

# RTE

Financial Statements  
Year Ended 31 December 2003  
Strictly Confidential

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The members of the RTÉ Authority present their report together with the audited financial statements for the year ended 31 December 2003.

### Principal activities

RTÉ is Ireland's national Public Service Broadcaster providing free-to-air television and radio services. RTÉ also provides network transmission and tower services to broadcasters and other users and operates the RTÉ National Symphony Orchestra and the RTÉ National Concert Orchestra together with various choirs. In addition, RTÉ publishes the RTÉ Guide together with a range of web-based and teletext products and services.

### Corporate Governance

RTÉ has adopted the *Code of Practice for the Governance of State Bodies* approved by the Government on 2 October 2001 together with the corporate governance and other obligations imposed by the *Ethics in Public Office Act, 1995* and the *Standards in Public Office Act, 2001*.

RTÉ is a statutory corporation established under the *Broadcasting Authority Act 1960* and as a result the provisions of the Combined Code ("Principles of Good Governance and Code of Best Practice" as adopted by the Irish Stock Exchange and the London Stock Exchange) are not applicable to RTÉ. However, RTÉ supports the principles and provisions of the Combined Code and has therefore undertaken appropriate steps to achieve compliance with its principal requirements insofar as these are relevant to RTÉ during 2004.

### RTÉ Authority

The RTÉ Authority ("the Authority") comprises nine members who are appointed by the Government for a period not exceeding five years and each current member's term of office will terminate on 31 May 2005.

The Authority agrees a schedule of regular meetings to be held in each calendar year and also meets on other occasions when necessary. The Authority has a formal schedule of matters specifically reserved to it for decision at Authority meetings. Authority members, in furtherance of their duties, can take independent professional advice as required at the expense of RTÉ. All Authority members have access to the advice and services of the RTÉ Group Secretary.

All Authority members have complete and timely access to information necessary to enable them to discharge their duties. Authority papers together with other relevant supporting documentation such as monthly financial information and all minutes are distributed to members in sufficient time before Authority meetings.

The roles of the Chairman of the Authority, who is non-executive, and the Director-General are separated. Anne Doyle is currently an RTÉ employee and was appointed to the Authority following an election by staff. Both Joe Barry, a former Director-General and Authority member, and Anne Doyle are members of the RTÉ Superannuation Pension Fund.

The relationship between RTÉ and the Department of Posts and Telegraphs was formally established in 1960. The relevant department now is the Department of Communications, Marine and Natural Resources.

RTÉ publishes an annual Statement of Commitments to viewers and listeners on its output for the year ahead. RTÉ's performance in meeting these commitments is evaluated by the Government as part of the Licence Fee review process.

The Chairman of the Authority and executive management meet with Government on a regular basis to discuss operating and financial performance.

#### **Committees and Sub-Committees of the Authority**

Committees and sub-committees are established from time to time to assist the Authority in its discharge of its responsibilities. The principal ongoing committees comprise the *Audit Committee*, the *Programme Sub-Committee* and the *Remuneration and Management Development Sub-Committee*. A *Strategic Plan Implementation Sub-Committee* and a *Director-General Recruitment Sub-Committee* have also been convened as required.

*The Audit Committee* comprises three Authority members, all of whom are considered independent, and meets at least four times during each year. The Audit Committee reviews and discusses a range of matters with senior executive management, with internal audit staff and with representatives from the external auditors including: internal and external audit programmes, areas of risk assessment and internal control, the internal audit function, external auditors' report, independence and cost effectiveness and financial reporting and other related matters. The internal and external auditors have full and unrestricted access to the Audit Committee, are invited to attend relevant Audit Committee meetings and the external auditors have an opportunity to meet with members of the Audit Committee alone at least once a year. The Chairman of the Audit Committee reports to the Authority on all significant issues considered by the Audit Committee, and the minutes of its meetings are circulated to all Authority members.

*The Programme Sub-Committee* comprises four Authority members, all of whom are considered independent, and meets at periodic intervals. This committee considers key developments and plans in respect of television and radio programmes and schedules.

*The Remuneration and Management Development Sub-Committee* comprises three Authority members, all of whom are considered independent, and is assisted as appropriate by a nominee from the Department of Communications, Marine and Natural Resources. This sub-committee considers all aspects of the remuneration of the Director-General and senior management generally and makes recommendations to the Authority.

#### **Internal Control**

The Authority has overall responsibility for the group's systems of internal control and for monitoring their effectiveness. These systems are designed to provide reasonable but not absolute assurance against material misstatement or loss.

*The Code of Practice for the Governance of State Bodies* requires the Authority to review the effectiveness of RTE's system of internal controls. The scope of this review extends to all controls including financial and operational controls and compliance together with implementation of a risk management framework.

RTE has in place a strong control framework which covers all key areas of control. The key components of the system of internal control currently in place are:

- A clearly defined organisation structure, with formally defined authority limits and reporting mechanisms to higher levels of management and to the Authority;
- Established procedures to identify, control and report on key risks;
- Comprehensive budgeting systems, with annual financial budgets approved by the Authority;

- Timely monthly reporting, with actual results reported against budget and considered by the Authority on a monthly basis; and
- Comprehensive policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require the approval of the Authority.

The Authority confirms that, through the Audit Committee, it has conducted a review of the effectiveness of the system of internal control up to, and including, the date of approval of the financial statements.

#### Going Concern

After making appropriate enquiries the Authority members have a reasonable expectation that RTÉ, as a whole, has adequate resources to continue in operational existence for the foreseeable future and for this reason the Authority continues to adopt the going concern basis in preparing the financial statements.

#### Emoluments of Authority members, Director-General and Subsidiary Company Chief Executive

|  | 2003<br>€'000 | 2002<br>€'000 |
|--|---------------|---------------|
| <b>Authority members<sup>1</sup></b>           |               |               |
| Patrick J Wright                               | 32            | 29            |
| Joe Barry <sup>2</sup>                         | 14            | 13            |
| Des Geraghty                                   | 16            | 7             |
| Maura Hayes                                    | 16            | 15            |
| Garry Hynes                                    | 14            | 13            |
| Stephen O'Byrnes                               | 14            | 13            |
| Paddy Marron                                   | 14            | 14            |
| Mary Peters                                    | 15            | 14            |
| Anne Doyle <sup>3</sup>                        | 14            | 14            |
|  | <b>149</b>    | <b>132</b>    |
| <b>Director-General</b>                        |               |               |
| Cathal Goan <sup>4</sup>                       | 43            | -             |
| Bob Collins <sup>5</sup>                       | 234           | 158           |
|  | <b>277</b>    | <b>158</b>    |
| <b>Seirbhísí Theilifís na Gaeilge Teoranta</b> |               |               |
| Pól Ó Gallchóir <sup>6</sup>                   | 125           | 107           |

<sup>1</sup> All members of the Authority are non-executive and payments made are inclusive of expenses.

<sup>2</sup> Joe Barry's pension costs are included within the RTÉ Superannuation Fund.

<sup>3</sup> Anne Doyle's remuneration in her capacity as an employee is included in staff costs.

<sup>4</sup> From 18 October 2003, the date of his appointment as Director-General.

<sup>5</sup> To 17 October 2003, the date of his retirement as Director-General inclusive of salary arrears.

<sup>6</sup> For the purposes of this note, the Ceannasaí of TG4 is considered to hold a position equivalent to the Chief Executive of Seirbhísí Theilifís na Gaeilge Teoranta.

Additional costs incurred in relation to the general administration of the Authority amounting to €17,000 (2002: €31,000) have been included under operating expenses.

RTÉ complied with the guidelines covering the payment of fees to the Chairpersons and Directors of State Bodies, issued by the Minister for Finance in July 1992.

Other than those noted above, there have been no contracts or arrangements entered into during the financial year in which an Authority member, or director of the group and its subsidiaries, was materially interested and which were significant in relation to the group's business.

**Employee welfare**

It is the policy of RTÉ to ensure the safety, health and welfare of employees by maintaining a safe place and system of work. This policy which was applied throughout the year, is based on the requirements of the *Safety, Health and Welfare at Work Act, 1989*.

**Books and records**

The RTÉ Authority members are responsible for ensuring that proper books and accounting records are maintained. The measures in this regard include the use of appropriate systems and procedures, the employment of professionally qualified accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The books of account are kept at Donnybrook, Dublin 4.

**Payment of accounts**

The members of the Authority acknowledge their responsibility for ensuring compliance in all material respects with the provisions of the *European Communities (Late Payment in Commercial Transactions) Regulations 2002* ("the Regulations"). Procedures have been implemented to identify the dates upon which invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the Regulations. The payment policy during the year under review was to comply with the requirements of the Regulations.

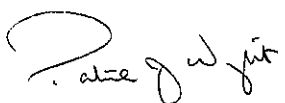
**Group companies**

Information relating to subsidiary and associated undertakings is included in note 9 to the financial statements.

**Political donations**

There were no political donations during the year which require disclosure under the *Electoral Act, 1997*.

On behalf of the Authority



**PATRICK J. WRIGHT**  
Chairman



**CATHAL GOAN**  
Director-General



**PADDY MARRON**  
Authority Member  
and Chairman of  
the Audit Committee

1 April 2004

## Statement of Authority's responsibilities

**RTÉ**

RTÉ Authority members are required to prepare financial statements, for each financial period, in accordance with broadcasting legislation and applicable Irish accounting standards, which give a true and fair view of the state of affairs of RTÉ and the group and of the surplus or deficit for that period. In preparing these financial statements, the RTÉ Authority members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that RTÉ will continue in business.

The RTÉ Authority members are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of RTÉ and the group and which enable them to ensure that the financial statements comply with broadcasting legislation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

On behalf of the Authority



**PATRICK J. WRIGHT**  
Chairman



**CATHAL GOAN**  
Director-General



**PADDY MARRON**  
Authority Member  
and Chairman of  
the Audit Committee

1 April 2004

**Independent auditors' report to the members of the RTÉ Authority**

We have audited the financial statements on pages 10 to 46.

This report is made solely to the Authority members, as a body. Our audit work has been undertaken so that we might state to the Authority members as a body 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 RTÉ and the Authority members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Authority and auditors**

The Authority members are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the financial statements in accordance with applicable Irish law and accounting standards.

Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with broadcasting legislation. We also report to you whether, in our opinion, proper books of account have been kept by RTÉ. In addition, we state whether we have obtained all the information necessary for the purposes of our audit and whether RTÉ's balance sheet is in agreement with the books of account.

We review, at the request of the Authority, whether the statement on the system of internal control on page 2 reflects the group's compliance with the provision of the *Code of Practice for the Governance of State Bodies* that is specified for review by auditors and we report if those statements do not in fact reflect the group's compliance. We are not required to consider whether the Authority's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Authority Members' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to RTÉ'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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Annual auditors' report to the members of the  
RTÉ Authority (continued)

**RTÉ**

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of RTÉ and the group as at 31 December 2003 and of the group's surplus and cash flows for the year then ended and have been properly prepared in accordance with broadcasting legislation.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by RTÉ. RTÉ's balance sheet is in agreement with the books of account.



*Chartered Accountants  
Registered Auditors*

1 April 2004

## Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group financial statements, except that the accounting treatment for circulation income has been changed to take account of the provisions of Application Note G to Financial Reporting Standard 5 'Reporting the Substance of Transactions', issued in November 2003.

