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**Annual Report & Accounts 2012**

**'12**

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**Company Registration No. 548648**

**Independent Television News Limited**

**Report and Financial Statements  
31 December 2012**

## **Report and Financial statements 2012**

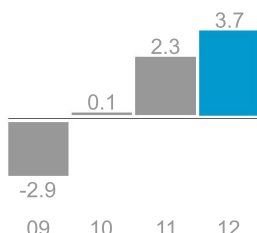
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# The Headlines

Operating profit £m

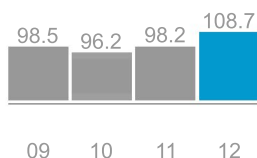
**+ 61%**



Operating profit up 61% to £3.7m compared to £2.3m in 2011, and a £6.6m swing on 2009's £2.9m loss.

Group Revenue £m

**+ 11%**



Group revenues of £108.7m up 11% from £98.1m in 2011, with turnover at a record 13-year high.

itv NEWS

5 NEWS



The return of 5 News restored our position as supplier of national news to all three commercial Public Service Broadcasters.

ITN [PRODUCTIONS]



Two years after its launch, our multi-platform digital broadcast division doubled its revenues, produced 118 broadcast hours and is already profitable.

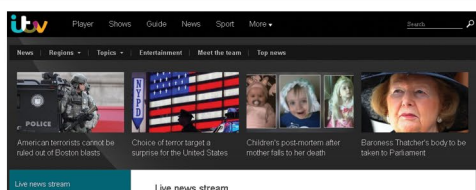
ITN [SOURCE]



ITN Source completed the digitisation of the ITN archive and became profitable for the first time in recent history.



The revamped Channel 4 News swept the board with both BAFTA and RTS News Programme of the Year Awards for 2012.



The launch of the ground-breaking ITV News Livestream website delivered a 213% traffic uplift.

# Statement from the Chairman and the Board



THOMSON REUTERS

DMGT



UBM

*ITN is a privately held company with four shareholder groups: ITV plc (40%); Thomson Reuters (20%); DMGT (20%); and UBM plc (20%)*

2012 was a year of significant achievement for ITN as the company continued to build a strong foundation towards solid profitability. Commercial rigour, coupled with renewed confidence throughout the organisation, translated on-screen success into positive financial progress with both revenues and operating profit reporting double digit growth.

This third consecutive year of growth saw the culmination of a three-year plan put in place to overhaul activities and deliver sustained improvement in performance.

In 2009, the Board of ITN decided to change course and establish a new leadership team with a proven track record in business management. A new Chief Executive and Chief Financial Officer were appointed and the executive team tasked to improve the fundamental long-term commercial capability and financial performance of ITN.

Since then, excellent progress has been made to streamline the business structure and processes, turnaround loss-making activities, win new business and accelerate the pace of change.

The strategy was simple: to cement ITN's reputation as the UK's pre-eminent commercial television news producer and to establish profitable commercial businesses arising naturally from our news operations, with each part benefiting from the collective resources, skills and infrastructure of the wider ITN.

Solid delivery against objectives has driven substantially enhanced profitability and demonstrates the strength of the underlying business. It sees every part of ITN now profitable for the first time, with turnover at a record 13-year high as the company se-

cured new contracts and added value from existing clients.

This improvement has been attained against the backdrop of an uncertain economic climate. Importantly, it enabled us to invest in our most valuable resource - our employees. As a result, our workforce grew 7% over the three-year period in a challenged media market, mostly through new business wins.

While it is disappointing that the pension deficit has increased again, to £88.8m, we have agreed in principle with the scheme Trustees an affordable recovery plan. The increase in deficit is driven by the decline in bond yields, a challenge faced by all defined benefit pension arrangements.

A new approach to incentives was also put in place with remuneration linked to profit growth. This included annual profit-linked bonuses and a Long Term Incentive Plan for key senior management. The Board believes this has been a successful change of direction and that the remuneration policy at all levels has contributed to a more effective organisation.

Our strategy remains on course and the business is now well-placed to capitalise on new opportunities. The Board is confident that the management team will continue to deliver growth in line with the current trajectory and looks forward to reporting on further progress.

The Board would like to thank the management team and employees of ITN for their unstinting hard work and enthusiasm over these last three years.

Maggie Carver,  
Chairman ITN

# Statement from the Chief Executive

**“ Profit from excellent TV news and businesses arising naturally from ITN’s strengths ”**

**John Hardie, CEO**



The commercial and journalistic success of ITN in 2012 marked the natural culmination of a three year revitalisation plan which has put the company on a stronger platform for continued growth and financial stability. A strong improvement in operating profit for the third consecutive year reflects progress across the board and, going into 2013, every part of ITN is now profitable.

ITN’s progress has been guided by a focused strategy of producing excellent TV news programmes and developing businesses that arise naturally from ITN’s strengths. We’ve rightly enjoyed a long-standing international reputation for TV journalism, but now that excellence in news is coupled with good business practices: focusing on profitable opportunities; applying commercial rigour; improving productivity; investing in cost-effective and innovative digital technology; and inspiring entrepreneurial initiative among our people.

**“ An important milestone was the return of 5 News to ITN ”**

ITV News and Channel 4 News have been the long-term cornerstones of ITN but growth in other areas has significantly broadened our business. An important milestone was the return of 5 News to the ITN fold. This has restored our unrivalled position as supplier to all three commercial Public Service Broadcasters. The relaunched 5 News operation moved into a bespoke state-of-the-art newsroom and studio. The service is based remotely

at Channel 5’s HQ and umbilically linked to ITN’s central technical nerve centre. In a first year that’s seen the team generate several exclusives and reports from around the world, the daily flagship programme at 5pm is watched by up to a million viewers, with a later bulletin broadcast at 6.30pm and regular short news updates throughout the day.

ITN Productions has gone from strength to strength, building on last year’s numerous fast-turnaround documentaries by growing its production slate of UK and international programming from seven hours in 2009 to 118 hours in 2012. Major new contracts such as Channel 4’s Dispatches, award-winning one-offs including Sri Lanka’s Killing Fields: War Crimes Unpunished and returning series commissions such as ITV’s The Agenda saw the division nominated for Independent Production Company of the Year.

**“ We broke new ground by innovating in the digital space ”**

We broke new ground by innovating in the digital space with citizen journalism channel Truthloader – the only YouTube-commissioned news channel outside the US. The division is also fast expanding its corporate arm making adverts, idents and advertising funded programming for companies such as Procter & Gamble as well as developing content for the private and public sectors. With this breadth of output, ITN Productions now acts like a standalone indie and production house while still benefiting from the larger structure of ITN.

# Statement from the Chief Executive



ITN Source also made an improved profit contribution in 2012, partly driven by another busy year for the ITN Source News team providing facilities for global broadcasters during the Diamond Jubilee, Olympics and Paralympics. In addition, the archive business was profitable for the first time in recent history. This was driven by an uplift in sales of ITN footage as a result of digitising the entire ITN archive, as well as a significant cost reduction. Content was licensed to customers from ITN and partner archives for usage across multiple platforms including feature films, TV programmes and heritage projects.

## “ Eight coveted RTS Awards ”

At the heart of ITN's performance is of course the high-quality, distinctive news programming we produce for our core clients across ITV News, Channel 4 News and 5 News, all of which have remained the jewels in our crown. With the media industry under scrutiny like never before, our editorial output consistently shone with trusted, agenda-setting, enterprising journalism and expert analysis. In the year of the big event, our newsrooms rose to the challenge to deliver compelling coverage of the pomp, ceremony, tears and celebration. Major international deployments saw our journalists and technicians bear witness to shine a light on some of the world's darkest places with revelatory foreign coverage. The recent ITN landslide haul of eight coveted RTS Awards stands as testament to the power and impact of our journalism.

