



Fulfilling Commitments

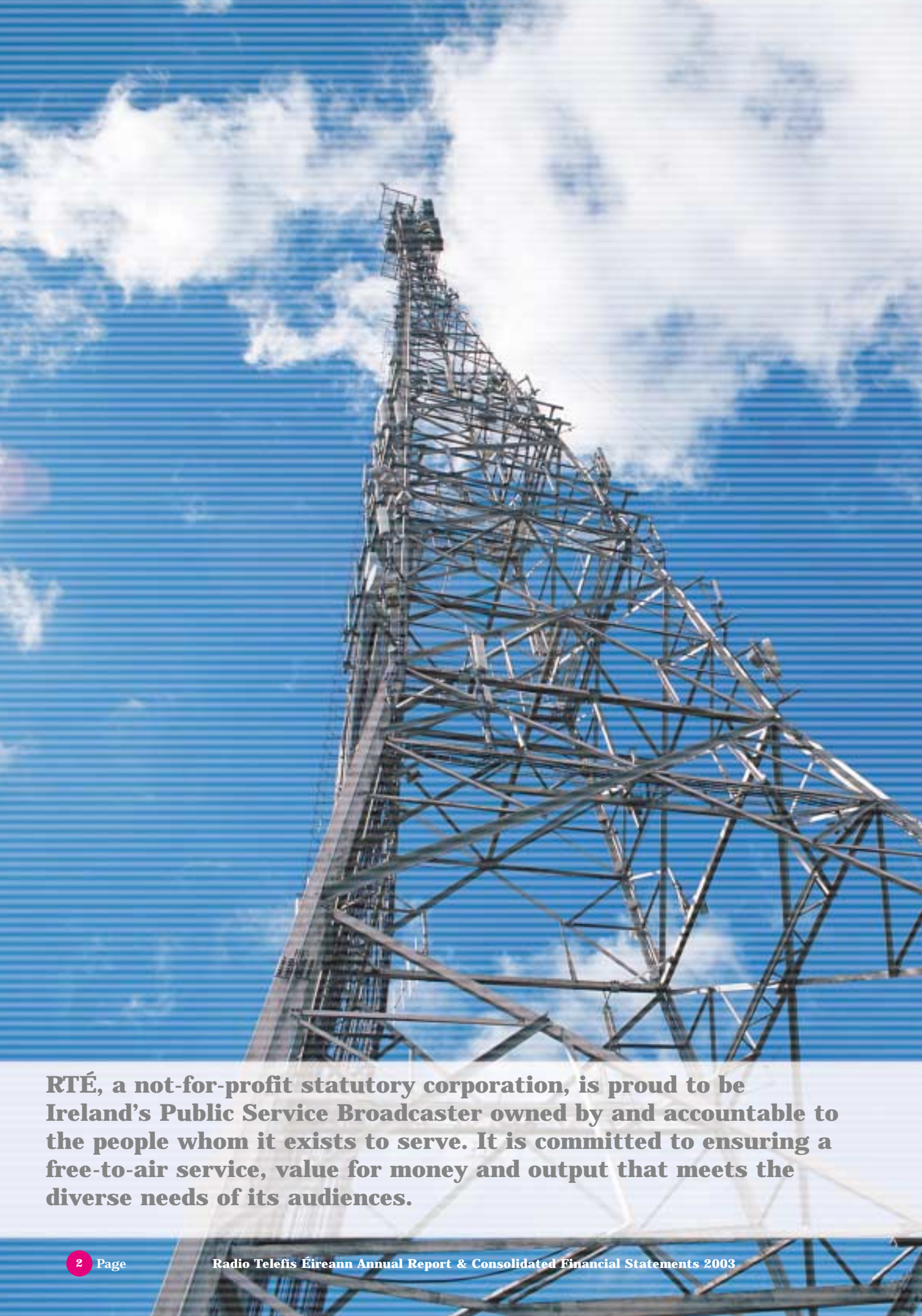
Radio Telefis Éireann
Annual Report & Consolidated
Financial Statements 2003

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Radio Telefís Éireann Authority

Forty-third Annual Report and Consolidated Financial Statements for the 12 months ended 31 December 2003, presented to the Minister for Communications, Marine and Natural Resources pursuant to sections 25 and 26 of the Broadcasting Authority Act, 1960.



RTÉ, a not-for-profit statutory corporation, is proud to be Ireland's Public Service Broadcaster owned by and accountable to the people whom it exists to serve. It is committed to ensuring a free-to-air service, value for money and output that meets the diverse needs of its audiences.

During 2003, RTÉ made significant progress in implementing our commitments to our audience following the welcome Licence Fee increase, which came into effect on January 1 2003. It was a year of excellent progress and I would like to identify a number of steps that have resulted in a significant strengthening of the organisation and which will benefit our audience.

Those steps include:

- an enhancement of output across RTÉ media
- a radical restructuring of the organisation to make RTÉ a cost-efficient and content-effective organisation of six integrated business divisions (IBDs) - Radio, News, Television, Network, Publishing and Performing Groups
- a major re-organisation of the management structure to accommodate this change
- introduction of new financial reporting systems
- publication of RTÉ's first 'Statement of Commitments' detailing the target number of hours of home-produced programmes, by genre, across all radio and television channels that RTÉ intended to produce
- publication of RTÉ's first 'Code of Fair Trading' - by which it now conducts all its external business operations
- establishment of an Audience Council - made up of representatives of the major social partners and interest groups, as well as viewers and listeners from throughout the island of Ireland. The council meets quarterly and the Authority looks forward to its advice and recommendations over the coming years
- RTÉ operating in a transparent manner - as I promised last year. The Authority is producing detailed separate accounts for RTÉ's radio and television services which will ensure that our shareholders - the audience - can recognise the true value received from public service funding and RTÉ's ongoing adherence to best practice in corporate governance.

I am delighted to report that we are well on the way to fulfilling all our commitments, and the benefits are clearly apparent in our output and reported in this document. As a result of an end-of-year review by PricewaterhouseCooper (PwC), on behalf of the Minister for Communications, Marine and Natural Resources, an increase of €2 was approved in the Television Licence Fee with effect from 1 January 2004. RTÉ welcomes this increase although regrets it is somewhat below the level of inflation. However I must thank the Minister for creating the principle which I am sure will help maintain RTÉ as the independent National Broadcaster.



... we are well on the way to fulfilling all our commitments, and the benefits are clearly apparent...

The review confirmed that RTÉ fully achieved its commitments in terms of its financial performance and broadcasting framework and substantially achieved its enhanced content outputs. PwC noted concerns in relation to RTÉ's change performance – for example in relation to staff numbers. I am happy that the details in relation to change performance contained in this Annual Report show a remarkable level of achievement – as confirmed to the Authority in a report by KPMG Corporate Finance. A cursory glance at employee numbers may cause some concern. RTÉ were advised that best practice under Irish and European law required alterations in the nature of its engagements with certain people – from that of contractors, whose annual costs were not charged to payroll, to that of employees, who are included in computations of headcount and whose costs are included in payroll.

On the financial side, 2003 saw a downturn in the advertising market and, despite the Television Licence Fee increase, there was a shortfall in budgeted Licence Fee income. Nevertheless, RTÉ did record a surplus of €2.3 million for the year, slightly down on the budgeted surplus and the Authority are pleased with this major turnaround over the previous two years. The Authority has long been concerned with the efficiency of the television Licence Fee collection system. This concern was aggravated in 2003 – not least by the announcement, without prior consultation with RTÉ, that An Post intends to withdraw from the collection process. RTÉ urges that this uncertainty be clarified quickly and arrangements made to ensure that collection levels are not only maintained, but also significantly improved – be it by An Post or by a new collection agency to be appointed following a tender process.

As I write, Ireland holds the EU Presidency. RTÉ fully supports the Minister for Communications, Marine and Natural Resources in his efforts to ensure that satellite television channels targeted at specific markets are subject to the national regulations of the countries of those markets. We also look forward to the Minister's proposal to Government of a Charter for Public Service Broadcasting. In anticipation of this initiative, the Authority is operating under the draft charter proposed in its 2002 submission for a licence fee increase.

The year 2003 saw a change in the executive leadership of RTÉ as, after six-and-a-half years' distinguished service, Bob Collins resigned from the position of Director-General. The Authority appreciates his outstanding commitment and contribution to the organisation over the many years he worked here.

Cathal Goan, former Managing Director Television and the founding Ceannasaí of Teilifís na Gaeilge (TG4), was appointed to the position of Director-General with effect from October 2003. The Authority offers him full support and wishes him every success in the challenging period ahead.

RTÉ continues to enjoy a very good relationship with the Minister and with the staff of his department, which I am happy to record. I would like to express the Authority's appreciation of the management and staff of RTÉ who performed admirably in difficult and changing circumstances. Most importantly, I would like to record RTÉ's gratitude to its audiences, our key shareholders, for their continued loyalty, evident from the consistently high ratings and other research methods.

RTÉ is very proud of its role as Ireland's public service broadcaster. We are committed to keeping our listeners' and viewers' passions, concerns and interests to the forefront. We will continue to represent the voice of the Irish people, and strive to protect and promote Irish culture, while we progress with the development and improvement of the organisation.



Patrick J. Wright



RTÉ is committed to being Ireland's leading independent, accurate and impartial provider of news and current affairs material, of both national and international importance.



Patrick J. Wright	Joe Barry	Anne Doyle	Des Geraghty
<p>A member of the Authority from December 1999, was appointed Chairman with effect from June 2000.</p> <p>A native of Dublin, Paddy Wright is a former President and Chief Operations Officer of the Jefferson Smurfit Group and a current Director of the Anglo Irish Bank and Chairman of AON McDonagh Boland Group. He previously served as chairman of Bord Iascaigh Mhara, vice-chairman of Aer Lingus and chairman of the Educational Trust of Dublin City University. Paddy Wright is an Honorary Fellow of the National College of Ireland and a Fellow of the Irish Management Institute.</p>	<p>Appointed to the Authority with effect from June 2000.</p> <p>A native of Dunmanway, Co Cork, Joe Barry worked in a variety of operational and managerial positions in RTÉ from 1956 to 1997, and held the post of Director-General from 1992 to 1997. He also serves as a Governor of the National Gallery of Ireland.</p>	<p>Elected to represent RTÉ staff on the Authority from June 2000.</p> <p>A native of Ferns, Co Wexford, Anne holds a BA, in English and History and a Higher Diploma in Education from UCD. She joined the RTÉ Newsroom in 1978 having previously worked in the consular service of the Department of Foreign Affairs.</p>	<p>Appointed to the Authority in October 2002. Having previously served on the Authority from June 2000 to June 2002 he ceased to be a member of the Authority on confirming his candidacy for an Oireachtas seat.</p> <p>A native of Dublin, Des Geraghty worked as an RTÉ Television Cameraman before joining the ITGWU (now SIPTU) - retiring as General President in 2003. A former Member of the European Parliament he was appointed a Shareholder of Abbey Theatre in 1998 and currently serves on the board of FÁS and Poetry Ireland.</p>



Maura Hayes

Appointed to the Authority with effect from June 2000.

