

547648

INDEPENDENT TELEVISION NEWS LIMITED

ANNUAL REPORT AND ACCOUNTS

31ST DECEMBER 1998



INDEPENDENT TELEVISION NEWS LIMITED

ANNUAL REPORT AND ACCOUNTS

CONTENTS

	Page
Company information	1
Chairman's statement	2 - 4
Directors' report	5 - 6
Auditors' report	7
Consolidated profit and loss account	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated cash flow statement	11 - 12
Reconciliation of movements in shareholders' funds	12
Statement of accounting policies	13 - 14
Notes to the accounts	15 - 28

COMPANY INFORMATION

Chairman

M. W. Wood

Chief Executive

S. P. Purvis

Executive Director

R. G. Tait

Non-Executive Directors

R. N. Gilbert

M. P. Green

G. J. Parrott

J. E. Willis

S. A. Cain

G. Murray

H. E. Staunton

M. D. Stewart

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**Overview**

ITN strengthened its core business in 1998, beginning a new five-year contract for ITV, its biggest customer, and securing a new mandate to produce Channel 4 News. It was a year in which ITN began to establish itself as a major player in the online world, building itn.co.uk into one of the country's most popular websites. Another success was the steady growth of ITN Factual, which is gaining recognition as a leading production house for documentaries and topical programming.

ITV took a long-awaited decision to change its evening schedules and move the timing of its early evening and peak-time news bulletins. This brought to an end a 32-year run for *News at Ten*. ITN threw itself into creating two entirely new evening programmes for the ITV network at 6.30pm and 11pm. They were launched successfully in March 1999.

1998 was the first full year of ITN's management of EuroNews, the pan-European news channel which broadcasts to 100 million homes in 43 countries. The new executive team organised a complete redesign and relaunch of the channel which has evidently increased its appeal to advertisers.

In keeping with the company's strategy of focussing on businesses in which it can add value, ITN sold the leasehold of its London headquarters at 200 Gray's Inn Road and withdrew from the management of the building.

Results

ITN's operating profit for 1998 was £11.6 million. The reduction against the previous year (1997: £24.0 million) was expected and reflected in part a reduction in annual payments under the new five-year ITV contract. There was also an impact from the loss of rental income following the sale of 200 Gray's Inn Road, which went through in May. As part of the building sale, the company took a leaseback on the areas it occupies.

In September, the Company sold its shareholding in Worldwide Television News Corporation (WTN) when WTN was acquired by Associated Press.

The net effect of both of these transactions was to enable ITN to redeem all of its £15 million Subordinated Unsecured Convertible Loan Notes and accumulated interest and to pay a dividend for the first time in its history.

Profit after tax totalled £9.4 million (1997: £13.6 million). Interim dividends paid in the year totalled £44.6 million with a final dividend of £5.3 million paid on 23rd July 1999. Accordingly, dividends of £49.9 million have been paid relating to the 1998 financial year.

News Programming

ITN's television news contracts are its core business and the Company continued to provide the main news programmes for the ITV network, Channel 4 and Channel 5. The new five-year ITV contract began in January 1998. The contract for Channel 4 News was put out to tender but ITN won it back against vigorous competition. This also involved a five-year contract which came into effect in January 1999. ITN's news programmes for these networks continued to enjoy great popularity throughout the year. The quality of its journalism was repeatedly commended by the media and recognised by a number of awards.

In 1998, *News at Ten* was Britain's most popular prime time national news programme for much of the year and Trevor McDonald was regularly rated most popular newscaster. ITN has ensured that *News at Ten's* appeal, personality and production qualities are carried over to ITV's *Early Evening News* at 6.30pm, which Trevor McDonald fronts.

The 1998 Independent Television Commission Annual Programme Review recognised the strengths of ITN's news programming on the three terrestrial commercial networks. It said ITN provided high quality foreign and domestic news coverage to ITV and commended its reporting from Kosovo, Indonesia and Baghdad. On Channel 4 News, the Review noted that "the programme sustained its reputation for serious, measured and high quality reporting". Regarding Channel 5 News, it said the presentation was more lively than news on other channels, while the experience and resources of ITN ensured the quality remained high. "5 News remained one of the Channel's most distinctive features," it added.

