

548648

INDEPENDENT TELEVISION NEWS LIMITED

ANNUAL REPORT AND ACCOUNTS

31ST DECEMBER 1997



INDEPENDENT TELEVISION NEWS LIMITED

ANNUAL REPORT AND ACCOUNTS

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COMPANY INFORMATION

Chairman

M. W. Wood

Chief Executive

S. P. Purvis

Executive Directors

R. G. Tait

J. M. Wheatley

Non-Executive Directors

J. Cresswell

R. N. Gilbert

M. P. Green

R. F. Laughton

J. F. de Moller

G. J. Parrott

H. E. Staunton

Company Secretary

J. H. Scorer

Registered Office

200 Gray's Inn Road

London

WC1X 8XZ

Registered Number

548648

Auditors

Arthur Andersen

Bankers

Barclays Bank PLC

Solicitors

Biddle

Clifford Chance

Macfarlanes

CHAIRMAN'S STATEMENT

Results

In 1997, ITN continued to operate successfully financially and editorially. Turnover increased by £8.3 million to £99.0 million and operating profit improved by £2.7 million to £24.0 million. Operating profit included rental income of £3.9 million relating to 200 Gray's Inn Road (ITN's freehold property).

News programming

During 1997, ITN continued to produce news for ITV, Channel 4 and IRN and from 30th March 1997 ITN has provided news programming to Channel 5.

As well as servicing these core news contracts, ITN also produced special live programming covering the year's most significant events: the General Election Results programme for ITV and coverage of the death and funeral of Diana, Princess of Wales for ITV, Channel 4 and Channel 5.

In this, one of the most important news years of the decade, ITN's News at Ten on ITV was again Britain's most popular prime time national news programme, more than doubling its 1996 lead over the BBC's Nine O'clock News. In January 1998 ITN commenced supplying news to ITV under a new five-year contract.

ITN's existing contract with Channel 4 was due to end in 1998. However, following a detailed process, the channel awarded a new contract for Channel 4 News to ITN for a period of two and a half years with an option for a further two and a half years. ITN is very pleased to continue its relationship with Channel 4, which began in 1982 when the channel was first launched.

In retaining the Channel 4 News contract, ITN maintains its position as news provider to Britain's three commercial terrestrial television channels - ITV, Channel 4 and Channel 5.

ITN's worldwide reputation as an independent commercial news broadcaster has been built on the highest standards of journalism and a proven ability to produce individually-tailored news programmes for different audiences and different broadcasters. The success of Channel 5 News and the agreement of a new contract with Channel 4 shows the unique versatility of ITN in producing distinctive news services for different and competing customers.

Euronews

On 30th November 1997 ITN acquired a 49% shareholding and operational control, of Société Opératrice de la Chaîne Européenne Multilingue d'Informations Euronews ("SOCEMIE"). SOCEMIE is a French company which broadcasts Euronews - a European multi-lingual news channel which broadcasts 20 hours a day of news output with one common visual channel but six separate language soundtracks (French, English, German, Spanish, Italian and, for parts of the day, Arabic). The channel is received in over 94 million homes in 43 countries via cable, satellite or terrestrial television, giving the channel a much greater potential market than that of other pan-European channels such as BBC World.

Euronews was established in Lyon in 1993 by a group of European Broadcasting Union members led by France Television, RAI (Italy), RTVE (Spain) and SSR (Switzerland), and these broadcasters own the remaining 51% of SOCEMIE. Under ITN's management, and with the continued commitment of these public broadcasters, the channel is now forecast to break-even for the first time by the end of 1999.

ITN Factual

ITN Factual continued to increase its documentary output in 1997 for customers which included ITV, Channel 4, Channel 5, Discovery, A&E and Warner Vision International. Programming relating to the life of Diana, Princess of Wales, was broadcast on ITV, Channel 4 and Channel 5. In addition, a home video was released entitled "The People's Princess". A donation of a minimum of £3 from each video sold in the UK is being made to the Diana, Princess of Wales, Memorial Fund. In addition, ITN made a payment of £250,000 to the Fund, reflecting the profits made from the video.

The Queen's broadcast on Christmas Day was - for the first time - produced by ITN on behalf of ITV for Buckingham Palace and shown around the world. It was also broadcast on independent radio stations.

CHAIRMAN'S STATEMENT

ITN New Media

ITN has been quick to recognise the potential opportunities of new media in relation to its news infrastructure. ITN New Media has established itself as a formidable player in its sector. ITN launched its website to coincide with the 1997 General Election and was rewarded with exceptional traffic levels. The division's core product itn.co.uk now ranks among the UK's ten most popular websites. ITN New Media has also actively secured contracts to manage websites for London News Radio (News Direct and LBC) and CTN.

Future potential prospects include both digital television and digital radio. ITN is working with Teletext Limited in developing the Information Channel (a new style of channel combining moving pictures and text on the same screen) for digital television and is negotiating with cable operators for the provision of interactive services on digital cable.