A native of Tulla, Co Clare, Maura Hayes holds BA and LLB degrees from UCG. A solicitor, she previously worked in private practice and currently holds a position with the Legal Aid Board in Limerick.

Garry Hynes

Appointed to the Authority with effect from June 2000.

A native of Co Roscommon, and co-founder of the Druid Theatre Garry Hynes was Artistic Director of Druid from 1975-1990 and of the Abbey Theatre from 1990-1993. She returned to Druid in 1994 and is currently its Artistic Director. Among many international and national tributes she has received a Tony Award and LLD (Honores Causa) degrees from the National Council for Educational Awards and NUI Galway.

Paddy Marron

Appointed to the Authority with effect from July 2001.

A native of Co. Monaghan, and a Chartered Accountant, Paddy Marron worked in the food industry for 33 years, including ten years as Chief Executive of Nestle Ireland. A member of the Governing Body of Dublin City University he holds a BA in Archaeology and Art History from UCD.

Stephen O'Byrnes

Appointed to the Authority with effect from June 2000.

A native of Limerick, Stephen O'Byrnes is principal of Media Relations and Public Affairs Consultants Ltd., a former Director of Policy and Press Relations for the Progressive Democrats Party and Assistant Government Press Secretary 1989-1992. He worked as a journalist for 15 years with the Irish Independent and Irish Press Groups holding various Editorial and Correspondent roles.

Mary Peters

Appointed to the Authority with effect from June 2000.

A native of Lisburn, Co Antrim, Mary Peters is a retired business-woman and a former Olympic and Commonwealth Games Gold Medalist. Awarded an MBE in 1973, CBE in 1994 she was made a Dame of the British Empire in 2000. Currently President of the Northern Ireland Paraplegic Association and the Ulster Sports and Recreation Trust Mary has previously served as a member of the Northern Ireland Tourist Board, Ulster Games Foundation, BBC Broadcasting Council, Sports Aid Foundation, Northern Ireland Sports Council and Sports Council (GB).



RTÉ is committed to embracing originality, the will for experimentation, the will to take risks in creativity and the encouragement of new talent, on and off air.



Director-General's Review

At the end of 2002, following a submission from RTÉ outlining proposed changes to the organisation, the Government granted an increase in the television licence fee. As we welcomed this increase in funding, we were fully aware of the challenge – and indeed the opportunity – that it, and the anticipated changes in broadcasting regulations, presented to us in terms of the commitments we made to our audience.

As a result of the increased fee, RTÉ invested significant funding on output. The organisation has re-organised its operations, delivered on its programming commitments, and contained costs. Also, despite a drop in advertising revenue and a licence fee shortfall, RTÉ now shows a modest surplus. These remarkable advances were achieved in a relatively short time, and they serve to enhance RTÉ's role as the national public service broadcaster.

Public Service Broadcasting in Ireland faces an ongoing and increasing challenge to find, and implement, the appropriate response to our audience's expectations, the increasingly competitive broadcast market, the growing complexity of broadcasting regulations, and the need to move fully to a digital environment.

RTÉ receives both commercial and licence fee revenue, and the balance between both resources is more even than it has been in recent years. RTÉ can now commit fully to its public service remit. It is our goal to optimise revenue from both sources, and so, we will promote popular, relevant and informative programming, originate high calibre musical performances, and expand our e-publishing services.

Despite the major changes in the organisation's structure in 2003, RTÉ maintained a clear focus on programming. The additional investment allowed RTÉ to offer listeners and viewers new and enriched programming across all genres in all output areas. The Special Olympics World Games coverage on television, and the dedicated radio channel, 'Voice of the Games', will long remain a touchstone for community expression and broadcasting purpose. As news and current affairs were dominated by Iraq, RTÉ's coverage and analysis of the war was, on an unprecedented scale, made possible by the courage and professionalism of our journalists in the field. When RTÉ published its commitments to its audience in

2003, the organisation promised to introduce a number of improvements to its services to the Irish public. It is our intention to build on this momentum of quality programming in 2004. We cannot afford to shift from this focus of improving and evolving.

RTÉ's position as the premier broadcaster in Ireland is maintained by its concentration on programming in those areas not covered by any other broadcaster or cultural institution. However, changing media ownership, along with proposed changes in the rules and laws surrounding broadcasting, emphasise the need for a clearly articulated policy for the support of independent public service broadcasting. RTÉ intends to play a positive role in contributing to the debate that will inform this policy. Likewise, RTÉ intends to contribute to the formulation of digital broadcasting policy, and we have offered to conduct pilot projects to assess the viability of digital terrestrial television in the short term.



... re-organised its operations, delivered on its programming commitments, and contained costs...

Television It has been a successful year for RTÉ Television, despite the difficulties posed by an increasingly competitive environment. RTÉ continues to hold its own against the competition, and we broadcast nine out of the top ten most popular television programmes of 2003. The extra income from the licence fee boosted home programme production, particularly later in the year. Existing series like *The Late Late Show*, *Fair City*, *Off The Rails*, *True Lives*, and *Léargas* thrived in the face of new competition, while a host of new series - *The Restaurant*, *You're A Star*, and the *True Lives* documentaries - proved their worth.

In 2003, during peak time, RTÉ One Television broadcast mainly home produced programmes made up of 135 hours of drama, almost 200 hours of entertainment, 330 hours of factual programmes, and some 800 hours of sport. Programmes ranged from the long running and ever popular *Late Late Show*, to new drama such as *The Clinic*, and the award-winning *Holy Cross*. The increased funding also strengthened RTÉ's position as the storyteller of Irish society.

Documentaries such as *Would You Believe*, *True Lives*, *Art Lives* and *Hidden History* all record insights into the real and fascinating worlds of ordinary Irish people. As well as this, RTÉ broadcast *Bombers*, a documentary which told the story of the troubles in Northern Ireland from a unique and disturbing perspective.

As always, RTÉ Sport had a demanding year and hours of sport broadcast included the GAA Championships, Soccer Internationals, the Premiership, Horse Racing, The Six Nations, The Rugby World Cup, the UEFA Cup run of Celtic, the return of the Champions League and of course RTÉ was host broadcaster of The Special Olympics.

As part of our commitment to our audience, RTÉ subtitled more than 750 hours of programmes in peak time, and almost 3,500 hours in total. RTÉ now subtitles all main news and current affairs programmes, *The Late Late Show* and *Fair City*.

We compete with other broadcasters - our competitors - when acquiring movies for the schedule, particularly during the holiday periods, both in terms of spending power and in terms of movie selection. Although we must remain conscious of budget limitations, we aim to satisfy our audience -

an audience that is distinctly Irish but is also cosmopolitan when it comes to movie preferences. In 2003, RTÉ premiered *Erin Brockovick*, *Meet the Parents*, *Cast Away*, *What Women Want* and *Chocolat*, all of which achieved high ratings in the schedule, and on Christmas Day, the most watched event was RTÉ's television premier of the movie *Gladiator*.

RTÉ continues to be first among its competitors to show top ranking programmes like *ER*, *CSI*, *The Sopranos*, and that compelling insight into life in *One Pennsylvania Avenue*, *The West Wing*. We are also first with the innovative trendsetters *Friends* and *Scrubs*, and have signed long-term deals with long-running favourites *The Simpsons* and *Home and Away*.

In 2003 RTÉ dealt with the difficult but successful task of integrating TV facilities, TV technology and archive into the programme operations. This task was all the more remarkable considering it was done while staff reductions were taking place, and I acknowledge the hard work put in by all involved. This integration means that RTÉ is now better able to secure its position as the leading provider of Irish programming.

Media advertising and sponsorship was more competitive than ever in 2003. We are now competing with a proliferation of new advertising capacity, not only in conventional areas like radio and television, but also in newer areas emerging from the electronic revolution such as the Internet, electronic billboards and mobile phones. Significant changes were also experienced in the relative importance of the different segments within the advertising and sponsorship market.

The new competition from the areas mentioned above poses an on-going challenge to RTÉ in terms of raising advertising revenue. The new Irish based news service launched by SKY in 2004, and the simulcast broadcasting of ITV programming by TV3, an increasing feature of TV3 programming in recent months, are symptomatic of the increased competition we face, particularly from satellite channels. We are confident that we will face these challenges and, by continuing to broadcast quality programmes, hold on to our audience, particularly in peak viewing times.

Radio From the very start of 2003, radio audiences were benefiting from the increased licence fee in the form of a wider choice of new programmes. All four RTÉ radio channels shared the common goal of increasing the way RTÉ Radio reflects all aspects of Irish life. RTÉ Radio 1 appointed a regional editor to develop programmes specifically aimed at optimising the input of the regions in the national debate. We introduced new programmes from and about communities all over the country and, in a unique way, RTÉ's radio coverage of the Special Olympics characterised our commitment to a schedule that is truly local and inclusive.

Both RTÉ 2fm and RTÉ lyric fm increased coverage of the Irish music industry. The two stations also put more emphasis on speech programming. RTÉ 2fm introduced daily thirty-minute news and current affairs slots, as well as a Sunday morning sports magazine, while RTÉ lyric fm broadcast its first series of specially commissioned dramas, as well as introducing arts features.

RTÉ Raidió na Gaeltachta extended its news service and broadcast new drama, features, documentaries, and programmes for young people. The Irish language station was also honoured with the PPI Award as National Station of the Year.

These developments are just the headlines. The highlight of the year in terms of long term benefit for the audience has been the successful integration of commercial activities. Even as RTÉ Radio was expanding its schedules, it was redesigning itself as an integrated division. Many experienced staff left Radio in 2003 as part of the general change programme in RTÉ. New structures have been put in place and new appointments made – all with a view of ensuring RTÉ will be in a position to respond as the national radio landscape becomes more crowded and competitive.

Throughout RTÉ Radio, there is a more coherent sense of how people, technology and resources can come together to give the listening public a better service. Digital technology is now the standard tool for making and broadcasting programmes. All of its activities, from programme-making on the four channels to revenue-earning by advertising, promotions and sponsorship, are now together in one integrated business division.

Financially, it has been a testing year. Irish audiences have more choice than ever before as new commercial stations come on air. New technologies give everyone the ability to customise listening and enjoy it when and where they choose. RTÉ Radio's promise is to provide a relevant, attractive national service for all the community while competing with commercial stations that selectively target segments of the population, local communities or particular interest groups.

Our challenge for 2004 and beyond is to serve the country with the variety and quality of radio that fulfils our public service remit while earning the revenue needed to support that standard of programming. That mission is as demanding as it is exciting.