CHAIRMAN'S STATEMENT**Factual Programming**

ITN Factual, the Company's programme-making arm, has sustained strong growth in its business year after year and is establishing a reputation as a leading documentary maker in the UK. In 1998 it produced tailored programming and other material for ITV, ITV2, Channel 4, Channel 5, Discovery, A&E and The History Channel. For the first time ITN won a commission from a UK broadcaster, Channel 5, for the production of an entire series of current affairs programmes.

EuroNews

1998 saw the first full year of ITN's management of EuroNews, in which ITN has a 49% shareholding. EuroNews is a pan-European news channel broadcasting 20 hours of news every day, with one common visual channel and five separate language soundtracks (French, English, German, Spanish and Italian). The channel is received in nearly 100 million homes in 43 countries in Europe and the Mediterranean. EuroNews' losses were considerably reduced in 1998 and the Company is forecast to break even by the end of 2001.

London News Radio

ITN has a 33.6% shareholding in London News Radio Limited, which operates the two London radio stations, News Direct 97.3FM and LBC 1152AM. The Company's financial performance has continued to improve since it was acquired by ITN, GWR, DMGT and Reuters in 1996. The financial year ended 30th September 1998 showed an operating loss of £0.3 million compared to £1.5 million loss the previous year.

New Media and digital television opportunities

During 1998 ITN established itself as a major player in the emerging digital online information business. Its news website, *itn.co.uk*, rapidly built up its content during the year and began to feature regularly among the country's top 20 Internet sites in terms of visitors and page views. The website contains up-to-the-minute news and information on ITN programmes.

ITN launched one of Europe's first personalised Desktop News products. This provides computer users with e-mail text, pictures and video news reports on demand.

ITN is well positioned to be a key news and information source as digital television and interactive digital services begin to take hold. The Company is establishing strong relationships with a number of leading new media businesses to capitalise on the opportunities which we expect to emerge. We believe that there is considerable value to be accrued from ITN's news brand and from the news infrastructure already in place, which serves our television and radio news contracts and our web sites.

Awards

ITN's journalism and correspondents were recognised at the Royal Television Society Journalism Awards for 1998. *News at Ten* was named Programme of the Year. The Judges said they were "impressed by the programme's consistently high standard and its continued commitment to high quality and enterprising television news journalism".

The award for Interview of the Year was given to Dermot Murnaghan for an interview with Peter Mandelson on ITN's *Lunchtime News* in December, in which the minister was uneasy at answering questions relating to the financing of his house in London. Mandelson resigned shortly afterwards.

The Young Journalist of the Year was named as Peter Lane of 5 News. ITN also won the Sports News Award at the RTS Sports Awards for *News at Ten*'s coverage of the World Cup. Trevor McDonald received the prestigious Richard Dimbleby Award for Outstanding Contribution to Television at the annual BAFTA television awards.

INDEPENDENT TELEVISION NEWS LIMITED

CHAIRMAN'S STATEMENT

Board and management

On behalf of the Directors and shareholders I would like to thank everyone at ITN for their hard work during a challenging year. The energy with which the staff threw themselves into creating two entirely new evening programmes for the ITV network was particularly impressive.

ITN's success in retaining the Channel 4 News contract underlined how far the company has evolved into one of the most innovative and creative forces in television news today. No other news organisation produces programming of such varying character as the output to ITV, Channels 4 and 5 and EuroNews.

ITN's success at managing EuroNews is turning it into an important player in the European television world. Its development of a strong Internet identity and state-of-the-art website skills position it well for the opportunities which the spread of digital television will undoubtedly offer.

The challenge of the coming years will be to grow and exploit ITN's powerful brand in the very different digital information and television world which is now emerging. The steps taken in 1998 show ITN's management and staff are not only aware of the scale of this challenge but ready to move fast and decisively to build the Company's business in the new environment.



Mark Wood
Chairman

28th September 1999

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 1998.

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 programming, archive material and 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. Interim dividends were paid on 28th May 1998 (£41,814,000) and on 30th September 1998 (£2,776,000). The directors recommend a final dividend of £5,300,000 to be paid in July 1999 (1997 £nil).

