

ITV Breakfast Limited

Strategic Report for the Year Ended 31 December 2019

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

Principal activity

The principal activity of ITV Breakfast Limited continues to be that of the production of the breakfast time television programmes. The productions are sold 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 of £13,035,000 (2018: £12,424,463) for the year and sales of £50,443,000 (2018: £49,236,152). At the statement of financial position date the Company had net assets of £139,794,000 (2018: £126,749,978).

The Company's profit has remained stable. The production of the Good Morning Britain and Lorraine titles will continue to generate profits for the business, with both productions achieving strong ratings throughout the year. Competitions run by ITV Direct to Consumer division, in which the Company takes a share of profit, further encourage viewer engagement.

We will continue to identify the most effective and cost efficient ways of working with the rest of the Group to maximise programme performance and business profits.

The key objective for the Company is to continue delivering strong content which will grow the ratings for both Good Morning Britain and Lorraine.

Key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

- Revenues. Growing ITV Breakfast revenues is an important part of the ITV strategy to reduce the group's reliance on television advertising revenues. ITV Breakfast's turnover increased by 2% compared to 2018.

-EBITA. EBITA is a key profitability measure. In 2019 EBITA grew 8% compared to 2018. The increase is due to a rise in competition revenue.

Future developments

From January 2020, Breakfast broadcasting hours increased by half an hour each day due to a change in Daytime scheduling. For the foreseeable future, Breakfast programming will run from 6am to 10am. COVID-19 had a minimal impact on the operations of the Company in 2020 with production continuing during the year.

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

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

The Directors consider and approve relevant matters during the year. To the extent necessary for an understanding of the development, performance and position of ITV Breakfast, an explanation of how the Directors have 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.

- **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 issues relating to these stakeholders is fundamental to building and maintaining the successful relationships that enable the Company to take advantage of the strong and mutually beneficial opportunities needed to ensure its success. As ITV Breakfast is fully embedded within the ITV Group governance structure, the Directors seek to align themselves with ITV plc's engagement mechanisms and an explanation of how the Directors of ITV plc have had regard to the need to foster the Company's business relationships is set out in ITV plc's 2019 annual report, which does not form a part of this report, with detail on programme participants and viewers set out on page 90, advertisers and citizens on page 91.

- **Employees:** The Directors know that employees 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 the Directors of ITV plc have engaged and taken its workforce into consideration in its discussions and decision making is set out on page 92 of ITV plc's 2019 annual report, which does not form part of this report. For more information on ITV's commitment to its workforce is set out on pages 50 to 51 of ITV plc's 2019 annual report, which does not form part of this report.

- **Community and environment:** The Directors are constantly striving to reduce the environmental impact of the Company's productions, both on and off screen, which is regularly reviewed. The Directors are also aware of the ability of its programmes to drive social messages and change. In 2019 Good Morning Britain teamed up with six charities to run the 1 Million Minutes volunteer campaign; and Lorraine launched the mental health awareness campaign, Shine a Light. The Directors further consider that as part of the ITV Group, due consideration has been given to the community, wider environmental issues and diversity and inclusion targets. Further information on ITV's Social Purpose strategy - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 62 and pages 44 to 49 of ITV plc's 2019 annual report, which does not form a part of this report.

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

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 66-79 of the Group's 2019 annual report. Risk and uncertainties specific to the Broadcasting and Online division as mentioned on these pages do not apply to this company.

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



David McGraynor
Director