ITN Archive

ITN Archive achieved an 18% increase in its turnover compared to 1996. In July 1998, ITN signed a five year agreement with Reuters under which ITN will provide picture management and sales and marketing services to Reuters from November 1998.

Under this agreement, ITN Archive will earn commission from selling footage from the Reuters Television Picture Archive worldwide on an exclusive basis. ITN Archive will also earn fees for managing the Reuters archive which will now be based at Gray's Inn Road, and for servicing the Reuters archive's contracts with GMTV and Sky News.

The deal creates one of the biggest news picture archives in the world - a unique one-stop resource for users of the moving pictures for television programmes, corporate and training videos, commercials and multimedia products. Taken together, the ITN and Reuters archives span the century, from 1896 to the present day, with up to a hundred hours of source footage being added daily.

Both ITN and Reuters are confident of the positive benefits that will be achieved through this agreement.

London News Radio

ITN's shareholding in London News Radio increased in March 1997 from 29% to 33.6% to enable fellow shareholder GWR to comply with ownership restrictions.

London News Radio owns two London stations: News Direct 97.3FM and LBC 1152. RAJAR results for the final quarter of 1997 showed that News Direct's audience had increased by almost 50% against the same period in 1996.

London News Radio's financial performance improved in its first full year of trading. Operating losses were significantly reduced due to improved income and strong cost control. The year ended 30th September 1997 showed an operating loss of £1.5m compared with £3.1m in the previous year. The company is forecast to perform profitably in the year to September 1998.

Awards

ITN did well at the 1997 Royal Television Society Sports and Journalism Awards, winning six of the main news categories: the Home and the International News Awards, the Sports News Award, the Production Award, Television Technician of the Year Award and the News Event Award, shared by ITN News on ITV, Sky News and the BBC for coverage of the death of Diana, Princess of Wales. The awards reflected the range of ITN's talent and skills across its programming for ITN, Channel 4 and Channel 5.

News at Ten won two Gold Medals at the New York Festival - Best News Reporter and Coverage of an On-going Story. These were the only Gold Medals to be won by a British news organisation.

CHAIRMAN'S STATEMENT

200 Gray's Inn Road

On 22nd May 1998 ITN sold its headquarters at 200 Gray's Inn Road for £71 million. At the same time, the Company agreed to a leaseback of the area it occupies. As a result of the sale, the Company was able to redeem all the £15 million Subordinated Unsecured Convertible Loan Notes and accumulated interest, and to pay a dividend.

Ownership of the Company

In March 1997, Anglia Television Group Limited and GNC Media Investments Limited (both subsidiaries of United News & Media plc) between them acquired a 3% shareholding in ITN from Scottish Television plc. In September 1997, Scottish Media Group plc (formerly Scottish Television plc) ceased to be a shareholder when it sold its remaining 2% shareholding to Reuters Limited.

Following these transfers, ITN is ultimately owned by five groups each of which owns 20% of the Company (either directly or through subsidiaries): Carlton Communications plc, Granada Group plc, Daily Mail and General Trust plc, Reuters Group plc, and United News & Media plc.

Board and management

On behalf of the Directors and shareholders, I would like to thank everyone at ITN for their hard work over the past year and congratulate our award winners and the teams behind them.

I would also like to pay tribute to Sir David English, whose untimely death in June 1998 shocked and saddened all of us. Sir David had taken on the chairmanship of ITN with his customary enthusiasm and energy and both the Board and the Executive appreciated his leadership and advice. He will be sadly missed.

ITN's performance in a year of major news events, in particular the death of Diana, Princess of Wales, was outstanding and demonstrated both the commitment and the calibre of staff in all disciplines and functions.

The last 18 months has seen ITN secure long term television news contracts to supply television news to all three commercial terrestrial channels. ITN has developed a remarkable ability to devise and operate news programmes along radically different lines, while maintaining the integrity and value of its brand. A key to its success has been a degree of customer focus and sensitivity which is now one of ITN's major skills, one which will be even more important in the future.

The Company has also successfully entered into the radio market, developed one of the UK's most successful websites and ventured into the European television arena with its involvement in Euronews. Taken together, these initiatives add up to an impressive strategy to prepare ITN for the news business of tomorrow, when the world of digital delivery will offer the chance to launch wholly new kinds of news services to the public. ITN will be ideally positioned to move fast and decisively as opportunities arise and will also be able to look confidently beyond the UK for future markets.



Mark Wood
Chairman

24th August 1998

DIRECTORS' REPORT

The directors present their report on the affairs of the group together with the accounts and the report of the auditors for the year ended 31st December 1997.

Principal activities

The principal activities of the group are to provide daily scheduled programmes of international and national news for television and radio. The group also provides other programmes to ITV, Channel 4, Channel 5 and other broadcasters and programming, technical and production facilities for domestic and foreign broadcasting companies.

Business review

The Chairman's Statement on pages 2 to 4 forms part of this report. This refers to business activity in the year and areas for future development.

Results and dividends

The group's results are set out on page 8. The directors do not recommend the payment of a dividend (1996 £nil).