Directors and their interests

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

Board Directors

M. W. Wood	(elected as Chairman 7th July 1998)
Sir David English	(Chairman, deceased 10th June 1998)
R. N. Gilbert	(appointed to the Board 22nd July 1998)
M. P. Green	
R. F. Laughton	(resigned from the Board 24th May 1999)
G. J. Parrott	
S. P. Purvis	
R. G. Tait	
J. M. Wheatley	(resigned from the Board 22nd June 1999)
J. E. Willis	(appointed to the Board 24th May 1999)

Alternates

S. A. Cain	(appointed to the Board 23rd March 1999)
J. Cresswell	(resigned from the Board 24th May 1999)
R. N. Gilbert	(appointment terminated on 10th June 1998 as a result of the death of Sir David English)
J. F. de Moller	(resigned from the Board 31st January 1999)
G. Murray	(appointed to the Board 18th June 1999)
H. E. Staunton	
M. D. Stewart	(appointed to the Board 16th September 1998)

During the year to 31st December 1998 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 £256,000. This included a donation of £250,000 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.

Year 2000

The group is continuing to give high priority to the impact of the millennium and is taking the necessary steps to minimise the effect of the Year 2000 date change. The group has followed the requirements of the UITF Abstract 20 by charging the costs of rectification to the profit and loss account as they are incurred and costs which represent an enhancement have been capitalised.

The company has carried out a full Year 2000 assessment of all its assets and systems. This has resulted in the upgrade or replacement of a number of the newsroom and operational support systems. The total spend on such improvements in the year to 31 December 1998 is approximately £2.3 million; it is estimated the total spend will be approximately £3 million.

Supplier payment policy

The company's policy is to arrange 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 1998 were 5 days (1997 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

28th September 1999

AUDITORS' REPORT

To the Shareholders of Independent Television News Limited

We have audited the financial statements on pages 8 to 28 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 1998 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

28th September 1999

INDEPENDENT TELEVISION NEWS LIMITED
**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1998**

	Notes	1998 £'000	1997 £'000
Turnover			
Continuing operations		85,391	97,040
Discontinued operations	(13)	1,213	1,953
	(2)	86,604	98,993
Cost of sales	(3)	(62,234)	(64,611)
Gross profit		24,370	34,382
Other operating expenses	(3)	(14,387)	(14,316)
Rental income relating to 200 Gray's Inn Road		1,573	3,917
Total other operating expenses (net)		(12,814)	(10,399)
Operating profit/(loss)			
Continuing operations		11,570	23,996
Discontinued operations	(13)	(14)	(13)
		11,556	23,983
Share of results of associated undertakings	(4)	(459)	(78)
Profit on disposal of fixed assets	(5)	855	-
Profit on ordinary activities before interest and taxation		11,952	23,905
Income from other fixed asset investments	(6)	416	368
Interest receivable		1,000	1,116
Interest payable and similar charges	(7)	(1,512)	(4,375)
Profit on ordinary activities before taxation	(8)	11,856	21,014
Tax on profit on ordinary activities	(10)	(2,460)	(7,444)
Profit on ordinary activities after taxation		9,396	13,570
Dividends paid and proposed	(11)	(49,890)	-
Retained (loss)/profit for the year	(19)	(40,494)	13,570

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

The movement on reserves is set out in note 19 to the accounts.

The accompanying notes are an integral part of these accounts.

INDEPENDENT TELEVISION NEWS LIMITED

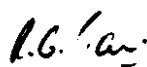
**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 1998**

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	(12)	26,437	92,784
Investments in associated undertakings	(13)	888	797
Other investments	(13)	345	2,408
		<hr/> 27,670	<hr/> 95,989
Current assets			
Debtors	(14)	12,476	9,695
Cash at bank and in hand		3,116	11,642
		<hr/> 15,592	<hr/> 21,337
Creditors: amounts falling due within one year	(15)	(26,440)	(47,513)
		<hr/> (10,848)	<hr/> (26,176)
Net current liabilities			
Total assets less current liabilities		<hr/> 16,822	<hr/> 69,813
 Creditors: amounts falling due after more than one year	(16)	 (4,178)	 (15,000)
Provisions for liabilities and charges	(17)	(12,211)	(13,092)
		<hr/> 433	<hr/> 41,721
Net assets			
Equity capital and reserves			
Called-up share capital	(18)	400	400
Profit and loss account	(19)	33	41,321
		<hr/> 433	<hr/> 41,721

Approved by the Board on 28th September 1999



S. P. Purvis *Director*



R. G. Tait *Director*

The accompanying notes are an integral part of these accounts.