Notable highlights for ITV News include the launch

of the ground-breaking Livestream website to universal acclaim and delivering a traffic uplift in excess of 200%; and two special live programmes for the Diamond Jubilee and the US Presidential Elections. The RTS award-winning home news team paved the way on developing the Jimmy Savile story with scores of exclusive news lines over the months as the scandal unfolded. A focus on specialist journalism was reinforced by a raft of new expert appointments, and the dedicated business unit further enhanced the national news offering.

The Olympics was a huge opportunity for the ITV News London team as the Games came to the capital. The programme went up against the BBC rightsholders, ultimately emerging as triumphant recipient of the prestigious RTS Nations & Regions Programme of the Year.

Ten Tonight programmes were delivered to ITV, with highlights including a high-rating special programme on Prince Harry and exclusive access to athlete Dwain Chambers.

## “ A BAFTA for News Coverage ”

A BAFTA for News Coverage and an unprecedented six RTS awards including News Programme, Presenter and TV Journalist sum up an amazing twelve months for Channel 4 News. From Habbo Hotel to Hillsborough, the programme led the agenda with a series of big exclusives culminating in Plebgate, the headline-making story produced in collaboration with Blakeway. Reports from the world's hotspots such



# Statement from the Chief Executive



as Syria and Mali generated huge response and editorial innovations such as the multi award-winning No Go Britain around the state of disabled access to public transport took the spotlight during this Paralympic year. And it was all change behind the scenes as we bid farewell to long-standing Editor Jim Gray. Ben de Pear took the helm in 2012 and welcomed alongside him a brand new management team.

2012 was a year in which we added to our digital credentials and continued to grow our multiplatform capability. In addition to the launch of the rolling news ITV News website, we relaunched the Channel 4 News and ITN.co.uk sites with cutting-edge responsive design capabilities to make content easily accessible across multiple devices. ITN Productions adopted an insight-based approach to online content – streamlining operations so that fewer videos for online are now produced with no drop off in views.

**“ We have continued to invest  
in new technology across  
the company ”**

We have also continued to invest in new technology across the company – from the latest editing software for Channel 5 News, to moving to HD in ITV News output, to the next iteration of storage and digitisation for the fully digitised ITN archive.

The year was not, though, without its challenges. We took the decision to close ITN Consulting following its poor performance in its major Middle Eastern markets post-Arab Spring, and ITV News London saw a major restructure as well as changes to its studio and gallery arrangements.

ITN played an important role in the wider media landscape. Our campaigning on overturning the ban on cameras in court will result in the introduction of TV cameras in the Court of Appeal in October 2013. We also made a stand on an escalation of production orders served by police forces on media organisations by winning a Judicial Review on requests for our footage of the Dale Farm evictions.

2012 was an impressive year for ITN on-screen and behind the camera; but most importantly our performance provides a firm foundation on which to build greater financial strength and profitability while continuing to deliver best in class news programming across the UK and around the world.

A handwritten signature in black ink, reading "John Hardie".

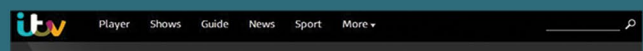
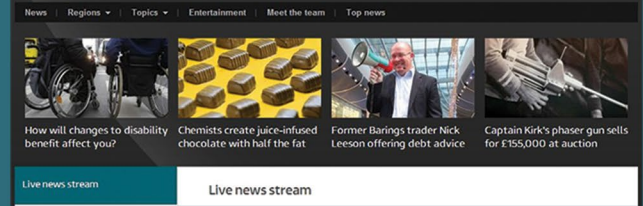

John Hardie



# What We Do




ITV News is watched by around eight million viewers




Channel 4 News won a BAFTA and six RTS Awards

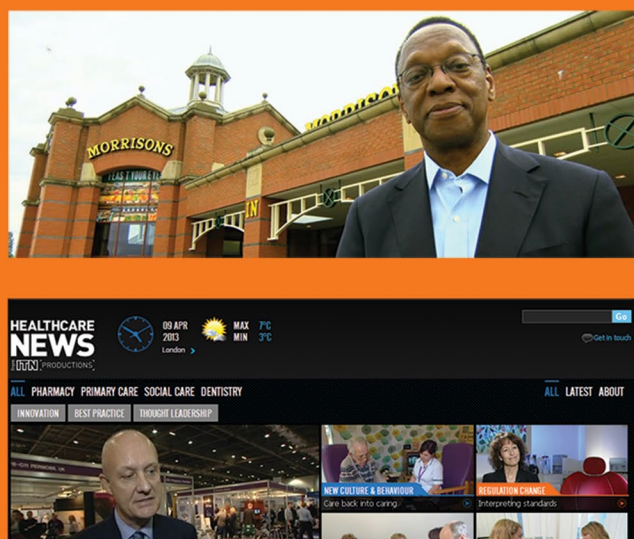



5 News returned to the ITN stable in 2012






# What We Do



# Board and Management Team



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## **1. John Hardie** **Chief Executive Officer, ITN**

John has led the organisation since 2009. During this time, he has overseen the transformation of ITN, including a return to profitability, winning back the 5 News contract and restructuring the company, including the creation of highly-successful central creative hub ITN Productions. Previously John was Executive Vice President and MD Walt Disney Television EMEA from 2001 to 2009. In addition to running the Disney Channels, John was Chairman of German broadcaster Super RTL and Chief Executive of Jetix N.V. Before that, John was Commercial and Marketing Director of the ITV Network and started his career with 14 years at Procter & Gamble, latterly as Managing Director of the European Cosmetics Division. John is currently Chairman of both the Royal Television Society and the Marketing Group of Great Britain.

## **2. Maggie Carver** **Chairman, ITN**

Maggie is Chairman of ITN and of the Audit Committee. She is also UBM's representative on the board and has a background in investment banking followed by a career mainly in the media sector. Previously she was Managing Director of Channel Four Racing and outside broadcast company Global Broadcast as well as being Chair of SDN Ltd which broadcasts digital terrestrial television. She has considerable experience as a non-executive director including, in the media sector, Channel Five and programme producer RDF Media plc. She is currently Managing Director of Carvercare Mobility Group, a non-executive director on the board of the British Board of Film Classification, and Chairman of Racetech Ltd.

## **3. Simon Pitts**

Simon is Director of Technology and Transformation at

ITV. Since joining in 2000, Simon has held roles in ITV's public affairs, regulatory and new media departments before joining the strategy team. He was promoted into the role of Director of Strategy and Transformation in January 2011, and more recently to Director of Technology and Transformation in March 2013 to encompass the leadership of ITV's Technology Group with the implementation of its overall strategic plan.

## **4. Geert Linnebank**

Geert is Thomson Reuters' representative on the ITN board. Geert was Editor-in-Chief of Reuters from 2000 to 2006 and Reuters Global Head of Content from 2002 to 2006. He joined that company in Brussels in 1983 as a correspondent covering European Union affairs.

## **5. Mike Stewart**

Mike is DMGT's representative on the ITN board and Chairman of the Remuneration Committee. Until 2010 he was Managing Director of Teletext Limited, and he also chaired Rental Systems Limited, and co-chaired Inview Interactive Limited. Prior to Teletext Mike was Director of Corporate Development at Philips Electronics UK Limited and Managing Director of Philips Defence.

## **6. Andrew Garard**

Andrew joined ITV as Group Legal Director in November 2007 and became Company Secretary in 2009. Previously a Partner in the corporate department of LeBoeuf, Lamb, Andrew focused on mergers and acquisitions, and projects in the telecoms and media sectors. Prior to this, Andrew was group general counsel and company secretary at Cable & Wireless PLC. Previously, he was at Reuters Group PLC as global head of legal and deputy general counsel based in the UK, and before that, general counsel Asia based in Hong Kong.