### **Basis of preparation**

The financial statements have been prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland. The financial statements are laid out in the form approved by the Minister for Communications, Marine and Natural Resources, after consultation with the Minister for Finance, under broadcasting legislation.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of RTÉ and all of its subsidiaries drawn up to 31 December each year.

### **Revenue**

Revenue, which excludes VAT and transactions between companies in the group, comprises income arising from Television Licence Fees, advertising sales, sponsorship, the use of the group's facilities and transmission network, circulation and events income, and content, merchandising and related income. Revenue is stated net of any settlement and volume discounts.

### **Television Licence Fee income**

Television Licence Fee income is collected by An Post and paid over to the Department of Communications, Marine and Natural Resources, net of collection costs and a 5% levy to the Special Broadcasting Fund. The Department makes a non-repayable "grant-in-aid" to RTÉ in lieu of the net amount collected by An Post, as provided in Section 8 of the *Broadcasting Authority (Amendment) Act, 1976*. Television Licence Fee income is recognised when the amounts are collected by An Post.

### **Advertising and sponsorship income**

Advertising income is recognised when agreed advertising ratings are delivered, and is stated net of agency commissions. Sponsorship income is recognised at the time of broadcast of the related programme.

### **Network and facilities income**

Network and facilities income arises from the use of, and access to, the group's transmission network and studio facilities provided to third parties. Amounts are recognised as they are made available to third parties.

### **Circulation and events income**

Circulation income arises from the publication and circulation of the RTÉ Guide. Previously the group's accounting policy had been to recognise income from the sale of the RTÉ Guide on the basis of gross amounts invoiced to the distributor, which included fees payable to the distributor and retailer, and which were subsequently included within the group's distribution costs in the income and expenditure statement. In applying the provisions of Application Note G to Financial Reporting Standard 5 'Reporting the Substance of Transactions', income from the sale of the RTÉ Guide is now stated net of fees due to the distributor and end-retailer. The change in accounting policy introduced by Application Note G did not have any

impact on the surplus/deficit retained by the group in the current or preceding year.

Events income arises from public events organised by RTÉ Performing Groups. It is recognised as the events are held and amounts fall due.

**Content, merchandising and related income**

Content, merchandising and related income represents amounts generated from RTÉ content and services provided to third parties through a range of means including the group's internet facilities, Aertel Teletext, the external sale of RTÉ content and amounts earned through other commercial services provided by the group. Revenue is recognised as the service is provided or upon delivery of goods to the third party.

**Programme expenditure**

The costs of in-house productions, rights, commissioned programmes and acquired (non-commissioned) programmes (acquisitions) are all charged to the statement of income and expenditure as incurred.

**Pension costs**

The group, through the RTÉ Superannuation Pension Fund (Defined Benefit), the RTÉ Defined Contribution Pension Scheme and other schemes, makes pension contributions for a substantial number of employees.

The amount charged to the statement of income and expenditure in respect of the RTÉ Superannuation Pension Fund is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the statement of income and expenditure over the average remaining service lives of employees. The amount charged to the statement of income and expenditure in respect of other schemes is the amount incurred during the year.

Any difference between amounts charged to the statement of income and expenditure and contributions paid to pension schemes is included in debtors or creditors in the balance sheet.

The amounts charged as expenditure for the Defined Contribution and other schemes represents contributions payable by the group for the accounting period in respect of the scheme.

**Restructuring costs**

The group provides for the full cost of restructuring programmes, even if the restructuring programmes extend beyond the current year. Such amounts may include immediate staff reduction costs, including payments (lump sums) and future payment of a reduced salary until the persons involved qualify for pension entitlements, together with other relevant costs. The total cost to the group is charged to the statement of income and expenditure in the year in which the restructuring programme is announced and commenced.

**Taxation**

Irish and overseas corporation tax payable is provided on taxable profits at current rates. The group's Licence Fee income is exempt from corporation tax.

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.

Deferred tax assets are recognised to the extent they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as more likely than not that there will be suitable taxable profits against which the future reversal of the underlying timing differences can be offset.

**Seirbhísí Theilifís na Gaeilge Teoranta**

Expenditure incurred by RTE's wholly owned subsidiary, Seirbhísí Theilifís na Gaeilge Teoranta, comprises capital and operational costs in relation to TG4, the Irish language television channel which has been established in accordance with Government broadcasting policy.

Seirbhísí Theilifís na Gaeilge Teoranta's capital expenditure is funded by the Exchequer by way of capital grants (non-repayable Exchequer advances). These grant amounts are amortised on the same basis as the related assets are depreciated.

Seirbhísí Theilifís na Gaeilge Teoranta's direct operational costs, which comprise significant programming and administrative expenditure, net of advertising and other revenue, are funded in total by way of grants-in-aid received from the Exchequer. This expenditure has been offset, in the statement of income and expenditure, against the related grants-in-aid.

Prepaid grant-in-aid received from the Exchequer in relation to transmission fees are recognised in the income and expenditure account when expenditure in relation to the transmission fees is incurred.

Additional costs are separately incurred and reported by RTE in respect of the provision of further support to TG4 in the form of programmes, broadcast network transmission, engineering support and other services to TG4 in accordance with Government broadcasting policy.

**Tangible fixed assets**

Tangible fixed assets are shown at original cost, net of accumulated depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life. The principal rates used are as follows:

|                       |          |
|-----------------------|----------|
| Buildings             | %        |
| Plant and equipment   | 2.5      |
| Fixtures and fittings | 7.5 - 20 |
|                       | 10       |

#### **Financial fixed assets**

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

In RTÉ's own balance sheet, interests in subsidiary companies are stated at cost less any provision for impairment.

#### **Provisions**

Provisions are accounted for in accordance with Financial Reporting Standard 12 'Provisions, contingent liabilities and contingent assets'. The costs of a present obligation are provided for when a transfer of economic value is likely to be required to settle the obligation and the group is able to make a reliable estimate thereof. If the group is able to avoid this expenditure by altering its future actions then no provision for the obligation is recognised.

Obligations to be incurred in future years are discounted to their present values by applying an appropriate discount rate. Payments are deducted from the provision as they are made and related interest is charged annually to the statement of income and expenditure.

#### **Marketable securities**

Marketable securities comprise cash and cash instruments which are externally managed on behalf of the Authority.

These marketable securities are stated at their market value prevailing at the balance sheet date. Unrealised gains and losses arising on the carrying value of the securities, and any interest receivable reflected in their market value, is included in 'Interest receivable and similar income' in the statement of income and expenditure.

For the purposes of cash flow reporting, and in accordance with Financial Reporting Standard 1 'Cash flow statements', all deposits classified as 'Cash at bank' in the balance sheet, with the exception of demand deposits, are treated as 'Liquid resources' in the consolidated cash flow statement.

#### **Leases**

Rentals under operating leases are charged on a straight line basis over the lease term.

#### **Foreign currency**

Transactions denominated in foreign currencies are recorded at actual exchange rates at the date of the transaction or, where appropriate, at the rate of exchange in related forward exchange contracts. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date or, where appropriate, the rates of exchange in related forward exchange contracts. 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 statement of income and expenditure.

#### **Related party transactions**

The group has availed of the exemptions under Financial Reporting Standard 8 'Related party disclosures' and therefore does not disclose transactions between group undertakings.

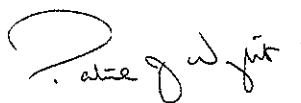
**Consolidated Statement of Income and Expenditure**  
for the year ended 31 December 2003

|  | Note | 2003<br>€'000 | Restated<br>(note 19)<br>2002<br>€'000 |
|--|------|---------------|--|
| Revenue  | 1    | 312,672       | 271,998                                |
| Operating costs before depreciation,<br>amortisation, interest & exceptional items |      | (291,164)     | (276,081)                              |
| <b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation</b>              |      | <b>21,508</b> | <b>(4,083)</b>                         |
| Depreciation & amortisation  |      | (19,486)      | (17,795)                               |
| <b>Operating Surplus / (Deficit)</b>   |      | <b>2,022</b>  | <b>(21,878)</b>                        |
| Non-operating exceptional items  | 2    | -             | (35,368)                               |
| <b>Earnings Before Interest &amp; Tax</b>  |      | <b>2,022</b>  | <b>(57,246)</b>                        |
| Interest receivable and similar income   | 3    | 1,055         | 1,706                                  |
| Interest payable and similar charges   | 4    | (816)         | (482)                                  |
| <b>Surplus / (Deficit) On Ordinary Activities Before Taxation</b>                  | 1, 5 | <b>2,261</b>  | <b>(56,022)</b>                        |
| Tax on surplus/(deficit) on ordinary activities                                    | 7    | -             | -                                      |
| <b>Surplus / (Deficit) for the year</b>  |      | <b>2,261</b>  | <b>(56,022)</b>                        |
| Income and expenditure account at beginning of year                                |      | 73,943        | 129,965                                |
| <b>Income and Expenditure Account at end of year</b>                               |      | <b>76,204</b> | <b>73,943</b>                          |

Substantially all revenues and the surplus/(deficit) on ordinary activities before interest arose from continuing operations.

There are no recognised gains or losses other than those shown above and, accordingly, no statement of total recognised gains and losses is presented.

On behalf of the Authority



**PATRICK J. WRIGHT**  
Chairman



**CATHAL GOAN**  
Director-General



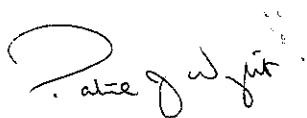
**PADDY MARRON**  
Authority Member  
and Chairman of  
the Audit Committee

**Consolidated Balance Sheet**  
at 31 December 2003

**RTE**

|   | Note | 2003<br>€'000   | 2002<br>€'000   |
|---|------|-----------------|-----------------|
| <b>Fixed Assets</b>                                   |      |                 |                 |
| Tangible assets                                       | 8    | 118,019         | 127,455         |
| Financial assets                                      | 9    | 1,615           | 1,615           |
|   |      | <b>119,634</b>  | <b>129,070</b>  |
| <b>Current Assets</b>                                 |      |                 |                 |
| Debtors   | 10   | 47,088          | 41,236          |
| Marketable securities                                 |      | 35,349          | 27,808          |
| Cash in hand and at bank                              |      | 4,968           | 15,117          |
|   |      | <b>87,405</b>   | <b>84,161</b>   |
| <b>Creditors: Amounts falling due within one year</b> | 11   | <b>(71,962)</b> | <b>(58,464)</b> |
| <b>Net Current Assets</b>                             |      | <b>15,443</b>   | <b>25,697</b>   |
| <b>Total Assets less Current Liabilities</b>          |      | <b>135,077</b>  | <b>154,767</b>  |
| Capital grants and grants-in-Aid                      | 12   | (16,081)        | (16,501)        |
| Provisions for liabilities and charges                | 13   | (42,792)        | (64,323)        |
| <b>Net Assets</b>                                     | 1    | <b>76,204</b>   | <b>73,943</b>   |
| <b>Capital and Reserves</b>                           |      |                 |                 |
| Income and expenditure account                        |      | 76,204          | 73,943          |

