

## NOTES TO THE ACCOUNTS

For the year ended 30 September 2002

### I DIVISIONAL AND GEOGRAPHICAL INFORMATION

#### (a) Divisional analysis

In the view of the directors, following the disposal of Technicolor in 2001, Carlton has only one continuing business segment which includes interests in broadcasting, content and screen advertising.

	Group turnover		Group operating profit	
	2002	2001	2002	2001
<b>(b) Geographical analysis, by destination</b>	£m	£m	£m	£m
United Kingdom	918.3	962.1	48.5	49.8
Europe	18.8	22.7	3.4	4.0
US	17.0	43.2	0.2	1.3
Other (including Japan)	10.5	12.1	1.1	1.7
	964.6	1,040.1	53.2	56.8
Exceptional items – UK	–	–	4.8	(52.4)
Continuing operations	964.6	1,040.1	58.0	4.4
Discontinued operations	–	561.4	–	43.0
	964.6	1,601.5	58.0	47.4

Discontinued operations in 2001 comprise primarily Technicolor:

	Group turnover		Group operating profit		Operating net assets	
	2002	2001	2002	2001	2002	2001
<b>(c) Geographic analysis, by origin</b>	£m	£m	£m	£m	£m	£m
United Kingdom and Europe	956.1	1,007.0	54.9	57.0	480.8	529.3
US	8.5	33.1	(1.7)	(0.2)	(0.1)	20.9
	964.6	1,040.1	53.2	56.8	480.7	550.2
Exceptional items – UK	–	–	4.8	(52.4)	–	–
Continuing operations	964.6	1,040.1	58.0	4.4	480.7	550.2
Discontinued operations	–	561.4	–	43.0	–	–
	964.6	1,601.5	58.0	47.4	480.7	550.2

	2002	2001
<b>Reconciliation of operating net assets to net assets</b>	£m	£m
Operating net assets	480.7	550.2
Investments	536.1	739.6
Corporation tax	(88.5)	(83.5)
Deferred tax	(1.4)	(2.4)
Net borrowings	(459.9)	(506.6)
Proposed dividend	(33.5)	(33.6)
	433.5	663.7

2 GROUP OPERATING PROFIT	2002 £m	2001 £m
Turnover	1,072.8	1,702.6
Less: Share of joint ventures' turnover	(108.2)	(101.1)
Group turnover	964.6	1,601.5
Cost of sales (including Percentage of Qualifying Revenue)	(697.9)	(1,210.5)
Gross profit	266.7	391.0
Distribution costs	(77.7)	(92.0)
Administration expenses – recurring	(135.8)	(193.0)
Administration expenses – exceptional	4.8	(58.6)
<b>Group operating profit</b>	<b>58.0</b>	47.4
Group operating profit is stated after charging:		
Depreciation of tangible fixed assets	23.0	45.4
Amortisation of intangible fixed assets	15.5	17.8
Hire of plant and machinery	0.8	2.4
Other operating lease rentals	8.5	15.8
Auditors' remuneration (1)	0.6	0.6

(1) The Group employs PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally for due diligence reporting on acquisitions and disposals. During the year PricewaterhouseCoopers earned fees for UK non-audit services totalling £1.2m (2001: £0.9m). The auditors' remuneration includes £17,000 (2001: £18,500) in respect of the parent company audit.

### 3 EMPLOYEE NUMBERS, REMUNERATION AND PENSION COSTS

#### (a) Employee numbers and remuneration

The average number of persons employed by the Group during the year, including executive directors, was as follows:

	2002	2001
Production	1,818	5,887
Selling and distribution	589	1,877
Administration	593	1,301
	<b>3,000</b>	9,065
The number of employees at 30 September	<b>2,787</b>	3,257
<b>Group employee costs – all employees including executive directors</b>	<b>£m</b>	<b>£m</b>
Aggregate gross wages and salaries paid to the Group's employees	92.9	222.5
Employers' national insurance contributions	7.9	19.1
Employers' pension contributions	8.0	2.8
Total direct costs of employment	<b>108.8</b>	244.4

The information on directors' remuneration set out in tables 1 to 5 on pages 34 to 39 forms part of these accounts.

### 3 EMPLOYEE NUMBERS, REMUNERATION AND PENSION COSTS (CONTINUED)

#### (b) Pension costs under SSAP 24

The Group operates a number of funded defined benefit and defined contribution schemes in its principal locations. Pension costs for the defined benefit schemes are assessed in accordance with actuarial advice and are charged to the profit and loss account so as to recognise the cost over the working lifetime of the employees. Actuarial valuations of these schemes have been carried out by independent actuaries in accordance with local legislative requirements. The accounting and funding policies differ to the extent that funding valuations may be based on more conservative assumptions and surpluses and deficits may be recognised more quickly for funding purposes. Details of the assumptions and methods used, for accounting purposes, for the main schemes are given below:

Pension Fund	Latest Full Actuarial Valuation	Valuation of Assets		Principal Actuarial Assumptions					Fund Assets/Accrued Benefits
				Valuation Method Adopted	Average Investment Rate of Return	Average Salary Increases	Average Pension Increases	Spreading Method	
Carlton Group	1 July 2001	£105.7m	£105.7m	Projected Unit	6.0%	4.0%	2.5–3.0%	Level % pay	93.5%
Central	31 March 2002*	£247.5m	£247.5m	Attained age	5.7–6.7%	3.8%	3.6%	Straight line	96.0%
HTV	1 August 2000	£108.6m	£108.6m	Attained age	5.5–6.5%	4.8%	2.8%	Level % pay	109.0%

\*In view of the difficult market conditions, the triennial valuation of the Central scheme was brought forward. The figures above are based on the draft valuation which is expected to be approved by the Trustees on 17 December 2002. In accordance with SSAP 24 the charge against profits in 2002 of £2.5m reflects the proposed increase in contributions from 1 April 2002 to eliminate the scheme's current deficit.

The net pension cost of the defined benefit schemes was £7.6m (2001: £2.3m). The net pension cost of the defined contribution schemes was £0.4m (2001: £0.5m). At 30 September 2002 accrued pension costs were £4.6m (2001: £1.4m).

Cash contributions and charges against profits relating to the defined benefit schemes are shown below:

Pension Fund	Actual 2002 £m	Forecast 2003 £m
<b>Carlton Group</b>		
Cash contributions	3.8	4.2
% contributions	9.1%	10.0%
Charge against profits	4.1	4.2
<b>Central</b>		
Cash contributions	0.1	4.4
% contributions	n/a	27.0%
Charge against profits	2.5	4.4
<b>HTV</b>		
Cash contributions	1.0	1.0
% contributions	20.7%	20.7%
Charge against profits	1.0	1.0
<b>Total</b>		
Cash contributions	4.9	9.6
Charge against profits	7.6	9.6

### 3 EMPLOYEE NUMBERS, REMUNERATION AND PENSION COSTS (CONTINUED)

#### (c) Pensions disclosures under FRS 17 transitional requirements

Under the transitional requirements of FRS 17 "Retirement Benefits", the impact that the new accounting standard would have had on the accounts, had it been adopted in the year, is disclosed below. The full actuarial valuations as shown in note 3(b) above have been updated to 30 September 2002 by qualified independent actuaries in accordance with FRS 17.