# Board and Management Team



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## **7. Bryan Martin** **Chief Financial Officer, ITN**

Bryan was appointed Chief Financial Officer of ITN in January 2010. Having initially trained and qualified with PwC, Bryan spent the next 16 years working at Reuters, in a variety of senior roles within finance. He has a strong track record of delivering above-target business performance and change management. He spent his last three years at Reuters as Global Head of Finance, reporting to the Group CFO.

## **8. James Scorer** **Director of Business Affairs & Company Secretary, ITN**

James joined ITN in 1996 in the dual roles of Director of Business Affairs and Company Secretary. As such, he is involved in all aspects of ITN's business. Previously James was a partner at media lawyers, Olswang.

## **9. Deborah Turness** **Editor, ITV News**

Deborah has been Editor of ITV News since 2004. In her role, she has presided over a series of scoops and world exclusives including the arrest of the London bomber and the leaked investigation report on the shooting of innocent Brazilian Charles De Menezes. Previously, she was Deputy Editor of Five News and Deputy Editor of ITV News. Deborah joined ITN in 1988 and as a producer spent her early career working in ITN's Paris and Washington bureaux.

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## **10. Ben de Pear** **Editor, Channel 4 News**

Ben is the Editor of Channel 4 News, produced by ITN for Channel 4. Ben was appointed to the role in July 2012, having joined Channel 4 News in 2005 as a senior foreign producer, later becoming head of foreign news, where he led the programme's investigation into the end of Sri Lanka's civil war which prompted a UN investigation and global calls for a war crimes tribunal. This formed the basis of 2011's award-winning Sri Lanka's Killing Fields - produced by ITN for Channel 4.

## **11. Geoff Hill** **Editor, 5 News**

Geoff joined 5 News from CNN International, where he was Director of Coverage in a role that saw him lead content for the network across Europe, the Middle East and Africa. He previously worked for ITN for nearly a decade from 2000 until 2009 where he held senior input and output positions at ITV News, rising to Programme Editor, with responsibility for the flagship News at Ten. He went on to launch and run the 24-hour sports news channel Setanta Sports News as Editor-in-Chief, developing a schedule from scratch and leading a team of nearly 60 people. He began his career as a newspaper reporter on the Southwark News before moving into television to work on ITV's London Tonight from 1993 to 2000.

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# Board and Management Team



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## **12. Mark Browning** **Managing Director, ITN Productions**

Mark joined ITN in 2009 as Commercial Director of ITN. On before launching ITN Productions in 2010. Since then he has overseen its significant growth by making key hires and repositioning the division into popular series in broadcast, diversifying corporate production and consolidating digital. Prior to ITN, Mark had an extensive career in radio, culminating in being Programme Director at Heart 106.2 where he took the breakfast show to number one in London on five occasions and was named Commercial Radio Programmer of the Year 2006.

## **13. Melanie Tansey** **Director of Human Resources**

Melanie joined ITN in 2010 and is responsible for providing strategic and operational leadership to the HR department, ensuring that it actively contributes to business goals. She has previously held a succession of senior HR roles at IT giant Hewlett Packard, which she joined in 2001.

## **14. Andy Williams** **Managing Director, ITN Source**

Andy oversees all strategy, management, sales, editorial and operational development of the content licensing division of ITN. In Andy's tenure as Managing Director, ITN Source has fully digitised the ITN archive, secured a large volume of UK and international licensing deals, and through ITN Source News provided facilities and services for international broadcasters at major UK events. Andy joined ITN in 2010 from financial firm Primrose where he spent six years as Managing Director. Prior to this, he spent five years with IBM Business Consulting Services, selling and delivering large-scale consulting projects to

the media and communications industries.

## **15. Sarah Vaughan-Brown** **Director of Corporate Communications**

Sarah joined ITN in November 2008 and is responsible for driving the company's PR strategy and corporate profile, as well as internal communications and public affairs. She previously spent more than a decade at Trinity Mirror plc, latterly as Head of Public Relations, where she oversaw communications across the group's portfolio of media brands.

## **16. Keith Cass** **Director of Technology**

Keith's role is to ensure ITN remains at the cutting edge of technology, evaluating new systems that come onto the market and overseeing any technology development in-house. Keith joined ITN in 1980 and has been part of ITN's senior management team since 1989. He became Director of Technology in 2002.

## **Independent Television News Limited**

### **Directors' report**

The directors present their annual report on the affairs of the Group together with the accounts and the auditor's report for the year ended 31 December 2012. The material on pages 4 to 18 form part of this directors report.

### **Principal activities**

The principal activity of the Group is to provide independently produced daily scheduled television programmes of international and national news to UK broadcasters. The Group also provides short and long form programming, on-the-day and archive material and technical and production facilities.

### **Business review**

2012 was a strong year for ITN with solid growth in operating profitability. ITN revenues of £108.7m were up 11% on 2011, with ITN News revenues of £82.0m up 11% and revenues from other businesses up by 8% to £26.7m.

Operating profit grew by 61% to £3.7m compared to £2.3m in 2011. This improved performance was driven through: growth in contract revenues and associated profitability in ITN News; revenue growth in ITN Productions and ITN Source; and cost reduction helping improved margins in the non-news businesses.

Profit before tax declined to £1.6 million from £2.3 million in 2011. This is a result of an increase of £2.1m in net finance costs attributable to the ITN Defined Benefit Pension Scheme (ITN Pension Scheme). The scheme, which was closed to future accrual and is currently in deficit, is discussed in more detail in Note 18 to the accounts. The deficit has increased from £82.4m to £88.8m largely due to the continued decline in gilt and bond yields.

ITN News has built a strong reputation as the UK's leading commercial supplier of independent broadcast news, delivering powerful, authoritative, world-class coverage, reaching more than 10 million people every day.

2012 saw the landmark return of the Channel 5 News contract as a relaunched 5 News moved into its own state-of-the-art newsroom and studio. Built by ITN at Channel 5's own headquarters, our first remotely-located news operation is linked to ITN's central technical, editorial and corporate infrastructure.

In the year of the Diamond Jubilee, Olympics and Paralympics, there was rarely a quiet period for our teams across ITV News, Channel 4 News and 5 News. Extensive international coverage from Syria to Superstorm Sandy saw deployments across the globe, while closer to home the Savile scandal and Leveson Inquiry also dominated the agenda.

Growth in ITN News revenues was boosted by the new Channel 5 News contract and one-off special programmes for ITV on the Diamond Jubilee and US Elections.

Revenue growth from ITN's other businesses was primarily driven by the ITN Productions division – our central creative hub producing multi-platform content ranging from fast turnaround current affairs specials, returning series and award-winning programming, to live streamed events.

An impressive performance saw a raft of new business, with repeat series including ITV's The Agenda and History's Mud Men, commissions for Channel 4's Dispatches, celebrity news programming for Heat TV and a major contract with the Department of Health.



## **Independent Television News Limited**

### **Directors' report (continued)**

ITN Source delivered an improved profit contribution, partly through facilities provided to global broadcasters during the Diamond Jubilee and London 2012.

ITN Consulting was closed during the period due to the impact of an increasingly uncertain global economic climate, with cancellation or postponements of contracts in the Middle East and other key territories significantly affecting profitability.

2012 was a successful year for ITN. It has achieved solid levels of profitability, won significant new business as well as awards and praise for its existing business. ITN remains committed to delivering news programming of the highest quality and now has a firm platform for longer-term profitable growth.

### **Results and dividends**

The Group's results are set out on page 22. The directors do not recommend the payment of a dividend (2011: £nil).