On behalf of the Authority



**PATRICK J. WRIGHT**  
Chairman



**CATHAL GOAN**  
Director-General

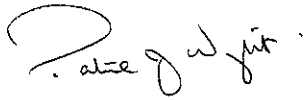


**PADDY MARRON**  
Authority Member  
and Chairman of  
the Audit Committee

**Consolidated Cash Flow Statement**  
for year ended 31 December 2003

|   | Note  | 2003<br>€'000 | 2002<br>€'000 |
|---|-------|---------------|---------------|
| Net Cash Inflow / (Outflow) from Operating Activities | 17(a) | 26,718        | (5,180)       |
| Non-Operating Exceptional Items                       | 17(b) | (19,535)      | (22,166)      |
| Returns on Investments and Servicing of Finance       | 17(b) | 1,047         | 1,460         |
| Taxation  |       | -             | -             |
| Capital expenditure                                   | 17(b) | (11,889)      | (11,001)      |
|   |       | (3,659)       | (36,887)      |
| Management of Liquid Resources                        | 17(b) | (7,541)       | 49,128        |
| Net (Decrease) / Increase in cash balances            | 17(c) | (11,200)      | 12,241        |

On behalf of the Authority



**PATRICK J. WRIGHT**  
Chairman



**CATHAL GOAN**  
Director-General



**PADDY MARRON**  
Authority Member  
and Chairman of  
the Audit Committee

**RTE Balance Sheet**  
at 31 December 2003

**RTE**

|   | Note | 2003<br>€'000    | 2002<br>€'000   |
|---|------|------------------|-----------------|
| <b>Fixed Assets</b>                                   |      |                  |                 |
| Tangible assets                                       | 8    | 76,207           | 97,900          |
| Financial assets                                      | 9    | 51,355           | 63              |
|   |      | <b>127,562</b>   | <b>97,963</b>   |
| <b>Current assets</b>                                 |      |                  |                 |
| Debtors   | 10   | 96,748           | 44,942          |
| Marketable Securities                                 |      | 32,389           | 27,808          |
| Cash in hand and at bank                              |      | 1,951            | 1,976           |
|   |      | <b>131,088</b>   | <b>74,726</b>   |
| <b>Creditors: amounts falling due within one year</b> | 11   | <b>(132,930)</b> | <b>(66,000)</b> |
| <b>Net Current (Liabilities)/Assets</b>               |      | <b>(1,842)</b>   | <b>8,726</b>    |
| <b>Total Assets less Current Liabilities</b>          |      | <b>125,720</b>   | <b>106,689</b>  |
| Provisions for liabilities and charges                | 13   | (42,792)         | (64,323)        |
| <b>Net Assets</b>                                     |      | <b>82,928</b>    | <b>42,366</b>   |
| <b>Capital and Reserves</b>                           |      |                  |                 |
| Income and Expenditure Account                        |      | 68,275           | 42,366          |
| Other reserves  | 8    | 14,653           | -               |
|   |      | <b>82,928</b>    | <b>42,366</b>   |

On behalf of the Authority



**PATRICK J. WRIGHT**  
Chairman



**CATHAL GOAN**  
Director-General



**PADDY MARRON**  
Authority Member  
and Chairman of  
the Audit Committee

**1 Principal activity and segmental information**

RTÉ is Ireland's national Public Service Broadcaster providing free-to-air television and radio services. In addition RTÉ provides network transmission and tower services to broadcasters and other users, operates a number of national orchestras and choirs, and publishes the RTÉ Guide together with a range of web based and teletext products and services.

Progressively from January 2003, RTÉ's operations and management were entirely re-organised into Integrated Business Divisions (IBDs) consisting of Television, Radio, News, Network, Publishing and Performing Groups together with a corporate centre. Accordingly, the segmental information presented below is reported for the first time in 2003 and meaningful comparative information is therefore not available in respect of 2002.

**Analysis of income and surplus/(deficit) by Integrated Business Division**

In 1a) below, revenues are reported in the IBD where they are earned. The attribution of Television Licence Fee income to each IBD is a function of the attribution of Television Licence Fee income to each individual channel and service as set out in the paragraphs below.

Costs directly incurred by, and for, an IBD are reported within that IBD. Where costs are not incurred directly by an IBD, an appropriate full-cost absorption / usage allocation basis is used to reflect a fair and reasonable cost of the inter-divisional services consumed by those IBDs. For the purposes of the IBD Segment Analysis the costs of the News IBD are disclosed separately from Television and Radio. Network transmission services are attributed to IBDs on the basis of a specified tariff, inclusive of margin with appropriate eliminations reflected upon consolidation. The information presented in respect of Television, News and Network IBDs includes costs / charges in relation to the provision of programmes, engineering support and other services to TG4 in accordance with government policy (see 1c) below).

**Analysis of income and surplus/(deficit) by channel and service**

In 1b) below, revenues and costs are reported within channels and services in accordance with the same principles used to report revenues and costs within IBDs. For the purposes of this Channel / Service Segment Analysis, News IBD costs are fully allocated to the relevant television and radio channels on an appropriate usage basis.

Television Licence Fee income has been attributed firstly to those services and channels (i.e. Performing Groups, RTÉ Raidió na Gaeltachta, RTÉ lyric fm and the support provided to TG4) that have limited capacity to generate commercial revenue in their own right, and therefore are of necessity deemed to be primarily funded by Television Licence Fee income in order to meet their net costs. RTÉ 2fm, on the other hand, generates sufficient commercial revenue to more than fully cover its net costs and also enables it to contribute to the funding of RTÉ Radio 1. RTÉ Radio 1 is allocated sufficient licence fee income to fund its net costs after allowing for the benefit of any surpluses from both RTÉ 2fm and other non-channel radio commercial activities. The remaining Licence Fee income is attributed to RTÉ One and RTÉ Network 2 in direct proportion to the relative costs of home produced programmes on both channels. No element of Television Licence Fee income is attributed to RTÉ's web, teletext or other Publishing services.

**1 Principal activity and segmental information (continued)**

In the interest of completeness, the residual non-channel / non-service activities are aggregated under the category "Other" and include RTÉ Network Transmission, RTÉ Publishing, non-channel activities within RTÉ Television and non-channel activities within RTÉ Radio together with applicable consolidation adjustments.

**TG4 - analysis of income and surplus/(deficit)**

In 1c) below, the segmental information in respect of TG4 reflects the revenues and costs, included in both the income and expenditure statement of Seirbhísí Theilifís na Gaeilge Teoranta itself, together with those arising in other parts of RTÉ in relation to the supports provided to TG4. This RTÉ support includes the costs and charges arising in relation to the provision of programmes, engineering support, network transmission and other services in accordance with Government Broadcasting Policy. The net costs (net of advertising and other revenue) included in the income and expenditure statement of Seirbhísí Theilifís na Gaeilge Teoranta itself are fully funded by way of grants-in-aid received directly from the Exchequer. The support costs and charges arising within other parts of RTÉ are funded by attribution of Television Licence Fee income.

**Analysis of net assets by Integrated Business Division**

In 1d) below, net assets by IBD are stated after the elimination of inter-company assets and liabilities and any inter-company profit resulting from internal transfers. Included in unallocated net liabilities are those fixed assets, net current assets and provisions, which cannot be attributed on a meaningful basis between IBDs, together with the net assets of the RTÉ subsidiary company, Seirbhísí Theilifís na Gaeilge Teoranta.

1 Principal activity and segmental information (continued)

(a) Segment information by Integrated Business Division (IBD), in line with RTÉ's organisational structure:

|  | Television<br>IBD |
|--|-------------------|
|  | €'000             |
| <b>Revenue</b>                         |                   |
| Advertising income                     | 91,078            |
| Sponsorship income                     | 4,683             |
| Facilities income                      | 2,635             |
| Circulation and event income           | -                 |
| Network regulated income               | -                 |
| Network general income                 | -                 |
| Content, merchandising & related sales | 2,533             |
|  | <b>100,929</b>    |
| TV Licence Fee income attribution      | <b>78,615</b>     |
|  | <b>179,544</b>    |
| <b>Cost By Output Category</b>         |                   |
| Programmes – by source                 |                   |
| In-house productions                   | 76,223            |
| Statutory commissions                  | 27,733            |
| Non-statutory commissions              | 18,171            |
| Irish productions & commissions        | 122,127           |
| Acquired programmes - Ireland          | 349               |
| Acquired programmes - Overseas         | 22,756            |
|  | <b>145,232</b>    |
| Broadcast & transmission operations    | 24,522            |
| Selling costs                          | 6,776             |
| Other output related costs             | 5,158             |
|  | <b>181,688</b>    |
| <b>NET SURPLUS/(DEFICIT)</b>           | <b>(2,144)</b>    |

| Radio<br>IBD  | News<br>IBD    | Performing<br>Groups<br>IBD | Network<br>IBD | Publishing<br>IBD | Consolidation<br>Adjustments | Group<br>Total |
|---------------|----------------|-----------------------------|----------------|-------------------|------------------------------|----------------|
| €'000         | €'000          | €'000                       | €'000          | €'000             | €'000                        | €'000          |
| 32,075        | -              | -                           | -              | 4,576             | (528)                        | 127,201        |
| 734           | -              | -                           | -              | 157               | -                            | 5,574          |
| 173           | -              | -                           | -              | -                 | -                            | 2,808          |
| -             | -              | 1,484                       | -              | 5,531             | -                            | 7,015          |
| -             | -              | -                           | 15,066         | -                 | (12,069)                     | 2,997          |
| -             | -              | -                           | 5,281          | -                 | (822)                        | 4,459          |
| 1,287         | -              | -                           | -              | 1,373             | -                            | 5,193          |
| <b>34,269</b> | <b>-</b>       | <b>1,484</b>                | <b>20,347</b>  | <b>11,637</b>     | <b>(13,419)</b>              | <b>155,247</b> |
| <b>20,928</b> | <b>44,464</b>  | <b>13,418</b>               | <b>-</b>       | <b>-</b>          | <b>-</b>                     | <b>157,425</b> |
| <b>55,197</b> | <b>44,464</b>  | <b>14,902</b>               | <b>20,347</b>  | <b>11,637</b>     | <b>(13,419)</b>              | <b>312,672</b> |
| 45,179        | 46,156         | -                           | -              | -                 | -                            | 167,558        |
| -             | -              | -                           | -              | -                 | -                            | 27,733         |
| -             | 90             | -                           | -              | -                 | -                            | 18,261         |
| 45,179        | 46,246         | -                           | -              | -                 | -                            | 213,552        |
| -             | -              | -                           | -              | -                 | -                            | 349            |
| -             | -              | -                           | -              | -                 | -                            | 22,756         |
| 45,179        | 46,246         | -                           | -              | -                 | -                            | 236,657        |
| 6,429         | -              | -                           | 15,962         | -                 | (12,891)                     | 34,022         |
| 1,618         | -              | -                           | -              | 1,327             | -                            | 9,721          |
| 188           | -              | 14,902                      | -              | 10,291            | (528)                        | 30,011         |
| <b>53,414</b> | <b>46,246</b>  | <b>14,902</b>               | <b>15,962</b>  | <b>11,618</b>     | <b>(13,419)</b>              | <b>310,411</b> |
| <b>1,783</b>  | <b>(1,782)</b> | <b>-</b>                    | <b>4,385</b>   | <b>19</b>         | <b>-</b>                     | <b>2,261</b>   |