News and Current Affairs In 2003, the news agenda was dominated by Iraq. RTÉ News and Current Affairs had journalists in the field reporting from Northern Iraq, Kuwait and Baghdad. In addition, our London, Washington and Brussels offices were heavily involved and contributed to the news and analysis of the situation. In the early days, we also broadcast a number of special programmes about Iraq on radio and television. During this time, we did not neglect other regions in the Middle East with reports from Israel and the West Bank. Special events in 2003 were the Northern Ireland Assembly elections and of course, the domestic highlight was undoubtedly the Special Olympics.

The increased funding from the licence fee has allowed us to develop our news-gathering capacity in the regions, as well as broadcasting extra regional programming. In addition to appointing an education correspondent, RTÉ appointed North-East and Dublin correspondents; *Nationwide* is now broadcast three times a week, and an extra regional news slot was introduced on RTÉ Radio News at One. Two other additions directed at the younger news viewer were 'Newsbeat', a current affairs programme on RTÉ 2fm, and *News2day*, an afternoon bulletin running daily on *The Den*.

Public service broadcasting has a responsibility to examine stories that grasp the public's imagination, and RTÉ News and Current Affairs strives to seek the truth behind the headlines.

With this in mind, RTÉ's flagship current affairs programme *Prime Time* introduced a series of investigative programmes focusing on particular stories. Five editions of the innovative *Prime Time Investigates* were broadcast in December 2003.

RTÉ is conscious that design can get tired, particularly set design, and this can reflect negatively on an otherwise lively and energetic programme. In September, television news was enhanced with new graphics and updated studio sets, and the sets of *Questions & Answers* and *Prime Time* also got a makeover.

The partnership between RTÉ Nuacht and TG4 continued, with Nuacht providing a daily Irish language news service for RTÉ radio and television audiences, as well as for TG4. Nuacht increased its audience figures on RTÉ in 2003, and the RTÉ Nuacht factual programmes were amongst the most watched programmes on TG4 during the Christmas period. As well as this, RTÉ Nuacht and RTÉ's regional staff produced a new bi-lingual news programme from the Galway studio.

Working in broadcasting has changed dramatically in recent years. The developments in broadcasting technology have made it possible to organise many of the jobs in a more cost efficient manner. This has affected broadcasters in general, and RTÉ is not alone in taking on the challenge of this particular change in work practice. Video self-editing by journalists became fully operational for the first time in 2003, and agreement has also been reached on journalists using cameras on some stories. Training for this begins in 2004.

In recent years RTÉ News has used videophone technology to report from difficult or inaccessible areas. In 2003 we provided live radio outside broadcast facilities from a number of foreign locations using satellite phone links. Also, by using 'clipmail', RTÉ News sent television news packages from Liberia directly to base in Dublin.

For 2004, our biggest challenge is to build audiences for new programmes while retaining the loyalty and respect of the public for our existing news and current affairs services.

Conclusion

The Programme for Government (2002) proposed to establish Teilifís na Gaeilge (TG4) as an independent broadcaster in line with the Broadcasting Act 2001. RTÉ remains concerned that appropriate and adequate mechanisms for funding TG4 have still not been identified, nor put in place in the course of the seven years since the station began its distinctive and innovative contribution to national broadcasting. This uncertainty will impede the development of TG4. In the meantime, TG4 will continue to operate under the aegis of RTÉ with an autonomous editorial policy and a separate management structure, and RTÉ will continue to support TG4 by providing one-hour-per-day of Irish language programming.

This annual report contains the level of detail and transparency of RTÉ's activities that was promised to our audience. RTÉ is an organisation that has travelled a long way in a short time, and the journey is not over. Our business is constantly evolving, and the environment in which we operate rapidly changing. RTÉ will continue to flourish through the talents, skills and dedication of a workforce that is focussed on serving the Irish public with commitment, pride and distinction.



Cathal Goan



RTÉ is committed to celebrating our diversity as a people and protecting Ireland's cultural heritage, through programming and archiving.



Cathal Goan

Appointed Director-General of RTÉ with effect from October 2003.

A native of Belfast, and graduate of University College Dublin, Cathal Goan joined RTÉ in 1979 and held a variety of posts in RTÉ Radio and RTÉ TV before being appointed Editor, Irish Language Programming in 1990. Appointed Ceannasaí of Teilifís na Gaeilge in 1994 he oversaw the establishment of the channel, Ireland's third national television service. In March 2000, he was appointed Director (subsequently MD) of RTÉ Television and a member of the RTÉ Executive Board.

Noel Curran

Appointed Managing Director of RTÉ Television with effect from October 2003.

A native of Co. Monaghan, and a graduate in Communications from Dublin City University, Noel Curran held a variety of posts in the print media. He joined RTÉ in 1992 and worked as a reporter, producer and editor in RTÉ Television before his appointment as the Editor of Current Affairs in the News Division with responsibility for editorial output and management of resources in Current Affairs.

Conor Hayes

Appointed RTÉ's Chief Financial Officer with effect from October 2001.

A native of Mitchelstown, Co. Cork, and a graduate in Commerce from University College Dublin, Conor Hayes is a Fellow of the Institute of Chartered Accountants in Ireland and an Associate Member of the Association of Corporate Treasurers in the UK. Prior to joining RTÉ he held a wide variety of positions in industry including: Deputy Chairman - Cara Treasury Group; Executive Director - Pleroma Group; Chief Executive JetPhone; Chief Executive - Ryanair; Chief Financial Officer - Almarai Group; Corporate Finance Manager - Stokes Kennedy Crowley.

Adrian Moynes

Appointed Director (now MD) of RTÉ Radio with effect from September 2002.

A native of Co. Armagh, and a graduate in English from Oxford University, Adrian Moynes joined RTÉ in 1979, after a five year teaching commitment at further and higher levels. Within RTÉ his posts included producer, editor of Young People's Programmes and Head of Scheduling (TV). From 1997 he was a member of the Director-General's Office with reporting responsibility for Raidió na Gaeltachta, the RTÉ Performing Groups, Freedom of Information and as the management representative on the Industrial Relations Tribunal.



Edward Mulhall	Geraldine O'Leary	Bride Rosney
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Appointed Director of News (now MD News and Current Affairs) with effect from June 1997.

A native of Athy, Co. Kildare, and a graduate in Economics and Politics from Trinity College Dublin, Ed Mulhall joined RTÉ in 1979 as a Radio Producer in Current Affairs. Subsequently Assistant Head of Features and Current Affairs (Radio), Programme Editor of TV News editing the Six One and 9 o'clock TV News programmes he was appointed Managing Editor in the Newsroom Division in 1994.

Director of Sales and Marketing was appointed to the RTÉ Executive Board with effect from March 2002.

A native of Cork, and a graduate in Psychology from University College Cork, Geraldine O'Leary was a former Managing Director with Zenith Media Ireland, Media Manager/ Director with Saatchi and Saatchi Advertising and had run her own media consultancy company prior to joining RTÉ in 1997 as Manager, Television Sales. Subsequently she became Deputy Director of Sales and Director of Sales and Marketing.

Appointed RTÉ's Director of Communications with effect from December 2001.

A native of Caherciveen, Co. Kerry, and a graduate in Science from University College Dublin, and Computer Practice from Trinity College Dublin, Bride Rosney, joined RTÉ from working as a communications consultant in the spheres of new technologies and the arts. After over 20 years experience in education and educational research at both second and third levels she was Special Adviser to Mary Robinson, in her capacity as President of Ireland and UN High Commissioner for Human Rights, for an eight-year period.



RTÉ is committed to offering the best home originated programming to its audience across all its radio and television services.

Results RTE's net surplus of €2.3 million is the first annual surplus generated since 1999. Operating earnings, as measured by Earnings Before Interest, Tax, Depreciation and Amortisation (E.B.I.T.D.A) of €21.5 million, are positive for the first year since 1998 reflecting both the success of the various restructuring programmes, implemented and/ or accelerated during 2002 and 2003, together with the substantial increase in Television Licence Fee income as a result of the Government decision taking effect from January 2003.

Revenue In 2003 Television Licence Fee income slightly exceeded 50% of RTE's total income for the first time in many years. This arose from a combination of a €43 million increase in net Licence Fee income, together with a net €3 million reduction in overall commercial income as a result of increased competition in the television advertising and sponsorship market.

Operating costs Following on from commitments given to Government as part of the application for Television Licence Fee increase, November 2002, the additional spend in home-produced programme output in 2003 exceeded €16 million. This was the primary factor in turning an underlying €1 million decrease in Operating Costs, arising from previous restructuring programmes, into a net overall increase in Operating Costs of €15 million.

Employee numbers and costs Just under 50% of all RTE's Operating Costs are people-related expenditures in the form of employees, contractors or contributors. Over the past three years RTE has reduced its permanent establishment employee headcount by a net 377 people or 18% of its total establishment workforce.

At the same time RTE has addressed and changed a very long-standing historical practice in the reporting of headcount. In the past large numbers of contractors have been engaged for various periods, and as contractors such people were never included in headcount. Following a review of reporting practices, allied to changes in employment law, it was judged that a proportion of these people may have had relationships with RTE that could better be characterised, or encapsulated, as being a form of employment relationship rather than that of an independent contractor. As a result, during

2002 and 2003, some 313 people, previously engaged and costed as contractors, are now engaged with employment contracts and are reported and costed as such. This has had the side-effect of increasing the level of reported headcount but because these people were previously costed as contractors there has, to date, been no appreciable increase in costs arising from regularising the position.

Cash Flow RTE's Operating Cash Flow of €26.7 million in 2003 is positive for the first time since 1999 reflecting both the healthy trading out-turn for the year allied to successful control of working capital.

No significant asset disposals were made during the year whilst 2003 Capital Expenditure was contained at €12 million - just over half of the average annual amount spent in 2001 and 2002.

In 2003, for the first time since 2000, no new restructuring and / or severance provisions were made or required. The amounts previously reserved were utilised on schedule, during 2003, with planned payments of €20 million. The balance of the €43 million in provisions held, for the purpose of meeting severance commitments already entered into, are expected to be substantially unwound over the course of the next 5 years.

Combined Net Cash balances for 2003 fell by €4 million during the year, a very substantial improvement on 2002 (net reduction of €27 million) and 2001 (net reduction of €71 million).

Financial systems In November 2001 a decision was made to commence a fundamental overhaul and modernisation of RTE's Accounting and Financial Reporting Systems for completion in 2003. Subsequently during Summer 2002, the Authority adopted a new strategic approach with the decision to restructure the organisation's activities into six Integrated Business Divisions (IBDs) together with a corporate centre. In January 2003 a new ERP based accounting system went live, on-target and reporting under the new corporate and accounting structures substantially improving the level of financial transparency and accountability. For 2003 detailed comparisons with 2002 are inevitably complicated. From 2004 onwards appropriate comparisons will be available.