Directors and their interests

The directors who served during the year are as shown below:

Main Board Directors

M. W. Wood	(elected as Chairman 7th July 1998)
Sir David English	(appointed as Chairman 3rd April 1997; deceased 10th June 1998)
G. J. Robinson	(resigned as Chairman 3rd April 1997 and from the Board 23rd September 1997)
R. N. Gilbert	(appointed to the Board 22nd July 1998)
M. P. Green	
Lord Hollick	(resigned from the Board 29th May 1997)
R. F. Laughton	(appointed as alternate to Lord Hollick 9th January 1997; change of status from alternate to Main Board Director 29th May 1997)
G. J. Parrott	(appointed to the Board 23rd September 1997)
S. P. Purvis	
R. G. Tait	
J. M. Wheatley	

Alternates

J. Cresswell	
R. N. Gilbert	(appointment terminated on 10th June 1998 as a result of the death of Sir David English)
J. F. de Moller	
H. E. Staunton	(appointed to the Board 5th June 1997)

During the year to 31st December 1997 the directors had no interests in any of the shares of Independent Television News Limited or its subsidiary undertakings.

DIRECTORS' REPORT

Charitable contributions

During the year the group made charitable donations of £4,000. In 1998 a donation of £250,000 was made to the Diana, Princess of Wales Memorial Fund. There were no political donations.

Employees

The group does not discriminate between employees or potential employees on the grounds of colour, race, ethnic or national origin, sex, marital status or religious beliefs. Full consideration is given to applications for employment from disabled persons who are able to demonstrate that they have the necessary abilities. The importance of staff training is recognised at all levels. In addition to meetings with employees, information is provided on a regular basis through staff newsletters and notice boards.

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditor days of the company for the year ended 31st December 1997 were 9 days, based on the ratio of company trade creditors at the year end to the amounts invoiced during the year by trade creditors.


Auditors

A resolution to reappoint Arthur Andersen as auditors for the ensuing year will be proposed at the Annual General Meeting.

Directors' responsibilities

Directors are required by the Companies Act 1985 to ensure that accounts for each financial year are prepared which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the group profit or loss for that period. In preparing the financial statements, the directors confirm that suitable accounting policies have been used and applied consistently, that reasonable and prudent judgements have been made, and that the financial statements have been drawn up on a going concern basis. Applicable accounting standards have been followed. It is also the directors' responsibility to ensure that adequate accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the company and group, and to enable them to ensure that the accounts comply with the Companies Act 1985, as well as to safeguard the assets of the company and the group and to take reasonable steps to prevent and detect fraud and other irregularities.

By order of the Board



J. H. Scorer
Secretary

200 Gray's Inn Road
London
WC1X 8XZ

24th August 1998

REPORT OF THE AUDITORS

To the shareholders of Independent Television News Limited

We have audited the financial statements on pages 8 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31st December 1997 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

24th August 1998

INDEPENDENT TELEVISION NEWS LIMITED
**CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31ST DECEMBER 1997**

	Notes	1997 £'000	1996 £'000
Turnover	(2)	98,993	90,680
Cost of sales		(64,611)	(56,329)
Gross profit		34,382	34,351
Other operating expenses		(14,316)	(16,691)
Rental income relating to 200 Gray's Inn Road		3,917	3,641
Total other operating expenses (net)		(10,399)	(13,050)
Operating profit		23,983	21,301
Share of results of associated undertakings	(3)	(78)	(905)
Profit on ordinary activities before interest		23,905	20,396
Income from other fixed asset investments	(4)	368	156
Interest receivable		1,116	647
Interest payable and similar charges	(5)	(4,375)	(5,105)
Profit on ordinary activities before taxation	(6)	21,014	16,094
Tax on profit on ordinary activities	(8)	(7,444)	(5,953)
Retained profit for the year	(16)	13,570	10,141

There are no recognised gains or losses in either the current or prior year other than the retained profit for the year.

The movement on reserves is set out in note 16 to the accounts.

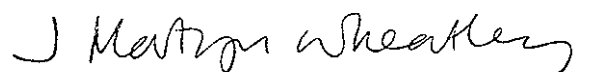
The accompanying notes are an integral part of these accounts.

INDEPENDENT TELEVISION NEWS LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 1997**

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	(9)	92,784	95,376
Investments	(10)	3,205	3,177
		<hr/> 95,989	<hr/> 98,553
Current assets			
Debtors	(11)	9,695	8,085
Cash at bank and in hand		11,642	6,932
		<hr/> 21,337	<hr/> 15,017
Creditors: amounts falling due within one year	(12)	(47,513)	(31,970)
Net current liabilities		<hr/> (26,176)	<hr/> (16,953)
Total assets less current liabilities		<hr/> 69,813	<hr/> 81,600
Creditors: amounts falling due after more than one year	(13)	(15,000)	(34,558)
Provisions for liabilities and charges	(14)	(13,092)	(13,577)
Net assets		<hr/> 41,721	<hr/> 33,465
Equity capital and reserves			
Called-up share capital	(15)	400	400
Profit and loss account	(16)	41,321	33,065
		<hr/> 41,721	<hr/> 33,465

Approved by the Board on 24th August 1998


S. P. Purvis *Director*

J. M. Wheatley *Director*

The accompanying notes are an integral part of these accounts.