1 Principal activity and segmental information (continued)

(b) Segment information by channel and service

|  | RTÉ One<br>€'000 | RTÉ<br>Network 2<br>€'000 | RTÉ<br>Radio 1<br>€'000 |
|--|------------------|---------------------------|-------------------------|
| <b>Revenue</b>                         |                  |                           |                         |
| Advertising income                     | 63,531           | 27,546                    | 16,698                  |
| Sponsorship income                     | 3,548            | 1,135                     | 47                      |
| Facilities income                      | -                | 3                         | -                       |
| Circulation and event income           | -                | -                         | -                       |
| Network regulated income               | -                | -                         | -                       |
| Network general income                 | -                | -                         | -                       |
| Content, merchandising & related sales | -                | -                         | -                       |
|  | <b>67,079</b>    | <b>28,684</b>             | <b>16,745</b>           |
| TV Licence Fee income attribution      | <b>68,058</b>    | <b>34,825</b>             | <b>13,356</b>           |
|  | <b>135,137</b>   | <b>63,509</b>             | <b>30,101</b>           |
| <b>Cost By Output Category</b>         |                  |                           |                         |
| <b>Programmes – By Genre</b>           |                  |                           |                         |
| Arts                                   | 816              | -                         | 1,790                   |
| Children's & Education                 | 1,618            | 9,013                     | 198                     |
| Drama                                  | 26,738           | 7,606                     | 690                     |
| Entertainment                          | 18,555           | 2,626                     | 123                     |
| Factual                                | 14,320           | 95                        | 1,213                   |
| Music                                  | 1,349            | 804                       | 7,069                   |
| News & Current Affairs                 | 29,027           | 2,093                     | 16,113                  |
| Religious                              | 1,920            | 77                        | 240                     |
| Sport                                  | 4,306            | 27,520                    | 2,761                   |
|  | <b>98,649</b>    | <b>49,834</b>             | <b>30,197</b>           |
| Irish productions & commissions        | 98,649           | 49,834                    | 30,197                  |
| Acquired Programmes                    | 12,337           | 10,768                    | -                       |
|  | <b>110,986</b>   | <b>60,602</b>             | <b>30,197</b>           |
| <b>Programmes – By Source</b>          |                  |                           |                         |
| In-house productions                   | 66,942           | 36,907                    | 30,197                  |
| Statutory commissions                  | 21,953           | 5,780                     | -                       |
| Non-statutory commissions              | 9,754            | 7,147                     | -                       |
|  | <b>98,649</b>    | <b>49,834</b>             | <b>30,197</b>           |
| Irish productions & commissions        | 98,649           | 49,834                    | 30,197                  |
| Acquired programmes – Ireland          | 263              | 86                        | -                       |
| Acquired programmes – Overseas         | 12,074           | 10,682                    | -                       |
|  | <b>110,986</b>   | <b>60,602</b>             | <b>30,197</b>           |
| Broadcast & transmission operations    | 11,482           | 10,954                    | 2,953                   |
| Selling costs                          | 4,403            | 2,373                     | 861                     |
| Other output related costs             | -                | -                         | -                       |
|  | <b>126,871</b>   | <b>73,929</b>             | <b>34,011</b>           |
| <b>NET SURPLUS/(DEFICIT)</b>           | <b>8,266</b>     | <b>(10,420)</b>           | <b>(3,910)</b>          |

| RTÉ 2fm<br>€'000 | RTÉ<br>lyric fm<br>€'000 | RTÉ Raidió<br>na Gaeltachta<br>€'000 | Support pro-<br>vided to TG4<br>€'000 | Performing<br>Groups<br>€'000 | Other<br>€'000 | Group<br>Total<br>€'000 |
|------------------|--------------------------|--------------------------------------|---------------------------------------|-------------------------------|----------------|-------------------------|
| 15,004           | 373                      | -                                    | -                                     | -                             | 4,049          | 127,201                 |
| 571              | 116                      | -                                    | -                                     | -                             | 157            | 5,574                   |
| -                | -                        | -                                    | -                                     | -                             | 2,805          | 2,808                   |
| -                | -                        | -                                    | -                                     | 1,484                         | 5,531          | 7,015                   |
| -                | -                        | -                                    | -                                     | -                             | 2,997          | 2,997                   |
| -                | -                        | -                                    | -                                     | -                             | 4,459          | 4,459                   |
| 1,248            | -                        | -                                    | -                                     | -                             | 3,945          | 5,193                   |
| <b>16,823</b>    | <b>489</b>               | <b>-</b>                             | <b>-</b>                              | <b>1,484</b>                  | <b>23,943</b>  | <b>155,247</b>          |
| -                | <b>6,208</b>             | <b>9,692</b>                         | <b>11,868</b>                         | <b>13,418</b>                 | -              | <b>157,425</b>          |
| <b>16,823</b>    | <b>6,697</b>             | <b>9,692</b>                         | <b>11,868</b>                         | <b>14,902</b>                 | <b>23,943</b>  | <b>312,672</b>          |
| -                | 211                      | -                                    | -                                     | -                             | -              | 2,817                   |
| 23               | -                        | 79                                   | 818                                   | -                             | -              | 11,749                  |
| -                | -                        | 52                                   | 81                                    | -                             | -              | 35,167                  |
| -                | 64                       | 53                                   | 2,537                                 | -                             | -              | 23,958                  |
| -                | 254                      | 1,589                                | 326                                   | -                             | -              | 17,797                  |
| 7,132            | 4,861                    | 2,954                                | -                                     | -                             | -              | 24,169                  |
| 3,286            | 242                      | 3,471                                | 6,015                                 | -                             | -              | 60,247                  |
| -                | -                        | 59                                   | -                                     | -                             | -              | 2,296                   |
| 98               | -                        | 664                                  | 3                                     | -                             | -              | 35,352                  |
| 10,539           | 5,632                    | 8,921                                | 9,780                                 | -                             | -              | 213,552                 |
| -                | -                        | -                                    | -                                     | -                             | -              | 23,105                  |
| <b>10,539</b>    | <b>5,632</b>             | <b>8,921</b>                         | <b>9,780</b>                          | <b>-</b>                      | <b>-</b>       | <b>236,657</b>          |
| 10,539           | 5,632                    | 8,921                                | 8,420                                 | -                             | -              | 167,558                 |
| -                | -                        | -                                    | -                                     | -                             | -              | 27,733                  |
| -                | -                        | -                                    | 1,360                                 | -                             | -              | 18,261                  |
| <b>10,539</b>    | <b>5,632</b>             | <b>8,921</b>                         | <b>9,780</b>                          | <b>-</b>                      | <b>-</b>       | <b>213,552</b>          |
| -                | -                        | -                                    | -                                     | -                             | -              | 349                     |
| -                | -                        | -                                    | -                                     | -                             | -              | 22,756                  |
| <b>10,539</b>    | <b>5,632</b>             | <b>8,921</b>                         | <b>9,780</b>                          | <b>-</b>                      | <b>-</b>       | <b>236,657</b>          |
| 1,663            | 1,041                    | 771                                  | 2,088                                 | -                             | 3,070          | 34,022                  |
| 733              | 24                       | -                                    | -                                     | -                             | 1,327          | 9,721                   |
| 205              | -                        | -                                    | -                                     | 14,902                        | 14,904         | 30,011                  |
| <b>13,140</b>    | <b>6,697</b>             | <b>9,692</b>                         | <b>11,868</b>                         | <b>14,902</b>                 | <b>19,301</b>  | <b>310,411</b>          |
| <b>3,683</b>     | <b>-</b>                 | <b>-</b>                             | <b>-</b>                              | <b>-</b>                      | <b>4,642</b>   | <b>2,261</b>            |

**1 Principal activity and segmental information (continued)**

(c) Segment Information – TG4

|   | €'000         |
|---|---------------|
| <b>Revenue</b>                            |               |
| Advertising income                        | 3,019         |
| Sponsorship income                        | 175           |
| Content, merchandising & related sales    | 32            |
|   | <u>3,226</u>  |
| Grant-in-aid                              | 21,065        |
| Television Licence Fee income attribution | 11,868        |
|   | <u>32,933</u> |
|   | <b>36,159</b> |
| <b>Cost By Output Category</b>            |               |
| <b>Programmes By Genre</b>                |               |
| Arts                                      | 98            |
| Children's & Education                    | 3,554         |
| Drama                                     | 3,933         |
| Entertainment                             | 3,667         |
| Factual                                   | 3,431         |
| Music                                     | 1,318         |
| News & Current Affairs                    | 6,325         |
| Religious                                 | -             |
| Sport                                     | 2,225         |
| Other                                     | -             |
|   | <u>24,551</u> |
| Irish productions & commissions           | 24,551        |
| Acquired programmes – Overseas            | 2,337         |
|   | <u>26,888</u> |
| <b>Programmes By Source</b>               |               |
| In-house productions                      | 8,947         |
| Non-statutory commissions                 | 15,604        |
|   | <u>24,551</u> |
| Irish productions & commissions           | 24,551        |
| Acquired programmes – Ireland             | -             |
| Acquired programmes – Overseas            | 2,337         |
|   | <u>26,888</u> |
| Broadcast & transmission operations       | 8,575         |
| Selling cost                              | 696           |
| Other output related costs                | -             |
|   | <u>36,159</u> |
| <b>NET SURPLUS/(DEFICIT)</b>              | <b>-</b>      |

## 1 Principal activity and segmental information (continued)

## (d) Segmental Net Assets

| Television<br>IBD<br>€'000 | Radio<br>IBD<br>€'000 | News<br>IBD<br>€'000 | Network<br>IBD<br>€'000 | Publishing<br>IBD<br>€'000 | Performing<br>Groups IBD<br>€'000 | Unallocated<br>Net<br>Liabilities<br>€'000 | Group<br>Total<br>€'000 |
|----------------------------|-----------------------|----------------------|-------------------------|----------------------------|-----------------------------------|--|-------------------------|
| 42,541                     | 14,691                | 1,230                | 29,959                  | 3,574                      | 3,428                             | (19,219)                                   | 76,204                  |

## 2 Non-operating exceptional items

|   | 2003<br>€'000 | 2002<br>€'000 |
|---|---------------|---------------|
| Provision for change programmes (a)                                     | -             | 31,033        |
| Network costs written off (b)   | -             | 1,114         |
| Write-off of investments in programmes (c)                              | -             | 2,039         |
| Write-off in respect of Radio Tara and other financial fixed assets (d) | -             | 1,182         |
|   | -             | 35,368        |

(a) During 2002, a detailed strategic review of RTÉ was undertaken by the Authority and management, with the assistance of outside consultants. As a result of this exercise, a further restructuring programme was approved and introduced by the Authority, under which the core operations of RTÉ were fundamentally re-designed in the form of Integrated Business Divisions (IBDs), a reduction of between 110 and 150 permanent staff positions was targeted and work commenced on the implementation of new reporting structures and systems. The total cost of this programme was estimated at €31.0 million.

(b) In 2001, the RTÉ Authority, in consultation with the then Department of Arts, Heritage, Gaeltacht and the Islands made a decision to seek to dispose of RTÉ's transmission network. In 2002, transaction costs and fees of €1.1 million were expensed as incurred.