RTÉ is committed to operating in a fair, effective and transparent way and accounting, to its stakeholders, in a reasonable and timely manner, for revenue generated.

Segment reporting & licence attribution The new IBD structures and financial reporting systems enable RTÉ to honour its promise to report financial performance annually from 2003 onwards by IBD, by principal service and by significant genre within broadcasting services. The segment information is contained in Note 1 to the financial statements. This is the first time since its inception that RTÉ has been in a position to produce and publish annual information of this kind in this fashion. It should be noted however that these are full-cost allocation schedules and as such are not in themselves alone an appropriate basis for financial decision-making in relation to either the existence or to the increase/decrease in investment in particular services.

In addition the segment information, also for the first time, reports by IBD and by service, on the deemed attribution of Television Licence Fee revenue received by RTÉ. In essence, attribution of the Licence Fee monies, collected in 2003 by An Post on behalf of DCMNR, together with a representation of this in relation to each individual Television Licence purchased, can be summarised as follows:

2003	%	€
An Post/DCMNR/Broadcasting Fund	11	16.50
Minority RTÉ Services (RTÉ RnaG/RTÉ Performing Groups/RTÉ lyric fm/TG4 Support)	23	34.50
RTÉ Radio 1	8	12.00
RTÉ Network 2	20	30.00
RTÉ One	38	57.00
	100	150.00

It is significant that in 2003 the fully-allocated cost of all home-produced Irish Television in-house productions and external commissions, on RTÉ One and on RTÉ Network 2, came to a total of €148.5 million whilst the level of Television Licence Fee income attributed to these activities came to only €102.9 million. No element of Television Licence Fee income is attributed to RTÉ 2fm, to the RTÉ Publishing IBD or to RTÉ Network Transmission Ltd.

Pensions As at 31 December 2003, RTÉ had 638 employees who were members of the RTÉ Superannuation Fund (i.e. Defined Benefit) with the balance of 1,387 people being eligible for various Defined Contribution and PRSA type pension arrangements. The actuaries to the Superannuation Fund have reported a prudent surplus at the end of 2003 prepared from two perspectives – firstly in the standard long-term Actuarial Report and separately in accordance with the more short-term market based methodology required by Financial Reporting Standard (FRS) 17.

Financial reporting standards From 2005 it will become mandatory for the financial statements of all publicly listed EU companies to prepare their Published Consolidated Financial Statements under International Financial Reporting Standards (IFRS). No decision has yet been announced, by either Government or the Professional Accountancy Bodies, extending this requirement to state bodies and corporations such as RTÉ. However given the trend towards convergence between Irish and International Accounting Standards, RTÉ has commenced planning for the potential introduction and impact of the implementation of IFRS.

In the early part of the year RTÉ published its first ever Statement of Commitments to its audience. The statement made specific commitments in relation to corporate and programme activities that were measurable and independently verifiable. The following charts summarise the commitments as published and report on the level of achievement in each case.

Corporate

Commitments	Results
Operate under a new Charter	RTÉ has operated under a draft Charter as per Licence Fee submission while awaiting final Charter from DCMNR
Publish a Statement of Commitments, based on the Charter	Statement for 2003, based on draft Charter in Licence Fee Submission, published; over 250k copies distributed
Establish an Audience Council	Established and operating
Publish and operate under a Code of Fair Trading	Code published and disseminated to all client groups and interested parties. Includes a complaint procedure with dedicated email address. No complaints received in 2003
Report on Commitments - in 2003 Annual Report	Commitment met

News and Current Affairs

Apart from specifics in both Television and Radio schedules there were a number of commitments made to support new output from the News and Current Affairs output IBD:

Commitments	Results
Appoint two additional Regional Correspondents, Dublin and North-East (Dundalk based office)	Both in position since July 2003
Appoint an Education and Science Correspondent	In position since May 2003
Introduce a new documentary strand examining issues of contemporary Irish life	Commitment met with <i>Primetime</i> specials
Expand location foreign reporting	Commitment met
Creation of an investigative unit for breaking stories and following up news events	Deferred
Increase regional production	Commitment met
Launch of a new morning TV programme covering Leaders' questions in the Dáil	Commitment met

RTÉ Radio

RTÉ Radio 1 Commitments	Results
Prime daytime programmes from regions,	Commitment exceeded by 44 hours
New strand social documentaries, 16 hours	Commitment exceeded by 22.5 hours
Young people – comedy/drama, increase by 8 hours	Commitment exceeded by 9 hours
Parliamentary news – enhanced coverage	Commitment met – on air
RTÉ 2fm Commitments	Results
Increase in news/current affairs - 60 hours	15 hours under target as staffing for one planned program unavailable
Student Access Programmes – 50 hours	Commitment met
Original live music	Commitment met
RTÉ Radio na Gaeltachta Commitments	Results
New drama - 4 hours	Commitment exceeded by 5.5 hours broadcast
Factual (new documentaries & features) 50 hours	Commitment met
Young Peoples	No target set, 20+ hours broadcast
Regional and urban output ex Cork, Belfast, Dublin	No target set, 60+ hours broadcast

RTÉ lyric fm Commitments

	Results
Increased OB coverage of regional festivals	Commitment met - 54 festivals
Extra hours of contemporary spoken arts	Commitment met - recording & transmission of 4 dramas, 5 'stages'
New music commissions for broadcast	Commitment exceeded
Education & Outreach – school visits, not broadcasts	Commitment met - 30 schools visited

Television

All of the following relate to peak time television i.e. between 6.00pm and 11.00pm

RTÉ One Commitments

	Results
Drama: 15% increase to 129 hours	Commitment exceeded by 6 hours
News/Current Affairs: 10% increase to 594 hours	67 hours under target *
Music: 12%+ increase to minimum 35 hours	3 hours under target
Factual/Historical: 8%+ increase to minimum 321 hours	Commitment exceeded by 12 hours
Entertainment: 14%+ increase to minimum 187 hours	Commitment exceeded by 5 hours
Young People: 5% increase to 28.5 hours	
Summer programmes: New programming 21 hours	Commitment exceeded by 2 hours
Irish/bilingual: New programming 8 hours	Commitment met

RTÉ Network 2 Commitments

	Results
News/Current Affairs: 7%+ increase to minimum 73 hours	3 hours under target
Music: 6%+ increase to minimum 48 hours	Commitment exceeded by 4 hours
Entertainment: 8%+ increase to minimum 47 hours	Commitment exceeded by 28 hours
Young People, News: New service	Commitment met - new service on air
Young People, Science series: New service	Commitment met - new service on air
Young People, Music series: New service	Commitment met - new service on air
Young People, Art series: New service	Commitment met - new service on air
Weekly Business Programme: New service	Deferred to 2004

Commitments across both channels

	Results
25% increase in sub-titling of peak time home-produced programmes from 620 in 2002 to 778 in 2003	Commitment exceeded by 126 hours
Nurture new talent	Commitment met - including:

New Presenters – *News2day/ID/The Den/S@ttitude*
 New Formats – *Cabin Fever/The Restaurant/Celebrity Farm*
 New Drama – *The Clinic*
Behind The Camera – Short Cuts / Writers / Directors

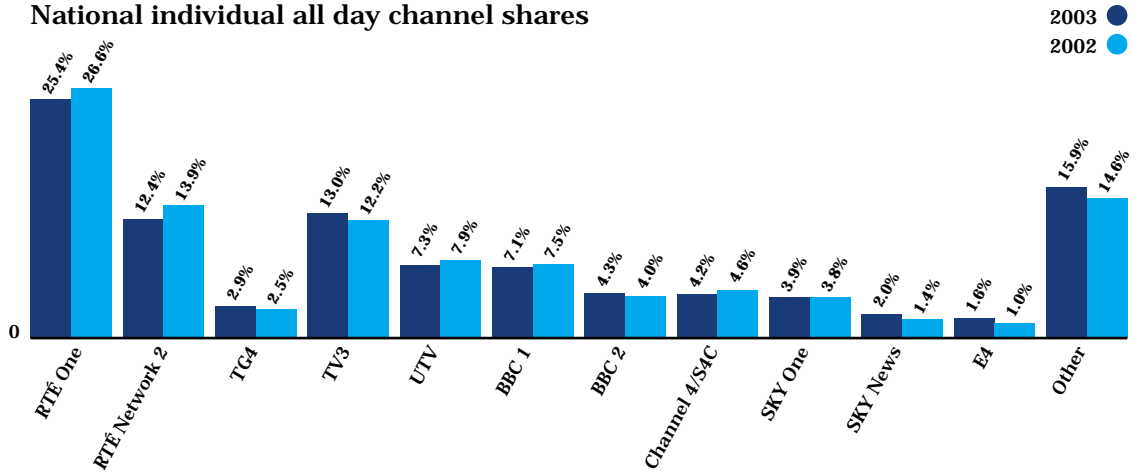
* The News target was based on actual broadcast hours for period September 2001 to August 2002. That period included several exceptional national and international stories - including a general election, two referenda and the war in Afghanistan – resulting in an exceptional high level of prime time coverage.

It was reported to Department of Communications Marine and Natural Resources in June 2003 that while the overall News coverage of 1097 hours was on target that the peak-time target of 594 was unrealistic.

A comparison of all-hours broadcast for 2003 with all-hours broadcast for 2002 shows an increase of 10% output from the News and Current Affairs IBD.