INDEPENDENT TELEVISION NEWS LIMITED

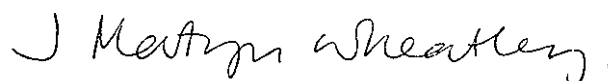
**COMPANY BALANCE SHEET
AS AT 31ST DECEMBER 1997**

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	(9)	92,784	95,376
Investments	(10)	9,624	4,029
		102,408	99,405
Current assets			
Debtors	(11)	9,367	7,861
Cash at bank and in hand		10,917	6,508
		20,284	14,369
Creditors: amounts falling due within one year	(12)	(47,111)	(31,679)
Net current liabilities		(26,827)	(17,310)
Total assets less current liabilities		75,581	82,095
Creditors: amounts falling due after more than one year	(13)	(15,000)	(34,558)
Provisions for liabilities and charges	(14)	(13,092)	(13,577)
Net assets		47,489	33,960
Equity capital and reserves			
Called-up share capital	(15)	400	400
Profit and loss account	(16)	47,089	33,560
		47,489	33,960

Approved by the Board on 24th August 1998



S. P. Purvis *Director*



J. M. Wheatley *Director*

The accompanying notes are an integral part of these accounts.

INDEPENDENT TELEVISION NEWS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1997

	Notes	1997 £'000	1996 £'000
Operating activities			
Net cash inflow from operating activities	(20)	30,014	24,832
Dividends from joint ventures and associated undertakings		125	100
Returns on investments and servicing of finance			
Income from fixed asset investments		283	125
Interest received		1,079	643
Interest paid		(1,585)	(2,631)
Interest element of finance lease rentals		(6)	(163)
Net cash outflow from returns on investments and servicing of finance		(229)	(2,026)
Taxation			
UK corporation tax paid		(5,274)	(3,780)
Capital expenditure and financial investment			
Acquisition of tangible fixed assets		(3,021)	(4,102)
Sale of tangible fixed assets		117	5
Redemption of WTN investments		116	133
Net cash outflow from capital expenditure and financial investment		(2,788)	(3,964)
Acquisitions and disposals			
Purchase of shares in associated undertakings		(5,478)	(142)
Purchase of loan notes issued by associated undertakings		(241)	(1,279)
Net cash outflow from acquisitions and disposals		(5,719)	(1,421)
Net cash inflow before management of liquid resources and financing		16,129	13,741
Financing			
Repayment of bank loan	(21)	(11,392)	(13,908)
Capital element of finance lease repayments	(21)	(27)	(1,703)
Net cash outflow from financing		(11,419)	(15,611)
Increase/(decrease) in cash in the year	(21)	4,710	(1,870)

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1997**

Reconciliation of movement in net debt

	Notes	1997 £'000	1996 £'000
Increase/(decrease) in cash in the year		4,710	(1,870)
Cash outflow from decrease in bank loan		11,392	13,908
Cash outflow from decrease in obligations under finance leases		27	1,703
		<hr/>	<hr/>
Change in net debt resulting from cashflows	(21)	16,129	13,741
Increase in convertible loan stock	(21)	(2,825)	(2,521)
		<hr/>	<hr/>
Movement in net debt in the period		13,304	11,220
Net debt as at 1st January	(21)	(39,045)	(50,265)
		<hr/>	<hr/>
Net debt as at 31st December	(21)	(25,741)	(39,045)
		<hr/>	<hr/>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Shareholders' funds at 1st January	33,465	23,187	33,960	23,193
Retained profit for the year	13,570	10,141	13,529	10,767
Goodwill written off against reserves	(5,314)	-	-	-
Negative goodwill arising on investment in associated undertaking	-	137	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at 31st December	41,721	33,465	47,489	33,960
	<hr/>	<hr/>	<hr/>	<hr/>

INDEPENDENT TELEVISION NEWS LIMITED
STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies of the group, all of which have been applied consistently throughout the year and the preceding year, is set out below.

(a) **Basis of preparation**

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) **Basis of consolidation**

The group accounts consolidate the accounts of Independent Television News Limited and its subsidiary undertakings up to 31st December 1997.

The acquisition method of accounting has been adopted. Positive and negative goodwill, whether purchased or arising on consolidation, is taken to reserves in the year it is incurred, and, on disposal, such goodwill is included in determining the gain or loss arising on the disposal of the business or subsidiary undertaking.

Associated undertakings are entities in which a consolidated member of the group has a participating interest and over whose operating and financial policy it exercises a significant influence. These investments are dealt with by the equity method of accounting. The figures included in the financial statements are based on audited accounts, adjusted where necessary by reference to management accounts for the period up to 31st December.

(c) **Turnover**

Group turnover comprises the value of sales (excluding VAT and similar taxes and intra group transactions) of services in the normal course of business.

Turnover represents, in the case of long term contracts, the proportion of contract value applicable to the activity in the period, ascertained by reference to the extent to which contractual obligations have been carried out.