INDEPENDENT TELEVISION NEWS LIMITED

COMPANY BALANCE SHEET
AS AT 31ST DECEMBER 1998

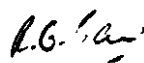
	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	(12)	26,437	92,784
Investments	(13)	9,097	9,624
		35,534	102,408
Current assets			
Debtors	(14)	12,204	9,367
Cash at bank and in hand		2,672	10,917
		14,876	20,284
Creditors: amounts falling due within one year	(15)	(26,708)	(47,111)
Net current liabilities		(11,832)	(26,827)
Total assets less current liabilities		23,702	75,581
Creditors: amounts falling due after more than one year	(16)	(4,178)	(15,000)
Provisions for liabilities and charges	(17)	(12,211)	(13,092)
Net assets		7,313	47,489
Equity capital and reserves			
Called-up share capital	(18)	400	400
Profit and loss account	(19)	6,913	47,089
		7,313	47,489

Approved by the Board on 28th September 1999



S. P. Purvis

Director



R. G. Tait

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 1998

	Notes	1998 £'000	1997 £'000
Operating activities			
Net cash inflow from operating activities	(23)	11,378	30,014
Dividends from joint ventures and associated undertakings		125	125
Returns on investments and servicing of finance			
Income from fixed asset investments		147	283
Interest received		1,040	1,079
Interest paid		(273)	(1,585)
Interest element of finance lease and hire purchase rentals		(32)	(6)
Net cash inflow/(outflow) from returns on investments and servicing of finance		882	(229)
Taxation			
UK corporation tax paid		(6,129)	(5,274)
Capital expenditure and financial investment			
Acquisition of tangible fixed assets		(9,295)	(3,021)
Sale of tangible fixed assets		88	117
Disposal of a long leasehold interest in 200 Gray's Inn Road		71,000	-
Costs associated with the disposal of a long leasehold interest in 200 Gray's Inn Road		(576)	-
Sale and redemption of WTN investments		3,836	116
Net cash inflow/(outflow) from capital expenditure and financial investment		65,053	(2,788)
Acquisitions and disposals			
Purchase of shares in associated undertakings		(1,535)	(5,478)
Purchase of loan notes issued by associated undertakings		-	(241)
Net cash outflow from acquisitions and disposals		(1,535)	(5,719)
Equity dividends paid		(44,590)	-
Cash inflow before management of liquid resources and financing		25,184	16,129
Financing			
Repayment of bank loan	(24)	(11,700)	(11,392)
Repayment of convertible loan stock and interest	(24)	(26,924)	-
New finance leases/(capital element of finance lease repayments)	(24)	4,914	(27)
Net cash outflow from financing		(33,710)	(11,419)
(Decrease)/increase in cash in the year	(24)	(8,526)	4,710

INDEPENDENT TELEVISION NEWS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1998

Reconciliation of movement in net debt

	Notes	1998 £'000	1997 £'000
(Decrease)/increase in cash in the year		(8,526)	4,710
Cash outflow from decrease in bank loan		11,700	11,392
Cash outflow from repayment of convertible loan stock and interest		26,924	-
Cash inflow from increase in obligations under finance leases and hire purchase agreements		(4,914)	27
Change in net debt resulting from cashflows	(24)	25,184	16,129
Increase in convertible loan stock	(24)	(1,241)	(2,825)
Movement in net debt in the period		23,943	13,304
Net debt as at 1st January	(24)	(25,741)	(39,045)
Net debt as at 31st December	(24)	(1,798)	(25,741)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Shareholders' funds at 1st January	41,721	33,465	47,489	33,960
Retained (loss)/profit for the year	(40,494)	13,570	(40,176)	13,529
Exchange differences on foreign currency net investments	(3)	-	-	-
Goodwill written off against reserves	(791)	(5,314)	-	-
Shareholders' funds at 31st December	433	41,721	7,313	47,489

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 financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) **Basis of consolidation**

The group financial statements consolidate the accounts of Independent Television News Limited and its subsidiary undertakings up to 31st December 1998.