The major assumptions used by these actuaries were:

	30 September	
	2002	2001
Discount rate	5.5%	6.0%
Retail price index	2.25%	2.5%
Salary increases	3.75%	4.0%
Pension increases	2.25–3.0%	2.5–3.0%

The following amounts at 30 September 2002 and 2001 were measured in accordance with the requirements of FRS 17:

	2002	2001
	£m	£m
Total market value of assets	357.1	394.9
Present value of scheme liabilities	(480.6)	(414.7)
Deficit in the schemes	(123.5)	(19.8)
Related deferred tax asset	37.1	5.9
Net pension liability	(86.4)	(13.9)

The assets in the scheme and expected rate of return as at 30 September 2002 and 2001 were:

	30 September 2002		30 September 2001	
	Long-term rate of return	Total £m	Long-term rate of return	Total £m
Equity	8.5%	200.2	8.0%	248.6
Corporate bonds	5.2%	40.3	6.0%	30.6
Gilts	4.5%	105.4	5.0%	100.3
Property	8.5%	4.3	8.0%	4.4
Other	4.0%	6.9	5.0%	11.0
		357.1		394.9

If these amounts had been recognised in the financial statements, the Group's net assets and profit and loss account at 30 September 2002 and 2001 would have been as follows:

	2002	2001
	£m	£m
Net assets excluding SSAP 24 pension liability	438.1	665.1
FRS17 pension liability	(86.4)	(13.9)
Net assets including FRS 17 pension liability	351.7	651.2
Profit and loss account excluding SSAP 24 pension liability	227.8	451.0
FRS17 pension reserve	(86.4)	(13.9)
Profit and loss account including FRS 17 pension reserve	141.4	437.1

### 3 EMPLOYEE NUMBERS, REMUNERATION AND PENSION COSTS (CONTINUED)

The following amounts would have been recognised in the performance statements in the year to 30 September 2002 under the requirements of FRS 17:

	£m
<b>Operating profit</b>	
Current service cost	7.1
Past service cost	0.1
Total charge to operating profit	<b>7.2</b>
<b>Other finance income</b>	
Expected return on schemes' assets	27.3
Interest on schemes' liabilities	(24.6)
Total amount credited to other finance income	<b>2.7</b>
<b>Statement of total recognised gains and losses</b>	
Actual return less expected return on schemes' assets	(54.0)
Experience gains and (losses) arising on schemes' liabilities	(24.0)
Changes in actuarial assumptions underlying the present value of the schemes' liabilities	(26.1)
Actuarial loss recognisable in statement of total recognised gains and losses	<b>(104.1)</b>
<b>Movement in deficit during the year</b>	
Deficit in schemes at beginning of year	(19.8)
Total charge to operating profit	(7.2)
Contributions	4.9
Other finance income	2.7
Actuarial loss	(104.1)
Deficit in schemes at end of year (pre-tax)	<b>(123.5)</b>

Since the HTV and Central schemes are both closed to new entrants, the service cost for these two schemes will increase under the projected unit method as the members approach retirement. This does not necessarily result in an increase in cash contributions.

#### Details of experience gains and losses for the year to 30 September 2002

Difference between the expected and actual return on schemes' assets:	
Amount (£m)	(54.0)
Percentage of schemes' assets	(15%)
Experience gains and losses on schemes' liabilities:	
Amount (£m)	(24.0)
Percentage of the present value of schemes' liabilities	(5%)
Total amount recognised in statement of total recognised gains and losses:	
Amount (£m)	(104.1)
Percentage of the present value of schemes' liabilities	(22%)

### 4 EXCEPTIONAL OPERATING ITEMS

In 2002 there were exceptional reorganisation and restructuring costs of £2.8m, asset write-downs of £7.1m and a goodwill impairment of £3.9m offset by £18.6m of litigation net income. A tax credit of £2.0m arises on these items.

In 2001 there were exceptional reorganisation and restructuring costs of £58.6m, mainly relating to digital business closures and downsizing. A tax credit of £2.1m arose on these items.

## 5 DISCONTINUED OPERATIONS

	<b>2002</b>	<b>2001</b>
	£m	£m
ITV Digital and ITV Sport Channel – discontinued trading	<b>(99.1)</b>	(175.7)
Other digital media businesses:		
– Discontinued trading	<b>(2.6)</b>	(16.1)
– Loss on sale of investments	<b>(6.1)</b>	–
Profit on sale of Technicolor	<b>17.9</b>	403.2
ITV Digital and ITV Sport Channel – exceptional closure costs	<b>(98.6)</b>	–
Technicolor – discontinued trading	–	49.2
Goodwill written back	–	(630.2)
Loss before tax	<b>(188.5)</b>	(369.6)
Tax credit	<b>8.8</b>	23.1
<b>Loss after tax</b>	<b>(179.7)</b>	(346.5)

Discontinued operations in 2002 relate to the pre-closure results and closure cost provisions for ITV Digital and ITV Sport Channel, pre-sale results and loss on disposal of other digital media businesses and further post-acquisition receipts from the disposal of Technicolor. The 2001 results have been restated to include ITV Digital and ITV Sport Channel and other digital media businesses in discontinued operations.

The tax credit reflects the offset by consortium or other relief of discontinued operations losses against profits in continuing operations.

## 6 NET INTEREST PAYABLE

	<b>2002</b>	<b>2001</b>
	£m	(as restated) £m
Interest receivable and similar income:		
Bank deposits	<b>18.7</b>	5.1
Loan notes	<b>4.0</b>	5.8
Interest receivable on funding to joint ventures and associates	<b>2.5</b>	3.0
	<b>25.2</b>	13.9
Interest payable and similar charges:		
Bank loans and overdrafts	<b>(2.7)</b>	(6.9)
Loan notes	<b>(6.0)</b>	(3.7)
Other loans	<b>(24.9)</b>	(33.9)
Interest payable on finance leases	<b>(0.2)</b>	(0.7)
Amortisation of fees and foreign exchange	<b>(0.7)</b>	(1.6)
Other	<b>(0.2)</b>	0.3
Share of joint ventures' and associates' interest payable	<b>(2.5)</b>	(3.0)
	<b>(37.2)</b>	(49.5)
<b>Net interest payable</b>	<b>(12.0)</b>	(35.6)

£14.4m of interest in 2002 relating to ITV Digital and ITV Sport Channel has not been shown in joint ventures' interest payable or Group interest receivable due to the closure of these businesses. The 2001 comparatives, for interest receivable and interest payable have been restated by £22.1m accordingly.