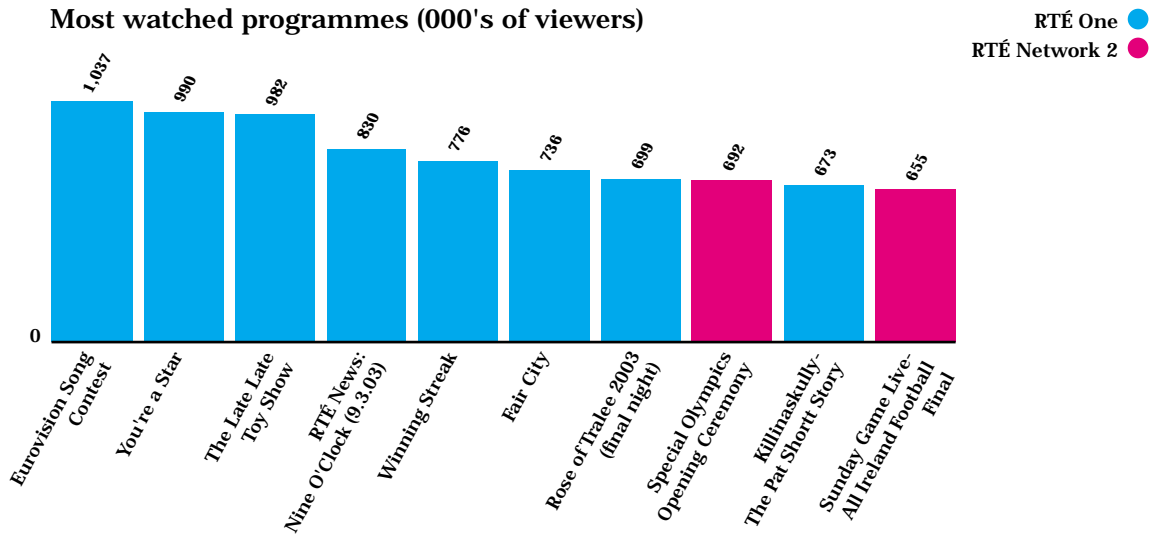
Summary statistical information

National individual all day channel shares

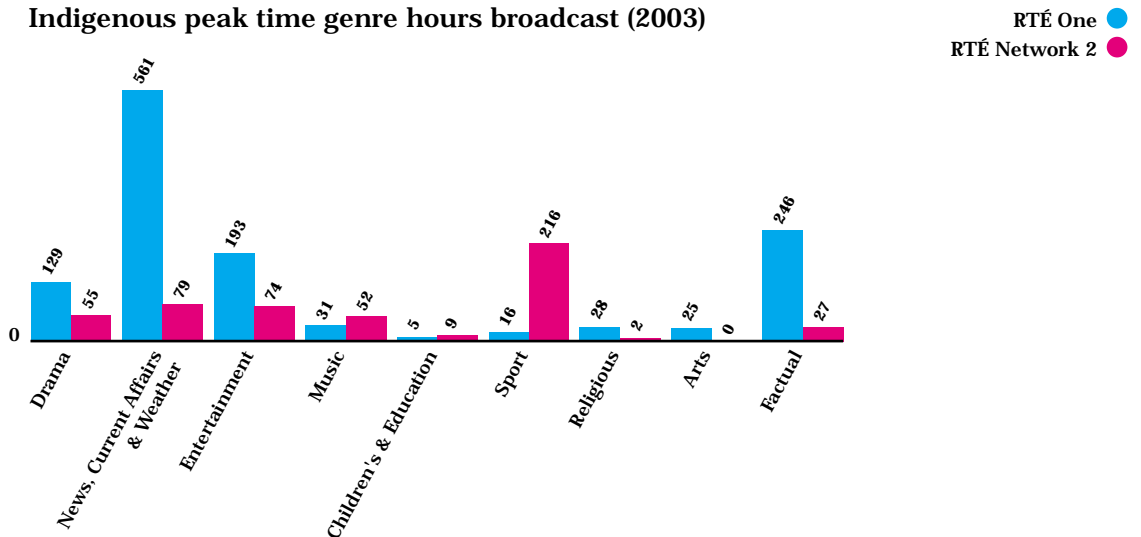


Source: Nielsen Media Research

Most watched programmes (000's of viewers)

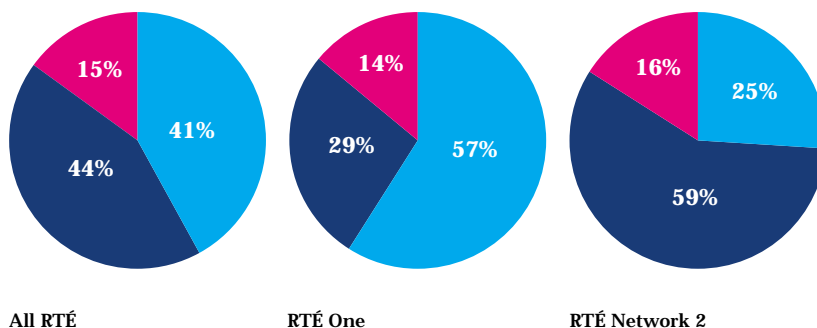


Indigenous peak time genre hours broadcast (2003)



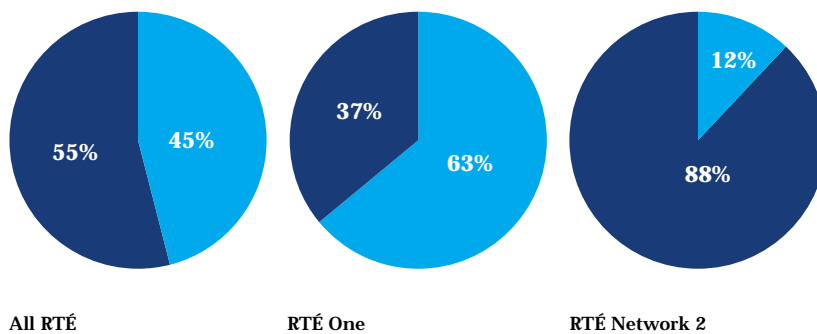
Peak time content analysis 2003

Indigenous Production ●
 Aquisitions ●
 Other ●



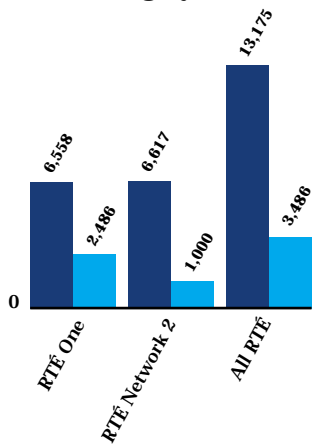
Peak time subtitling analysis 2003

Indigenous Production ●
 Aquisitions ●



Subtitling by channel - All hours

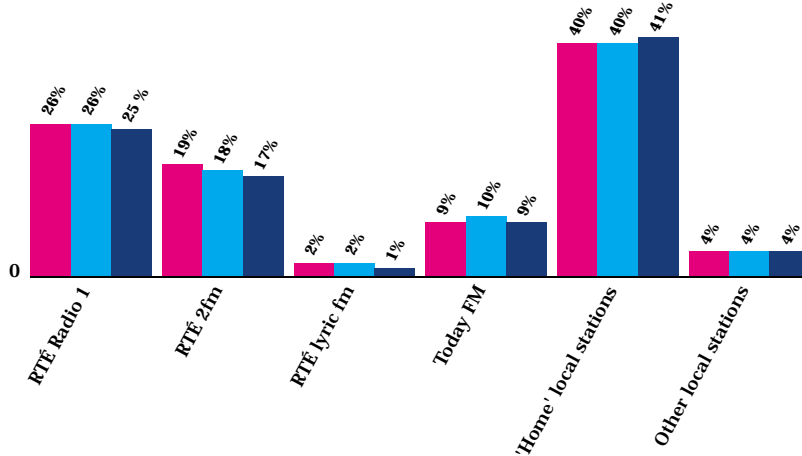
Broadcasting hours ●
 Subtitled hours ●



National market shares of radio listening

7am-7pm; January-December 2003, weekday daily averages, adults aged 15+

2001 ●
2002 ●
2003 ●



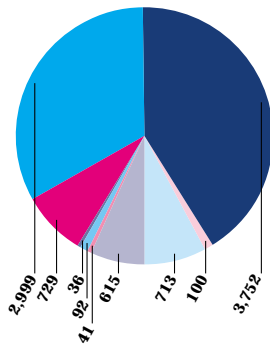
Sources: JNLR/tns-mrbi

Radio IBD output hours by genre (2003)

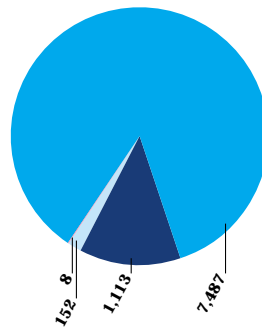
Note: Programme classification varies from one channel to another

Music ●
News & Current Affairs ●
Factual ●
Entertainment ●
Drama ●
Arts ●
Children & Education ●
Religious ●
Sport ●

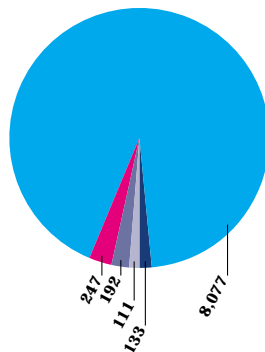
RTÉ Radio 1
Total radio output hours 9,077



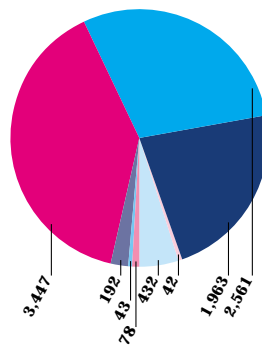
RTÉ 2fm
Total radio output hours 8,760



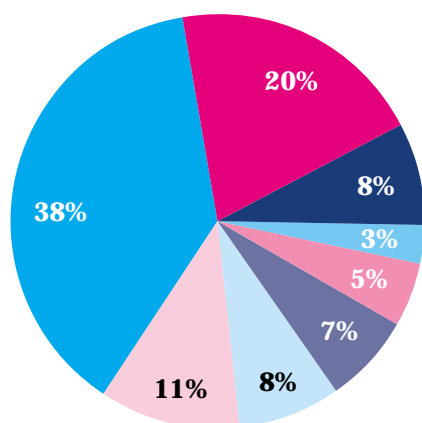
RTÉ lyric fm
Total radio output hours 8,760



RTÉ Raidió na Gaeltachta
Total radio output hours 8,760

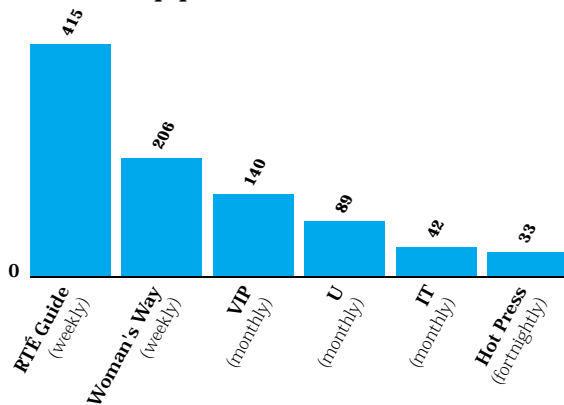


Licence Fee income allocation (2003)



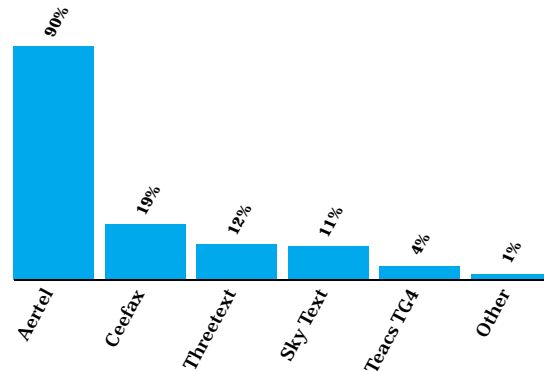
- RTÉ One
- RTÉ Network 2
- RTÉ Radio 1
- RTÉ lyric fm
- RTÉ Raidió na Gaeltachta
- Support provided to TG4
- RTÉ Performing Groups
- Charges & Deductions

National adults 15+ average readership per issue 2003 (000's)