The acquisition method of accounting has been adopted. Under Financial Reporting Standard 10 "Goodwill and Intangible Assets", all purchased goodwill and intangible assets are to be capitalised and amortised through the profit and loss account over their useful economic life. This standard is effective for accounting periods ending on or after 23rd December 1998. Prior to this, all positive and negative goodwill whether purchased or arising on consolidation, was taken to reserves in the year it was 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 impairment.

(e) **Tangible fixed assets**

Tangible fixed assets are stated at cost less amounts written off. 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 5 and 25 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.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced. Timing differences arise due to the difference of the recognition of items in the accounts and by the tax authorities.

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 and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

(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 20(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 loss for the year was £40,176,000 (1997 profit of £13,529,000).

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 programming, archive material and technical and production facilities for domestic and foreign broadcasting companies. The group turnover, by geographical destination, is as follows:

	1998 £'000	1997 £'000
Turnover by geographical destination:		
United Kingdom		
- continuing operations	81,573	94,648
- discontinued operations	1,213	1,953
Rest of the World	3,818	2,392
	<hr/> 86,604	<hr/> 98,993

All turnover for the year originated in the UK.

3. Cost of sales and other operating expenses

	1998 £'000	1997 £'000
Cost of sales		
Continuing operations	61,140	62,993
Discontinued operations	1,094	1,618
	<hr/> 62,234	<hr/> 64,611
Other operating expenses		
Continuing operations	14,254	13,968
Discontinued operations	133	348
	<hr/> 14,387	<hr/> 14,316

INDEPENDENT TELEVISION NEWS LIMITED

NOTES TO THE ACCOUNTS

4. **Share of profits/(losses) of associated undertakings**

	1998 £'000	1997 £'000
Corporate Television Networks Limited (50%)	245	198
Travel News Limited (50%)	55	51
London News Radio Limited (33.6%)	(54)	(418)
EuroNews (49%)	(705)	91
	(459)	(78)

5. **Profit on disposal of fixed assets**

	1998 £'000	1997 £'000
Loss on sale of 200 Gray's Inn Road	(910)	-
Profit on sale of WTN investment (note 13)	1,765	-
	855	-

The tax effect of the net profit on sale of fixed assets was £884,000 in the current year.

6. **Income from other fixed asset investments**

	1998 £'000	1997 £'000
Dividend income	416	368

7. **Interest payable and similar charges**

	1998 £'000	1997 £'000
Interest on bank loans and overdrafts	233	1,545
Interest on finance leases and hire purchase contracts	38	5
Interest on convertible loan stock (note 15)	1,241	2,825
	1,512	4,375

NOTES TO THE ACCOUNTS

8. Profit on ordinary activities before taxation

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

	1998 £'000	1997 £'000
Depreciation of tangible fixed assets:		
- owned	4,201	4,767
- held under finance leases	345	633
Loss on disposal of fixed assets	149	41
Operating lease rentals		
- plant and equipment	26	45
- land and buildings	2,284	1,018
- motor vehicles	39	55
Auditors' remuneration		
- audit fees	71	67
- non-audit fees	163	103

9. Staff costs and directors' remuneration

Staff costs

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

	1998 Number	1997 Number
News services, technical, production facilities and administration	756	720

	1998 £'000	1997 £'000
The costs incurred in respect of these employees were:		
Wages and salaries	29,251	27,034
Employers' national insurance costs	2,415	2,260
Employers' pension costs (see also note 20c)	1,772	1,860

	33,438	31,154
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Directors' remuneration

The remuneration committee ("the committee") comprises the following non-executive directors: M. W. Wood and M. P. Green. The committee does not retain a firm of remuneration consultants, but may seek professional advice on an ad hoc basis.

In determining the remuneration packages of the executive directors, the committee has regard to the importance of recruitment, motivation and retention of quality management.

Base salary and benefits are determined on an annual basis by the committee after a review of the individual's performance, company performance, market trends and the UK inflation rate. For guidance, the committee has regard to available research and published remuneration information on comparable companies. Benefits include the Company pension scheme, life disability, health insurance and death in service cover. The value of benefits is not pensionable.