## 7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

### (a) Analysis of tax credit for the year

	2002	2001
	£m	£m
United Kingdom corporation tax based on the profits for the year at 30% (2001: 30%)	(0.6)	16.4
Overseas taxation	(0.8)	(3.3)
Adjustments in respect of overseas taxation for prior years	–	(0.2)
Share of joint ventures' and associated undertakings' tax	0.6	(0.3)
<b>Current tax (charge)/credit for the year</b>	<b>(0.8)</b>	12.6
Deferred taxation	1.4	6.6
Adjustments in respect of deferred taxation for prior years	(0.4)	–
<b>Tax credit for the year</b>	<b>0.2</b>	19.2

### (b) Factors affecting current tax (charge)/credit for the year

The current tax (charge)/credit for the year is lower (2001: lower) than the standard rate of corporation tax in the UK (30%).

The difference is explained below:

	2002	2001
	£m	£m
Loss on ordinary activities before taxation	(156.2)	(409.2)
Tax credit at 30% (2001: 30%)	46.8	122.7
(Increase)/decrease resulting from:		
Exceptional items and discontinued operations	(44.3)	(95.8)
Amortisation	(4.6)	(4.1)
Other permanent differences	1.6	(1.2)
Other timing differences	(0.2)	(8.3)
Overseas income taxed at other than UK statutory rate	(0.1)	(0.5)
Adjustments in respect of prior years	–	(0.2)
<b>Current tax (charge)/credit for the year</b>	<b>(0.8)</b>	12.6

### (c) Factors that may affect future tax charges

The Group has overseas deferred tax assets of US\$7.5m, principally in respect of film rights and carried forward losses in relation to companies in the United States, which have not been recognised. These deferred tax assets can only be recovered against suitable taxable profits generated in the United States.

## 8 DIVIDENDS PAID AND PROPOSED

	2002 £m	2001 £m
Interim of 3.275p per Ordinary share (2001: 3.275p per share)	22.0	22.0
Proposed final dividend of 5.0p per Ordinary share (2001: 5.0p per share)	33.5	33.6
<b>Ordinary dividends – equity</b>	<b>55.5</b>	55.6
Dividends paid on 6.5p Preference shares	10.5	10.5
<b>Preference dividends – non-equity</b>	<b>10.5</b>	10.5
<b>Total dividends</b>	<b>66.0</b>	66.1

## 9 EARNINGS PER SHARE

	2002			2001		
	Earnings £m	Weighted average number of shares millions	Per share amount pence	Earnings £m	Weighted average number of shares millions	Per share amount pence
Loss attributable to shareholders	(156.0)			(390.0)		
Preference dividends (note 8)	(10.5)			(10.5)		
<b>Basic earnings</b>	<b>(166.5)</b>	<b>670.7</b>	<b>(24.8)</b>	(400.5)	670.0	(59.7)
Effect of dilutive securities						
Options	–	–		–	0.8	
Other	–	0.2		–	1.0	
<b>Diluted earnings</b>	<b>(166.5)</b>	<b>670.9</b>	<b>(24.8)</b>	(400.5)	671.8	(59.7)

### Reconciliation to continuing operations pre-exceptionals earnings per share

<b>Basic earnings</b>	<b>(166.5)</b>	<b>670.7</b>	<b>(24.8)</b>	(400.5)	670.0	(59.7)
Discontinued operations	179.7		26.8	346.5		51.6
Continuing operations – post-exceptionals	13.2		2.0	(54.0)		(8.1)
Exceptional items	(6.8)		(1.0)	50.3		7.5
<b>Continuing operations – pre-exceptionals</b>	<b>6.4</b>	<b>670.7</b>	<b>1.0</b>	(3.7)	670.0	(0.6)

Continuing operations pre-exceptionals earnings per share has been provided to illustrate the underlying performance of the Group before exceptional items.

10 COMPANY BALANCE SHEET

	Notes	2002		2001 (as restated)	
		£m	£m	£m	£m
<b>Fixed assets</b>					
Tangible assets	12	27.8		28.7	
Investments	13	2,275.8		2,590.0	
			2,303.6		2,618.7
<b>Current assets</b>					
Other debtors	16	110.2		345.6	
Investments	17	38.6		213.9	
Cash and other liquid funds	18	331.5		19.7	
		480.3		579.2	
<b>Creditors: amounts falling due within one year</b>	19	(715.1)		(1,086.3)	
<b>Net current liabilities</b>			(234.8)		(507.1)
<b>Total assets less current liabilities</b>			2,068.8		2,111.6
<b>Creditors: amounts falling due after more than one year</b>					
Loans	21	854.8		559.0	
Convertible debt	22	91.3		97.8	
			946.1		656.8
<b>Provisions for liabilities and charges</b>	25		33.9		0.6
<b>Net assets</b>			1,088.8		1,454.2
<b>Capital and reserves</b>					
Called up share capital	26		41.8		41.8
Share premium account	28		151.4		150.7
Other reserves	28		449.8		758.6
Profit and loss account	29		445.8		503.1
<b>Shareholders' funds</b>			1,088.8		1,454.2
Attributable to:					
Equity shareholders' funds			925.2		1,290.6
Non-equity shareholders' funds	26		163.6		163.6
<b>Total shareholders' funds</b>			1,088.8		1,454.2

M P Green, Director  
P C Murray, Director

Approved by the Board on 26 November 2002.

## 11 INTANGIBLE FIXED ASSETS

	Goodwill £m	Film libraries and other £m	Total £m
<b>Group</b>			
Cost at 1 October 2001	238.4	126.9	365.3
Expenditure	–	0.2	0.2
Adjustment in respect of deferred consideration	(3.5)	–	(3.5)
Transfers to tangible fixed assets	–	(1.8)	(1.8)
<b>At 30 September 2002</b>	<b>234.9</b>	<b>125.3</b>	<b>360.2</b>
Amortisation at 1 October 2001	13.7	7.7	21.4
Charge for the year	16.6	2.8	19.4
Transfers to tangible fixed assets	–	(0.1)	(0.1)
<b>At 30 September 2002</b>	<b>30.3</b>	<b>10.4</b>	<b>40.7</b>
<b>Net book value at 30 September 2002</b>	<b>204.6</b>	<b>114.9</b>	<b>319.5</b>
Net book value at 30 September 2001	224.7	119.2	343.9

The charge for the year includes £3.9m impairment included within exceptional operating items (see note 4).