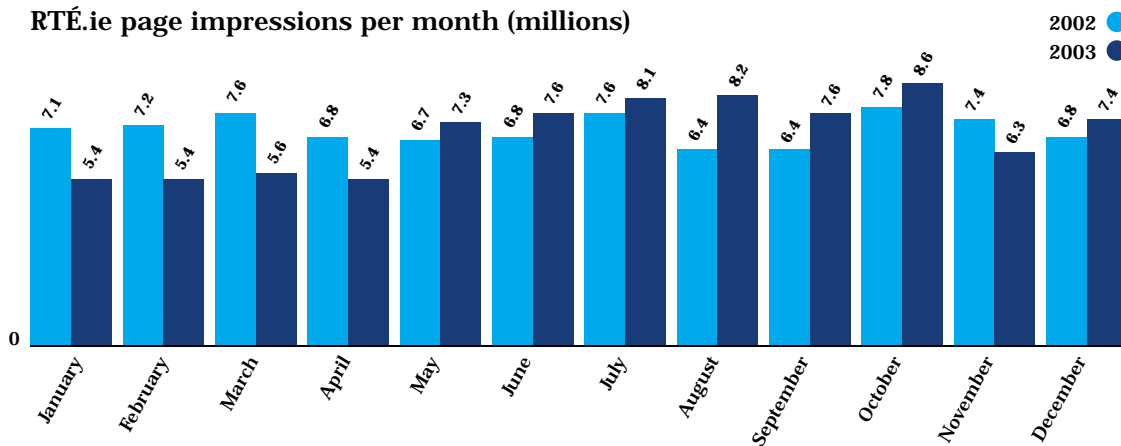
Sources: JNRS
2003 is the first full calendar year of JNRS data to be published. It covers the period January-December 2003. The definition of readership is based on reading or looking at for at least two minutes.

Type of teletext used in all households who make use of teletext



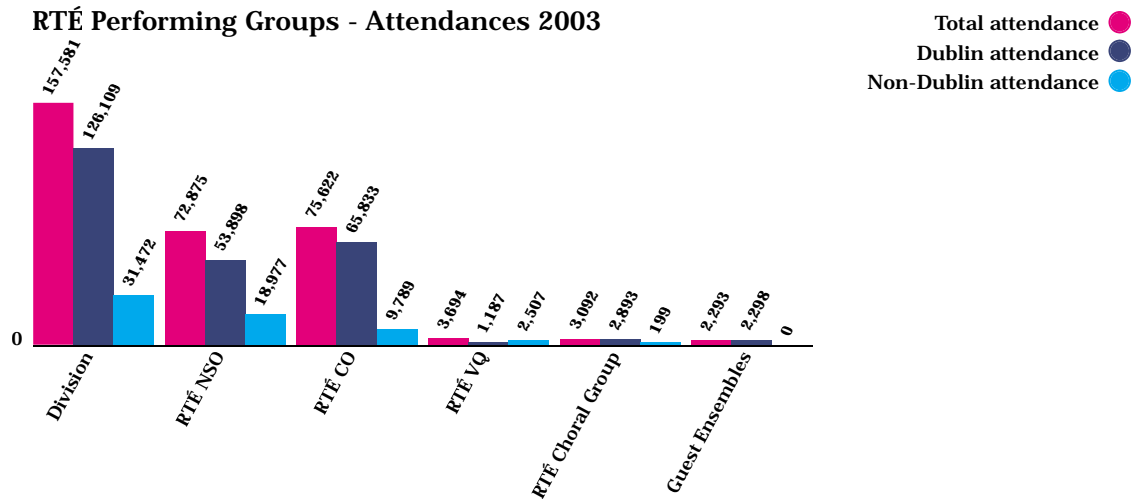
Source: Nielsen Media Research, Establishment Survey - May 2003

RTÉ.ie page impressions per month (millions)

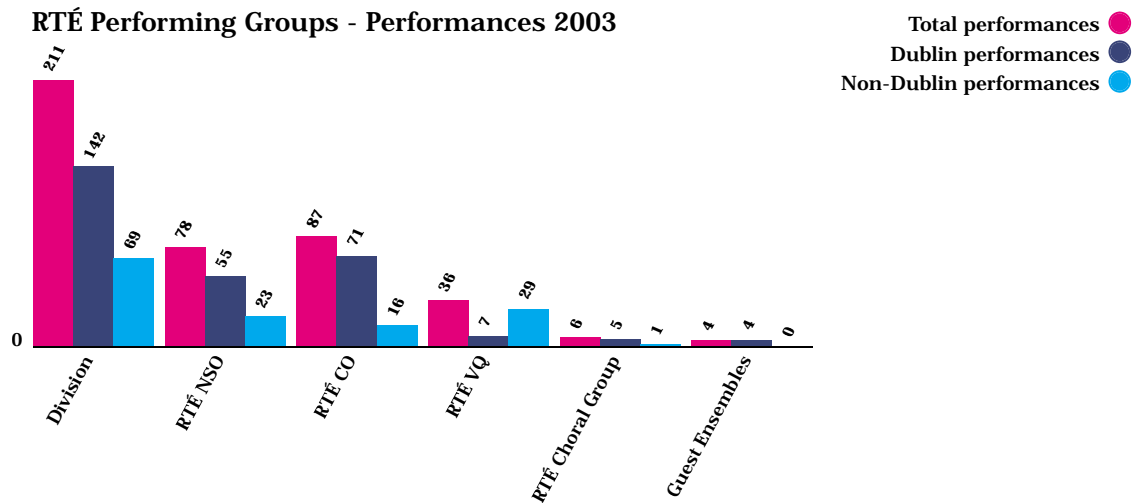


Source: RTÉ

RTÉ Performing Groups - Attendances 2003

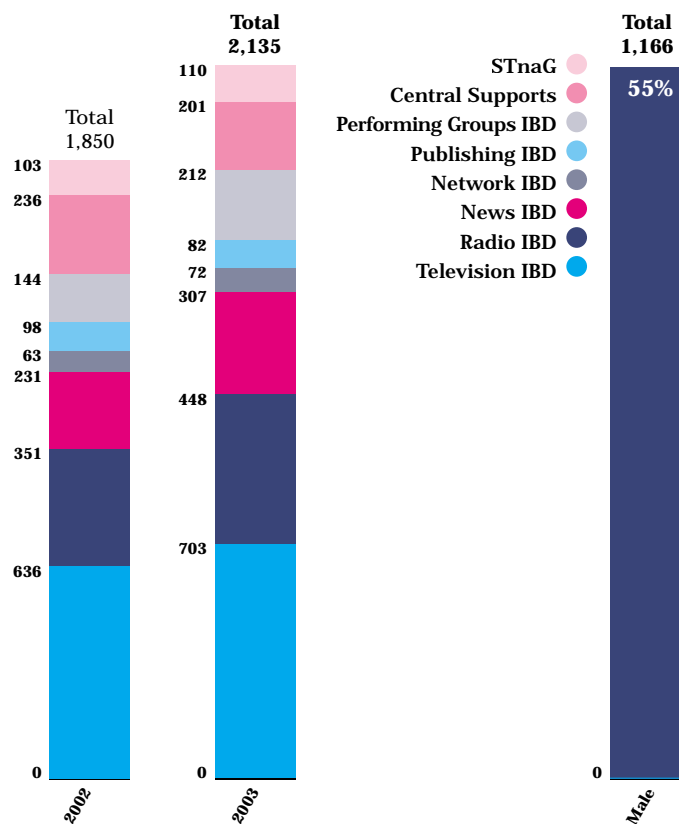


RTÉ Performing Groups - Performances 2003

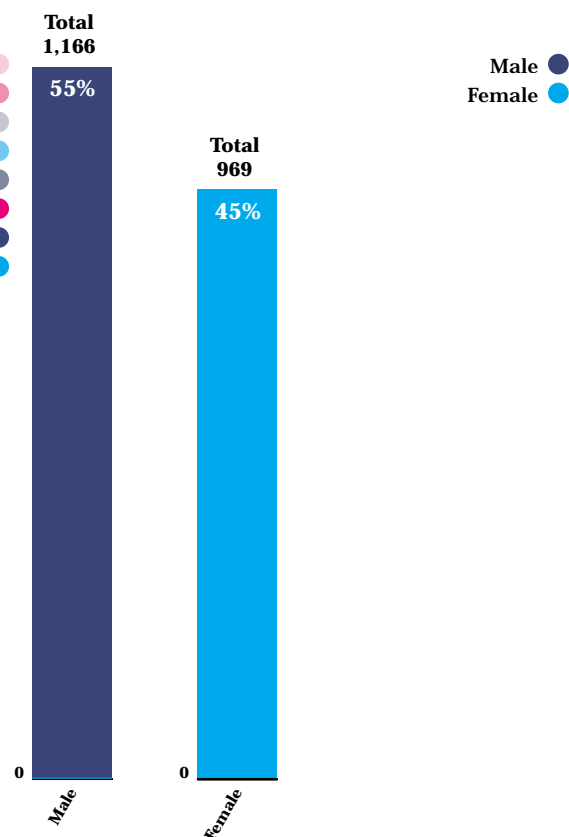


Group staff analysis

Group staff analysis based on the actual number of full-time and part-time employees of the RTÉ Group as at 31 December 2003.

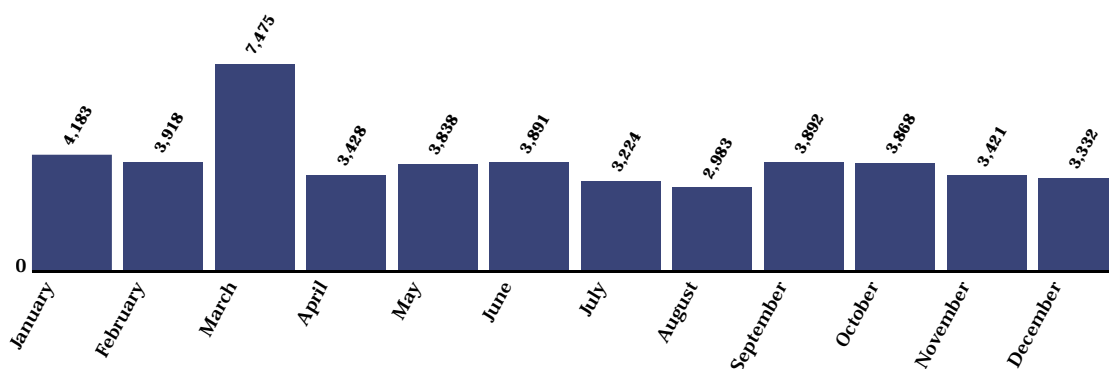


Staff Gender analysis (%)



During 2003, a total of 258 people (2002; 55) previously dealt with as independent contractors were engaged on contracts of employment and accordingly are now reported for the first time as members of staff.