INDEPENDENT TELEVISION NEWS LIMITED

NOTES TO THE ACCOUNTS

9. Staff costs and directors' remuneration (continued)

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

	1998 Salary £'000	1998 Benefits £'000	1998 Total £'000	1997 Total £'000
S. P. Purvis	285	28	313	303
R. G. Tait	220	18	238	219
J. M. Wheatley	146	12	158	148
Total emoluments	651	58	709	670

Three directors (1997 three) were members of the ITN Pension Scheme, for which the normal retirement age is 60, the spouse's fraction is 50% and pension payment increases are in line with price inflation with a limit of 5% each year.

The directors' pension entitlement are as follows:

	Age	Years of Service	Accrued pension entitlement		
			Increase during year £	Accumulated total at 31st Dec 1998 £	1997 £
S. P. Purvis	51	26	5,521	142,473	132,193
R. G. Tait	51	11	6,690	49,874	41,683
J. M. Wheatley	37	8	1,838	14,892	12,600

The accrued pension entitlement shown is that which would be paid annually, commencing at normal retirement age, based on service to 31st December 1998. The increase in accrued pension during 1998 excludes any increase for inflation. The accrued entitlement does not reflect any additional voluntary contributions made by the directors.

10. Tax on profit on ordinary activities

	1998 £'000	1997 £'000
UK corporation tax at 31% (1997 31.5%)	(2,638)	(6,066)
Tax credit on UK dividends received	(83)	(74)
Share of associated undertakings' tax	(71)	(50)
Deferred taxation (note 17a)	332	(1,254)
	(2,460)	(7,444)

The effective rate of tax of 20.7% is due to the release of an unrecognised deferred tax asset following the payment of accrued convertible loan stock interest.

INDEPENDENT TELEVISION NEWS LIMITED

NOTES TO THE ACCOUNTS

11. Dividends paid and proposed

	1998 £'000	1997 £'000
Interim of £104.53 per ordinary share paid on 28th May 1998 (1997 - £nil)	41,814	-
Interim of £6.94 per ordinary share paid on 30th September 1998 (1997 - £nil)	2,776	-
Final of £13.25 per ordinary share paid on 23rd July 1999 (1997 - £nil)	5,300	-
	49,890	-

12. Tangible fixed assets

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 1998	77,967	25,337	48,733	1,068	120	153,225
Assets under construction	-	295	2,989	109	-	3,393
Additions	-	743	5,222	338	-	6,303
Disposals	(77,967)	(825)	(72)	(73)	-	(78,937)
At 31st December 1998	-	25,550	56,872	1,442	120	83,984
Depreciation						
At 1st January 1998	6,174	11,025	42,384	858	-	60,441
Provided in year	533	1,598	2,213	202	-	4,546
Disposals	(6,707)	(589)	(72)	(72)	-	(7,440)
At 31st December 1998	-	12,034	44,525	988	-	57,547
Net book value						
At 31st December 1998	-	13,516	12,347	454	120	26,437
At 31st December 1997	71,793	14,312	6,349	210	120	92,784

Technical equipment held under finance leases had a net book value at 31st December 1998 of £4,904,000 (1997 £nil). The depreciation charged in the year on this equipment was £345,000 (1997 £633,000).

NOTES TO THE ACCOUNTS

13. Fixed asset investments	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Associated undertakings	888	797	8,752	7,216
Other undertakings	345	2,408	345	2,408
	1,233	3,205	9,097	9,624

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

Trading subsidiaries

200 Gray's Inn Road Management Limited's principal activity was property management of the building. Trading ceased following the disposal of a long leasehold interest in 200 Gray's Inn Road on 22nd May 1998. The operations are therefore shown as discontinued operations, consistent with the definition in FRS3 Reporting Financial Performance.

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

Société Opératrice de la Chaîne Européenne Multilingue d'Informations Euronews (SOCEMIE) is a joint venture between ITN and Société Editrice de la Chaîne Européenne Multilingue d'Informations Euronews (SECEMIE) and is incorporated in France of which ITN owns 49%. SECEMIE is a company owned by a number of public broadcasters including France Télévision, RTVE, RAI and SSR-SRG. SOCEMIE operates EuroNews, a multilingual European news and information channel broadcasting to nearly 100 million households across Europe and the Mediterranean regions.