## 12 TANGIBLE FIXED ASSETS

	Land and buildings		Plant and equipment £m	Total £m
	Freehold £m	Leasehold £m		
<b>(a) Group</b>				
Cost at 1 October 2001	27.4	34.2	84.3	145.9
Expenditure	0.2	0.1	11.4	11.7
Transfers from intangible fixed assets	–	–	1.8	1.8
Disposals	(0.1)	(0.8)	(2.6)	(3.5)
<b>At 30 September 2002</b>	<b>27.5</b>	<b>33.5</b>	<b>94.9</b>	<b>155.9</b>
Depreciation at 1 October 2001	1.1	5.2	19.0	25.3
Charge for the year	0.4	4.7	17.9	23.0
Transfers from intangible fixed assets	–	–	0.1	0.1
Disposals	–	(0.7)	(2.1)	(2.8)
<b>At 30 September 2002</b>	<b>1.5</b>	<b>9.2</b>	<b>34.9</b>	<b>45.6</b>
<b>Net book value at 30 September 2002</b>	<b>26.0</b>	<b>24.3</b>	<b>60.0</b>	<b>110.3</b>
Net book value at 30 September 2001	26.3	29.0	65.3	120.6

The net book value of short leasehold property is £9.9m (2001: £11.7m) and is included above in leasehold land and buildings.

## 12 TANGIBLE FIXED ASSETS (CONTINUED)

	Land and buildings		Plant and equipment £m	Total £m
	Freehold £m	Leasehold £m		
<b>(b) Company</b>				
Cost at 1 October 2001	23.7	5.3	3.5	32.5
Expenditure	0.1	–	–	0.1
Disposals	(0.1)	–	(0.3)	(0.4)
<b>At 30 September 2002</b>	<b>23.7</b>	<b>5.3</b>	<b>3.2</b>	<b>32.2</b>
Depreciation at 1 October 2001	0.9	0.9	2.0	3.8
Charge for the year	0.2	0.2	0.4	0.8
Disposals	–	–	(0.2)	(0.2)
<b>At 30 September 2002</b>	<b>1.1</b>	<b>1.1</b>	<b>2.2</b>	<b>4.4</b>
<b>Net book value at 30 September 2002</b>	<b>22.6</b>	<b>4.2</b>	<b>1.0</b>	<b>27.8</b>
Net book value at 30 September 2001	22.8	4.4	1.5	28.7

The net book value of short leasehold property is £1.2m (2001: £1.4m) and is included above in leasehold land and buildings.

## 13 FIXED ASSETS INVESTMENTS

	Joint ventures	Associated undertakings	Other investments	Own shares held	Total £m
	£m	£m	£m	£m	
<b>(a) Group</b>					
<b>Cost and funding</b>					
At 1 October 2001	58.7	0.4	418.4	11.0	488.5
Additions	8.7	44.6	0.5	–	53.8
Disposals	–	–	(12.5)	–	(12.5)
Loans advanced	108.3	13.7	0.1	–	122.1
Loans repaid or discharged	(2.6)	(44.8)	–	–	(47.4)
Share of retained loss	(121.5)	(7.8)	–	–	(129.3)
Exchange differences and other	0.3	–	0.9	(0.3)	0.9
<b>At 30 September 2002</b>	<b>51.9</b>	<b>6.1</b>	<b>407.4</b>	<b>10.7</b>	<b>476.1</b>
<b>Goodwill</b>					
At 1 October 2001	36.6	–	–	–	36.6
Additions during the year	27.1	–	–	–	27.1
Amortisation	(2.1)	–	–	–	(2.1)
Exchange differences and other	(3.4)	–	–	–	(3.4)
<b>At 30 September 2002</b>	<b>58.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>58.2</b>
<b>Provision</b>					
At 1 October 2001	–	–	–	–	–
Provision for impairment (see notes below)	30.6	–	–	8.2	38.8
<b>At 30 September 2002</b>	<b>30.6</b>	<b>–</b>	<b>–</b>	<b>8.2</b>	<b>38.8</b>
<b>Net book value at 30 September 2002</b>	<b>79.5</b>	<b>6.1</b>	<b>407.4</b>	<b>2.5</b>	<b>495.5</b>
Net book value at 30 September 2001	95.3	0.4	418.4	11.0	525.1

### 13 FIXED ASSETS INVESTMENTS (CONTINUED)

#### i) Joint ventures

Included within joint ventures is the Group's 50 per cent share of the consolidated results and balance sheet of ITV Digital Holdings Limited and ITV Sport Channel Limited.

Following the appointment of the Liquidators to ITV Digital plc (the principal operating subsidiary of ITV Digital Holdings Limited) and the decision to close ITV Sport Channel, full provision has been made against the Group's share of their net assets. A summary of the results and net assets is set out below:

	<b>2002</b>	<b>2001</b>
	£m	£m
Tangible fixed assets	-	51.9
Current assets	-	102.4
Liabilities due within one year (excluding shareholder loans)	-	(100.2)
Shareholder loans	-	(416.9)
Net liabilities	-	(362.8)

	<b>2002</b>	<b>2001</b>
	£m	£m
		(as restated)
Turnover	<b>64.1</b>	90.2
Loss before interest	<b>(99.1)</b>	(175.7)
Interest payable	-	-
Loss after interest	<b>(99.1)</b>	(175.7)

£14.4m of interest payable in 2002 relating to ITV Digital and ITV Sport Channel has not been shown in the analysis above due to the closure of these businesses. The 2001 comparatives have been restated by £22.1m accordingly.

#### ii) Other investments

Other investments include 15.5m of shares in Thomson carried at book value at 30 September 2002 of £401.4m (2001: £400.4m). The market value at 30 September 2002 was £155.3m (2001: £207.4m). The Thomson shares are carried at €41.2 compared with a year-end price of €15.9. The shares have traded between €15.7 and €36.7 in the last year and the closing price on 22 November 2002 (the last practical date before signing these accounts) was €20.3.

#### iii) Own shares held

Own shares held comprise listed Carlton Ordinary shares held within an Employee Share Ownership Trust and a Qualifying Employee Share Ownership Trust. The shares are held to cover awards under employee share plans. Nil-price share options are allocated to shares held in the Employee Share Ownership Trust and the market price at date of grant of these options is amortised over the vesting period.

The value of own shares held has been assessed against the year end share price of £1.09 and a provision for impairment of £8.2m has been made. The impairment excludes certain nil-price DABS and LTIS options already amortised below £1.09.

