

CORPORATE GOVERNANCE

Carlton fully endorses the Principles of Good Governance and Code of Best Practice encompassed in the Combined Code ("the Code"). Throughout the accounting period the Company has complied fully with the provisions set out in Section I of the Code, other than in respect of the appointment of a senior independent non-executive director and directors' notice periods. The ways in which the Company applies the principles of the Code, together with explanations for any areas of non-compliance, are described in the Directors' report including the remuneration report.

Internal Control

The Code requires that companies review all internal controls including financial, operational, compliance controls and risk management. The Turnbull Report provides guidance to directors in complying with the internal control requirements of the Code. In the opinion of the Board, the Company has complied throughout the year with the guidance contained in the Turnbull Report.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Any internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. Key control procedures are designed to manage rather than eliminate risk and can be summarised as follows:

Management policies and procedures – management responsibilities are established for the executive directors and the directors of the operating companies. These are laid down in the Company's Management Policies.

Strategy and financial reporting – the Group performs a comprehensive annual strategy and budgeting process. The executive directors review budgets and strategies and the Board approves the overall Group budget as part of its normal responsibilities. The results of operating units are reported monthly, compared with individual budgets and forecasts formally updated twice each financial year.

Organisational structure and authorisation

procedures – the Group has an established organisational structure with clearly stated lines of responsibility and reporting. Authorisation procedures in respect of matters such as capital expenditure, investments and treasury transactions are clearly defined.

Risk assessment – management has responsibility for the identification of risks facing each of their businesses, and for putting in place controls and procedures to mitigate and monitor those risks. Formal bi-annual risk assessments are performed at each subsidiary and for the Group as a whole. Key risks, mitigating controls and required actions are identified and monitored by the audit committee and the Board. The risk assessment process is co-ordinated by the Group's internal audit function.

Reviewing and monitoring the effectiveness of

internal controls – controls are monitored by management review, Group internal audit and the audit committee. Directors of all operating subsidiaries are required to complete an annual self-certification questionnaire confirming compliance with key controls and procedures. Completed questionnaires are reviewed by Group internal audit and the results are reported to the audit committee. Serious control weaknesses will be reported to the Board as appropriate.

The results of the bi-annual risk assessment are reported to both the audit committee and to the Board.

The audit committee and Board have reviewed the effectiveness of the internal controls of the Group for the period from 1 October 2001 to 30 September 2002.

GOING CONCERN

Based on normal business planning and control procedures, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

SHAREHOLDER MATTERS

Relations with shareholders

The Company maintains good communications with shareholders. Senior executives of the Company, including the Chairman, Chief Executive and Finance Director meet frequently with representatives of institutional shareholders to discuss their views and to ensure that the strategies and objectives of the Company are well understood.

Substantial shareholdings

As at 26 November 2002, the Company had been notified of the following interests held, directly or indirectly, in 3 per cent or more of the Company's issued Ordinary share capital:

Artisan Partners Limited Partnership – 26,904,819 shares

CGNU plc – 32,396,390

D C Thomson & Co. Limited – 24,250,000 shares

Fidelity International Limited/FMR Corp. – 85,011,598 shares

Legal & General Investment Management Limited –

20,176,586 shares

Putnam Investment Management, Inc/The Putnam Advisory

Company, Inc. – 20,757,069

Conversion and redemption of preference shares

During the year, the Company repurchased 30,349 non-voting deferred shares. These deferred shares were issued upon the conversion of preference shares and were immediately repurchased by the Company and cancelled. Further details are set out in note 26 on page 72.

2003 Annual General Meeting

Full details of the resolutions to be proposed at the meeting are set out in the Notice of Annual General Meeting enclosed with this document, and a summary can be found on page 87. Carlton encourages the participation of all investors at its Annual General Meetings. Procedures at the Company's Annual General Meeting will continue to be in compliance with the Code.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the 2003 Annual General Meeting.

CREDITOR PAYMENT POLICY

The Group does not follow any particular code on payment practice. Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted and making those suppliers aware of the terms of payment. It is Group policy that payments to all suppliers are made in accordance with the agreed terms, provided that the supplier is also complying with all relevant terms and conditions.

Trade creditor days of the Company for the year ended 30 September 2002 were 30 days, based on the ratio of Company trade creditors at the year-end to the amounts invoiced during the year by trade creditors.

DONATIONS

The Group made charitable donations of £0.3m (2001: £1.1m) in the year. The Group made no political donations.