RTÉ Information (2003)

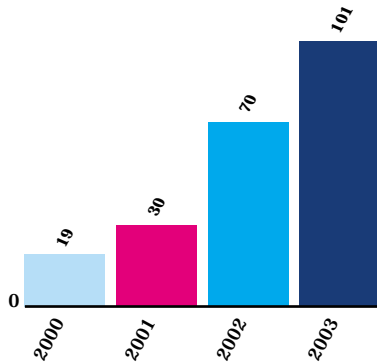


Telephone calls to the Information Office numbered 47,000 during 2003. This is a decrease of 13,000 since 2002 - which is reflected in a significant increase in email traffic. Both methods will be recorded for 2004.

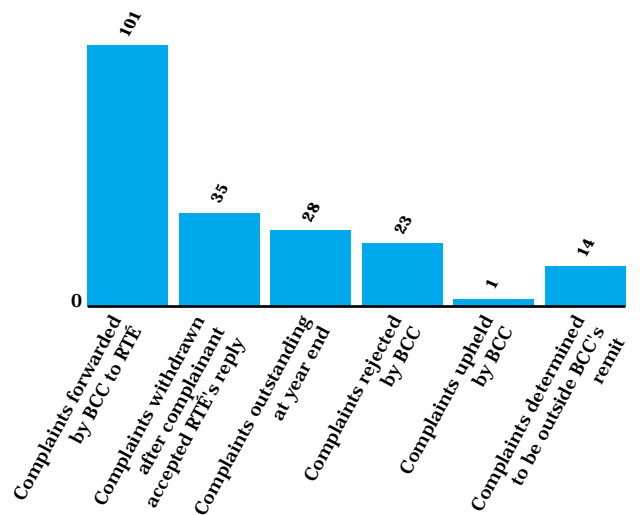
RTÉ and the Broadcasting Complaints Commission (BCC)

When a member of the public complains about some aspect of RTÉ's output the BCC determines firstly if the complaint falls within their remit. If they believe it does the complaint is forwarded to RTÉ. RTÉ replies to the BCC who then respond to the complainant. If s/he is satisfied with the RTÉ reply the complaint is categorised as withdrawn. If the complainant does not accept the RTÉ reply the complaint is adjudicated on by the Commission. The Commission either upholds or does not uphold the complaint.

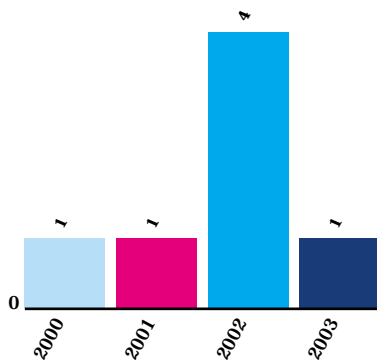
Number of complaints forwarded by the BCC to RTÉ



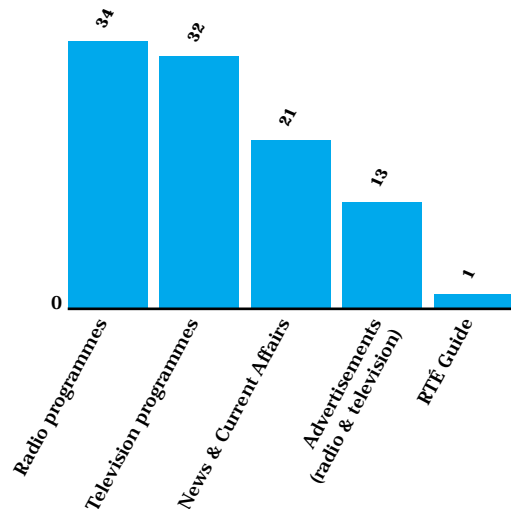
BCC adjudication of complaints about RTÉ



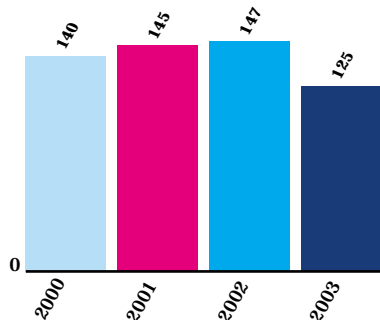
Number of complaints upheld



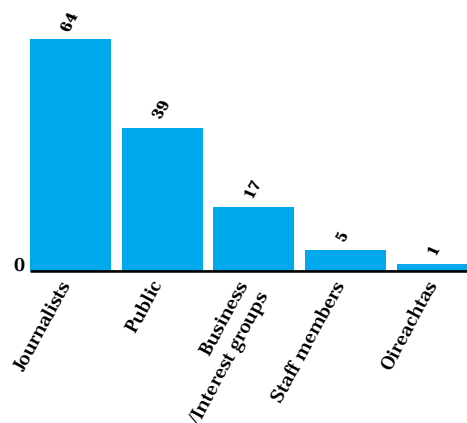
BCC complaints categorised in output areas



RTÉ and the Freedom of Information Act Freedom of Information requests to RTÉ

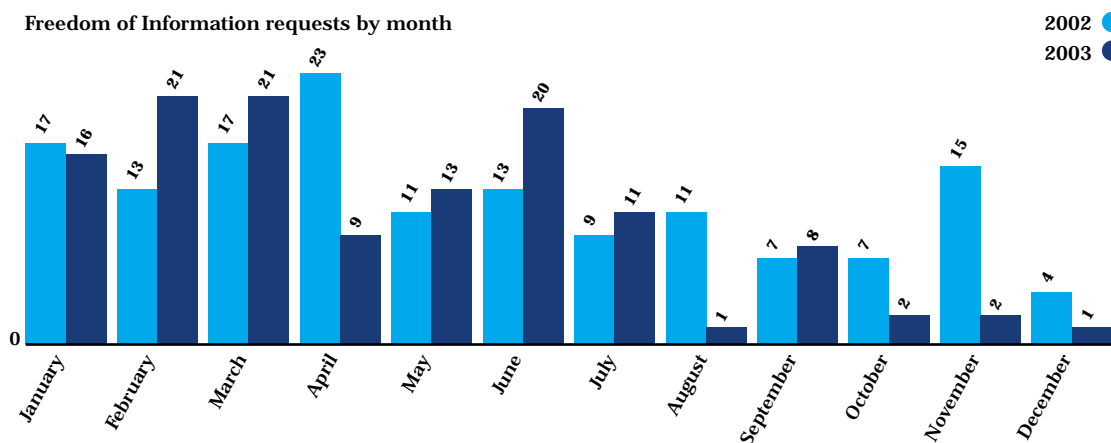


Freedom of Information applicants

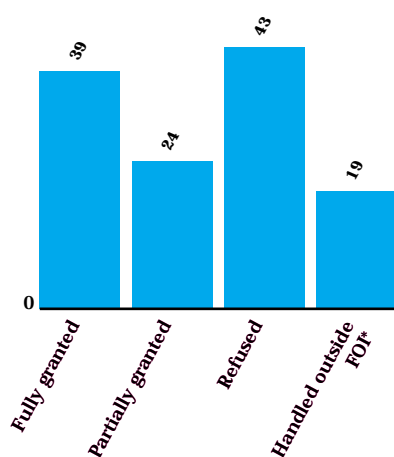


Note: There were 125 requests made to RTÉ under the Freedom of Information Act in 2003. This is the first year the number of requests have declined. Fees for FOI were introduced in July 2003.

Freedom of Information requests by month



Responses Freedom of Information requests



* Note: Usually means applicant received information requested through another source or because it was already in the public domain.



RTÉ is committed to optimising its revenues from all sources with the specific purpose of enhancing output and services to its audiences.

Contents

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38	Independent auditors' report
40	Statement of accounting policies
44	Consolidated Statement of Income and Expenditure
45	Consolidated Balance Sheet
46	Consolidated Cash Flow Statement
47	Balance Sheet
48	Notes forming part of the consolidated financial statements
77	Financial history

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 RTÉ'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.

RTÉ 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 €'000	2002 €'000
Authority members¹		
Patrick J Wright	32	29
Joe Barry ²	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 ³	14	14
	149	132
Director-General		
Cathal Goan ⁴	43	-
Bob Collins ⁵	234	158
	277	158
Seirbhísí Theilifís na Gaeilge Teoranta		
Pól Ó Gallchóir ⁶	125	107
	125	107

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

² Joe Barry's pension costs are included within the RTÉ Superannuation Fund.

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

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

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

⁶ 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



Paddy Marron
Authority Member
and Chairman of
the Audit Committee

1 April 2004

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



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 40 to 76.

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 37, 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 34 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.

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

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 RTÉ'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 RTÉ 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	2.5	%
Plant and equipment	7.5 - 20	
Fixtures and fittings	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 €'000	Restated (note 19) 2002 €'000
Revenue	1	312,672	271,998
Operating costs before depreciation, amortisation, interest & exceptional items		(291,164)	(276,081)
Earnings Before Interest, Tax, Depreciation & Amortisation		21,508	(4,083)
Depreciation & amortisation		(19,486)	(17,795)
Operating Surplus / (Deficit)		2,022	(21,878)
Non-operating exceptional items	2	-	(35,368)
Earnings Before Interest & Tax		2,022	(57,246)
Interest receivable and similar income	3	1,055	1,706
Interest payable and similar charges	4	(816)	(482)
Surplus / (Deficit) On Ordinary Activities Before Taxation	1, 5	2,261	(56,022)
Tax on surplus/(deficit) on ordinary activities	7	-	-
Surplus / (Deficit) for the year		2,261	(56,022)
Income and expenditure account at beginning of year		73,943	129,965
Income and Expenditure Account at end of year		76,204	73,943

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

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

RTÉ Balance Sheet

at 31 December 2003

RTÉ

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

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.