(c) In 2002, previously capitalised amounts in respect of programme investments made by a group subsidiary were fully written off as this activity was discontinued.

(d) In late 2002, the group entered into an arrangement with the majority shareholder in Radio Tara, whereby the group acquired certain transmission and other assets in return for its shareholding in Radio Tara and the writing off of amounts due from Radio Tara to the group. Accordingly, the group fully provided against its remaining investment in Radio Tara, and also provided for related costs in the amount of €513,000 in respect of costs likely to be incurred in respect of the change in ownership of Radio Tara.

| <b>3 Interest receivable and similar income</b>  | <b>2003</b>   | <b>2002</b>   |
|--|---------------|---------------|
|  | <b>€'000</b>  | <b>€'000</b>  |
| Interest on demand deposits and marketable securities  | 691           | 1,351         |
| Bank interest receivable   | 364           | 355           |
|  | <b>1,055</b>  | <b>1,706</b>  |
| <br>   |               |               |
| <b>4 Interest payable and similar charges</b>  | <b>2003</b>   | <b>2002</b>   |
|  | <b>€'000</b>  | <b>€'000</b>  |
| On bank loans, overdrafts and other loans repayable within five years, not by instalments    | 8             | 246           |
| Other finance costs (notes 13 & 15)  | 808           | 236           |
|  | <b>816</b>    | <b>482</b>    |
| <br>   |               |               |
| <b>5 Surplus/(deficit) on ordinary activities before taxation</b>                            | <b>2003</b>   | <b>2002</b>   |
|  | <b>€'000</b>  | <b>€'000</b>  |
| The surplus/(deficit) on ordinary activities before taxation includes the following amounts: |               |               |
| Depreciation of tangible fixed assets (note 8)   |               |               |
| - recurring  | 20,751        | 19,206        |
| - exceptional  | -             | 858           |
| Amortisation of capital grants (note 12)   | (1,265)       | (2,269)       |
|  | <b>19,486</b> | <b>17,795</b> |
| <br>   |               |               |
| Auditors' remuneration, including expenses   |               |               |
| - audit fees   | 105           | 100           |
| - other audit services   | 26            | 19            |
| - non audit work   | 543           | 447           |
| (Loss)/gain on disposal of fixed assets  | (673)         | 59            |
| Operating lease rentals, principally computer equipment                                      | 1,971         | 1,736         |

The remuneration of Authority members and the Director-General are set out in the Authority Members' Report on page 3.

In the separate accounts of RTÉ, the surplus for the year amounted to €25,909,000 (2002: deficit €63,728,000)

## 6 Employee information

|   |                |                |
|---|----------------|----------------|
| Group staff costs during the year amounted to | 2003           | 2002           |
|   | €'000          | €'000          |
| Wages and salaries                            | 98,685         | 96,651         |
| Social welfare costs                          | 5,394          | 5,477          |
| Pension costs (Note 14)                       | 6,350          | 6,547          |
|   | <b>110,429</b> | <b>108,675</b> |

During 2003 a total of 258 people (2002: 55 people), being a full-time equivalent (**FTE**) of 124 people, previously dealt with, and accounted for, as independent contractors to RTÉ (in various forms) have now been engaged on contracts of employment and accordingly are for the first time **reported** as members of staff within payroll numbers and costs.

The full-time equivalent (**FTE**) number of employees (including employees with an FTE of 124 and previously dealt with as independent contractors) as at 31 December 2003 was:

|   |              |
|---|--------------|
| RTÉ group (excluding Seirbhísí Theilifís na Gaeilge Teoranta) | 2003         |
|   | Number       |
|   | 1,814        |
| Seirbhísí Theilifís na Gaeilge Teoranta                       | 105          |
|   | <b>1,919</b> |

Comparative FTE numbers computed on an equivalent basis are not available for 2002 or earlier years.

The **total** number of full-time and part-time employees of the group (including the 258 people (2002: 55) previously dealt with as independent contractors) as reported as at 31 December was:

|   |              |              |
|---|--------------|--------------|
| RTÉ group (excluding Seirbhísí Theilifís na Gaeilge Teoranta) | 2003         | 2002         |
|   | Number       | Number       |
|   | 2,025        | 1,747        |
| Seirbhísí Theilifís na Gaeilge Teoranta                       | 110          | 103          |
|   | <b>2,135</b> | <b>1,850</b> |

The **average annual** number of full-time and part-time employees during the year was:

|   |              |              |
|---|--------------|--------------|
| RTÉ group (excluding Seirbhísí Theilifís na Gaeilge Teoranta) | 2003         | 2002         |
|   | Number       | Number       |
|   | 1,854        | 1,872        |
| Seirbhísí Theilifís na Gaeilge Teoranta                       | 102          | 99           |
|   | <b>1,956</b> | <b>1,971</b> |

In addition to the amounts above, Seirbhísí Theilifís na Gaeilge Teoranta had direct employee costs, in the amount of €3,556,000 (2002: €3,497,000), which have been funded by grants-in-aid received from the Exchequer.

**7 Tax on surplus/(deficit) on ordinary activities**

No liability to corporation tax arises on group income, principally because Licence Fee income is exempt from taxation. As a result, at 31 December 2003, the group had corporation tax losses forward of €1.42 billion (31 December 2002: €1.26 billion).

As illustrated below, the exemption of Licence Fee income from taxation and the related availability of current year tax losses are the principal reconciling items between the current tax charge on ordinary activities reported in the income and expenditure account and the tax charge that would result from applying the current standard rate of corporation tax to the surplus on ordinary activity before tax.

|  | 2003     | 2002     |
|--|----------|----------|
|  | €'000    | €'000    |
| Surplus / (Deficit) on ordinary activities before tax  | 2,261    | (56,022) |
| Surplus / (Deficit) on ordinary activities before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2002: 16%) | 283      | (8,963)  |
| Effects of:  |          |          |
| Exempt Licence Fee income  | (19,656) | (18,248) |
| Interest income taxable at 25%   | 132      | 427      |
| Utilisation of trading losses arising from exempt Licence Fee income   | (264)    | (427)    |
| Other differences, including corporation tax losses arising in the year  | 19,505   | 27,211   |
| Current tax charge for the year  | -        | -        |

As the exemption of Licence Fee income from taxation will result in no corporation tax becoming payable for the foreseeable future, no deferred tax assets or liabilities have been recognised.

## 8 Tangible fixed assets

| Group                           | Land & buildings<br>€'000 | Plant & equipment<br>€'000 | Fixtures & fittings<br>€'000 | Total<br>€'000 |
|---------------------------------|---------------------------|----------------------------|------------------------------|----------------|
| <b>Cost</b>                     |                           |                            |                              |                |
| At beginning of year            | 71,794                    | 186,652                    | 4,959                        | 263,405        |
| Additions                       | 2,464                     | 9,088                      | 708                          | 12,260         |
| Disposals and retirements       | (33)                      | (2,253)                    | (6)                          | (2,292)        |
| <b>At end of year</b>           | <b>74,225</b>             | <b>193,487</b>             | <b>5,661</b>                 | <b>273,373</b> |
| <b>Accumulated depreciation</b> |                           |                            |                              |                |
| At beginning of year            | 19,749                    | 113,453                    | 2,748                        | 135,950        |
| Charge for the year             | 2,008                     | 18,405                     | 338                          | 20,751         |
| Disposals and retirements       | -                         | (1,347)                    | -                            | (1,347)        |
| <b>At end of year</b>           | <b>21,757</b>             | <b>130,511</b>             | <b>3,086</b>                 | <b>155,354</b> |
| <b>Net book value</b>           |                           |                            |                              |                |
| At 31 December 2002             | 52,045                    | 73,199                     | 2,211                        | 127,455        |
| At 31 December 2003             | 52,468                    | 62,976                     | 2,575                        | 118,019        |

Included above are fixed assets with a net book value of €9,587,000 (2002: €17,594,000) in respect of Seirbhísí Theilifís na Gaeilge Teoranta. During the year, Seirbhísí Theilifís na Gaeilge Teoranta disposed of assets with a net book value of €7,493,000 to RTÉ Transmission Network Limited (note 12).

**8 Tangible fixed assets (continued)**

**RTÉ**

|                                 | Land &<br>buildings<br>€'000 | Plant &<br>equipment<br>€'000 | Fixtures &<br>fittings<br>€'000 | Total<br>€'000 |
|---------------------------------|------------------------------|-------------------------------|---------------------------------|----------------|
| <b>Cost</b>                     |                              |                               |                                 |                |
| At beginning of year            | 62,225                       | 145,074                       | 1,953                           | 209,252        |
| Additions                       | 1,964                        | 6,477                         | 218                             | 8,659          |
| Disposals and retirements       | (4,622)                      | (34,043)                      | (64)                            | (38,729)       |
| <b>At end of year</b>           | <b>59,567</b>                | <b>117,508</b>                | <b>2,107</b>                    | <b>179,182</b> |
| <b>Accumulated depreciation</b> |                              |                               |                                 |                |
| At beginning of year            | 18,198                       | 92,757                        | 397                             | 111,352        |
| Charge for the year             | 1,439                        | 12,574                        | 210                             | 14,223         |
| Disposals and retirements       | (1,786)                      | (20,768)                      | (46)                            | (22,600)       |
| <b>At end of year</b>           | <b>17,851</b>                | <b>84,563</b>                 | <b>561</b>                      | <b>102,975</b> |
| <b>Net Book Value</b>           |                              |                               |                                 |                |
| At 31 December 2002             | 44,027                       | 52,317                        | 1,556                           | 97,900         |
| <b>At 31 December 2003</b>      | <b>41,716</b>                | <b>32,945</b>                 | <b>1,546</b>                    | <b>76,207</b>  |

During the year, all transmission network assets in RTÉ and its subsidiaries were disposed of to a newly established wholly owned subsidiary, RTÉ Transmission Network Limited. The disposal was made based on the Authority's valuation of the assets at that time and RTÉ assets with a net book value of €16,114,741 (original cost of €37,827,170 and accumulated depreciation of €21,712,429) were disposed of for a total consideration of €30,767,617. The resulting gain on disposal of €14,652,876 has been included in the Statement of Total Recognised Gains and Losses (and in Other Reserves) of RTÉ and eliminated on consolidation.

Gains arising on this disposal in other group subsidiaries have also been eliminated on consolidation.

## 9 Financial assets

|                                  | Group         |               | RTÉ           |               |
|----------------------------------|---------------|---------------|---------------|---------------|
|                                  | 2003<br>€'000 | 2002<br>€'000 | 2003<br>€'000 | 2002<br>€'000 |
| Shares in subsidiaries, at cost  | -             | -             | 51,355        | 63            |
| Investment in Intelsat/New Skies | 1,615         | 1,615         | -             | -             |
| Unlisted investments             | -             | -             | -             | -             |
|                                  | <b>1,615</b>  | <b>1,615</b>  | <b>51,355</b> | <b>63</b>     |

RTÉ had the following subsidiaries, related companies and other investment at 31 December 2003:

| Subsidiary companies                    | Share capital held | Class of business   |
|---|--------------------|---|
| RTÉ Commercial Enterprises Limited      | 100%               | Publications and other commercial activities  |
| RTÉ Music Limited                       | 100%               | Music publishing  |
| Seirbhísí Theilifís na Gaeilge Teoranta | 100%               | Operation of TG4  |
| Digital Television Transmission Network | 100%               | Enhancement of existing analogue network and development of digital transmission services |
| RTÉ Transmission Network Limited        | 100%               | Management of transmission network assets   |

During the year RTÉ Transmission Network Limited was established through a capital contribution of €51,291,960.