(d) **Investments**

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

(e) **Tangible fixed assets**

Tangible fixed assets are stated at cost. Depreciation is calculated to amortise the cost of tangible fixed assets over their expected useful lives by equal annual instalments. The expected useful lives are noted below:

Freehold buildings	50 years
Fixed plant and equipment	between 10 and 35 years
Office and technical equipment	between 2 and 10 years
Motor vehicles	4 years

Profile films and the film library are stated at historical nominal cost which was determined by the directors in prior periods in recognition of the assets on hand. No valuation has been conducted since the directors consider that the cost of such an exercise would significantly outweigh the benefits obtained.

INDEPENDENT TELEVISION NEWS LIMITED
STATEMENT OF ACCOUNTING POLICIES

(f) **Foreign currency**

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Differences arising on the retranslation of the opening group net assets and the results for the year are dealt with as a movement on reserves.

(g) **Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation (which arises from differences in the timing of the recognition of items in the accounts and by the tax authorities) using the liability method, except to the extent that the directors consider that a liability will not arise in the foreseeable future.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient undertakings.

(h) **Leases**

Assets held under finance leases have been capitalised at fair value together with their related lease obligations and are disclosed within tangible fixed assets and creditors respectively. Finance charges are allocated to accounting periods over the period of the lease term to provide a constant rate of return on the outstanding balance.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

(i) **Pension costs**

The group provides pensions to employees through two pension schemes. The company provides pensions to individuals employed to service the Independent Radio News Limited contract through a defined contribution scheme. For the remaining employees, the company operates a defined benefit pension scheme (The ITN Pension Scheme).

The amounts charged to the profit and loss account for the defined contribution scheme are the contributions payable in the period. The amount charged to the profit and loss account for the ITN Pension Scheme is the estimated regular cost to the company of providing benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable earnings. Variations from regular cost, arising from periodic actuarial valuations, are allocated to the profit and loss account over the remaining service lives of current employees on the basis of a constant percentage of current and future pensionable earnings. Further information on pension costs is provided in note 17(c).

NOTES TO THE ACCOUNTS**1. Parent company profit and loss account**

The company has taken advantage of the exemption in the Companies Act 1985 s.230 not to present its own profit and loss account. The company's retained profit for the year was £13,529,000 (1996 £10,767,000).

2. Segmental information

The principal activities of the group are to provide daily scheduled programmes of international and national news for television and radio. The group also provides other programmes for the Independent Television network, Channel 4, Channel 5 and other broadcasters and programming, technical and production facilities for domestic and foreign broadcasting companies. The group turnover, by geographical destination, is as follows:

	1997 £'000	1996 £'000
Turnover by geographical destination:		
United Kingdom	96,601	88,744
Rest of the World	2,392	1,936
	<hr/> 98,993	<hr/> 90,680

All turnover for the year originated in the UK.

3. Share of profits/(losses) of associated undertakings

	1997 £'000	1996 £'000
Corporate Television Networks Limited (50%)	198	106
Travel News Limited (50%)	51	(39)
London News Radio Limited (29%)	(418)	(972)
Euronews (49%)	91	-
	<hr/> (78)	<hr/> (905)

4. Income from other fixed asset investments

	1997 £'000	1996 £'000
Dividend income	368	156

NOTES TO THE ACCOUNTS

5. Interest payable and similar charges

	1997 £'000	1996 £'000
Interest on bank loans and overdrafts		
- repayable within five years, by instalments	1,545	2,582
Interest on finance leases		
- repayable within five years, by instalments	5	2
Interest on convertible loan stock (note 13)		
- repayable within five years, not by instalments	2,825	2,521
	<hr/> 4,375	<hr/> 5,105

6. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	1997 £'000	1996 £'000
Depreciation on tangible fixed assets:		
- owned	4,767	5,440
- held under finance leases	633	1,940
Loss on disposal of fixed assets	41	190
Operating lease rentals		
- plant and equipment	45	19
- land and buildings	1,018	651
- motor vehicles	55	134
Auditors' remuneration		
- auditors	67	65
- auditors' non-audit fees	103	132
	<hr/>	<hr/>

7. Staff costs

The average monthly number of persons (including executive directors) employed by the group during the year was as follows:

	1997 Number	1996 Number
News services, technical, production facilities and administration	720	678
	<hr/>	<hr/>

	1997 £'000	1996 £'000
The costs incurred in respect of these employees were:		
Wages and salaries	27,034	26,271
Employers' national insurance costs	2,260	2,108
Employers' pension costs (see also note 17c)	1,860	3,293
	<hr/> 31,154	<hr/> 31,672

NOTES TO THE ACCOUNTS

7. Staff costs (continued)

Directors' remuneration

Directors' remuneration was paid in respect of directors of the company as follows:

	1997 £'000	1996 £'000
Emoluments	670	613

Three directors (1996 three) were members of the ITN Pension Scheme.

