Independent Television Commission

PUTTING VIEWERS FIRST

THE ITC'S

FINANCIAL REPORT AND ACCOUNTS

FOR THE PERIOD ENDED

28 DECEMBER 2003

THE ITC'S FINANCIAL REPORT AND ACCOUNTS FOR THE PERIOD ENDED 28 DECEMBER 2003

1 The accounts which follow this report are those of the Independent Television Commission for the period ended 28 December 2003.

Principal Activities

2 The principal activities of the ITC during the period were the licensing and regulation of commercial television services provided in and from the UK. These include Channel 3 (ITV), Channel 4, Channel 5, Digital terrestrial services, the Public Teletext Service and a wide range of cable, local delivery and satellite services.

Financial Review

3 This was the final period of the ITC. From the 29th December, as a result of the Communications Act 2003, all of its activities passed to the Office of Communications (Ofcom). During the year the ITC supported the establishment of Ofcom, principally through the secondment to Ofcom of members of ITC staff. Apart from the exceptional costs, where material and practicable, all costs incurred by the ITC on behalf of Ofcom were recharged to Ofcom.

4 All assets and liabilities of the ITC transferred to Ofcom on the 29th December 2003 and will be discharged by that entity.

5 Licence fees were increased in the year and total income rose by £1.6m to £20.7m. This increase was required largely as a result of the advice to re-establish contributions to the staff pension scheme.

6 Operating expenditure was £20.4m, an increase of £0.3m on 2002. This was due to an increase in staff costs of £2.1m, of which £1.7m arose from pension costs, partially offset by other operating cost savings of £1.9m.

7 To comply with current accounting regulations, it was necessary to restate the 2002 financial statements to take account of the prior year adjustment for the provision made in 2003 for the pensions of the past and current chairmen. Consequently, all comparative figures quoted in this report are as restated in the following pages.

THE ITC'S FINANCIAL REPORT AND ACCOUNTS FOR THE PERIOD ENDED 28 DECEMBER 2003

8 The ITC had an operating surplus of £0.3m on its revenue account before exceptional items. The net assets brought forward at the beginning of the year were £0.9m. The budget and resultant tariff set for 2003 was for a fifteen month period to March 2004. The object of the budget was to deliver cumulative net assets at the end of March 2004 of approximately zero. Since the first three months of 2004 were budgeted to result in a surplus, this meant that the ITC was ahead of budget for the period to 28th December 2003. The brought forward net assets could therefore be used to contribute to the exceptional costs arising from the termination of the ITC and the establishment of Ofcom.

9 The exceptional costs, totalling £4.3m, arose as a consequence of the termination of the ITC in accordance with the Communications Act 2003 and were outside of the control of the ITC. These costs related to the severance payments made to ITC staff not transferring to Ofcom, losses on disposing of ITC fixed assets not required by Ofcom and the cost of surrendering leases.

Taxation

10 The regulatory and licensing activities of the ITC did not constitute trading for corporation tax purposes. However, corporation tax was payable in respect of interest received and income from rent and service charges on surplus offices.

11 HM Customs and Excise has ruled that the ITC's regulatory functions did not constitute a VAT business. The effect of this decision was that the ITC was unable to recover VAT which it incurred on its core expenditure.

Broadcasting Standards Commission (BSC)

12 The ITC, as with the BBC, the Radio Authority and S4C, was required to pay such sums as the Secretary of State for Culture, Media and Sport considered to be an appropriate contribution towards the expenses of the BSC. The ITC's contribution for 2003 of £0.7m has been charged to the revenue account and was met through licence fees.

THE ITC'S FINANCIAL REPORT AND ACCOUNTS FOR THE PERIOD ENDED 28 DECEMBER 2003

Fixed Assets

13 The movement in fixed assets during the year is shown in note 5 to the accounts.

Frequency Planning, Research and Development

14 Expenditure on frequency planning and technology research totalled £1.1m (including VAT). Grant income of £0.1m was receivable towards this expenditure from the European Commission and the Department of Trade and Industry. Expenditure on audience research totalled £0.8m (including VAT). Most of the technology and audience research was commissioned by the ITC from other organisations.