The year end market values and book values of the shares held by the Group are as follows:

	<b>2002</b>			<b>2001</b>		
	Number of Ordinary shares held	Market value £m	Book value £m	Number of Ordinary shares held	Market value £m	Book value £m
Employee Share Ownership Trust	1,822,172	1.9	1.7	2,016,126	2.7	7.9
Qualifying Employee Share Ownership Trust	696,177	0.8	0.8	696,177	0.9	3.1
	2,518,349	2.7	2.5	2,712,303	3.6	11.0

### 13 FIXED ASSETS INVESTMENTS (CONTINUED)

	Subsidiary undertakings		Joint ventures and Associated undertakings		Other investments £m	Own shares held £m	Total £m
	Equity £m	Loans £m	Equity £m	Loans £m			
<b>(b) Company</b>							
Cost at 1 October 2001	2,947.1	92.5	196.3	417.4	493.8	8.1	4,155.2
Additions	0.2	21.1	10.1	122.4	0.2	–	154.0
Disposals and repayments	–	(72.2)	(5.7)	(5.3)	(11.8)	–	(95.0)
Other movements	(0.2)	(1.1)	–	(0.7)	1.1	–	(0.9)
<b>At 30 September 2002</b>	<b>2,947.1</b>	<b>40.3</b>	<b>200.7</b>	<b>533.8</b>	<b>483.3</b>	<b>8.1</b>	<b>4,213.3</b>
Provisions at 1 October 2001	950.5	–	152.3	385.3	77.1	–	1,565.2
Provisions in the year	233.6	3.5	–	129.3	–	5.9	372.3
<b>At 30 September 2002</b>	<b>1,184.1</b>	<b>3.5</b>	<b>152.3</b>	<b>514.6</b>	<b>77.1</b>	<b>5.9</b>	<b>1,937.5</b>
<b>Net book value at 30 September 2002</b>	<b>1,763.0</b>	<b>36.8</b>	<b>48.4</b>	<b>19.2</b>	<b>406.2</b>	<b>2.2</b>	<b>2,275.8</b>
Net book value at 30 September 2001	1,996.6	92.5	44.0	32.1	416.7	8.1	2,590.0

A list of the Company's principal operating subsidiary undertakings is given in note 37.

### 14 STOCKS

	2002 £m	2001 £m
Work in progress	1.7	1.8
Finished goods	4.6	5.3
	6.3	7.1

There is no material difference between the replacement cost of stocks and their carrying value.

### 15 PROGRAMME AND FILM RIGHTS

	2002 £m	2001 £m
Programmes in production	24.7	27.0
Completed programmes and film rights	153.8	160.4
	178.5	187.4

### 16 DEBTORS

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Amounts falling due within one year:				
Trade debtors	121.9	135.5	1.6	2.8
Amounts owed by subsidiary undertakings	–	–	94.6	333.7
UK and overseas taxes recoverable	–	–	0.6	0.8
Other debtors	24.0	32.7	–	–
Prepayments and accrued income	24.4	28.5	13.4	8.3
	170.3	196.7	110.2	345.6
Amounts falling due after more than one year:				
Prepayments and accrued income	17.6	19.9	–	–

The comparative figure for trade debtors has been reduced by £18.0m to reflect when amounts become receivable. The corresponding amount has been added to accrued income falling due after more than one year.

## 17 CURRENT ASSET INVESTMENTS

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Loan notes	32.8	206.5	32.8	206.5
Certificates of tax deposit	7.5	7.5	5.5	5.5
Other	0.3	0.8	0.3	1.9
	<b>40.6</b>	214.8	<b>38.6</b>	213.9

The loan notes were issued to the Group in 2001 by Thomson as part of the Technicolor sale. The notes have a nominal value of US\$50m and mature in March 2003 and are supported by bank guarantee. The notes accrue interest at 6 month \$ LIBOR plus 0.15% with all interest being compounded and cash settled at the maturity date of the notes. These non-quoted loan notes are held at directors' valuation.

## 18 CASH AND OTHER LIQUID FUNDS

	Group		Company	
	2002 £m	2001 £m (as restated)	2002 £m	2001 £m
Cash at bank and in hand	552.9	256.5	331.5	19.7

Cash at bank and in hand comprises bank deposits which have a maximum maturity of twenty-four hours and interest earned is based on that available in the overnight money market.

£202.0m of 2001 overdrafts have been offset, where permitted under FRS 13, against cash balances in order to be consistent with the 2002 treatment.

## 19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002 £m	2001 £m (as restated)	2002 £m	2001 £m
Overdrafts and short-term borrowings (see note 20)	35.0	77.4	35.0	77.4
Trade creditors	56.8	120.2	0.8	5.8
Amounts owed to subsidiary undertakings	–	–	633.5	953.4
Corporation tax	88.5	83.5	–	–
Other tax and social security	17.1	11.4	–	–
Other creditors	24.1	27.0	–	–
Accruals and deferred income	146.6	133.8	12.3	16.1
Dividends	33.5	33.6	33.5	33.6
	<b>401.6</b>	486.9	<b>715.1</b>	1,086.3

£202.0m of 2001 overdrafts have been offset, where permitted under FRS 13, against cash balances in order to be consistent with the 2002 treatment.

The comparative figure for accruals and deferred income falling due within one year has been reduced by £22.7m to reflect when amounts become payable. The corresponding amount has been added to other creditors falling due after more than one year:

## 20 OVERDRAFTS AND SHORT TERM BORROWINGS

	Group		Company	
	2002	2001	2002	2001
	(as restated)			
	£m	£m	£m	£m
Overdrafts	-	20.1	-	20.1
Loans due within one year	35.0	55.2	35.0	55.2
Loan notes and other short term borrowings	-	2.1	-	2.1
	<b>35.0</b>	77.4	<b>35.0</b>	77.4

The loans repayable within one year comprise loan notes issued under the Company's £1,000m Euro Medium Term Note programme.

£202.0m of 2001 overdrafts have been offset, where permitted under FRS 13, against cash balances in order to be consistent with the 2002 treatment.

## 21 LOANS

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Repayable:				
Between one and two years	-	101.0	-	101.0
Between two and five years	605.8	11.5	605.8	11.5
Over five years	249.0	446.5	249.0	446.5
	<b>854.8</b>	559.0	<b>854.8</b>	559.0

Loans repayable between two and five years comprise an unsecured £200m Eurobond stated net of the costs of issue which has a coupon of 7.625% and matures in June 2007, loan notes totaling £11.5m issued under the Company's £1,000m Euro Medium Term Note programme and an unsecured €638.6m Exchangeable bond stated net of the costs of issue which has a coupon of 2.25% and matures in January 2007. The Exchangeable bond can be exchanged at any time at the option of investors into the Company's 15.5m shares in Thomson at an exchange price of €41.2 per share. The investors also hold the right to put the bonds back to the Company in January 2005. The Company has the right to redeem the bonds at par on or after 4 July 2003 if the underlying shares in Thomson have traded at a 30% premium to the exchange price of €41.2 on 20 consecutive trading days in any period of 30 trading days.

Loans repayable between one and two years as at 30 September 2001 comprise loan notes issued under the Company's £1,000m Euro Medium Term Note programme.

During the year the Company repurchased €105m of the €150m March 2003 loan notes issued under the Company's Euro Medium Term Note programme for a total consideration (excluding accrued interest purchased) of €104.2m.

Loans repayable after five years comprise an unsecured £250m Eurobond stated net of the costs of issue which has a coupon of 5.625% and matures in March 2009 and unsecured loan notes totaling £0.9m.

All loans are repayable other than by instalment.