All subsidiaries operate in Ireland and have their registered offices at RTÉ, Donnybrook, Dublin 4 with the exception of Digital Television Transmission Network which has its registered office at 6 Fitzwilliam Square, Dublin 2.

Each of the subsidiaries are audited by KPMG, RTÉ's independent auditor.

9 Financial assets (continued)

**Related companies**

|  |       |                 |
|--|-------|-----------------|
| Tara Television Limited (in liquidation) | 20.0% | In liquidation  |
| Telegael Teoranta                        | 24.9% | Film production |

**Other investments**

|                           |        |   |
|---------------------------|--------|---|
| Intelsat                  | 0.086% | International satellite co-operative                      |
| New Skies Satellites N.V. | 0.083% | International satellite company                           |
| SECEMIE                   | 1.12%  | Editing company for the Euronews information/news service |

The fair value of the group's investment in Intelsat and New Skies is shown in note 15. The Authority considers that the carrying value of the group's remaining investments is not less than their fair value.

As RTÉ does not exercise significant influence over the operating activities of Telegael Teoranta, the investment is accounted for as a financial asset investment.

Tara Television Limited and Telegael Teoranta have their registered offices at 4 Windmill Lane, Dublin 2 and Spiddal, Galway, respectively. The turnover, operating results and net assets of these companies at 31 December 2003, are not considered material to the group.

During the year, RTÉ completed the disposal of its investment in Radio Tara Limited (note 2).

## 10 Debtors

|                                      | Group         |               | RTÉ           |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2003<br>€'000 | 2002<br>€'000 | 2003<br>€'000 | 2002<br>€'000 |
| Amounts falling due within one year: |               |               |               |               |
| Trade debtors                        | 40,148        | 32,888        | 36,225        | 25,707        |
| Prepayments and accrued income       | 3,628         | 4,168         | 561           | 2,106         |
| Amounts owed by subsidiary companies | -             | -             | 55,519        | 12,954        |
| Other debtors                        | 664           | 1,315         | 1,795         | 1,309         |
|                                      | 44,440        | 38,371        | 94,100        | 42,076        |
| Amounts falling due after one year:  |               |               |               |               |
| Other debtors                        | 2,648         | 2,865         | 2,648         | 2,866         |
|                                      | 47,088        | 41,236        | 96,748        | 44,942        |

## 11 Creditors: amounts falling due within one year

|                                      | Group         |               | RTÉ           |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2003<br>€'000 | 2002<br>€'000 | 2003<br>€'000 | 2002<br>€'000 |
| Bank overdrafts                      | 3,051         | 2,000         | 2,999         | 2,000         |
| Trade creditors                      | 7,063         | 9,669         | 6,159         | 8,246         |
| Amounts owed to subsidiary companies | -             | -             | 68,399        | 12,841        |
| Accruals and deferred income         | 54,200        | 37,260        | 47,957        | 33,105        |
| Taxation and social welfare (a)      | 7,648         | 9,535         | 7,416         | 9,808         |
|                                      | 71,962        | 58,464        | 132,930       | 66,000        |

(a) Taxation and social welfare creditors include:

|                 |       |       |       |       |
|-----------------|-------|-------|-------|-------|
| PAYE            | 2,360 | 3,581 | 2,338 | 3,549 |
| PRSI            | 996   | 1,526 | 984   | 1,526 |
| Value added tax | 4,267 | 4,382 | 4,074 | 4,687 |
| Other taxes     | 25    | 46    | 20    | 46    |
|                 | 7,648 | 9,535 | 7,416 | 9,808 |

**12 Capital grants and grants-in-aid**

|   | 2003<br>€'000  | 2002<br>€'000 |
|---|----------------|---------------|
| <b>Capital grants - received and receivable</b> |                |               |
| At beginning of year                            | 29,580         | 26,639        |
| Grants received during the year                 | 845            | 2,941         |
| At end of year                                  | <b>30,425</b>  | 29,580        |
| <b>Amortisation</b>                             |                |               |
| At beginning of year                            | 13,079         | 10,810        |
| Amortised during the year                       | 1,265          | 2,269         |
| At end of year                                  | <b>14,344</b>  | 13,079        |
| Amounts re-designated as grants-in-aid          | <b>(7,493)</b> | -             |
| <b>Net book value – capital grants</b>          | <b>8,588</b>   | 16,501        |
| <b>Net book value – grants-in-aid</b>           | <b>7,493</b>   | -             |
| <b>Total capital grants and grants-in-aid</b>   | <b>16,081</b>  | 16,501        |

Capital grants are non-repayable Exchequer advances and represent Government funding received in relation to the capital expenditure in respect of TG4 and incurred by Seirbhísí Theilifís na Gaeilge Teoranta. These grant amounts are amortised on the same basis as the related assets are depreciated.

During the year, Seirbhísí Theilifís na Gaeilge Teoranta disposed of all its transmission network assets with a net book value of €7,493,000 to RTÉ Transmission Network Limited (note 8). Commencing on 1 January 2004, Seirbhísí Theilifís na Gaeilge Teoranta will pay transmission tariffs to RTÉ Transmission Network Limited for transmission network services. Arising from this transaction an amount of €7,493,000, previously classified as capital grants in relation to those transmission network assets, was re-designated as grants-in-aid by Seirbhísí Theilifís na Gaeilge Teoranta and will be amortised in its income and expenditure statement as transmission tariffs become payable.

### 13 Provisions for liabilities and charges – restructuring costs

|   | 2003<br>€'000 | 2002<br>€'000 |
|---|---------------|---------------|
| At beginning of year                            | 64,323        | 57,904        |
| Amounts reclassified to current liabilities (a) | (2,804)       | -             |
| Provision arising during the year               | -             | 27,500        |
| Utilised during the year                        | (19,535)      | (21,317)      |
| Interest charge                                 | 808           | 236           |
| At end of year                                  | <b>42,792</b> | <b>64,323</b> |

(a) Certain specific personnel related accruals of €2,804,000, previously included in provisions, are now included within accruals and deferred income.

The provision for restructuring costs at 31 December 2003 represents the Authority's best estimate of the level of provisions required in respect of the group's remaining obligations under the various restructuring schemes. The greater portion of the provision for restructuring costs is expected to be utilised within the next five years.

**14 Pension arrangements**

The group operates two significant pension schemes for eligible employees, the RTÉ Superannuation Pension Fund and the RTÉ Defined Contribution Pension scheme, and makes contributions to a number of other schemes on behalf of employees. The RTÉ Superannuation Pension Fund is an externally managed and funded defined benefit scheme to which no new members have been admitted since 1988.

Regular Long-Term Funding Actuarial Valuations are carried out in respect of the RTÉ Superannuation Pension Fund. An actuarial report, based on valuations as at 1 January 2004, was completed subsequent to the year end by the actuaries, Mercer Human Resource Consulting, who are neither officers nor employees of the group. This valuation disclosed the RTÉ Superannuation Pension Fund to have a surplus of assets over liabilities in respect of past service of €41.3 million and used the "Attained Age" Method of valuation to compute future service liabilities including provision for post retirement increases on a full parity basis. The principal financial assumption underlying the actuarial valuation was that the scheme's investments will on average earn a long-term real rate of investment return of 2% per annum over general salary inflation for members. The estimated market value of the assets of the scheme as at 1 January 2004 was €741.05 million and the level of funding exceeded 100% at the valuation date. The Long-Term Funding Actuarial Report is not available for public inspection; however, the results of valuations are advised to members.

The employer pension contributions charged for the year for the RTÉ Superannuation Pension Fund, RTÉ Defined Contribution Pension Scheme and other schemes were €3.3 million, €3.0 million and €0.2 million, respectively (2002: €3.9 million, €2.3 million and €0.3 million, respectively). There is no significant difference between the accumulated pension cost and the amounts paid to the schemes at 31 December 2003.

*Transitional disclosures*

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provisions of Financial Reporting Standard 17 "Retirement benefits" (FRS 17) and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information which will be necessary for full implementation of FRS 17 in the year ending 31 December 2005.

For the purposes of complying with the requirements of FRS 17, the actuaries, Mercer Human Resource Consulting, are required to use a market based methodology to determine the fund position which is of necessity quite different to the methodology used in arriving at the Long Term Funding Valuation referred to above. This FRS 17 approach uses the Projected Unit method to derive annual pension charges, values assets at fair market value and discounts liabilities at an appropriate current market rate with a view to arriving at a best estimate of the current value of all future liabilities.

The major assumptions used for the purposes of the FRS 17 market based Actuarial Valuation were:

|   | 2003                  | 2002           | 2001           |
|---|-----------------------|----------------|----------------|
| Valuation method                        | <b>Projected unit</b> | Projected unit | Projected unit |
| Rate of increase in salaries            | <b>3.50%</b>          | 3.75%          | 4.50%          |
| Rate of increase in pensions in payment | <b>3.50%</b>          | 3.75%          | 4.50%          |
| Discount rate                           | <b>5.50%</b>          | 5.75%          | 2.50%          |
| Inflation assumption                    | <b>2.00%</b>          | 2.00%          | 6.00%          |

## 14 Pension arrangements (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

|                                     | 2003                              |                  | 2002                              |                  | 2001                              |                  |
|-------------------------------------|-----------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|------------------|
|                                     | Long term rate of return expected | Fair Value €'000 | Long term rate of return expected | Fair Value €'000 | Long term rate of return expected | Fair Value €'000 |
| Equities                            | 8.00%                             | 533,556          | 8.50%                             | 445,185          | 8.50%                             | 610,599          |
| Bonds                               | 4.75%                             | 123,014          | 4.75%                             | 141,865          | 5.50%                             | 149,882          |
| Property                            | 7.00%                             | 69,659           | 7.00%                             | 75,661           | 7.00%                             | 76,644           |
| Other                               | 3.00%                             | 14,821           | 3.00%                             | 12,835           | 3.50%                             | 14,478           |
| Total fair value of assets          |                                   | 741,050          |                                   | 675,546          |                                   | 851,603          |
| Actuarial value of the liability    |                                   | (689,504)        |                                   | (670,067)        |                                   | (675,111)        |
| Surplus in Scheme                   |                                   | 51,546           |                                   | 5,479            |                                   | 176,492          |
| Irrecoverable pension asset         |                                   | -                |                                   | -                |                                   | (105,977)        |
| <b>Net pension asset recognised</b> |                                   | <b>51,546</b>    |                                   | <b>5,479</b>     |                                   | <b>70,515</b>    |
| Analysed as:                        |                                   |                  |                                   |                  |                                   |                  |
| Net pension asset                   |                                   | 51,546           |                                   | 5,479            |                                   | 70,515           |

The pension asset recognised above is limited to the future benefit that RTÉ can expect to obtain from the surplus in the scheme. This benefit may be limited as, since no new members have been admitted to the scheme since 1988, the present value of the liability expected to arise from future service by current and future scheme members exceeds the present value of future employee contributions. No related deferred tax liability is expected to arise due to the group's accumulated historic corporate tax losses.