Payment of Commercial Debt

15 The ITC observed the Better Payment Practice Campaign's code (for further information visit www.payontime.co.uk). ITC policy was to pay all invoices in accordance with contract and payment terms which, unless agreed otherwise, should be within 30 days from the date of the invoice. The average number of days taken to pay commercial debt was 19 days and the payment period based on the year end creditors (excluding the BSC Contribution) was 24 days.

Personnel

16 The Members of the Commission are listed in note 2.3 to the accounts.

17 The ITC's employment policy strives to achieve equality of opportunity in employment and the fair treatment of all its employees. The ITC undertook its responsibilities in line with employment legislation and best practice and promoted diversity and equality of opportunity across all its activities as an 'Investor in People'.

Gaelic Broadcasting Committee

18 The Gaelic Broadcasting Committee is an independent statutory body. It is not a Committee of the ITC although its Chairman and Members were appointed by the ITC. The Committee's functions include the making of grants in order to ensure that a wide range of high quality programmes in Gaelic are broadcast for reception in Scotland.

THE ITC'S FINANCIAL REPORT AND ACCOUNTS FOR THE PERIOD ENDED 28 DECEMBER 2003

The sum provided by Parliament for this purpose is recorded in note 11 to the accounts.

Additional Payments

19 Additional payments, referred to as "Tender Payments", are the payments made by the Channel 3, Channel 5 and certain other licensees under the terms of Sections 19, 52 and 77 of the Broadcasting Act 1990. These payments consist of amounts expressed as percentages of Qualifying Revenue and annual cash payments.

20 The ITC was responsible for assessing additional payments, collecting the amounts due and paying them to the Consolidated Funds of the United Kingdom and Northern Ireland, and the Treasuries of the Isle of Man, Guernsey and Jersey as appropriate. The sums involved formed no part of the revenue of the ITC and are not dealt with in these accounts. They are the subject of a separate White Paper account drawn up to 31 March each year, audited by the National Audit Office, and laid before Parliament.

21 During the period to 28 December 2003, "Tender Payments" payable by the Channel 3, Channel 5, additional service and local delivery licensees in relation to analogue terrestrial licences were £281.2m. (2002 - £292.6m). The reduction was primarily caused by a drop in Qualifying Revenue, with the switch to digital terrestrial and satellite viewing.

Auditors

22 In 1996 Smith & Williamson were appointed as auditors by the Commission with the approval of the Secretary of State for the then Department of National Heritage (now the Department for Culture, Media and Sport) in accordance with the requirements of paragraph 14 of Schedule 1 to the Broadcasting Act 1990. During 2002, Smith & Williamson incorporated their audit business in a wholly owned limited liability company, Nexia Audit Limited. Nexia Audit Limited was appointed as auditors by the Commission, with the approval of the Secretary of State.

THE ITC'S FINANCIAL REPORT AND ACCOUNTS FOR THE PERIOD ENDED 28 DECEMBER 2003

Statement of the Commission's Responsibilities

23 As stated in paragraphs 3 and 4, the attached accounts cover the final period of the ITC, prior to the Commission's duties and responsibilities vesting in Ofcom on 29th December 2003. The information included in paragraphs 24 to 31 below describes the responsibilities and control systems operated by the ITC prior to the vesting date.

24 Schedule 1 to the Broadcasting Act 1990 requires that "The Commission shall keep proper accounts and proper records in relation to the accounts, and shall prepare in respect of each financial year a statement of accounts in such form as the Secretary of State may direct with the approval of the Treasury". The Commission is also required "to conduct their affairs to secure that their revenues become at the earliest possible date, and continue thereafter, at least sufficient to enable them to meet their obligations and to discharge their functions under this Act". The Commission is required, therefore, to ensure that it is a going concern and its budgets and accounts are prepared on that basis.

25 The accounts of the ITC are prepared, in so far as applicable, in accordance with the Companies Act 1985 and the accounting standards currently in force. The financial statements give a true and fair view of the state of affairs of the Commission and of its income and expenditure and cash flows. The Commission is satisfied that suitable accounting policies, consistently applied on the basis of reasonable and prudent judgements and estimates, have been used in the preparation of its accounts.