### **Board of Directors**

#### **Executive Directors**

J M Hardie  
B R Martin

#### **Non Executive Directors**

M A M Carver (Chairman)  
G W Linnebank  
M D Stewart  
S J Pitts  
A S Garard  
T M Betts (alternate to A S Garard)

### **The Board**

The Board meets regularly throughout the year and currently consists of seven directors. To enable the Board to perform its duties, the directors have full access to all relevant information and to the services of the Company Secretary.

### **The Audit Committee**

The Audit Committee currently comprises all non-executive directors with M A M Carver as Chairman and meets at least once a year. The Committee reviews the Company's annual financial statements before submission to the Board for approval. The Committee also reviews reports from the external auditor on accounting and internal control matters. Where appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment and reviews the fees of the external auditor.

### **The Remuneration Committee**

The Remuneration Committee currently comprises all Non-Executive directors with M D Stewart as Chairman. 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.

### **Directors' report (continued)**

Base salary and benefits are determined on an annual basis by the Committee after a review of the individual's performance, Group 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; salary security and disability cover; health insurance and death in service cover. The value of benefits is not pensionable.

The Executive Directors participated in a Long-Term Incentive Plan to promote longer term performance and retention. Payments are contingent on aggregate profits exceeding certain targets over the period 2010 to 2012. Amounts payable under this plan are included in note 7, Staff costs and directors' remuneration. The Remuneration Committee, which includes representation of all the shareholders, intends to put in place a new Long Term Incentive Plan for 2013 to 2015, although at the date of these accounts the terms are not yet finalised.

### **Strategy and financial reporting**

The Group performs a comprehensive annual strategy and budgeting process. The Executive Directors review budgets and strategies and the Board approves the overall Group strategy and budget as part of its normal responsibilities. The results of the Company are reported monthly and compared with individual budgets and forecasts which are updated regularly during the financial year.

### **Principal risks and uncertainties**

There are a number of potential risks and uncertainties (the most significant of which are described in more detail below), which could have a material impact on the Company's long-term performance and could cause actual results to differ materially from those expected. These risks are regularly reviewed by the Company's senior management.

#### **ITN pension scheme funding risk**

As described in Note 18, the ITN Pension Scheme has a significant funding deficit. The Company agreed a recovery plan with the Scheme Trustees in respect of the deficit as at 31 December 2011, although this has not yet been signed at the date of these accounts. The scheme has been closed to future accrual since 31 March 2010 with members transferring to a defined contribution scheme. In conjunction with the Trustees, the Company is also evaluating a number of options to further reduce risk.

#### **Customer concentration risk**

The Company generates a substantial portion of its revenue from its three key customers in the broadcasting sector. Damage to, or loss of, any of these relationships could have a direct and potentially material effect on the Company's results. The Company has long-term contracts with its key broadcasting customers which mitigate the risk; although in the case of ITV there is currently no long-term contract in place. The Board has every expectation of a new multi-year contract being formally agreed with ITV once the OFCOM licence renewal process is completed. Board members regularly meet with the key customers and review the relationships to ensure that the Company continues to meet their respective needs.

#### **Foreign exchange risk**

The Group's activities currently do not significantly expose it to the financial risks of changes in foreign currency exchange rates and there is a degree of operational hedging with revenues and costs arising in foreign currencies through the operation of the ITN Source business overseas and overseas news bureaux.

## **Directors' report (continued)**

### **Credit risk**

The Group's principal financial assets are bank balances, cash and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are principally due from major broadcasters, thereby reducing recovery risk. Liquid funds are held with financial institutions that are regularly reviewed by the Treasury function.

### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of cash and medium-term debt finance. There have been no instances of liquidity shortage in the period, nor are there expected to be any in the foreseeable future.

### **Going concern**

After making enquiries and considering the uncertainties described in detail in note 1 in the financial statements, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

### **Organisational structure and authorisation procedures**

The Group has an established organisational structure with clearly stated lines of responsibility and reporting.

### **Charitable and political contributions**

During the year the Group made charitable donations of £25,000 (2011: £30,833) relating to charities associated with journalism. There were no political donations.

## **Directors' report (continued)**

### **Employees**

The Group does not discriminate between employees or potential employees on the grounds of gender, marital status, race, ethnic or national origin, religious beliefs, disability, age, sexual orientation or gender reassignment. The importance of staff training is recognised at all levels. ITN is an active member of the Cultural Diversity Network. The Company holds regular meetings with employees, as well as providing information on a regular basis through staff news e-mails, an intranet and notice boards.

### **Supplier payment policy**

The Group'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 31 December 2012 were 21 days (2011: 23 days), based on the ratio of Company trade creditors at the year end to the amounts invoiced during the year by trade creditors.

### **Auditor**

Deloitte LLP have expressed their willingness to continue in office as the Company's auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

J H Scorer  
Secretary  
200 Gray's Inn Road  
London  
WC1X 8XZ  
30 April 2013

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Independent Television News Limited**

We have audited the financial statements of Independent Television News Limited for the year ended 31 December 2012 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Independent auditor's report to the members of  
Independent Television News Limited (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Lee-Amies (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
30 April 2013

## Independent Television News Limited

### Consolidated profit and loss account Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	3	108,739	98,207
Cost of sales		(90,774)	(81,504)
<b>Gross profit</b>		17,965	16,703
Administrative expenses		(14,230)	(14,384)
<b>Operating profit on ordinary activities before interest and taxation</b>		3,735	2,319
Income from other fixed assets investments	4	435	656
Interest receivable and similar income		31	28
Interest payable and similar charges	5	(155)	(233)
Other finance costs	5	(2,494)	(462)
<b>Profit on ordinary activities before taxation</b>	6	1,552	2,308
Tax (charge)/credit on ordinary activities	8	(464)	(763)
<b>Profit for the financial year</b>	16	1,088	1,545

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

A consolidated statement of total recognised gains and losses is set out on page 26.

All activities are continuing. The accompanying notes are an integral part of this consolidated profit and loss account.

# Independent Television News Limited

## Consolidated balance sheet As at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	9,692	11,667
Investments	10	2,418	2,318
		<u>12,110</u>	<u>13,985</u>
<b>Current assets</b>			
Debtors	11	19,425	18,953
Cash at bank and in hand		8,041	5,177
		<u>27,466</u>	<u>24,130</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(28,429)</u>	<u>(26,339)</u>
<b>Net current liabilities</b>		<u>(963)</u>	<u>(2,209)</u>
<b>Total assets less current liabilities</b>		11,147	11,776
<b>Creditors: amounts falling due after more than one year</b>	13	(352)	(171)
<b>Provisions for liabilities</b>	14	<u>(2,732)</u>	<u>(3,367)</u>
<b>Net assets excluding pension liability</b>		8,063	8,238
<b>Pension liability</b>	18	<u>(68,420)</u>	<u>(61,819)</u>
<b>Net liabilities including pensions liability</b>		<u>(60,357)</u>	<u>(53,581)</u>
<b>Capital and reserves</b>			
Called up share capital	15	400	400
Profit and loss account	16	<u>(60,757)</u>	<u>(53,981)</u>
<b>Shareholders' deficit</b>	22	<u>(60,357)</u>	<u>(53,581)</u>

The accompanying notes are an integral part of this consolidated balance sheet.

The financial statements of Independent Television News Limited (registered number: 548684) were approved by the Board of Directors on 30 April 2013.