ITN's owns 33.6% of London News Radio Limited. 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 AM.

Travel News Limited is a joint venture between ITN and Trafficmaster 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 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
At 1st January	797	645	7,216	1,497
Additions	1,536	5,478	1,536	5,478
Share of retained loss for the year	(529)	(128)	-	-
Dividends received	(125)	(125)	-	-
Goodwill written off on acquisition of EuroNews	(791)	(5,314)	-	-
Loans provided	-	241	-	241
At 31st December	888	797	8,752	7,216

NOTES TO THE ACCOUNTS

13. Fixed asset investments (continued)

	1998 £'000	1997 £'000
Included above is the group's share of EuroNews which is detailed individually below:		
Turnover	6,705	1,243
(Loss)/Profit before tax	(705)	91
Taxation	-	-
Fixed assets	1,406	1,608
Current assets	2,592	3,845
Liabilities due within one year	2,944	4,478
Liabilities due after one year or more	791	743

Other undertakings

The net book value of other undertakings at 31st December 1998 comprised an investment in IRN of £345,000 (1997 £345,000).

	Cost and net book value 1998 £'000	Cost and net book value 1997 £'000
Group and company		
At 1st January	2,408	2,532
Sale of WTN investment	(33)	-
Redemption of WTN 'B' preference shares	(120)	(116)
Redemption of WTN 'C' preference shares	(1,910)	-
Foreign exchange differences	-	(8)
At 31st December	345	2,408

NOTES TO THE ACCOUNTS

14. Debtors

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

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Trade debtors	5,670	5,069	5,656	4,934
Amounts owed by associated undertakings	446	153	446	153
Other debtors	736	595	663	595
Prepayments and accrued income	5,624	3,878	5,439	3,685
	12,476	9,695	12,204	9,367

All debtors are recoverable within one year.

15. Creditors: amounts falling due within one year

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Obligations under finance leases and hire purchase agreements (note 16)	736	-	736	-
Interest on convertible loan stock (note 16)	-	10,683	-	10,683
Bank loan (note 16)	-	11,700	-	11,700
Trade creditors	685	1,019	660	715
Amounts owed to subsidiary undertakings	-	-	799	651
UK corporation tax payable	3,194	6,725	3,194	6,725
Social security and other taxes	895	1,012	895	1,012
Other creditors	1,424	1,415	1,297	1,381
Proposed dividend	5,300	-	5,300	-
Accruals and deferred income	14,206	14,959	13,827	14,244
	26,440	47,513	26,708	47,111

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

	1998 £'000	1997 £'000
Group and company		
12% convertible loan notes	-	15,000
	-	15,000

On 28th May 1998, the company redeemed all the £15 million Subordinated Unsecured Convertible Loan Notes and the accumulated interest.

NOTES TO THE ACCOUNTS

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

Bank loans are secured and are repayable as follows

	1998 £'000	1997 £'000
Group and company		
Within one year	-	11,700
	-	11,700

The bank loan was fully repaid on 22nd May 1998.

Obligations under finance leases and hire purchase agreements are repayable as follows

	1998 £'000	1997 £'000
Group and company		
Within one year	736	-
Between one and two years	4,178	-
	4,914	-

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

NOTES TO THE ACCOUNTS

17. Provisions for liabilities and charges

	1998 £'000	1997 £'000
Group and company		
Provisions for liabilities and charges comprise:		
Deferred taxation (note 17a)	1,507	1,839
Provision for pensions (note 20c)	7,253	7,216
Provision on space available for letting (note 17b)	3,451	4,037
	12,211	13,092

(a) Deferred Taxation

The provision for deferred tax is analysed as follows:

	1998 £'000	1997 £'000
Group and company		
Excess of tax allowances over book depreciation	1,507	5,605
Short term timing differences	-	(3,766)
	1,507	1,839

The movement on deferred taxation comprises:

	1998 £'000	1997 £'000
Group and company		
At 1st January	1,839	585
(Credit)/charge to profit and loss account	(332)	1,254
At 31st December	1,507	1,839

NOTES TO THE ACCOUNTS

17. Provisions for liabilities and charges (continued)

(b) Provision on space available for letting

	1998 £'000	1997 £'000
Group and company		
At 1st January	4,037	4,657
Utilised during the year	(586)	(620)
At 31st December	3,451	4,037

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 £3,451,000 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.