26 In addition to the responsibility for maintaining adequate accounting records, the Commission is also responsible for safeguarding its assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

27 The Commission consists wholly of non-executive Members appointed by the Secretary of State for Culture, Media and Sport. Neither the Chief Executive nor other ITC employees are Members of the Commission, although senior staff, including the Chief Executive, Director of Strategy, Economics and Finance and the Secretary normally attend Commission meetings which are held 11 times a year. The Commission has reviewed its systems of governance and has drawn up a Code of Practice for its Members appropriate to its statutory duties and responsibilities.

28 The Commission has a Remuneration Committee and a Finance and Audit Committee. The Finance and Audit Committee comprises the

Chairman, Deputy Chairman and at least two other Members of the Commission. It normally meets four times a year and has delegated powers to take decisions within the broad lines of present policy on the following matters:

Approval of quarterly revenue and capital budget reviews;

Approval of major capital and revenue expenditure projects;

Medium term financial projections;

Review of management accounts and forecasts;

Licence fees and licence application fees; and

The management letter submitted by the auditors.

29 The Remuneration Committee comprises the Chairman and two members of the Commission. It meets as required, but no less than once a year. It has delegated powers to take decisions within the broad lines of present policy on the following matters:

Manpower planning, executive and staff pay settlements; and

Pensions matters.

Statement on the System of Internal Financial Control

30 The Commission acknowledges its responsibilities for ensuring that an effective system of internal financial control is maintained and operated. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

31 The system of internal financial control is based on a framework of regular management information, administrative procedures, including the segregation of duties, and a system of delegation and accountability. There is an annual programme of Internal Audits and reviews of the risk associated with key processes. The controls were reviewed by the Commission's Finance and Audit Committee in February and November 2003.

INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF THE INDEPENDENT TELEVISION COMMISSION

We have audited the accounts of the Independent Television Commission for the period ended 28 December 2003 on pages 9 to 23. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Audit Report Disclosure
This report is made solely to the Commission's Members, as a body, in accordance with the Broadcasting Act 1990. Our audit work has been undertaken so that we might state to the Commission's Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission and the Commission's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Commission and Auditors
As described on pages 5 to 6 the Commission is responsible for the preparation of the accounts in accordance with applicable law.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Broadcasting Act 1990. We also report to you if, in our opinion, the Financial Report set out on pages 1 to 6 is not consistent with the accounts, if the Commission has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors remuneration and transactions with the Commission is not disclosed.

We read the Financial Report on pages 1 to 6 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion
We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Commission in the preparation of the accounts, and of whether the accounting policies are appropriate to the Commission's circumstances, 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 accounts 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 accounts.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Commission's affairs at 28 December 2003 and of its deficit and cash flows for the period then ended and have been properly prepared in accordance with the Broadcasting Act 1990.

NEXIA AUDIT LIMITED
Registered Auditors
Chartered Accountants
Guildford 26 April 2004

The maintenance and integrity of the Ofcom web site is the responsibility of the directors; the work carried out by the auditors of The Independent Television Commission does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

INDEPENDENT TELEVISION COMMISSION
REVENUE ACCOUNT
FOR THE PERIOD ENDED 28 DECEMBER 2003

	Notes	2003	2002 as restated
		£000	**£000**
Income			
Licence Fees	1.1	20,290	18,424
Other Income	1.2	404	714
		20,694	19,138
Expenditure			
Staff Costs Excluding Pension Costs	2.2	9,754	9,384
Staff Pension Costs	2.2	1,758	73
BSC Contribution	2.5	664	551
Other Operating Costs	2.6	8,193	10,098
		20,369	20,106
Operating Surplus/(Deficit)	10.1	**325**	**(968)**
Exceptional items – severance and other costs of closure	2.7	(4,130)	-
– loss on disposal of fixed assets		(184)	-
Interest Receivable	3.1	38	127
Interest Payable	3.2	(17)	(17)
Deficit on ordinary activities before taxation		(3,968)	(858)
Taxation	4	41	(8)
Deficit for the Financial Year		**(3,927)**	**(866)**

**INDEPENDENT TELEVISION COMMISSION
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 28 DECEMBER 2003**

	Notes	2003 £000	2002 as restated £000
Deficit for the Financial Year		**(3,927)**	**(866)**
Experience losses on pension scheme liabilities		(4)	(2)
Changes in assumptions underlying the present value of scheme liabilities		(22)	(6)
Total recognised losses related to the year		**(3,953)**	**(874)**
Adjustments in respect of prior years		(280)	
Total losses recognised since previous report		**(4,233)**	

The recognised losses above relate solely to operations that will continue under the new regulator. A separate statement reconciling the movement in net assets is not shown as this information is the same as the movement on reserves as presented in note 9.