The directors' remuneration shown above included:

	1997 £'000	1996 £'000
Highest paid director :		
Emoluments	302	293

The accrued pension entitlement under ITN's Pension Scheme of the highest paid director at 31st December 1997 was £140,000 (1996 £88,000).

8. Tax on profit on ordinary activities

	1997 £'000	1996 £'000
UK corporation tax at 31.5% (1996 33%)	(6,066)	(5,550)
Tax credit on UK dividends received	(74)	(31)
UK corporation tax on associated undertakings	(50)	(27)
Deferred taxation (note 14a)	(1,254)	(345)
	(7,444)	(5,953)

NOTES TO THE ACCOUNTS

9. Tangible fixed assets

(a)	Group and company	Freehold land and buildings	Fixed plant and equipment	Office & technical equipment	Motor vehicles	Profile & film library	Total
		£'000	£'000	£'000	£'000	£'000	£'000
	Cost						
	At 1st January 1997	77,967	25,216	47,565	1,029	120	151,897
	Additions	-	319	2,590	57	-	2,966
	Disposals	-	(198)	(1,422)	(18)	-	(1,638)
	At 31st December 1997	77,967	25,337	48,733	1,068	120	153,225
	Depreciation						
	At 1st January 1997	4,815	9,570	41,519	617	-	56,521
	Provided in year	1,359	1,557	2,237	247	-	5,400
	Disposals	-	(102)	(1,372)	(6)	-	(1,480)
	At 31st December 1997	6,174	11,025	42,384	858	-	60,441
	Net book value						
	At 31st December 1997	71,793	14,312	6,349	210	120	92,784
	At 31st December 1996	73,152	15,646	6,046	412	120	95,376

Technical equipment held under finance leases had a net book value at 31st December 1997 of £nil (1996 £633,000). The depreciation charged in the year on this equipment was £633,000 (1996 £1,940,000).

(b) Group and Company

Freehold land amounting to £10,000,000 (1996 £10,000,000) has not been depreciated.

NOTES TO THE ACCOUNTS

10. Fixed asset investments	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Associated undertakings	797	645	7,216	1,497
Other undertakings	2,408	2,532	2,408	2,532
	<hr/>	<hr/>	<hr/>	<hr/>
	3,205	3,177	9,624	4,029
	<hr/>	<hr/>	<hr/>	<hr/>

The parent undertaking and the group have investments in the following subsidiary undertakings, associated undertakings and other undertakings.

Trading subsidiaries

The group holds 100% of the equity shares of 200 Gray's Inn Road Management Limited. The principal activity of this company which is registered in England and Wales is property management.

ITN Radio Limited, a 100% subsidiary of ITN Limited, holds 19.7% of the ordinary share capital of Independent Radio News Limited (IRN). During the year, ITN supplied news programming to IRN and has one representative on the board. The company does not have a significant influence over the operation of IRN and consequently it has been treated as an investment in the accounts.

Associated undertakings

On 30th November 1997, ITN purchased a 49% stake in Société Opératrice de la Chaîne Européenne Multilingue d'Informations Euronews for cash consideration of £5,451,000. Euronews is incorporated in France. It is a multilingual European channel broadcasting to more than 90 million households across Europe and the Mediterranean regions.

Following a reorganisation of London News Radio's share and loan capital in March 1997 to enable GWR to comply with ownership restrictions, ITN's share increased to 33.6% from 29%. The other shareholders in the joint venture company are GWR Group Plc, with 20%, and Reuters Limited and DMG Radio London Limited each with 23.2%. The company owns two London radio stations, News Direct 97.3 FM and LBC 1152.

Travel News Limited is a joint venture between ITN and Traffimaster Plc, of which ITN owns 50%. The company provides travel news bulletins on local and national radio stations.

Corporate Television Networks Limited (CTN) is a joint venture between ITN and Burson-Marsteller Limited, of which ITN owns 50%. The company provides business television services.

In the consolidated accounts these investments are shown at cost plus the group's share of post-acquisition retained profits or losses.

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
At 1st January	645	119	1,497	76
Additions	5,478	142	5,478	142
Share of retained loss for the year	(128)	(932)	-	-
Dividends received	(125)	(100)	-	-
Goodwill written off on acquisition of Euronews	(5,314)	-	-	-
Negative goodwill	-	137	-	-
Loans provided	241	1,279	241	1,279
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December	797	645	7,216	1,497
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

10. Fixed asset investments (continued)

Other undertakings

The net book value of other undertakings at 31st December 1997 comprised an investment in Worldwide Television News Corporation (WTN) of £2,063,000 (1996 £2,187,000) and an investment in IRN of £345,000 (1996 £345,000).

	Cost and net book value 1997 £'000	Cost and net book value 1996 £'000
Group and company		
At 1st January	2,532	2,690
Redemption of WTN 'B' preference shares	(116)	(133)
Foreign exchange differences	(8)	(25)
	-----	-----
At 31st December	2,408	2,532
	-----	-----

WTN is a television news agency incorporated in the United States of America in which ITN had the following investment at 31st December 1997:

- (i) 10% of the ordinary voting shares;
- (ii) 100% of the 'B' preference shares, redeemable at par value in ten annual instalments commencing 30th April 1989 and ending April 1998; and
- (iii) 100% of the 'C' preference shares, redeemable at par value on 1st June 2013.