18. Called-up share capital

In 1998 the Group had 15,400,000 authorised ordinary shares of £1 each (1997 15,400,000 ordinary shares).

	1998 £'000	1997 £'000
Group and company		
Allotted, called-up and fully-paid: 400,000 ordinary shares of £1 each	400	400

19. Reserves

Profit and loss account:	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
At 1st January	41,321	33,065	47,089	33,560
(Loss)/profit for the year	(40,494)	13,570	(40,176)	13,529
Goodwill written off	(791)	(5,314)	-	-
Foreign currency differences	(3)	-	-	-
At 31st December	33	41,321	6,913	47,089

The cumulative amount of goodwill written off against the group's reserves, net of goodwill relating to undertakings disposed of, is £6,105,000 (1997 £5,314,000). Goodwill written off in the year to 31st December 1998 was incurred on the payment of deferred consideration relating to an investment purchased on 30th November 1997.

NOTES TO THE ACCOUNTS

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

	1998 £'000	1997 £'000
Group and company		
Contracted for but not provided for	937	508

(b) **Operating lease commitments**

At 31st December 1998 the group and company had minimum annual commitments under non-cancellable operating leases as follows:

	Group and Company Land and buildings £'000	Other £'000
1998		
Operating leases which expire:		
- within one year	62	29
- between two and five years	283	-
- after more than five years	3,163	-
	3,508	29

	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

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**20. 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 £1,772,000 (1997 £1,860,000) of which £1,762,000 (1997 £1,850,000) relates to the ITN Pension Scheme. The cost attributable to the ITN Pension Scheme was made up of a regular pension cost of £3,560,000 (1997 £3,506,000) less variations from regular cost of £2,393,000 (1997 £2,344,000) plus interest on the pension provision of £595,000 (1997 £688,000). The cash contributions made to the pension fund amounted to £1,725,000 (1997 £2,969,000). As at 31st December 1998, the pension provision in the consolidated accounts was £7,253,000 (1997 £7,216,000), 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.

21. Related party transactions

The company enters into a number of transactions in the ordinary course of business with its shareholders. At 31st December 1998, 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 £39,939,000 (1997 £48,745,000) to shareholders in respect of the supply of news programming, facility sales, rental income and other programming.

The company made purchases of £1,658,000 (1997 £2,962,000) 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 £150,000 (1997 £11,000);

Debtors £309,000 (1997 £517,000);

Creditors due within one year £34,000 (1997 £210,000).

22. Subsequent events

On 24th August 1999, ITN disposed of its 50% shareholding in Corporate Television Networks Limited for cash consideration of £310,000.

INDEPENDENT TELEVISION NEWS LIMITED

NOTES TO THE ACCOUNTS

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

	1998 £'000	1998 £'000	1997 £'000	1997 £'000
	Con- tinuing	Discon- tinued	Con- tinuing	Discon- tinued
Operating profit/(loss)	11,570	(14)	23,996	(13)
Depreciation charge	4,546	-	5,400	-
Loss on disposal of tangible fixed assets	149	-	41	-
(Increase)/decrease in debtors	(2,913)	241	(1,537)	(104)
(Decrease)/increase in creditors	(1,127)	(522)	3,557	405
Decrease in provisions	(549)	-	(1,739)	-
Foreign exchange differences (incl translation differences)	(3)	-	8	-
Net cash inflow/(outflow)	11,673	(295)	29,726	288
Net cashflow inflow from operating activities		11,378		30,014

24. Analysis of changes in net debt

	at 1st Jan 1998 £'000	Cash flows £'000	Other changes £'000	at 31st Dec 1998 £'000
Cash at bank and in hand	11,642	(8,526)		3,116
Convertible loan stock	(15,000)	15,000		-
Bank loan due within one year	(11,700)	11,700		-
Interest on convertible stock	(10,683)	11,924	(1,241)	-
		23,624		
Obligation under finance leases and hire purchase agreements due within one year	-	(4,914)	4,178	(736)
Obligation under finance leases and hire purchase agreements due after more than one year	-	-	(4,178)	(4,178)
		(4,914)		
Net debt	(25,741)	25,184	(1,241)	(1,798)