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 RTE's organisational structure:

	Television IBD
	€'000
Revenue	
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
	<hr/> 100,929
TV Licence Fee income attribution	78,615
	<hr/> 179,544
Cost By Output Category	
Programmes – by source	
In-house productions	76,223
Statutory commissions	27,733
Non-statutory commissions	18,171
	<hr/>
Irish productions & commissions	122,127
Acquired programmes - Ireland	349
Acquired programmes - Overseas	22,756
	<hr/>
Broadcast & transmission operations	145,232
Selling costs	24,522
Other output related costs	6,776
	5,158
	<hr/> 181,688
	<hr/> NET SURPLUS/(DEFICIT)
	(2,144)

Radio IBD	News IBD	Performing Groups IBD	Network IBD	Publishing IBD	Consolidation Adjustments	Group 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
34,269	-	1,484	20,347	11,637	(13,419)	155,247
20,928	44,464	13,418	-	-	-	157,425
55,197	44,464	14,902	20,347	11,637	(13,419)	312,672
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
53,414	46,246	14,902	15,962	11,618	(13,419)	310,411
1,783	(1,782)	-	4,385	19	-	2,261

1 Principal activity and segmental information (continued)

(b) Segment information by channel and service	RTÉ One €'000	RTÉ Network 2 €'000	RTÉ Radio 1 €'000
Revenue			
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	-	-	-
	67,079	28,684	16,745
TV Licence Fee income attribution	68,058	34,825	13,356
	135,137	63,509	30,101
Cost By Output Category			
Programmes – By Genre			
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
	98,649	49,834	30,197
Irish productions & commissions	98,649	49,834	30,197
Acquired Programmes	12,337	10,768	-
	110,986	60,602	30,197
Programmes – By Source			
In-house productions	66,942	36,907	30,197
Statutory commissions	21,953	5,780	-
Non-statutory commissions	9,754	7,147	-
	98,649	49,834	30,197
Irish productions & commissions	98,649	49,834	30,197
Acquired programmes – Ireland	263	86	-
Acquired programmes – Overseas	12,074	10,682	-
	110,986	60,602	30,197
Broadcast & transmission operations	11,482	10,954	2,953
Selling costs	4,403	2,373	861
Other output related costs	-	-	-
	126,871	73,929	34,011
NET SURPLUS/(DEFICIT)	8,266	(10,420)	(3,910)

RTÉ 2fm €'000	RTÉ lyric fm €'000	RTÉ Raidió na Gaeltachta €'000	Support pro- vided to TG4 €'000	Performing Groups €'000	Other €'000	Group Total €'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
16,823	489	-	-	1,484	23,943	155,247
-	6,208	9,692	11,868	13,418	-	157,425
16,823	6,697	9,692	11,868	14,902	23,943	312,672
-	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
10,539	5,632	8,921	9,780	-	-	236,657
10,539	5,632	8,921	8,420	-	-	167,558
-	-	-	-	-	-	27,733
-	-	-	1,360	-	-	18,261
10,539	5,632	8,921	9,780	-	-	213,552
-	-	-	-	-	-	349
-	-	-	-	-	-	22,756
10,539	5,632	8,921	9,780	-	-	236,657
1,663	1,041	771	2,088	-	3,070	34,022
733	24	-	-	-	1,327	9,721
205	-	-	-	14,902	14,904	30,011
13,140	6,697	9,692	11,868	14,902	19,301	310,411
3,683	-	-	-	-	4,642	2,261

1 Principal activity and segmental information (continued)

(c) Segment Information – TG4	€'000
Revenue	
Advertising income	3,019
Sponsorship income	175
Content, merchandising & related sales	32
	3,226
Grant-in-aid	21,065
Television Licence Fee income attribution	11,868
	32,933
	36,159
Cost By Output Category	
Programmes By Genre	
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	-
	24,551
Irish productions & commissions	24,551
Acquired programmes – Overseas	2,337
	26,888
Programmes By Source	
In-house productions	8,947
Non-statutory commissions	15,604
	24,551
Irish productions & commissions	24,551
Acquired programmes – Ireland	-
Acquired programmes – Overseas	2,337
	26,888
Broadcast & transmission operations	8,575
Selling cost	696
Other output related costs	-
	36,159
NET SURPLUS/(DEFICIT)	-

(d) Segmental Net Assets

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

2 Non-operating exceptional items

	2003 €'000	2002 €'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.

3 Interest receivable and similar income

	2003	2002
	€'000	€'000
Interest on demand deposits and marketable securities	691	1,351
Bank interest receivable	364	355
	1,055	1,706

4 Interest payable and similar charges

	2003	2002
	€'000	€'000
On bank loans, overdrafts and other loans repayable within five years, not by instalments	8	246
Other finance costs (notes 13 & 15)	808	236
	816	482

5 Surplus/(deficit) on ordinary activities before taxation

	2003	2002
	€'000	€'000
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)
	19,486	17,795
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 35.

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
	110,429	108,675

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:

	2003
	Number
RTÉ group (excluding Seirbhísí Theilifís na Gaeilge Teoranta)	1,814
Seirbhísí Theilifís na Gaeilge Teoranta	105
	1,919

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:

	2003	2002
	Number	Number
RTÉ group (excluding Seirbhísí Theilifís na Gaeilge Teoranta)	2,025	1,747
Seirbhísí Theilifís na Gaeilge Teoranta	110	103
	2,135	1,850

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

	2003	2002
	Number	Number
RTÉ group (excluding Seirbhísí Theilifís na Gaeilge Teoranta)	1,854	1,872
Seirbhísí Theilifís na Gaeilge Teoranta	102	99
	1,956	1,971

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 €'000	Plant & equipment €'000	Fixtures & fittings €'000	Total €'000
Cost				
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)
At end of year	74,225	193,487	5,661	273,373
Accumulated depreciation				
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)
At end of year	21,757	130,511	3,086	155,354
Net book value				
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 & buildings €'000	Plant & equipment €'000	Fixtures & fittings €'000	Total €'000
Cost				
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)
At end of year	59,567	117,508	2,107	179,182
Accumulated depreciation				
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)
At end of year	17,851	84,563	561	102,975
Net Book Value				
At 31 December 2002	44,027	52,317	1,556	97,900
At 31 December 2003	41,716	32,945	1,546	76,207

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 €'000	2002 €'000	2003 €'000	2002 €'000
Shares in subsidiaries, at cost	-	-	51,355	63
Investment in Intelsat/New Skies	1,615	1,615	-	-
Unlisted investments	-	-	-	-
	1,615	1,615	51,355	63

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 €'000	2002 €'000	2003 €'000	2002 €'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 €'000	2002 €'000	2003 €'000	2002 €'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	2002
	€'000	€'000
Capital grants - received and receivable		
At beginning of year	29,580	26,639
Grants received during the year	845	2,941
At end of year	30,425	29,580
Amortisation		
At beginning of year	13,079	10,810
Amortised during the year	1,265	2,269
At end of year	14,344	13,079
Amounts re-designated as grants-in-aid	(7,493)	-
Net book value - capital grants	8,588	16,501
Net book value - grants-in-aid	7,493	-
Total capital grants and grants-in-aid	16,081	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	2002
	€'000	€'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
	<hr/>	<hr/>
At end of year	42,792	64,323
	<hr/> <hr/>	<hr/> <hr/>

(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	Projected unit	Projected unit	Projected unit
Rate of increase in salaries	3.50%	3.75%	4.50%
Rate of increase in pensions in payment	3.50%	3.75%	4.50%
Discount rate	5.50%	5.75%	2.50%
Inflation assumption	2.00%	2.00%	6.00%

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)
Net pension asset recognised		51,546		5,479		70,515
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	2002
	€'000	€'000
<i>Included in payroll costs:</i>		
Current service costs	6,416	7,433
Past service costs	7,381	9,746
Net operating profit charge	13,797	17,179
<i>Included in finance costs:</i>		
Interest cost on scheme liabilities	(38,471)	(40,562)
Expected return on assets	49,865	65,612
Net return	11,394	25,050
<i>Actuarial loss included in statement of total recognised gains and losses:</i>		
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
Net actuarial loss included in statement of total recognised gains and losses	43,306	(183,775)
<i>History of actuarial gains and losses</i>		
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%

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

	2003	2002
	€'000	€'000
Pension surplus		
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)
	<hr/> 51,546 <hr/>	<hr/> 5,479 <hr/>

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

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

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	2002
	€'000	€'000
Financial asset investments	1,615	1,615
Marketable securities	35,349	27,808
Cash in hand and at bank	4,968	15,117
	41,932	44,540

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

31 December 2003:

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

31 December 2002:

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

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

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

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

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

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

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

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 €'000	Fair value €'000	Book value €'000	Fair value €'000
Primary financial instruments held or issued to finance the group's operations:				
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)
	(3,911)	(3,793)	(21,783)	(21,854)
Derivative financial instruments held to hedge the currency exposure on expenditure:				
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	2002	2003	2002
	€'000	€'000	€'000	€'000
Contracted but not provided for	277	32	277	32
Authorised but not contracted for	3,177	1,809	3,177	1,809
	3,454	1,841	3,454	1,841

(c) Programme / rights purchase commitments

	Group		RTÉ	
	2003	2002	2003	2002
	€'000	€'000	€'000	€'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
	52,158	29,848	39,674	17,405

(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	2002
	€'000	€'000
Payable on leases in which the commitment expires:		
Within one year	1,284	1,896
Within two to five years	154	900
	1,438	2,796

17 Notes to the consolidated cash flow statement

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

	2003	2002
	€'000	€'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)
	<hr/>	<hr/>
Net cash outflow from operating activities	26,718	(5,180)
	<hr/> <hr/>	<hr/> <hr/>

(b) Gross cash flows

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

Returns on investments and servicing of finance

Interest received	1,055	1,706
Interest paid	(8)	(246)
	<hr/>	<hr/>
	1,047	1,460
	<hr/> <hr/>	<hr/> <hr/>

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)
	<hr/>	<hr/>
	(11,889)	(11,001)
	<hr/> <hr/>	<hr/> <hr/>

Management of liquid resources

(Purchase)/sale of marketable securities and movement in bank deposits	(7,541)	49,128
	<hr/> <hr/>	<hr/> <hr/>

(c) Analysis of changes in net funds

	2003 €'000	2002 €'000	Cash flow €'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 - 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 Seirbhísi Theilifis na Gaeilge Teoranta.

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

	2003 €'000	2002 €'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 €'000	Operating costs €'000
As previously reported	276,356	(280,439)
Distributor and retailers' fees	(4,358)	4,358
As restated	<u>271,998</u>	<u>(276,081)</u>

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.

	2003 €'000	2002 €'000	2001 €'000	2000 €'000	1999 €'000
Income & Expenditure					
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
Total revenue	312,672	271,998	253,620	259,689	247,216
Operating costs	(291,164)	(276,081)	(282,082)	(265,512)	(253,893)
E.B.I.T.D.A.	21,508	(4,083)	(28,462)	(5,823)	(6,677)
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)
E.B.I.T.	2,022	(57,246)	(77,078)	(21,682)	87,483
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)
Surplus / (Deficit) before Tax	2,261	(56,022)	(70,897)	(14,184)	94,350
Tax	-	-	-	(76)	-
Surplus / (Deficit) for the year	2,261	(56,022)	(70,897)	(14,260)	94,350
Income & expenditure account at 1 January	73,943	129,965	200,862	215,122	120,772
Income & expenditure account at 31 December	76,204	73,943	129,965	200,862	215,122
Balance Sheet					
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)
Net Assets at 31 December	76,204	73,943	129,965	200,862	215,122
Cash Flow					
Net Cash Flows from operating activities	26,718	(5,180)	(30,673)	(790)	1,568
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/ 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
Net Funds at 31 December	37,266	40,925	77,812	149,155	101,480
Employee Headcount	Number	Number	Number	Number	Number
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
Total at 31 December	2,135	1,850	2,097	2,172	2,267