The Company has total committed bank facilities of £100m under a syndicated facility which matures in April 2006. The facility was undrawn at 30 September 2002.

## 22 CONVERTIBLE DEBT

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Exchangeable Capital Securities	91.3	97.8	91.3	97.8

The US\$150m undated Exchangeable Capital Securities are divided into 6,000,000 Exchangeable Capital Securities of US\$25 per security with a coupon of 8% per annum, and were redeemable at the option of the Company from 7 October 1998 at US\$26 per security reducing each year until 7 October 2003 from which time the redemption price will be US\$25 per security. The Exchangeable Capital Securities rank senior to the Preference shares of the Company in the event of a winding up. The Exchangeable Capital Securities are exchangeable at the option of the Company at any time into Cumulative US Dollar-denominated Redeemable Preference shares of US\$0.01 each in the Company on a one-for-one basis. The rights of such Preference shares are summarised in note 26.

## 23 FINANCE LEASE CREDITORS

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Repayable:				
Between one and two years	1.1	0.9	-	-
Between two and five years	5.8	3.8	-	-
Over five years	24.8	24.2	-	-
	31.7	28.9	-	-

Included within finance leases due after one year is £30.2m (2001: £27.4m) in relation to the sale and leaseback of rights associated with programme production.

## 24 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

A summary of the Treasury objectives, policies and strategies together with a description of the Group's interest rate and currency management is set out in pages 27 to 28 of the Finance Director's Report.

For the purposes of the disclosures which follow in this note (other than in the currency risk disclosures), short-term debtors and creditors which arise directly from the Group's operations have been excluded as permitted under FRS 13.

### (a) Interest rate risk profile

#### Financial assets

Financial assets of the Group which earn interest are cash and other liquid funds (see note 18) and loan notes held in Thomson (see note 17). As at 30 September 2002 the Thomson loan notes were paying a weighted average floating rate of 1.98%. The interest rate profile of the financial assets of the Group by currency denomination as at 30 September 2002 is shown below:

	As at 30 September 2002			As at 30 September 2001		
	Total £m	Floating £m	Non interest bearing £m	Total £m	Floating £m	Non interest bearing £m
Thomson shares	401.4	-	401.4	400.4	-	400.4
Sterling Cash	502.4	502.4	-	251.0	251.0	-
Dollar Cash	50.5	50.5	-	5.5	5.5	-
US Dollar Loan Notes	32.8	32.8	-	206.5	206.5	-
<b>Total</b>	<b>987.1</b>	<b>585.7</b>	<b>401.4</b>	<b>863.4</b>	<b>463.0</b>	<b>400.4</b>

As at 30 September 2002 the US dollar Thomson loan notes were paying a weighted average floating rate of 1.98%.

## 24 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

### Financial liabilities

The interest rate profile of the financial liabilities of the Group by currency denomination as at 30 September 2002 is shown below:

	As at 30 September 2002					As at 30 September 2001				
	Total £m	Floating £m	Fixed £m	Weighted average rate at 30 September %	Weighted average time for which rate is fixed Years	Total £m	Floating £m	Fixed £m	Weighted average rate at 30 September %	Weighted average time for which rate is fixed Years
Sterling Preference shares	163.6	–	163.6	6.50	2.5	163.6	–	163.6	6.50	3.5
Sterling debt	474.4	447.4	27.0	5.83	13.0	218.8	189.8	29.0	5.83	14.0
US dollar debt	538.4	538.4	–	–	–	544.3	446.5	97.8	7.25	–
<b>Total</b>	<b>1,176.4</b>	<b>985.8</b>	<b>190.6</b>	<b>6.41</b>	<b>4.2</b>	<b>926.7</b>	<b>636.3</b>	<b>290.4</b>	<b>6.69</b>	<b>–</b>

The Preference shares are described in note 26. The weighted average time for which the rate is fixed on these Preference shares has been calculated on the assumption that the Company redeems the shares at the earliest opportunity.

Sterling fixed rate liabilities in 2002 relate to finance lease creditors (see note 23). Sterling floating rate borrowing mainly comprises the €638.6m Exchangeable bond which was swapped with effect from May 2002 from its fixed rate cost of 2.25% into a floating rate cost of 1 month sterling Libor minus 2.81% on a notional amount of £394.9m until January 2005 and £46.5m private placement loan notes issued under the £1,000m Euro Medium Term Note programme. The private placement loan notes have been issued in a range of currencies and swapped back to sterling to give a financing cost ranging between 6 month Libor plus 0.19% and 0.48%.

Dollar floating rate borrowing comprises the £200m and £250m Eurobonds (see note 21) and the US\$150m Exchangeable Capital Securities (see note 22) which have been swapped into floating rate dollars as follows:

The sterling bonds were swapped with effect from June 2001 (£200m bond) and September 2001 (£250m bond) from their fixed rates of 7.625% and 5.625% respectively into 6 month dollar Libor plus 0.75% (but payable in sterling) subject to a knock-in commencing from December 2002 (£200m bond) and September 2002 (£250m bond) such that if the 6 month dollar rate fixing is at or below 3.75% there is no net swap payment or receipt relating to that 6 month period only. In addition both sterling bonds have been swapped for a period of 3 years commencing December 2001 and September 2001 respectively from 6 month dollar Libor plus 0.75% to 6 month dollar Libor plus 0.415% and 0.42% respectively set in arrears (if the rate setting at the start of the relevant 6 month period is above 3.75%). Under the swap terms the bank also has the option (commencing from December 2004 for the £200m bond and September 2004 for the £250m bond) to choose between the floating rate cost of 6 month dollar Libor plus 0.75% or 6 month sterling Libor minus 0.1% either being set in advance or in arrears (if the dollar rate setting at the start of the relevant 6 month period is above 3.75%). In addition with effect from March 2002 for any dollar rate settings in advance above 6.5% the margin under the swap is increased by an additional 1% for that 6 month period only. Finally with effect from September 2002 the £250m bond has been swapped into 6 month dollar Libor plus 1.075% plus a further potential additional margin (but payable in sterling) including if the dollar rate setting in advance for any given 6 month period is at or below 3.75%. Further potential additional margin (to be applied with effect from September 2002) arises to the extent that on a one for one basis the 1 year dollar swap rate observed on 5 November 2003 exceeds each of the strike levels of 4.0%, 4.5% and 5.0% on £125m notional and to the extent that on a one for one basis the 1 year dollar swap rate observed on 17 December 2003 exceeds each of the strike levels of 3.8%, 4.05% and 4.25% on £125m notional. As at 30 September 2002 the implied 1 year dollar swap rates on 5 November 2003 and 17 December 2003 were 2.68% and 2.79%.