The notes and statements on pages 13 to 23 form part of these accounts.

INDEPENDENT TELEVISION COMMISSION
BALANCE SHEET
AS AT 28 DECEMBER 2003

	Notes	2003 £000	2002 as restated £000
Fixed Assets			
Tangible assets	5	670	1,285
Current Assets			
Debtors	6	1,558	1,623
Cash at bank and in hand	10.3	-	365
		1,558	1,988
Creditors			
Amounts falling due within one year	7	(4,761)	(1,984)
Net current (liabilities)/assets		(3,203)	4
Total assets less current liabilities		(2,533)	1,289
Provisions for liabilities and charges	8	(556)	(425)
Net Assets		**(3,089)**	**864**
Reserves			
Capital		670	1,285
Revenue		(3,759)	(421)
Total Reserves	9	**(3,089)**	**864**

The notes and statement on pages 13 to 23 form part of these accounts.

Sir Robin Biggam *Chairman*
25 March 2004

INDEPENDENT TELEVISION COMMISSION
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 28 DECEMBER 2003

	Notes	2003 £000	2002 £000
Net cash outflow from operating activities	10.1	(1,723)	(1,184)
Returns on Investments and Servicing of Finance			
Interest received		38	127
Net cash inflow from returns on investments and Servicing of finance		38	127
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets	5	(85)	(224)
Receipts from sales of tangible fixed assets		24	18
Net cash outflow on Capital Expenditure & Financial investment		(61)	(206)
Taxation			
Corporation tax paid		(14)	(674)
Management of liquid resources			
Cash from deposit		-	2000
(Decrease)/Increase in cash in the period	10.2	**(1,760)**	**63**

INDEPENDENT TELEVISION COMMISSION
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 28 DECEMBER 2003

A. Basis of Accounting

The accounts have been prepared under the historical cost convention. Without limiting the information given, the accounts meet the requirements, in so far as they are applicable, of the Companies Act 1985 and of the accounting standards currently in force.

B. Income

(i) Income from licence fees represents the amounts invoiced to licensees. Licence fees in excess of £25,000 a year are payable in monthly instalments. Licence fees of £25,000 or less are payable as an annual sum on the grant and on the anniversary of the licence.

(ii) Grant income is accounted for on an accruals basis so as to match it with the technology research expenditure towards which it contributes.

C. Fixed Assets

Tangible assets represent the cost of capital assets purchased from third parties. The depreciation of tangible fixed assets is calculated on a straight-line basis in order to write off the cost of assets over their expected useful lives as shown below.

Furniture, fixtures, and equipment	*Between 3 and 10 years*
Vehicles	*4 years*

D. Reserves

The capital reserve represents the net book value of fixed assets and is adjusted each accounting year by a transfer from or to the revenue reserve to the extent that the net book value of fixed assets has changed over the year.

E. Research and Development

Research and development expenditure is written off as incurred.

F. Staff Pension Plans

The ITC jointly participates in a contributory defined benefits pension scheme, with three other independent organisations, The Radio Authority, S4C and S4C Masnachol. The assets of this scheme are held in a separate trustee administered fund. Payments made and charged in these accounts comprise the current service contributions of the ITC.

The ITC also provides a pension scheme for two former chairmen and the current chairman. This scheme is not separately funded, but provision and the appropriate disclosures under Financial Reporting Standard Number 17 have been made in the accounts. This represents a change in accounting policy. The previous policy was to recognise any income and expense relating to the chairmen's pensions in the profit and loss account in the period in which they were incurred. The adoption of this policy requires a prior period adjustment to be made to recognise the liability that existed at the start of the financial year and which was not recognised under the old policy.

G. Deferred Tax

Deferred taxation is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Any assets and liabilities recognised have not been discounted.

H. Leases

Expenditure on operating leases is charged to the revenue account on an accruals basis. No assets have been acquired under finance leases.