The contribution rate for the year ended 31 December 2003 was 8% of pensionable earnings (2002: 8%).

**14 Pension arrangements (continued)**

Had FRS 17 been reflected in full in the consolidated financial statements, the following are the amounts that would have been included in the statement of income and expenditure and the statement of total recognised gains and losses for the year ended 31 December 2003:

|  | 2003<br>€'000 | 2002<br>€'000    |
|--|---------------|------------------|
| <b>Included in payroll costs:</b>  |               |                  |
| Current service costs  | 6,416         | 7,433            |
| Past service costs   | 7,381         | 9,746            |
| <b>Net operating profit charge</b>   | <b>13,797</b> | <b>17,179</b>    |
| <b>Included in finance costs:</b>  |               |                  |
| Interest cost on scheme liabilities  | (38,471)      | (40,562)         |
| Expected return on assets  | 49,865        | 65,612           |
| <b>Net return</b>  | <b>11,394</b> | <b>25,050</b>    |
| <b>Actuarial loss included in statement of total recognised gains and losses:</b>    |               |                  |
| Difference between expected and actual return on assets                              | 26,291        | (231,273)        |
| Experience loss arising on scheme liabilities  | 8,388         | (4,078)          |
| Effect of changes in actuarial assumptions   | 8,627         | 51,576           |
| <b>Net actuarial loss included in statement of total recognised gains and losses</b> | <b>43,306</b> | <b>(183,775)</b> |
| <b>History of actuarial gains and losses</b>   |               |                  |
| Difference between expected and actual return on assets                              | 26,291        | (231,273)        |
| Expressed as a percentage of scheme assets   | 3.5%          | 34.2%            |
| Experience loss arising on scheme liabilities  | 8,388         | (4,078)          |
| Expressed as a percentage of scheme assets   | 1.6%          | 0.6%             |
| Total actuarial gains and losses   | 43,306        | (183,775)        |
| Expressed as a percentage of scheme assets   | 5.8%          | 27.2%            |

## 14 Pension arrangements (continued)

The movement in the pension surplus during the year was as follows:

|  | 2003<br>€'000 | 2002<br>€'000 |
|--|---------------|---------------|
| <b>Pension surplus</b>                     |               |               |
| Surplus in the scheme at beginning of year | 5,479         | 176,492       |
| Movement in the year:                      |               |               |
| Current service costs                      | (6,416)       | (7,433)       |
| Past service costs                         | (7,381)       | (9,746)       |
| Total contributions                        | 5,164         | 4,891         |
| Other finance income                       | 11,394        | 25,050        |
| Actuarial gain/(loss)                      | 43,306        | (183,775)     |
| Surplus in the scheme at end of year       | 51,546        | 5,479         |

The impact on net assets and the income and expenditure account would have been as follows:

|  | 2003<br>€'000 | 2002<br>€'000 |
|--|---------------|---------------|
| <b>Net assets</b>                                      |               |               |
| Net assets per balance sheet                           | 76,204        | 73,943        |
| Net pension asset                                      | 51,546        | 5,479         |
| Net assets including pension asset                     | 127,750       | 79,422        |
| <b>Reserves</b>  |               |               |
| Income and expenditure account excluding pension asset | 76,204        | 73,943        |
| Pension reserve  | 51,546        | 5,479         |
| Income and expenditure account including pension asset | 127,750       | 79,422        |

**15 Treasury information**

The group has taken advantage of the exemption provided by Financial Reporting Standard 13 and has not included short term debtors and creditors within notes (a) and (b) below.

**(a) Interest rate risk profile of financial assets and liabilities**

The group's financial assets, as defined by Financial Reporting Standard 13, comprise:

|                             | 2003<br>€'000 | 2002<br>€'000 |
|-----------------------------|---------------|---------------|
| Financial asset investments | 1,615         | 1,615         |
| Marketable securities       | 35,349        | 27,808        |
| Cash in hand and at bank    | 4,968         | 15,117        |
|                             | <b>41,932</b> | <b>44,540</b> |

After taking account of forward currency contracts, the interest rate profile of these financial assets was as follows:

31 December 2003:

|                 | Floating rate<br>financial<br>assets<br>€'000 | Fixed rate<br>financial<br>assets<br>€'000 | Equity<br>Shares<br>€'000 | Total<br>€'000 |
|-----------------|---|--|---------------------------|----------------|
| <b>Currency</b> |   |  |                           |                |
| Euro            | 40,108  | -  | -                         | 40,108         |
| US dollar       | 138   | -  | 1,615                     | 1,753          |
| Sterling        | 71  | -  | -                         | 71             |
| Other           | -   | -  | -                         | -              |
| <b>Total</b>    | <b>40,317</b>                                 | <b>-</b>                                   | <b>1,615</b>              | <b>41,932</b>  |

31 December 2002:

|                 | Floating rate<br>financial<br>assets<br>€'000 | Fixed rate<br>financial<br>assets<br>€'000 | Equity<br>Shares<br>€'000 | Total<br>€'000 |
|-----------------|---|--|---------------------------|----------------|
| <b>Currency</b> |   |  |                           |                |
| Euro            | 42,819  | -  | -                         | 42,819         |
| US dollar       | 30  | -  | 1,615                     | 1,645          |
| Sterling        | 76  | -  | -                         | 76             |
| Other           | -   | -  | -                         | -              |
| <b>Total</b>    | <b>42,925</b>                                 | <b>-</b>                                   | <b>1,615</b>              | <b>44,540</b>  |

The floating rate financial assets comprise cash and marketable securities that bear interest at commercial rates.

## 15 Treasury information (continued)

## (a) Interest rate risk profile of financial assets and liabilities (continued)

The group's financial liabilities, as defined by Financial Reporting Standard 13, comprise:

|   | 2003<br>€'000 | 2002<br>€'000 |
|---|---------------|---------------|
| Bank overdrafts (note 11)                   | 3,051         | 2,000         |
| Provision for restructuring costs (note 13) | 42,792        | 64,323        |
| <b>Total</b>                                | <b>45,843</b> | <b>66,323</b> |

After taking account of forward currency contracts, the interest rate profile of these financial liabilities was as follows:

| 31 December 2003 |  |   |   |                |
|------------------|--|---|---|----------------|
|                  | Floating rate<br>financial<br>liabilities<br>€'000 | Fixed rate<br>financial<br>liabilities<br>€'000 | Financial<br>liabilities on<br>which no<br>interest paid<br>€'000 | Total<br>€'000 |
| <b>Currency</b>  |  |   |   |                |
| Euro             | 1,741  | -   | 43,284  | 45,025         |
| US dollar        | -  | -   | -   | -              |
| Sterling         | 666  | -   | 152   | 818            |
| Other            | -  | -   | -   | -              |
| <b>Total</b>     | <b>2,407</b>                                       | <b>-</b>  | <b>43,436</b>   | <b>45,843</b>  |

| 31 December 2002 |  |   |   |                |
|------------------|--|---|---|----------------|
|                  | Floating rate<br>financial<br>liabilities<br>€'000 | Fixed rate<br>financial<br>liabilities<br>€'000 | Financial<br>liabilities on<br>which no<br>interest paid<br>€'000 | Total<br>€'000 |
| <b>Currency</b>  |  |   |   |                |
| Euro             | 1,123  | -   | 64,993  | 66,116         |
| US dollar        | -  | -   | -   | -              |
| Sterling         | 55   | -   | 152   | 207            |
| Other            | -  | -   | -   | -              |
| <b>Total</b>     | <b>1,178</b>                                       | <b>-</b>  | <b>65,145</b>   | <b>66,323</b>  |

The floating rate financial liabilities comprise bank overdrafts that bear interest at commercial rates. No external interest is payable on the provision for restructuring costs, although in line with the group accounting policy, notional interest relating to the provision is charged annually to the statement of income and expenditure.

## 15 Treasury information (continued)

**(b) Fair value of financial assets and financial liabilities**

Set out below is a comparison, by category, of book values and fair values of all the group's financial assets and liabilities as at 31 December:

|   | 2003                |                     | 2002                |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Book value<br>€'000 | Fair value<br>€'000 | Book value<br>€'000 | Fair value<br>€'000 |
| <b>Primary financial instruments held or issued to finance the group's operations:</b>      |                     |                     |                     |                     |
| Financial asset investments (note 9)  | 1,615               | 1,733               | 1,615               | 1,544               |
| Marketable securities   | 35,349              | 35,349              | 27,808              | 27,808              |
| Cash in hand and at bank  | 4,968               | 4,968               | 15,117              | 15,117              |
| Bank overdrafts (note 11)   | (3,051)             | (3,051)             | (2,000)             | (2,000)             |
| Provision for restructuring costs (note 13)   | (42,792)            | (42,792)            | (64,323)            | (64,323)            |
|   | <b>(3,911)</b>      | <b>(3,793)</b>      | <b>(21,783)</b>     | <b>(21,854)</b>     |
| <b>Derivative financial instruments held to hedge the currency exposure on expenditure:</b> |                     |                     |                     |                     |
| Forward currency contracts  | (250)               | (1,120)             | -                   | (641)               |

As a result of their short maturity there is no material difference between the book and fair value of cash at bank and in hand and bank overdrafts. The fair values of all other items are their market values, where appropriate, or have been calculated by discounting future cash flows at prevailing interest rates.

**(c) Gains and losses on hedging contracts**

Due to the nature of certain aspects of its business, in particular acquired television programmes and rights from overseas, RTÉ is exposed to the effects of fluctuations in foreign currency exchange rates. In order to manage these exposures, RTÉ entered into various treasury arrangements during the year. At 31 December 2003, the group was committed to purchasing US\$12.5 million and GBP€4.05 million (a total of €15.643 million at 31 December 2003 exchange rate) at specified rates at various dates in 2004.

A net unrealised loss of €870,000 arising on hedging instruments at 31 December 2003 (i.e. mark-to-market at that date) is currently expected to be recognised in 2004. Net unrealised losses of €641,000 arising on hedging instruments at 31 December 2002 were all recognised in 2003.

## 16 Financial commitments and contingencies

*(a) Litigation*

Due to the nature of its operations, RTÉ is involved in various legal actions, principally in relation to alleged defamation and other similar disputes. While it is not practicable to quantify accurately the potential liabilities under these various actions, the Authority is satisfied that it has made reasonable provision, in the financial statements for the likely outcomes of these actions.