Signed on behalf of the Board of Directors

B R Martin  
Director

30 April 2013

# Independent Television News Limited

## Company balance sheet As at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	9,692	11,667
Investments	10	2,072	1,972
		<u>11,764</u>	<u>13,639</u>
<b>Current assets</b>			
Debtors	11	20,003	18,900
Cash at bank and in hand		7,520	5,048
		<u>27,523</u>	<u>23,948</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(28,140)</u>	<u>(25,811)</u>
<b>Net current liabilities</b>		<u>(617)</u>	<u>(1,863)</u>
<b>Total assets less current liabilities</b>		11,147	11,776
<b>Creditors: amounts falling due after more than one year</b>	13	(352)	(171)
<b>Provisions for liabilities</b>	14	<u>(2,732)</u>	<u>(3,367)</u>
<b>Net assets excluding pension liability</b>		8,063	8,238
<b>Pension liability</b>	18	<u>(68,420)</u>	<u>(61,819)</u>
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The accompanying notes are an integral part of this Company balance sheet

The financial statements of Independent Television News Limited (registered number: 548684) were approved by the Board of Directors on 30 April 2013.

Signed on behalf of the Board of Directors

B R Martin  
Director

30 April 2013

# Independent Television News Limited

## Consolidated cash flow statement Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	20	7,331	582
<b>Returns on investments and servicing of finance</b>			
Income from fixed assets investments		435	656
Interest received		31	28
Interest paid		(31)	(57)
Interest element of finance lease and hire purchase rentals		(14)	-
Investment in joint ventures		(100)	(190)
		<u>321</u>	<u>437</u>
Net cash inflow from returns on investments and servicing of finance		<u>321</u>	<u>437</u>
<b>Taxation</b>			
UK corporation tax received		2	-
<b>Capital expenditure and financial investment</b>			
Acquisition of tangible fixed assets		(3,011)	(3,988)
Sale of tangible fixed assets		5	52
		<u>(3,006)</u>	<u>(3,936)</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(3,006)</u>	<u>(3,936)</u>
<b>Cash inflow/ (outflow) before financing</b>		4,648	(2,917)
<b>Financing</b>			
Drawdown of loan	21	700	1,710
Repayment of loan	21	(2,796)	(2,441)
Issue of finance lease		402	250
Capital element of lease payment		(90)	-
		<u>(1,784)</u>	<u>(481)</u>
<b>Net cash outflow from financing</b>		<u>(1,784)</u>	<u>(481)</u>
<b>Increase/(decrease) in cash in the year</b>	21	<u>2,864</u>	<u>(3,398)</u>

The accompanying notes are an integral part of this consolidated cash flow statement.

## Independent Television News Limited

### Consolidated statement of total recognised gains and losses

Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Group profit for the financial year</b>		1,088	1,545
Actuarial loss relating to the pensions scheme (including exceptional experience loss in 2011)	18	(8,096)	(26,826)
Related deferred tax on actuarial loss		1,269	6,432
Current tax credit in respect of pension contributions		740	793
Effect of decrease in tax rate on deferred tax asset on pension liability		(1,777)	(1,649)
<b>Total recognised losses relating to the year</b>		<u>(6,776)</u>	<u>(19,705)</u>

The profits for 2012 and 2011 are reported under the historical cost convention.

The accompanying notes are an integral part of this consolidated statement of recognised gains and losses.



# **Independent Television News Limited**

## **Notes to the financial statements**

### **Year ended 31 December 2012**

#### **1. Statement of accounting policies**

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

##### **Basis of consolidation**

The Group accounts consolidate the accounts of Independent Television News Limited and its subsidiary undertakings up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

##### **Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 14, including the principal risks and uncertainties.

The Group made a profit after tax of £1.1m in the year to 31 December 2012. It had net current liabilities of £1.0m. The Group's activities are largely funded out of operating cash flows arising from its contracts with broadcasters.

At 31 December 2012, the ITN Pension Scheme had a net deficit under Financial Reporting Standard 17 "Retirement Benefits" of £88.8 million (note 18). The triennial actuarial valuation of the scheme at 31 December 2011 and associated recovery plan has been agreed in principle with the Trustees of the ITN Pension Scheme but not yet signed. A funding plan has been agreed with the Trustees. The directors believe that the agreed funding plan enables the Company to make appropriate contributions to the Scheme to reduce the deficit whilst continuing to grow the business.

At the time of these 2012 accounts there is no long-term contract in place with one of the Company's key customers, ITV. However, the Board has every expectation of a new multi-year contract being formally agreed with ITV once the OFCOM licence renewal process is completed.

After making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, the going concern basis continues to be adopted in preparing the annual report and accounts.

##### **Basis of accounting**

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

##### **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 the contract value applicable to the activity in the period, ascertained by reference to the extent to which contractual obligations have been carried out. Programme and Archive material income is recognised once a licence agreement is concluded and the product delivered.

# **Independent Television News Limited**

## **Notes to the financial statements**

**Year ended 31 December 2012**

### **1. Statement of accounting policies (continued)**

#### **Investments**

Fixed asset investments are stated at cost less any provision for impairment.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of any depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write-off the cost of tangible fixed assets over their expected useful lives in equal annual instalments. The expected useful lives are as follows:

Fixed plant and equipment	between 5 and 25 years
Office and technical equipment	between 1 and 10 years
Motor vehicles	4 years

Under the news contracts ITN has with broadcasters, the broadcasters may contribute funds for the purchase of the necessary equipment. Such assets are capitalised and amortised over the expected useful economic life.

Capital contributions received from broadcasters to fund the expenditure are included in accruals and deferred income when received or receivable from the broadcaster and credited to the profit and loss account over the expected useful economic life of the relevant asset.

#### **Foreign currency**

Transactions denominated in foreign currencies are recorded in the local currencies at actual exchange rates as at the dates of the transactions. 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.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The deferred tax asset is recognised as the directors are of the opinion that it is more likely than not that there will be

**Notes to the financial statements**  
**Year ended 31 December 2012**

**1. Statement of accounting policies (continued)**

**Taxation (continued)**

suitable taxable profits in the future from which the reversal of the underlying timing difference can be deducted.

Taxable losses have been incurred by the Group and have been recognised as the directors are of the opinion that it is more likely than not these will be available for offset against future taxable profits of the Company or will be recoverable through consortium or group tax relief in the future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**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.

**Pensions**

With effect from 31 March 2010, the Group closed the ITN Pension Scheme to future accrual. Subsequently the Group provided pensions to all members of staff from 1 April 2010 through a defined contribution stakeholder scheme. For the defined benefit scheme, as the scheme is now closed to future accruals, there are no amounts charged to the operating profit.

The interest cost and expenses to the fund which are netted against the expected return on assets are shown as a net amount of other finance costs in the profit and loss statement.

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate

## **Independent Television News Limited**

### **Notes to the financial statements**

**Year ended 31 December 2012**

#### **1. Statement of accounting policies (continued)**

##### **Pensions (continued)**

of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

The amounts charged to the profit and loss account for the defined contribution scheme are the contributions payable in the period.

##### **Provisions**

In accordance with Financial Reporting Standard 12 "Provisions, Contingent Liabilities and Contingent Assets", the Group's property provisions (see note 14) have been discounted to the present value of future lease obligations net of estimated sublease income and related costs of leasehold property where the space is vacant or currently not planned to be used for ongoing operations. The Group's Salary provisions (see note 14) have been discounted to the present value of net payments to staff less any applicable receipts from insurance companies. The periodic unwinding of the discount is treated as an imputed interest charge and is disclosed under interest payable and similar charges. Management make an annual assessment of the appropriateness of the assumptions. Any resulting changes in assumptions are charged within administrative expenses in the profit and loss account.

# Independent Television News Limited

## Notes to the financial statements

### Year ended 31 December 2012

#### 2. Parent Company profit and loss account

The Company has taken advantage of the exemption in the Companies Act 2006 S.408 not to present its own profit and loss account. The Company's profit after tax for the year was £1,088,000 (2011: profit £1,545,000).