I. Foreign Currency

Transactions in foreign currency are translated at the rates of exchange ruling at the date of the relevant transaction. Assets denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the year end.

INDEPENDENT TELEVISION COMMISSION
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 28 DECEMBER 2003

1 INCOME

The principal sources of income were licence fees receivable from programme, additional services and local delivery licensees.

1.1 Licence Fees

	2003 £000	2002 £000
Channel 3, Channel 4, Channel 5 and public teletext licensees	15,488	14,041
Channel 3 Supplementary Renewal Fees	0	150
Satellite television service, licensable programme service and commercial additional services licensees	3,788	3,226
Cable & local delivery licensees	1,014	1,007
	20,290	18,424

1.2 Other Income

	2003 £000	2002 £000
Licence application fees	161	502
Grant income for technology research	113	71
Rents and service charges to sub-tenants	82	73
Service charges to other bodies	39	38
Miscellaneous income	7	25
Interest on late payments	2	5
	404	714

2 EXPENDITURE

2.1 Employee Statistics

The average number of persons employed by the ITC, not including Members of the Commission, was:	2003	2002
Chief Executive, Secretariat and Policy	25	24
Advertising and Programme Regulation	39	38
Technology	16	17
Public Affairs	29	27
Nations & Regions	25	26
Strategy, Economics & Finance	27	27
General Administration	25	21
	186	180

ITC employees included an average of 12 (2002: 2) staff seconded to the Ofcom central project team.

INDEPENDENT TELEVISION COMMISSION
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 28 DECEMBER 2003

2.2 **Staff Costs**	**2003** **£000**	**2002 as restated** **£000**
Fees of Commission Members, including pension and social security costs	325	317
Employees' costs	11,901	9,221
Net income from secondments	(714)	(81)
	11,512	9,457
Employees' costs consist of:		
Wages and salaries	9,205	8,395
Social security costs	954	767
Other pension costs	1,742	59
	11,901	9,221

The increase in Employees' Costs was largely the result of staff retention payments necessitated by the impending closure of ITC. It is partially offset by the recharges to Ofcom for seconded staff; the total for which (net of the cost of agency staff hired to cover their duties) is included in Other Operating Costs (see Note 2.6).

2.3 Commission Members

Members are appointed and their remuneration determined by the Secretary of State for Culture, Media and Sport. Members are reimbursed for expenses incurred on Commission business. The remuneration received by each Member was:

	2003 Fees £000	2003 Benefits £000	2003 Total £000	2002 Fees £000	2002 Benefits £000	2002 Total £000
Sir Robin Biggam *Chairman*	81	15	96	79	8	87
Baroness Whitaker *Deputy Chairman*	27	-	27	27	-	27
Dr Michael Shea *Member for Scotland*	21	2	23	20	2	22
Dr Chitra Bharucha *Member for Northern Ireland*	21	2	23	20	1	21
Professor Derec Llwyd Morgan *Member for Wales*	21	1	22	20	1	21
Mr Alistair Balls	31	2	33	20	3	23
Mr Clay Brendish *(until 11/07/2002)*	-	-	-	12	-	12
Sir Michael Checkland	21	-	21	20	-	20
Ms Barbara Donoghue	21	-	21	20	-	20
Ms Jude Goffe	21	-	21	20	-	20
Ms Jude Kelly	21	-	21	20	-	20
	286	22	308	278	15	293

As at 28 December 2003 the Chairman had an accrued pension of £9,487 p.a. (2002: £7,953).
In 2003 there was a change of policy and full provision was made for the pensions of both the current and former Chairmen. A prior year adjustment was therefore made to the accounts (see Note 12).
Pension payments to former Chairmen of the IBA and ITC totalled £14,576 (2002 - £14,277).

2.4 Directors

The Directors are appointed by the Members. The total salary, bonuses and other benefits received during the year were:

Salary and Bonuses £000	Benefits £000	Total 2003 £000	Total 2002 £000	Pensions 2003 £000	Pensions 2002 £000
1,605	18	1,623	1,452	609	59

The Directors received salary, bonuses and other benefits (excluding pension contributions) which fell within the following bands:

	2003	2002
£90,001 - £95,000	1	-
£130,001 - £135,000	-	1
£135,001 - £140,000	-	4
£150,001 - £155,000	1	2
£155,001 - £160,000	3	-
£160,001 - £165,000	1	1
£180,001 - £185,000	1	-
£195,001 - £200,000	1	-
£295,001 - £300,000	-	1
£360,001 - £365,000	1	-
	9	9

Two directors served for only eight and eleven months respectively.
Like the Staff, in 2003 Directors who qualified received retention payments of 16.67% and performance related pay increases that averaged 5%.
As at 28 December 2003, the highest paid employee had an accrued pension of £5,515 (2002: £3,808).

