Business relationships - suppliers, customers:** The Directors are committed to fostering good working business relationships with their key stakeholders which include programme participants, viewers, advertisers and citizens. 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 97 to 102 of ITV plc's 2020 annual report which does not form a part of this report, with detail on viewers page 97, advertisers page 98, citizens page 99 and programme participants on page 101.

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• **Community & environment:** The Directors are constantly striving to reduce the environmental impact of the Company's productions, both on and off screen. At the start of the COVID-19 pandemic Good Morning Britain deployed new cloud-based technology to enable it to deliver post production and edit remotely. This new technology will continue to be used long term, reducing travel and energy impacts. The Directors are also aware of the ability of its programmes to drive social messages and change. In 2020 Good Morning Britain teamed up with six charities to run the 1 Million Minutes volunteer campaign and was the media partner for the NHS fundraiser One Million Claps. The Directors also 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 community and environmental issues, 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.

• **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.

Approved by the Board on 13/04/2022 and signed on its behalf by:



David McGraynor  
Director