The Group entered into a cancellable swap with effect from February 1999 with a potential maturity of October 2028 which is matched against the US\$150m Exchangeable Capital Securities. Under the swap the Group receives 8% (to match the coupon on the securities) and pays the higher of 7.25% or 3 month dollar Libor plus 0.25%. For all periods to date this resulted in a payment of 7.25%. The payment basis of the swap was amended with effect from September 2002 to 3 month dollar Libor plus 2.65% set in arrears or advance at the bank's option. The swap is cancellable at the bank's option from October 2003 onwards. If the bank exercises this option it must pay the Group US\$6m.

## 24 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and financial liabilities as at 30 September 2002.

	As at		As at	
	30 September 2002		30 September 2001	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Overdrafts and short-term borrowings (note 20)	(35.0)	(33.8)	(77.4)	(77.4)
Loans (notes 21 and 23)	(886.5)	(753.0)	(587.9)	(580.4)
Convertible debt (note 22)	(91.3)	(49.6)	(97.8)	(98.0)
Preference shares (note 26)	(163.6)	(139.5)	(163.6)	(157.1)
	<b>(1,176.4)</b>	<b>(975.9)</b>	(926.7)	(912.9)
Cash and other liquid funds (note 18)	552.9	552.9	256.5	256.5
Equity interest in Thomson (note 13)	401.4	155.3	400.4	207.4
Loan notes held in Thomson (note 17)	32.8	32.8	206.5	206.5
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps, swaptions and caps	3.5	13.4	–	(3.9)
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales and purchases:				
Forward foreign exchange contracts	9.3	7.8	–	(5.8)

Market values have been used to determine the fair value of listed Preference shares, debt issued, equity interest in Thomson, cash, interest rate and foreign exchange derivatives. The Thomson loan notes which are not listed have been included at directors' valuation.

### (c) Gains/(losses) on hedging contracts

The table below details gains/(losses) on hedging contracts at 30 September 2002:

	Deferred			Unrecognised		
	Gains £m	Total net		Gains £m	Total net	
		Losses £m	gains/(losses) £m		Losses £m	gains/(losses) £m
Gains/(losses) on hedges at 1 October 2001	–	(2.1)	(2.1)	12.2	(22.0)	(9.8)
Losses/(gains) arising in previous years that were recognised in 2002	–	0.3	0.3	(8.2)	3.9	(4.3)
Gains/(losses) arising in 2002 that were not recognised in 2002	–	(9.3)	(9.3)	26.6	(2.3)	24.3
Gains/(losses) on hedges at 30 September 2002	–	(11.1)	(11.1)	30.6	(20.4)	10.2
Of which:						
Gains/(losses) expected to be recognised in 2003	–	(4.5)	(4.5)	16.1	(4.1)	12.0
Gains/(losses) expected to be recognised in 2004 or later	–	(6.6)	(6.6)	14.5	(16.3)	(1.8)

The deferred loss of £9.3m arising in 2002 relates to the purchase of a €425m currency call option for £11.0m less premium written off during the year of £1.7m.

### (d) Maturity profile

The maturity profile of cash and other liquid funds can be found in note 18 and the maturity profile of the Thomson loan notes is detailed in note 17. The maturity profile for financial liabilities can be found in notes 20, 21, 22 and 23. The unamortised issue costs associated with the loans and convertible debt are immaterial.

## 24 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

### (e) Currency exposures

The table below shows the Group's currency exposures i.e. those transactional (or non-structural) exposures that give rise to the net currency gains and losses in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved. As at 30 September 2002 these exposures were as follows:

	As at 30 September 2002			As at 30 September 2001		
	Net foreign currency monetary assets/(liabilities)			Net foreign currency monetary assets/(liabilities)		
	US dollar £m	Swiss franc £m	Total £m	US dollar £m	Swiss franc £m	Total £m
<b>Functional currency of Group operation</b>						
Sterling	(26.3)	(41.1)	(67.4)	40.7	(51.4)	(10.7)
<b>Total</b>	<b>(26.3)</b>	<b>(41.1)</b>	<b>(67.4)</b>	<b>40.7</b>	<b>(51.4)</b>	<b>(10.7)</b>

## 25 PROVISIONS FOR LIABILITIES AND CHARGES

	Closure of businesses £m	Deferred taxation £m	Total £m
<b>a) Group</b>			
At 1 October 2001	–	2.4	2.4
Profit and loss account – current	64.0	(1.4)	62.6
Profit and loss account – prior	–	0.4	0.4
Utilised	(17.3)	–	(17.3)
<b>At 30 September 2002</b>	<b>46.7</b>	<b>1.4</b>	<b>48.1</b>
<b>b) Company</b>			
At 1 October 2001	–	0.6	0.6
Profit and loss account – current	41.5	0.8	42.3
Utilised	(9.0)	–	(9.0)
<b>At 30 September 2002</b>	<b>32.5</b>	<b>1.4</b>	<b>33.9</b>

The provision for closure of businesses relates to the closure of ITV Digital and ITV Sport Channel as disclosed in note 13. The majority of the provision is expected to be utilised within one year from 30 September 2002.

### Deferred taxation

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Deferred taxation comprises:				
Accelerated capital allowances	<b>0.2</b>	1.3	<b>1.7</b>	1.5
Short-term timing differences	<b>(0.5)</b>	(1.3)	<b>(0.2)</b>	(0.8)
Other	<b>1.7</b>	2.4	<b>(0.1)</b>	(0.1)
<b>At 30 September 2002</b>	<b>1.4</b>	2.4	<b>1.4</b>	0.6

## 26 CALLED UP SHARE CAPITAL

	2002 £m	2001 £m
<b>Authorised</b>		
1,221,285,011 Ordinary shares of 5p each (2001: 1,208,461,346)	61.1	60.4
168,714,989 6.5p (net) Cumulative Convertible Redeemable Preference shares of 5p each (2001: 168,755,902)	8.4	8.5
Nil 5.5p (net) Cumulative Convertible Preference shares of 5p each (2001: 12,782,752)	–	0.6
	<b>69.5</b>	69.5
	US\$m	US\$m
15,000,000 Cumulative US Dollar-denominated Redeemable Preference shares of US\$0.01 each (2001: 15,000,000)	0.2	0.2
	£m	£m
<b>Allotted, called up and fully paid</b>		
671,951,686 Ordinary shares of 5p each (2001: 671,774,439)	33.6	33.6
163,564,861 6.5p (net) Cumulative Convertible Redeemable Preference shares of 5p each (2001: 163,605,774)	8.2	8.2
	<b>41.8</b>	41.8

The following changes have taken place in the issued share capital of the Company during the year to 30 September 2002:

On 7 November 2001, 166,683 shares were issued to satisfy deferred consideration in connection with the acquisition of Action Time Holdings Limited.

The 6.5p Preference shares became convertible on 31 March 1991 and continue to be so on each anniversary (or on the next business day) thereafter until 2005 on the basis of 25.83975 Ordinary shares for every 100 6.5p Preference shares.