#### 3. Segmental information

The principal activity of the Group is to provide daily scheduled television programmes of international and national news to UK broadcasters. The Group also provides other programming, on the day and archive material and technical and production facilities. The Group turnover, by geographical destination, is as follows:

Turnover by geographical destination:

	News		Other		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
United Kingdom	82,036	73,741	16,205	13,830	98,241	87,571
Rest of the world	-	-	10,498	10,636	10,498	10,636
Total	<u>82,036</u>	<u>73,741</u>	<u>26,703</u>	<u>24,466</u>	<u>108,739</u>	<u>98,207</u>

The directors consider all turnover to be derived from the activities above.

#### 4. Income from other fixed asset investments

	2012 £'000	2011 £'000
Dividend received	<u>435</u>	<u>656</u>

#### 5. Interest payable and similar charges/other

	2012 £'000	2011 £'000
<b>Interest payable and similar charges</b>		
Interest on finance leases	14	-
Interest on loan	31	59
Unwinding of discount on provisions (note 14)	<u>110</u>	<u>174</u>
	<u>155</u>	<u>233</u>

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 5. Interest payable and similar charges/other (continued)

	2012 £'000	2011 £'000
<b>Other Finance costs</b>		
Scheme expenses	1,141	1,302
Net of Interest cost and expected return on assets	1,353	(840)
	<u>2,494</u>	<u>462</u>

### 6. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2012 £'000	2011 £'000
Depreciation of tangible fixed assets:		
- owned	4,911	4,587
- held under finance lease	66	7
Profit on disposal of fixed assets	(4)	(48)
Operating lease rentals		
- land and buildings	<u>2,995</u>	<u>2,999</u>
Audit and non-audit fees paid to Deloitte LLP		
- Fees payable to Deloitte LLP for the audit of the Company's annual accounts	89	86
- The audit of the Company's subsidiaries pursuant to legislation	13	13
- Other services relating to taxation	99	162
	<u>201</u>	<u>261</u>

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.



## Independent Television News Limited

### Notes to the financial statements Year ended 31 December 2012

#### 7. 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:

	2012 No.	2011 No.
Number of employees	707	646
	<b>£'000</b>	<b>£'000</b>
The costs incurred in respect of these employees were:		
Wages and salaries	39,386	35,994
Employers' national insurance costs	4,122	3,755
Employers' pension costs		
- defined contribution stakeholder scheme	2,971	2,706
	<b>46,479</b>	<b>42,455</b>

##### Directors' remuneration

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

	Total Directors Remuneration		Highest paid Director	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Salary/fees	700	700	350	350
Annual bonus	459	404	315	277
Pension	41	59	35	35
Other benefits	57	42	26	26
Current year emoluments	1,257	1,205	726	688
2010-2012 Long-term incentive plan	736	-	491	-
Total remuneration	<b>1,993</b>	<b>1,205</b>	<b>1,217</b>	<b>688</b>

In 2013, payments will be made under the Long-term incentive plan based on the profits delivered over 2010-2012. The Remuneration Committee which includes representation of all the shareholders intends to put in place a new Long-term Incentive Plan for 2013 to 2015, although at the date of these accounts the terms are not yet finalised.

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 8. Tax on profit on ordinary activities

	2012 £'000	2011 £'000
<b>Current tax</b>		
UK Corporation tax at 24.5% (2011: 26.5%) for the year	(649)	(495)
Foreign tax	(13)	(113)
Adjustments in respect of prior years: UK corporation tax	13	(53)
Total current tax charge	<u>(649)</u>	<u>(661)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(3)	244
Effect of change in the tax rate	(176)	(174)
Charge in respect of pension liability	338	(227)
Adjustments in respect of prior years	26	55
Total deferred tax	<u>185</u>	<u>(102)</u>
Total tax charge on profit on ordinary activities	<u>(464)</u>	<u>(763)</u>

The Finance Act 2011, which was enacted on 19 July 2011, provided for a planned reduction of the corporation tax rate from 26% to 25%, effective from 1 April 2012. The 25% rate was reflected in the calculation of deferred tax in the financial statements for the year ended 31 December 2011.

As announced in the 2012 Budget, and enacted later that year, the rate of corporation from 1 April 2012 was actually 24% not 25%.

The Finance Act 2012, which was enacted on 17 July 2012, provided for a future reduction of the corporation tax to 23%, effective from 1 April 2013. The 23% rate has been reflected in the calculation of deferred tax in these statements.

The UK Government has also indicated in its 2013 Budget that it intends to introduce further reductions in the main tax rate, with the rate falling to 21% by 1 April 2014 and 20% by 1 April 2015.

The further reductions to the tax rates from 23% to 20% have not been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements. If the deferred tax balances within these financial statements were recomputed using the 20% rate, the impact on the closing balance sheet would be a reduction of the deferred tax asset related to the pension liability (note 18) from £20.4m to £17.5m and a reduction of other deferred tax assets (note 11) from £2.0m to £1.8m.

## Independent Television News Limited

### Notes to the financial statements

#### Year ended 31 December 2012

#### 8. Tax on profit on ordinary activities (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 24.5 % (2011: 26.5%). The current tax charge (2011: charge) for the year was greater than 24.5 % (2011: was greater than 26.5%) for the reasons set out in the following reconciliation:

	2012 £'000	2011 £'000
<b>Group profit on ordinary activities before tax</b>	1,552	2,308
Tax on group profit on ordinary activities at standard tax rate	380	612
Effects of:		
Expenses not deductible for tax purposes	230	244
Non-taxable income	(300)	(347)
Depreciation/less than of capital allowances	225	(49)
Other short term timing differences	321	(85)
Tax losses carried forward	-	150
Tax losses brought forward	(204)	-
Adjustments to tax charge in respect of previous periods	(13)	53
Foreign tax	10	83
<b>Group current tax charge for the year</b>	<u>649</u>	<u>661</u>

#### 9. Tangible fixed assets

Group and Company	Fixed plant and equipment £'000	Office and technical equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>					
At 1 January 2012	6,257	42,340	1,073	422	50,092
Additions	162	2,353	46	450	3,011
Completed Assets	11	411	-	(422)	-
Disposals	-	(3,213)	(36)	-	(3,249)
At 31 December 2012	<u>6,430</u>	<u>41,891</u>	<u>1,083</u>	<u>450</u>	<u>49,854</u>
<b>Depreciation</b>					
At 1 January 2012	4,608	33,060	757	-	38,425
Charged in year	654	4,213	116	-	4,983
Disposals	-	(3,212)	(34)	-	(3,246)
At 31 December 2012	<u>5,262</u>	<u>34,061</u>	<u>839</u>	<u>-</u>	<u>40,162</u>
<b>Net book value</b>					
At 31 December 2012	<u>1,168</u>	<u>7,830</u>	<u>244</u>	<u>450</u>	<u>9,692</u>
At 31 December 2011	<u>1,649</u>	<u>9,280</u>	<u>316</u>	<u>422</u>	<u>11,667</u>

Included above is Office and technical equipment held under finance leases amounting to a net book value of £565,000 (2011: £243,000).

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 10. Fixed asset investments

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Subsidiary undertakings	-	-	-	-
Other investments	2,418	2,318	2,072	1,972

The Company and the Group have investments in the following subsidiary undertakings, associated undertakings and other investments.

#### Subsidiary undertakings

ITN Archive Limited, a 100% subsidiary of the Company, is registered in England and Wales. The principal activity of ITN Archive Limited is to sell and market in certain territories the Company's television archive and any other archives that the Company has the right to sell.