The accounts also include the cost of compensation for loss of office, including related pension and other benefits, of £1,538,569 in respect of six directors who did not transfer to Ofcom.

Salaries and Bonuses

The salary of the Chief Executive is determined by the Commission. The Commission also approves salaries for the Directors based on recommendations made by the Chief Executive.

Post-Retirement Benefits

All Directors accrue benefits under the ITC Staff Pension Plan, a defined benefit scheme. Further information on the scheme is contained in Note 12. In addition pension arrangements have been established through FURBS, to provide benefits commensurate with those accrued under the ITC Staff Pension Plan for the Chief Executive. These arrangements included a non-salary payment of £56,456 (2002 – £33,885).

Other Benefits

Benefits for Directors are medical insurance and satellite or cable television subscription. The Chief Executive also has the use of a car and driver with a taxable value of £11,250 (2002 - £8,080).

INDEPENDENT TELEVISION COMMISSION
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 28 DECEMBER 2003

2.5 Broadcasting Standards Commission (BSC)

Under the terms of Section 149 and paragraph 10(3) of Schedule 11 to the Broadcasting Act 1990, the ITC pays to the Secretary of State a contribution towards the expenses of the Broadcasting Standards Commission. The ITC is required to pay to the Secretary of State a contribution specified by him towards the expenses of this body.

2.6 Other Operating Costs

		2003 £000	2002 as restated £000
Travel and subsistence:	*Members*	94	85
	Staff	310	322
Recruitment, training and other staff costs excluding secondments		635	679
Public relations and information services		375	516
Administration and office expenses		776	959
Premises costs		2,368	2,192
Depreciation		492	572
Subscriptions		32	37
Professional Fees		1,232	2,632
Audience research		795	889
Technology research and frequency planning		1,084	1,215
		8,193	10,098

The above costs include:

	2003 £000	2002 as restated £000
Loss on disposal of fixed assets	0	21
Operating leases – land & buildings	1,530	1,314
Audit fee	21	14
Auditors' remuneration in respect of non-audit work	9	5

Technology research and frequency planning consists of applied research commissioned by the ITC. Grant income of £113,000 (2002 - £71,000) was receivable from the European Commission and the Department of Trade and Industry during the year towards the costs of this work.

2.7 Severance and Other Costs of Closure

This consists of costs totalling £3,930,000 that were paid prior to or just after the period end. Included are payments for staff redundancy and retraining, legal fees and dilapidations on surrendered leases, all arising from the demise of ITC.
In addition, a provision of £200,000, estimated to be payable for dilapidations on the remaining surplus offices, has been included.

INDEPENDENT TELEVISION COMMISSION
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 28 DECEMBER 2003

		2003	2002
3.1	**INTEREST RECEIVABLE**	**£000**	**£000**
	On short term deposits	38	127

		2003	2002 as restated
3.2	**INTEREST PAYABLE**	**£000**	**£000**
	Interest on pension scheme liabilities	17	17

		2003	2002 as restated
4	**TAXATION**	**£000**	**£000**
	Analysis of Charge in Period		
	Current Tax		
	UK Corporation tax on surplus of the period	81	17
	Adjustments in respect of previous periods	(3)	(9)
	Total current tax	78	8
	Deferred Tax		
	Decrease in deferred tax provision	(119)	-
	Tax on profit on ordinary activities	(41)	8
	Factors affecting tax charge for period		
	The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Deficit on activities before tax	(3,968)	(858)
			-
	Surplus on activities multiplied by standard rate of corporation tax in the UK	(1,190)	(257)
	Effects of:		
	Non taxable regulatory activities	1,291	241
	Tax on interest receivable	11	38
	Marginal relief	(31)	(5)
	Adjustments in respect of previous periods	(3)	(9)
	Total current tax	78	8
		%	%
	Average Tax Rate on Taxable Income	22	23

The regulatory and licensing activities of the ITC do not constitute trading for corporation tax purposes.