*(b) Capital commitments*

|                                   | Group         |               | RTÉ           |               |
|-----------------------------------|---------------|---------------|---------------|---------------|
|                                   | 2003<br>€'000 | 2002<br>€'000 | 2003<br>€'000 | 2002<br>€'000 |
| Contracted but not provided for   | 277           | 32            | 277           | 32            |
| Authorised but not contracted for | 3,177         | 1,809         | 3,177         | 1,809         |
|                                   | <b>3,454</b>  | <b>1,841</b>  | <b>3,454</b>  | <b>1,841</b>  |

*(c) Programme / rights purchase commitments*

|  | Group         |               | RTÉ           |               |
|--|---------------|---------------|---------------|---------------|
|  | 2003<br>€'000 | 2002<br>€'000 | 2003<br>€'000 | 2002<br>€'000 |
| Contracted but not provided for  | 52,158        | 27,727        | 39,674        | 15,284        |
| Committed but not contracted for, in accordance with section 4 of the Broadcasting Authority (Amendment) Act, 1993 | -             | 2,121         | -             | 2,121         |
|  | <b>52,158</b> | <b>29,848</b> | <b>39,674</b> | <b>17,405</b> |

*(d) Operating lease commitments*

The group and RTÉ have operating lease commitments payable, principally in respect of computer equipment, during the years ended 31 December 2004 and 31 December 2003 as follows:

|  | 2003<br>€'000 | 2002<br>€'000 |
|--|---------------|---------------|
| Payable on leases in which the commitment expires: |               |               |
| Within one year                                    | 1,284         | 1,896         |
| Within two to five years                           | 154           | 900           |
|  | <b>1,438</b>  | <b>2,796</b>  |

## 17 Notes to the consolidated cash flow statement

**(a) Reconciliation of operating surplus/(deficit) to net cash outflow from operating activities**

|  | 2003<br>€'000 | 2002<br>€'000 |
|--|---------------|---------------|
| Operating surplus/(deficit)                        | 2,022         | (21,878)      |
| Depreciation of tangible fixed assets              | 20,751        | 19,206        |
| Amortisation of capital grants                     | (1,265)       | (2,269)       |
| Loss/(Profit) on disposal of tangible fixed assets | 673           | (59)          |
| (Increase)/ decrease in debtors                    | (5,852)       | 1,567         |
| Increase/(decrease) in creditors                   | 10,389        | (1,747)       |
| Net cash outflow from operating activities         | 26,718        | (5,180)       |

**(b) Gross cash flows**

|  | 2003<br>€'000 | 2002<br>€'000 |
|--|---------------|---------------|
| <b>Non-operating exceptional items</b> |               |               |
| Restructuring costs                    | (19,535)      | (21,317)      |
| Network sale costs                     | -             | (849)         |
|  | (19,535)      | (22,166)      |

**Returns on investments and servicing of finance**

|                   |       |       |
|-------------------|-------|-------|
| Interest received | 1,055 | 1,706 |
| Interest paid     | (8)   | (246) |
|                   | 1,047 | 1,460 |

**Capital expenditure**

|  |          |          |
|--|----------|----------|
| Payments to acquire tangible fixed assets    | (13,006) | (12,866) |
| Capital grants received                      | 845      | 2,941    |
| Receipts from sales of tangible fixed assets | 272      | 207      |
| Investment in programmes for resale          | -        | (1,283)  |
|  | (11,889) | (11,001) |

**Management of liquid resources**

|  |         |        |
|--|---------|--------|
| (Purchase)/sale of marketable securities and movement in bank deposits | (7,541) | 49,128 |
|--|---------|--------|

## 17 Notes to the consolidated cash flow statement (continued)

## (c) Analysis of changes in net funds

|   | 2003<br>€'000 | 2002<br>€'000 | Cash flow<br>€'000 |
|---|---------------|---------------|--------------------|
| Cash at bank                                | 4,968         | 15,117        | (10,149)           |
| Bank overdraft                              | (3,051)       | (2,000)       | (1,051)            |
|   | 1,917         | 13,117        | (11,200)           |
| Liquid resources –<br>Marketable securities | 35,349        | 27,808        | 7,541              |
|   | 37,266        | 40,925        | (3,659)            |

Included in cash at bank (liquid resources) are amounts of €24,000 (2002: €46,000) held by Seirbhísí Theilifís na Gaeilge Teoranta.

## (d) Reconciliation of net cash flow to movement in net funds

|   | 2003<br>€'000 | 2002<br>€'000 |
|---|---------------|---------------|
| (Decrease) / increase in cash             | (11,200)      | 12,241        |
| Increase / (Decrease) in liquid resources | 7,541         | (49,128)      |
| Decrease in net funds                     | (3,659)       | (36,887)      |
| Net funds, at beginning of year           | 40,925        | 77,812        |
| Net funds, at end of year                 | 37,266        | 40,925        |

**18 Related party transactions**

RTÉ is a statutory corporation, established under the *Broadcasting Authority Act, 1960*. The members of the RTÉ Authority are appointed by the Minister for Communications, Marine and Natural Resources.

The group provides advertising and other similar services, and purchases goods and services, in the ordinary course of its business to/from Government departments and to entities controlled by the Irish Government. An Post collects the television licence fee on behalf of the Department of Communications, Marine and Natural Resources.

**19 Prior year adjustment**

Following the introduction of FRS 5, Application Note G 'Revenue Recognition', the group's accounting policy for sales of the RTÉ Guide changed during the year. From 1 January 2003, the group began to account for the sales of the RTÉ Guide to the group's distributor, net of fees due to the distributor and end-retailer.

Previously the group's policy had been to recognise turnover from the sale of the RTÉ Guide on the basis of amounts invoiced to the distributors, which included fees due to the distributor and retailer, and which were subsequently included as an expense to the group and included in distribution costs. As such the change in accounting policy introduced by the application note does not have any impact on the surplus / (deficit) retained for the current or preceding year.

In order to present the prior year's results on a comparable basis, revenue and operating costs for the year ended 31 December 2002 have been restated as set out below.

|                                 | Revenue<br>€'000 | Operating<br>costs<br>€'000 |
|---------------------------------|------------------|-----------------------------|
| As previously reported          | 276,356          | (280,439)                   |
| Distributor and retailers' fees | (4,358)          | 4,358                       |
| As restated                     | 271,998          | (276,081)                   |

During the current year, total amounts in respect of distributor's and retailers' fees were €3,882,630.

**20 Approval of financial statements**

The members of the Authority approved the financial statements on 1 April 2004.

## Financial History

**RTÉ**

|  | 2003<br>€'000  | 2002<br>€'000   | 2001<br>€'000   | 2000<br>€'000   | 1999<br>€'000  |
|--|----------------|-----------------|-----------------|-----------------|----------------|
| <b>Income &amp; Expenditure</b>                        |                |                 |                 |                 |                |
| Television Licence Fee Income                          | 157,425        | 114,051         | 94,940          | 84,415          | 82,406         |
| Commercial income                                      | 155,247        | 157,947         | 158,680         | 175,274         | 164,810        |
| <b>Total revenue</b>                                   | <b>312,672</b> | <b>271,998</b>  | <b>253,620</b>  | <b>259,689</b>  | <b>247,216</b> |
| Operating costs  | (291,164)      | (276,081)       | (282,082)       | (265,512)       | (253,893)      |
| <b>E.B.I.T.D.A.</b>                                    | <b>21,508</b>  | <b>(4,083)</b>  | <b>(28,462)</b> | <b>(5,823)</b>  | <b>(6,677)</b> |
| Depreciation & amortisation                            | (19,486)       | (17,795)        | (17,720)        | (15,859)        | (14,476)       |
| Profit on disposal of financial asset                  | -              | -               | -               | -               | 156,946        |
| Non-operating exceptional items                        | -              | (35,368)        | (30,896)        | -               | (48,310)       |
| <b>E.B.I.T.</b>  | <b>2,022</b>   | <b>(57,246)</b> | <b>(77,078)</b> | <b>(21,682)</b> | <b>87,483</b>  |
| Income from financial assets                           | -              | -               | 287             | 429             | 3,746          |
| Interest receivable                                    | 1,055          | 1,706           | 6,430           | 7,713           | 3,126          |
| Interest payable                                       | (816)          | (482)           | (536)           | (644)           | (5)            |
| <b>Surplus / (Deficit) before Tax</b>                  | <b>2,261</b>   | <b>(56,022)</b> | <b>(70,897)</b> | <b>(14,184)</b> | <b>94,350</b>  |
| Tax  | -              | -               | -               | (76)            | -              |
| <b>Surplus / (Deficit) for the year</b>                | <b>2,261</b>   | <b>(56,022)</b> | <b>(70,897)</b> | <b>(14,260)</b> | <b>94,350</b>  |
| Income & expenditure account at 1 January              | 73,943         | 129,965         | 200,862         | 215,122         | 120,772        |
| <b>Income &amp; expenditure account at 31 December</b> | <b>76,204</b>  | <b>73,943</b>   | <b>129,965</b>  | <b>200,862</b>  | <b>215,122</b> |
| <b>Balance Sheet</b>                                   |                |                 |                 |                 |                |
| Tangible assets  | 118,019        | 127,455         | 134,485         | 127,195         | 126,569        |
| Intangible assets                                      | -              | -               | 756             | -               | -              |
| Financial assets                                       | 1,615          | 1,615           | 2,284           | 2,436           | 2,437          |
| Net current assets                                     | 15,443         | 25,697          | 66,173          | 133,524         | 164,247        |
| Total assets less current liabilities                  | 135,077        | 154,767         | 203,698         | 263,155         | 293,253        |
| Capital grants   | (16,081)       | (16,501)        | (15,829)        | (14,814)        | (18,001)       |
| Provisions for liabilities & charges                   | (42,792)       | (64,323)        | (57,904)        | (47,479)        | (60,130)       |
| <b>Net Assets at 31 December</b>                       | <b>76,204</b>  | <b>73,943</b>   | <b>129,965</b>  | <b>200,862</b>  | <b>215,122</b> |
| <b>Cash Flow</b>                                       |                |                 |                 |                 |                |
| <b>Net Cash Flows from operating activities</b>        | <b>26,718</b>  | <b>(5,180)</b>  | <b>(30,673)</b> | <b>(790)</b>    | <b>1,568</b>   |
| Non-operating exceptional items                        | (19,535)       | (22,166)        | (18,872)        | (13,283)        | (4,713)        |
| Returns on investment                                  | 1,047          | 1,460           | 6,331           | 8,271           | 6,780          |
| Taxation   | -              | -               | (76)            | -               | -              |
| Capital Expenditure/<br>Financial Divestment           | (11,889)       | (11,001)        | (28,053)        | 53,477          | 54,526         |
| Net funds at 1 January                                 | 40,925         | 77,812          | 149,155         | 101,480         | 43,319         |
| <b>Net Funds at 31 December</b>                        | <b>37,266</b>  | <b>40,925</b>   | <b>77,812</b>   | <b>149,155</b>  | <b>101,480</b> |
| <b>Employee Headcount</b>                              | <b>Number</b>  | <b>Number</b>   | <b>Number</b>   | <b>Number</b>   | <b>Number</b>  |
| Establishment  |                |                 |                 |                 |                |
| (Before Contractor Regularisations)                    | 1,712          | 1,692           | 2,001           | 2,089           | 2,186          |
| 2002 Contractors now engaged as staff                  | 55             | 55              | -               | -               | -              |
| 2003 Contractors now engaged as staff                  | 258            | -               | -               | -               | -              |
| RTÉ (excluding TG4)                                    | 2,025          | 1,747           | 2,001           | 2,089           | 2,186          |
| TG4  | 110            | 103             | 96              | 83              | 81             |
| <b>Total at 31 December</b>                            | <b>2,135</b>   | <b>1,850</b>    | <b>2,097</b>    | <b>2,172</b>    | <b>2,267</b>   |