ITN Radio Limited is a 100% subsidiary of ITN Radio Investments Limited which is itself a 100% subsidiary of the Company. ITN Radio Limited owns a 19.7% interest in Independent Radio News Limited. ITN Radio Limited is represented on the board of IRN but does not have a significant influence over the operations of IRN and consequently it has been treated as an investment in the accounts.

#### Other investments

19.7% interest in Independent Radio News Limited.

16.76% interest in Espresso Group Limited, a Company registered in England and Wales. The principal activity of this Company is the production and distribution of digital educational programming.

50% interest in Diagonal View Limited, a Company registered in England and Wales.

50% interest in Digital Care Social Enterprise Limited, a Company registered in England and Wales.

On 8 February 2013 the Company sold its entire investment of 50% in ITN Venture Consulting Pte Limited.

	Cost and net book value	
	2012	2011
	£'000	£'000
<b>Group</b>		
At 1 January and 31 December	2,418	2,318

	Cost and net book value	
	2012	2011
	£'000	£'000
<b>Company</b>		
At 1 January and 31 December	2,072	1,972

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 11. Debtors

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	10,126	10,793	10,035	10,586
Other debtors	1,934	931	1,897	581
Deferred tax	2,019	2,172	2,036	2,172
Amounts owed by subsidiary undertakings	-	-	769	604
Prepayments and accrued income	5,346	5,057	5,266	4,957
	<u>19,425</u>	<u>18,953</u>	<u>20,003</u>	<u>18,900</u>

All debtors other than deferred tax are recoverable within one year. Part of the shareholder loan to Diagonal View Limited of £320,286 (2011: £210,000) included in other debtors has been provided for.

The deferred tax asset is recognised as the Directors are of the opinion that it is more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying timing difference can be deducted or the tax losses offset against future taxable profits.

#### Deferred tax

	£'000
At 1 January 2012	2,172
Debited to profit and loss account	(162)
Prior year adjustment	26
	<u>2,036</u>
At 31 December 2012	<u>2,036</u>

Deferred taxation is analysed as follows:

	2012	2011
	£'000	£'000
Depreciation in excess of capital allowances	1,512	1,403
Other short-term timing differences	320	357
Tax losses	187	412
	<u>2,019</u>	<u>2,172</u>

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 12. Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Other loans (note 13)	-	2,096	-	2,096
Obligations under finance leases and hire purchase contracts	211	79	211	79
Trade creditors	2,090	1,119	2,090	1,119
Social security and other taxes	1,317	1,153	1,317	1,153
Other creditors	2,370	2,482	2,337	2,431
Accruals and deferred income	22,441	19,410	22,185	18,933
	<u>28,429</u>	<u>26,339</u>	<u>28,140</u>	<u>25,811</u>

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

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Other loans	-	-	-	-
Obligations under finance leases and hire purchase contracts	352	171	352	171

Other loans represent a loan provided by ITV Broadcasting Limited (related party note 19). This loan was fully repaid at 31 December 2012. Other loans are secured and are repayable as follows:

	2012	2011
	£'000	£'000
<b>Group and Company</b>		
Within one year	-	2,096
Between two and five years	-	-
	<u>-</u>	<u>2,096</u>

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

	2012	2011
	£'000	£'000
<b>Group and Company</b>		
Within one year	211	79
Between two and five years	352	171
	<u>563</u>	<u>250</u>

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 14. Provisions for liabilities

<b>Group and Company</b>	<b>Property £'000</b>	<b>Salary related £'000</b>	<b>Total £'000</b>
At 1 January 2012	1,962	1,405	3,367
Utilised during the year	(590)	(515)	(1,105)
Unwinding of discount on provisions (note 5)	73	37	110
Charged in the year	273	87	360
	<hr/>	<hr/>	<hr/>
At 31 December 2012	1,718	1,014	2,732
	<hr/>	<hr/>	<hr/>

Salary related provisions at the end of 2012 represent amounts in respect of Salary Security and in 2011 also included are amounts in respect of a Long Term Incentive Plan.

### 15. Called-up share capital

At 31 December 2012 and 2011 the Company had 15,400,000 authorised ordinary shares of £1 each.

<b>Group and Company</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Authorised, allotted, called-up and fully-paid:</b>		
400,000 ordinary shares of £1 each	400	400
	<hr/>	<hr/>

### 16. Reserves

	<b>2012</b>	
<b>Profit and loss account</b>	<b>Group £'000</b>	<b>Company £'000</b>
At 1 January 2012	(53,981)	(53,981)
Retained profit for the year	1,088	1,088
Net actuarial loss recognised in the pension scheme	(7,864)	(7,864)
	<hr/>	<hr/>
At 31 December 2012	(60,757)	(60,757)
	<hr/>	<hr/>

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 17. Guarantees and other financial commitments

#### (a) Capital Commitments

	2012 £'000	2011 £'000
Group and Company		
Contracted for but not provided for	198	310

#### (b) Operating lease commitments

At 31 December 2012 the Group and Company had minimum annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	Group £'000	Company £'000
<b>2012</b>		
Operating leases which expire:		
Within one year	-	-
Between two and five years	-	-
After more than five years	3,256	3,256
	<u>3,256</u>	<u>3,256</u>
<b>2011</b>		
Operating leases which expire:		
Within one year	637	617
Between two and five years	-	-
After more than five years	3,256	3,256
	<u>3,893</u>	<u>3,873</u>

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

#### (c) Minimum guarantee commitments

The Group has two contracts (2011: two contracts) where it has minimum guarantee commitments relating to the sale of archive material.

	Minimum guarantee commitments £'000
Expiring within one year	32
Expiring between two and five years	1,380

One of these contracts is with ITV Global Entertainment Limited, a related party, totalling £1,380,000 (2011: £660,000).

#### (d) Pension Fund security

Significant assets have been provided as security to the ITN Pension Scheme in support of the recovery plan agreed with the Trustees to address the funding deficit.



## Independent Television News Limited

### Notes to the financial statements

#### Year ended 31 December 2012

#### 18. Pensions

With effect from 31 March 2010, the Group closed the ITN Pension Scheme to future accrual. Subsequently the Group provided pensions to all members of staff from 1 April 2010 through a defined contribution stakeholder 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 31 December 2008 and used the projected unit method. The valuation at 31 December 2011 is agreed in principle with the Trustees but not signed at the date of these accounts. For 2013, the Group is expected to make a maximum contribution of £4m (2012: £4.2m) which includes Scheme expenses and Pension Protection Fund Levy.

The major financial assumptions used to calculate the present value of scheme liabilities under FRS 17 are:

	2012	2011	2010	2009	2008
Inflation	2.70%	3.00%	3.40%	3.40%	2.80%
Rate of increases in salaries	-	-	-	3.40%	2.80%
Rates of increase of pensions in payment	2.70%	3.00%	3.40%	3.40%	2.80%
Rate of increase for deferred pensioners	2.00%	2.00%	2.90%	3.40%	2.80%
Discount rate	4.50%	4.90%	5.40%	5.80%	6.40%
Expected return on scheme assets (1)	5.82%	6.84%	7.03%	6.80%	7.06%

For mortality rates the Company has used SAPS tables, with probabilities of death reduced by 10% for males and unreduced for females, with an allowance for future improvements in line with the CMI 2011 projections with a long-term improvement rate of 1% p.a. Using these tables, a male non-pensioner member currently aged 40 is expected to live for a further 49 years, while a male pensioner aged 60 is expected to live for a further 27 years. The tables above reflect published mortality investigations.

- (1) Note: This refers to the expected rate of return on assets as at the beginning of each period presented. The overall expected rate of return on the Scheme assets has been based on the average expected return of each asset class, weighted by the amount of assets in each class.