INDEPENDENT TELEVISION COMMISSION
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 28 DECEMBER 2003

5 TANGIBLE FIXED ASSETS

	Furniture, Fixtures & Equipment £000	Vehicles £000	Total £000
Cost			
At 1 January 2003	3,962	62	4,024
Acquisitions	85	-	85
Disposals	(2,001)	(62)	(2,063)
At 28 December 2003	**2,046**	**-**	**2,046**
Depreciation			
At 1 January 2003	(2,692)	(47)	(2,739)
Charge for Year	(481)	(11)	(492)
Disposals	1,797	58	1,855
At 28 December 2003	**(1,376)**	**-**	**(1,376)**
Net Book Value			
At 1 January 2003	1,270	15	1,285
At 28 December 2003	**670**	**-**	**670**

6 DEBTORS

	2003 £000	2002 £000
Amounts falling due within one year:		
Trade debtors	152	168
Other debtors	1,116	450
Loans/Advances to staff	34	51
Prepayments and accrued income	256	954
	1,558	1,623

Other debtors include £1,012,000 receivable from Ofcom.
Some staff receive loans and advances to meet travel and short term housing commitments which are necessary to assist them in performing their duties.

7 CREDITORS

	2003 £000	2002 as restated £000
Amounts falling due within one year:		
Overdraft on bank account	1,395	-
Trade creditors	2	545
Corporation tax	81	17
Other taxation and social security	924	277
Other creditors	1,962	510
Accruals and deferred income	397	635
	4,761	1,984

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8 PROVISIONS FOR LIABILITIES AND CHARGES

	Chairmen's Pensions £000	Deferred Tax £000	Dilapidations £000	Total £000
Balance at 1 January 2003:				
As previously reported	-	119	-	119
Transferred from Other Creditors	26	-	-	26
Prior year adjustment	280	-	-	280
As restated	306	119	-	425
Movement in Year	50	(119)	200	131
Balance at 28 December 2003	356	-	200	556

The deferred tax reversed in the accounts comprised corporation tax on a held-over chargeable gain arising on the disposal of a leasehold interest. Following a subsequent disposal, this gain became taxable.

9 MOVEMENT ON RESERVES

	Capital £000	Revenue £000	Total £000
Balance at 1 January 2003:			
As previously reported	1,285	(141)	1,144
Prior year adjustment	-	(280)	(280)
As restated	1,285	(421)	864
Deficit for the Financial Year		(3,927)	(3,927)
Unrealised Losses		(26)	(26)
Transfers between reserves	(615)	615	-
Balance at 28 December 2003	670	(3,759)	(3,089)

The prior year adjustment is made up of a £40,000 adjustment in 2002 and £240,000 relating to earlier years.

10 NOTES TO THE CASH FLOW STATEMENT

10.1 Reconciliation of Operating Deficit to Net Cash Flow from operating activities

	2003 £000	2002 as restated £000
Operating Surplus/(Deficit)	325	(968)
Exceptional Items	(4,314)	-
Depreciation	492	572
Loss on sale of tangible fixed assets	184	21
Decrease/(Increase) in debtors	65	(416)
Decrease in trade creditors	(543)	(373)
Increase in other taxation and social security creditors	647	45
Increase in other creditors	29	176
Decrease in accruals and deferred income	(238)	(282)
Increases in severance and pension provisions	1,673	306
Interest payable on pension provision	(17)	(17)
Prior year adjustment for pension provision	-	(240)
Unrealised losses on pension scheme liabilities	(26)	(8)
Net cash outflow from operating activities	(1,723)	(1,184)

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10.2 Reconciliation of Net Cash Flow to Movement of Funds

	2003 £000	2002 £000
Increase/(Decrease) in cash in the period	(1,760)	63
Cash paid to (decrease)/increase liquid resources	-	(2000)
Balance at 1 January 2003	365	2,302
Balance at 28 December 2003	(1,395)	365

10.3 Analysis of the Balances of Cash as shown in the Balance Sheet

	1/1/2003 £000	Cash Flows £000	28/12/2003 £000
Cash at bank and in hand	365	(365)	-
Creditors due within one year: Bank overdraft	-	(1,395)	(1,395)
Total Cash balances	365	(1,760)	(1,395)