11. Debtors

The following are included in the net book value of debtors:

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Trade debtors	5,176	3,099	5,041	2,937
Other debtors	641	882	641	882
Prepayments and accrued income	3,878	4,104	3,685	4,042
	-----	-----	-----	-----
	9,695	8,085	9,367	7,861
	-----	-----	-----	-----

All debtors are recoverable within one year.

NOTES TO THE ACCOUNTS

12. Creditors: amounts falling due within one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Obligations under finance leases (note 13)	-	27	-	27
Interest on convertible loan stock (note 13)	10,683	-	10,683	-
Bank loan (note 13)	11,700	11,392	11,700	11,392
Trade creditors	1,019	739	715	861
Amounts owed to subsidiary undertakings	-	-	651	357
UK corporation tax payable	6,725	6,013	6,725	6,013
Social security and other taxes	1,012	1,007	1,012	1,007
Other creditors	1,415	771	1,381	752
Accruals and deferred income	14,959	12,021	14,244	11,270
	47,513	31,970	47,111	31,679

13. Creditors: amounts falling due after more than one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
12% convertible loan stock	15,000	15,000	15,000	15,000
Interest on convertible loan stock	-	7,858	-	7,858
Bank loan	-	11,700	-	11,700
	15,000	34,558	15,000	34,558

The convertible loan stock is unsecured and subject to interest at 12% p.a. Interest on the convertible loan stock falls due for payment on 31st December 1998 but may be deferred with the agreement of all loan stock holders. The bank facility allows for payment of the interest on the convertible loan stock at the earlier of 31st December 1998 or when the bank loan is less than £10 million. The capital is repayable after five years not by instalments. From 30th June 2001, the loan stock holders, all of whom are ITN shareholders, can require the company to convert all or part of the stock into £1 ordinary shares at par at regular intervals. The loan stock must be repaid in 2003 if it has not been converted. The company is entitled to convert all or part of the loan stock at regular intervals.

NOTES TO THE ACCOUNTS

13. Creditors: amounts falling due after more than one year (continued)

Bank loans are secured and are repayable as follows

	1997 £'000	1996 £'000
Group and company		
Within one year	11,700	11,392
Between one and two years	-	11,700
	<hr/> 11,700	<hr/> 23,092

The bank loan at 31st December 1997 is secured on freehold property and interest is payable at LIBOR-related rates.

Obligations under finance leases are repayable as follows

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Within one year	-	27	-	27
	<hr/>	<hr/>	<hr/>	<hr/>

Interest on these leases was payable at LIBOR-related rates.

NOTES TO THE ACCOUNTS

14. Provisions for liabilities and charges

	1997	1996
	£'000	£'000

Group and company

Provisions for liabilities and charges comprise:

Deferred taxation (note 14a)	1,839	585
Provision for pensions (note 17c)	7,216	8,335
Provision on space available for letting (note 14b)	4,037	4,657
	<hr/>	<hr/>
	13,092	13,577
	<hr/>	<hr/>

(a) Deferred Taxation

The provision for deferred tax is analysed as follows:

	1997	1996
	£'000	£'000
Group and company		
Excess of tax allowances over book depreciation	5,605	5,426
Short term timing differences	(3,766)	(4,841)
	<hr/>	<hr/>
	1,839	585
	<hr/>	<hr/>

The movement on deferred taxation comprises:

	1997	1996
	£'000	£'000
Group and company		
At 1st January	585	240
Charge to profit and loss account	1,254	345
	<hr/>	<hr/>
At 31st December	1,839	585
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

14. Provisions for liabilities and charges (continued)

(b) Provision on space available for letting

	1997 £'000	1996 £'000
Group and company		
At 1st January	4,657	5,549
Utilised during the year	(620)	(892)
At 31st December	4,037	4,657

The utilisation of the provision relates to losses incurred during the year on space available for letting.

The directors believe that the remaining provision of £4,037,000 is sufficient to cover the liability arising as a result of the future deficit on the remaining space available for letting. This provision will be reviewed annually in the light of developments in the property market and any additional letting achieved. The provision has been calculated by reference to projected rental income and all relevant costs relating to letting.

15. Called-up share capital

In 1997 the Group had 15,400,000 authorised ordinary shares of £1 each (1996 15,400,000 ordinary shares).

	1997 £'000	1996 £'000
Group and company		
Allotted, called-up and fully-paid: 400,000 ordinary shares of £1 each	400	400

16. Reserves

Profit and loss account:	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
At 1st January	33,065	22,787	33,560	22,793
Profit for the year	13,570	10,141	13,529	10,767
Goodwill written off	(5,314)	-	-	-
Other reserves	-	137	-	-
At 31st December	41,321	33,065	47,089	33,560

The movement on goodwill written off represents positive goodwill arising on the company's investment in Euronews. The cumulative amount of goodwill written off against the group's reserves, net of goodwill relating to undertakings disposed of, is £5,314,000 (1996 £nil).