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 18. Pensions (continued)

The employee benefit obligations of the scheme were:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of funded obligations	(390.5)	(367.6)	(341.9)	(321.0)	(279.2)
Present value of unfunded obligations	-	-	-	-	-
Fair value of scheme assets	301.7	285.2	282.4	264.4	239.3
Deficit in the scheme	(88.8)	(82.4)	(59.5)	(56.6)	(39.9)
Related deferred tax asset	20.4	20.6	16.1	15.9	11.2
Net pension liability	(68.4)	(61.8)	(43.4)	(40.7)	(28.7)

Assets in the plan as a percentage of total plan assets:

	2012	2011	2010	2009	2008
Equities	50%	49%	64%	63%	62%
Bonds	45%	45%	29%	30%	30%
Other	5%	6%	7%	7%	8%

Expected rate of return at the start of the period were:

	2012	2011	2010	2009	2008
Equities	7.00%	7.95%	8.25%	7.50%	8.10%
Bonds	4.90%	4.57%	5.26%	5.70%	4.90%
Other	5.25%	6.10%	3.42%	5.40%	6.20%

Profit and loss impact:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Current service cost	-	-	1.7	2.5	3.7
Expected return on pension scheme assets	(15.2)	(17.7)	(18.1)	(15.9)	(20.8)
Interest on pension scheme liabilities	17.7	18.1	18.2	17.5	18.4
Past service cost	-	-	-	-	0.1
Charge	2.5	0.4	1.8	4.1	1.4

# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 18. Pensions (continued)

#### Amount recognised in the statement of total recognised gains and losses:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Net actuarial losses/(gains) recognised in year	8.1	26.8	4.0	18.2	19.8
Net cumulative actuarial losses	<u>82.6</u>	<u>74.5</u>	<u>47.6</u>	<u>43.6</u>	<u>25.4</u>

#### Actual return on plan assets

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Actual return on plan assets	<u>25.2</u>	<u>11.0</u>	<u>29.2</u>	<u>32.0</u>	<u>(53.2)</u>

#### Reconciliation of present value of plan liabilities and assets

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>Change in the present value of the defined benefit obligation</b>					
Opening defined benefit obligation	367.6	341.9	321.0	279.2	319.7
Service cost	-	-	1.7	2.5	3.7
Interest cost	17.7	18.1	18.2	17.5	18.4
Contribution by plan participants	-	-	0.3	1.3	1.4
Past service benefits granted during the year	-	-	-	-	0.1
Actuarial losses/(gains)	18.1	20.2	15.0	34.3	(54.2)
Benefits paid	<u>(12.9)</u>	<u>(12.6)</u>	<u>(14.3)</u>	<u>(13.8)</u>	<u>(9.9)</u>
Closing defined benefit obligation	<u>390.5</u>	<u>367.6</u>	<u>341.9</u>	<u>321.0</u>	<u>279.2</u>

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>Change in the fair value of plan assets</b>					
Opening fair value of plan assets	285.2	282.4	264.4	239.3	296.9
Expected return	15.2	17.7	18.1	15.9	20.8
Actuarial gains/(losses)	10.0	(6.6)	11.0	16.1	(74.0)
Contribution by employer	4.2	4.3	2.9	5.6	4.1
Contribution by plan participants	-	-	0.3	1.3	1.4
Benefits paid	<u>(12.9)</u>	<u>(12.6)</u>	<u>(14.3)</u>	<u>(13.8)</u>	<u>(9.9)</u>
Closing fair value of plan assets	<u>301.7</u>	<u>285.2</u>	<u>282.4</u>	<u>264.4</u>	<u>239.3</u>

## Independent Television News Limited

### Notes to the financial statements Year ended 31 December 2012

#### 18. Pensions (continued)

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>History of experience gains and losses</b>					
Defined benefit obligation	(390.5)	(367.6)	(341.9)	(321.0)	(279.2)
Plan assets	301.7	285.2	282.4	264.4	239.3
Deficit	(88.8)	(82.4)	(59.5)	(56.6)	(39.9)
Experience adjustments on plan liabilities gains/(losses)-	(3.1)	(22.0)	-	4.9	(2.0)
Experience adjustments on plan assets gains/(losses)	10.0	(6.6)	11.0	16.1	(74.0)

#### 19. Related party transactions

The Group enters into a number of transactions in the ordinary course of business with its shareholders, associated undertakings and other investments.

At 31 December 2012, the shareholders were (either directly or via subsidiaries):

ITV plc	40%
Daily Mail and General Trust plc	20%
Thomson Reuters Corporation	20%
UBM plc	20%

The Group made sales of £54.6m (2011: £49.2m) to shareholders or entities controlled by shareholders in respect of the supply of news programming, facility sales, rental income and other archive programming. The Group made purchases of £3.3m (2011: £3.1m) from shareholders in respect of the supply of news agency and other services.

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

<b>Shareholder Balance Sheet Items</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Debtors	5,730	4,440
Other debtors	572	297
Creditors due within one year	-	2
Other loans	-	2,096
Other creditors	289	23

The Group made sales of £687,277 (2011: £1,078,000) to other investments (note 10) in respect of the supply of on the day and archive content, programming, rental income, management and support fees.

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

## Independent Television News Limited

### Notes to the financial statements Year ended 31 December 2012

#### 19. Related party transactions (continued)

	2012 £'000	2011 £'000
<b>Other Investments Balance Sheet Items</b>		
Debtors	361	234
Other debtors	307	458

#### 20. Reconciliation of operating profit to net cash inflow/ (outflow) from operating activities

	2012 £'000	2011 £'000
Operating profit	3,735	2,319
Depreciation charge	4,983	4,595
(Profit)/loss on disposal of tangible fixed assets	(4)	(48)
(Increase) in debtors	(472)	(13)
Increase/(Decrease) in creditors	4,054	(1,622)
Decrease in provisions	(744)	(334)
Incremental Company pension contributions in excess of that charged to operating profit	(4,159)	(4,302)
Foreign exchange differences	(63)	(13)
Net cash inflow/(outflow)	7,331	582

All activities are continuing.

#### 21. Analysis of changes in net funds

		1 January 2012 £'000	Cash flows £'000	Other changes £'000	31 December 2012 £'000
	<b>Notes</b>				
Cash at bank and in hand		5,177	2,864	-	8,041
Loan due within one year	12	(2,097)	2,097	-	-
Loan due after more than one year	13	-	-	-	-
Obligation under finance leases		(250)	89	(402)	(563)
		(2,347)	2,186	(402)	(563)
Net cash		2,830	5,050	(402)	7,478



# Independent Television News Limited

## Notes to the financial statements Year ended 31 December 2012

### 21. Analysis of changes in net funds (continued)

#### Reconciliation of movements in net funds

	2012 £'000	2011 £'000
Increase (Decrease) in cash in the year	2,864	(3,398)
Cash inflow from issue of secured loan	(700)	(1,710)
Cash outflow from repayment of secured loan	2,796	2,441
Cash inflow from increase in obligations under finance leases	(312)	(250)
Change in net cash resulting from cash flows	4,648	(2,917)
Movement in net cash for the period	4,648	(2,917)
Net cash as at 1 January	2,830	5,747
Net cash as at 31 December	7,478	2,830

### 22. Reconciliation of movement in shareholders' deficit

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Shareholders' deficit at 1 January	(53,581)	(33,876)	(53,581)	(33,876)
Retained profit for the year	1,088	1,545	1,088	1,545
Actuarial loss recognised in the pension scheme	(7,864)	(21,250)	(7,864)	(21,250)
Shareholders' deficit at 31 December	(60,357)	(53,581)	(60,357)	(53,581)

Shareholders' deficit are all equity interests.

**ITN**