11 GAELIC BROADCASTING FUND

In accordance with the provisions of Section 183 of the Broadcasting Act 1990 and Section 95 of the Broadcasting Act 1996, the Secretary of State for Scotland paid £7,725,000 (2002 - £8,915,000) to the ITC during the period 1 January to 28 December 2003. This sum has been credited by the ITC to the Gaelic Broadcasting Fund under the management of the Gaelic Broadcasting Committee (Comataidh Craolaidh Gaidhlig). The Gaelic Broadcasting Committee prepares separate reports and accounts to 31 March each year. These are sent by the ITC to the Secretary of State for Scotland to be laid before Parliament.

12 PENSIONS COSTS

The ITC jointly participates in a contributory defined benefits pension plan, with three other independent organisations, The Radio Authority, S4C and S4C Masnachol. The assets of this plan are held in a separate trustee administered fund. The pension contributions made by each employer are determined in accordance with the advice of a qualified actuary on the basis of triennial valuations.

The latest valuation was as at 1 January 2001, which used the projected unit method, the main assumptions being:

- *a yield on the fund of 7.0 per cent per annum for investments backing non-pensioner liabilities;*
- *a 4.5 per cent return for investments backing pensioner liabilities;*
- *a 5.0 per cent return after retirement for accrued non-pensioner liabilities;*
- *a 5.5 per cent return after retirement for future service non-pensioner liabilities;*
- *an allowance of 5.0 per cent per annum for increases in Pensionable salaries;*
- *an allowance of 2.5 per cent per annum for increases to pensions in payment;*
- *Assets were valued at mid-market prices, subject to allowance for an "equity fluctuation reserve" of £4.8m, equal to 50 per cent of the extra value of accrued liabilities when measured using the risk-free discount rate.*

The market value of the plan's assets at the valuation date was £195.7m. This included the ITC Discretionary Fund of £18.8m. The value of the plan's assets, excluding the ITC Discretionary Fund and the equity fluctuation reserve, represented 109 per cent of the value of the benefits that had accrued to members after allowing for assumed increases in salaries.

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Following the valuation the Actuary recommended an employer contribution rate for the ITC of 13.8 per cent of members' pensionable salaries for the year to 31st December 2001, and 18.6 per cent thereafter, plus matching of member's added years AVCs. The Actuary agreed that the ITC's contributions could continue to be met from the ITC Discretionary Fund until 31 December 2002.

The ITC restarted employer's contributions to the ITC Staff Pension Plan from 1 January 2003. During 2003, the contributions paid into the Plan by the ITC were £2.8m (2002: Nil).

The ongoing employer cost of pension accrual for the ITC was 20.4 per cent per annum of pensionable salaries plus matching added years' AVCs. On the basis of actuarial advice it has been calculated that the amortisation of the ITC Discretionary Fund over the average expected remaining working lives of the current ITC members in the scheme (10.2 years) is greater than the ITC's contributions payable to the Plan during 2002. However, for reasons of conservatism no credit has been taken for the year.

Disclosures are also required in these accounts under the accounting standard FRS17 "Retirement Benefits". The ITC is unable to identify its share of the underlying assets and liabilities of the plan, as each participating employer is exposed to actuarial risks associated with the current and former employees of the other employers participating in the plan. The pensions cost to the ITC under FRS17 is therefore the contributions paid to the Plan by the ITC during the accounting period.

At the end of the period, full provision of £356,000 was made for the pensions of the current chairman and former chairmen. This was calculated by an actuary, at a discount of 5.4% and using 2.8% as the future rate of increase of Retail Prices, as acceptable under Financial Reporting Standard Number 17. In order to comply with the new accounting policy, similar calculations were made for the provision required as at 31 December 2001 and 2002 to enable the carry back of costs to prior periods. The change in accounting policy has required a prior period adjustment in order to restate the position at the previous year end.

13 OPERATING LEASES

The ITC had annual commitments under non-cancellable leases as follows:

	Land & buildings £000	Other £000	Total £000
Expiring:			
within one year	24	-	1,062
between one and five years	150	-	213
after five years	23	-	23
	197	-	1,298