The movements on other reserves in 1996 represented negative goodwill arising on the company's initial investment in London News Radio Limited. This amount is not available for distribution.

NOTES TO THE ACCOUNTS

17. **Guarantees and other financial commitments**(a) **Capital commitments**

	1997 £'000	1996 £'000
Group and company		
Contracted for but not provided for	508	252

(b) **Operating lease commitments**

At 31st December 1997 the group and company had minimum annual commitments under non-cancellable operating leases as follows:

	Group and Company	
	Land and buildings £'000	Other £'000
1997		
Operating leases which expire:		
- within one year	-	39
- between two and five years	296	29
- after more than five years	945	-
	1,241	68

	Group and Company	
	Land and buildings £'000	Other £'000
1996		
Operating leases which expire:		
- within one year	-	51
- between two and five years	296	83
- after more than five years	940	-
	1,236	134

The lease commitments in respect of land and buildings are subject to upwards only rent reviews at various intervals specified in the leases.

NOTES TO THE ACCOUNTS**17. Guarantees and other financial commitments (continued)****(c) Pension arrangements**

The group provides pensions to employees through two pension schemes. The company provides pensions to individuals employed to service the Independent Radio News Limited contract through a defined contribution scheme. For the remaining employees, the company operates a defined benefit pension scheme (the ITN Pension Scheme).

The assets of these funded schemes are held independently of the group by trustees and invested with independent financial institutions.

The total pension cost charge for the year was £1,860,000 (1996 £3,293,000) of which £1,850,000 (1996 £3,281,000) relates to the ITN Pension Scheme. The cost attributable to the ITN Pension Scheme was made up of a regular pension cost of £3,506,000 (1996 £3,237,000) less variations from regular cost of £2,344,000 (1996 £660,000) plus interest on the pension provision of £688,000 (1996 £704,000). The cash contributions made to the pension fund amounted to £2,969,000 (1996 £3,237,000). As at 31st December 1997, the pension provision in the consolidated accounts was £7,216,000 (1996 £8,335,000), which relates to the excess of the accumulated pension cost over the amount funded for the ITN Pension Scheme.

The pension cost and related provision are assessed in accordance with the advice of a professionally qualified actuary on a triennial basis. The latest actuarial valuation was as at 31st December 1996 and used the projected unit method. The main actuarial assumptions were that (a) salaries would increase by 6.0% p.a., (b) pensions in payment by 3.75% p.a., (c) dividends by 4.5% p.a., and (d) the return on investments would be 8.25% p.a. The actuarial valuation as at 31st December 1996 showed that the market value of the ITN Pension Scheme's assets was £145.7 million and that the actuarial value of those assets represented 121% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

18. Related party transactions

The company enters into a number of transactions in the ordinary course of business with its shareholders. At 31st December 1997, the shareholders were (either directly or via subsidiaries):

Carlton Communications Plc	20%
Daily Mail and General Trust Plc	20%
Granada Group Plc	20%
Reuters Group Plc	20%
United News and Media Plc	20%

The company made sales of £48,745,000 (1996 £43,350,000) to shareholders in respect of the supply of news programming, facility sales, rental income and other programming.

The company made purchases of £2,962,000 (1996 £3,092,000) from shareholders in respect of the supply of news agency, catering and other services.

The following amounts are included within the balance sheet in respect of trade with shareholders:

Additions of tangible fixed assets £11,000 (1996 £923,000);

Debtors £517,000 (1996 £607,000);

Creditors due within one year £210,000 (1996 £2,000).

19. Post balance sheet events

(a) On 22nd May 1998, the company sold 200 Gray's Inn Road for cash consideration of £71 million and agreed to a leaseback of the area it occupies.

(b) On 28th May 1998, the company redeemed all the £15 million Subordinated Unsecured Convertible Loan Notes and accumulated interest, and paid a dividend of £41,814,000.

NOTES TO THE ACCOUNTS

20. Reconciliation of operating profit to net cash inflow from operating activities:

	1997 £'000	1996 £'000
Operating profit	23,983	21,301
Depreciation charge	5,400	7,380
Loss on disposal of tangible fixed assets	41	190
Increase in debtors	(1,641)	(1,549)
Increase/(decrease) in creditors	3,962	(1,026)
Decrease in provisions	(1,739)	(1,489)
Foreign exchange differences	8	25
Net cash inflow from operating activities	30,014	24,832

21. Analysis of changes in net debt

	at 1st Jan 1997 £'000	Cash flows £'000	Other changes £'000	at 31st Dec 1997 £'000
Cash at bank and in hand	6,932	4,710		11,642
Convertible loan stock	(15,000)	-		(15,000)
Bank loan due within one year	(11,392)	11,392	(11,700)	(11,700)
Bank loan due after more than one year	(11,700)	-	11,700	-
Interest on convertible stock	(7,858)	-	(2,825)	(10,683)
		11,392		
Obligation under finance leases due within one year	(27)	27		-
Net debt	(39,045)	16,129	(2,825)	(25,741)