On 2 April 2002, 40,913 6.5p Preference shares were converted, in accordance with the articles of association, by a process of consolidation and subdivision into 10,564 Ordinary shares and 30,349 non-voting Deferred shares. The Deferred shares were subsequently repurchased by the Company as detailed below. The Company has the option to redeem the outstanding 6.5p Preference shares at £1 per share on 30 April 2005 (or on the next business day) and on each anniversary thereafter until 30 April 2010, when any 6.5p Preference shares outstanding will be redeemed at £1 per share.

In accordance with the articles of association, during the year the Company repurchased for an aggregate consideration of 1p, and then cancelled all 30,349 non-voting Deferred shares of 5p each issued upon the conversion of 6.5p Preference shares. All authorised unissued Deferred share capital has converted into authorised unissued Ordinary share capital.

On 7 October 1993, 6,000,000 Exchangeable Capital Securities of US\$25 per security were issued by the Company which are exchangeable at the option of the Company at any time into Cumulative US Dollar-denominated Redeemable Preference shares of US\$0.01 each in the Company ("Dollar Preference shares"). No Dollar Preference shares had been issued as at 30 September 2002. The Dollar Preference shares carry a dividend entitlement of US\$2.25 per share per annum and are redeemable at the option of the Company from 7 October 1998 at a price of US\$26.125 per share, reducing each year until 7 October 2003 from which time the redemption price will be US\$25 per share.

By resolution passed on 28 February 2002, shareholders' authority was obtained for the Company to make market purchases of its own shares up to a maximum of 67,174,000 Ordinary shares and 16,360,000 6.5p Preference shares to expire on the earlier of 27 February 2003 and the date of the Company's Annual General Meeting.

Each of the two classes of Preference shares ranks *pari passu* for dividends or other returns of capital, in priority to any other class of shares. None of the Preference shares has voting rights except in the event of winding up or following dividend arrears of greater than six months. In the event of a winding up the 6.5p Preference shares have a liquidation preference of £1 per share and the Dollar Preference shares have a liquidation preference of US\$25 per share.

Non-equity shareholders' funds comprise £163.6m (2001: £163.6m) in respect of 6.5p Preference shares.

## 27 SHARE OPTIONS

At 30 September 2002, options and awards had been granted and remained outstanding over 44,235,636 new Ordinary shares as follows:

Option schemes	Notes	Exercise period	Exercise price	Number of shares
Executive share option grants	(a)	15.12.95 – 13.01.12	215p – 800p	22,017,692
Equity participation plan	(b)	01.04.05 – 04.12.11	225p	9,338,892
Equity participation plan	(b)	01.04.05 – 04.12.11	Nominal	9,338,892
Carlton Sharesave scheme	(c)	01.12.01 – 31.07.07	209p – 475p	3,540,160

- (a) The normal exercise period for executive options is between 3 and 10 years from the date of grant. Some options have been granted on terms that allow part of the option to vest from one year after date of grant.
- (b) The equity participation plan comprises both an award of free shares (in the form of a nil-price option) and an option grant over shares at market value on date of grant. The figures above are the maximum that could potentially vest contingent on certain performance conditions being satisfied. See page 38 for further details.
- (c) Under the terms of the Carlton Sharesave scheme, employees entered into a savings contract for a period of either 3 or 5 years at amounts varying between £5 and £250 per month. The normal exercise periods for options granted under this scheme are the six month period following the third anniversary of the date of grant in respect of the three year savings contracts and the six month period following the fifth anniversary of the date of grant in respect of the five year savings contracts.

## 28 SHARE PREMIUM ACCOUNT AND OTHER RESERVES

	Share Premium account £m	Other reserves £m
<b>(a) Group</b>		
At 1 October 2001	150.7	21.6
Deferred contingent consideration	0.7	(1.6)
Transfer to profit and loss account	–	(2.9)
<b>At 30 September 2002</b>	<b>151.4</b>	<b>17.1</b>
<b>(b) Company</b>		
At 1 October 2001	150.7	758.6
Deferred contingent consideration	0.7	(1.6)
Amounts written off investments	–	(213.1)
Transfer to profit and loss account	–	(94.1)
<b>At 30 September 2002</b>	<b>151.4</b>	<b>449.8</b>

At 30 September 2002, other reserves of the Company, which were non-distributable, comprised (a) £217.0m (2001: £231.9m) being the remaining balance of special reserves created on the cancellation of the share premium account in previous years, (b) £225.0m (2001: £514.5m) being the amounts arising on the application of section 131(2) of the Companies Act 1985, £213.1m of the movement in the year is due to amounts written off investments (c) £0.2m (2001: £4.6m) being an estimate of the shares to be issued by way of part consideration for the purchase of Planet 24 Limited in the event of certain performance targets being achieved and (d) £7.6m (£2001: £7.6m) being a capital redemption reserve created on conversion of Preference shares to Ordinary shares.

## 29 PROFIT AND LOSS ACCOUNT

	Group	Company
	£m	£m
At 1 October 2001	449.6	503.1
Loss for the financial year	(156.0)	(81.5)
Dividends	(66.0)	(66.0)
Transfer from other reserves	2.9	94.1
Exchange differences	(7.3)	(3.9)
<b>As at 30 September 2002</b>	<b>223.2</b>	<b>445.8</b>

Exchange differences in the Group are net of the movement on foreign currency borrowings and balance sheet hedging of £1.9m (2001: £4.8m). Included within the Company's profit and loss account at 30 September 2002 was an amount of £264.3m (2001: £205.0m) which was not distributable at that date.

## 30 CASH FLOW

	2002	2001
	£m	£m
<b>(a) Cash flow from operating activities</b>		
Operating profit	58.0	47.4
Depreciation	23.0	45.4
Amortisation	19.4	17.8
Stocks	0.8	(8.8)
Programme and film rights	8.9	9.6
Debtors	12.2	(28.6)
Creditors	(33.5)	20.5
Sale of current asset investments	179.0	–
Non-cash fixed asset impairment	1.8	–
Profit on sale of fixed assets	(0.2)	–
	<b>269.4</b>	103.3
<b>(b) Returns on investment and servicing of finance</b>		
Interest received	43.4	15.5
Interest paid	(61.4)	(48.0)
Preference dividends paid	(10.5)	(10.5)
	<b>(28.5)</b>	(43.0)
<b>(c) Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(11.7)	(43.1)
Purchase of intangible assets	(0.2)	(6.6)
Disposal of intangible and tangible fixed assets	0.9	10.5
Payments to ITV Digital/ITV Sport Channel	(96.8)	(190.3)
Other net investments	(18.4)	(20.9)
	<b>(126.2)</b>	(250.4)
<b>(d) Financing</b>		
Issue of shares	–	2.1
Net change in long-term funding	266.3	56.6
	<b>266.3</b>	58.7

Included within cash flow from operating activities is a £18.6m net cash inflow (2001: £5.1m outflow) in respect of the exceptional operating items of £4.8m (2001: £58.6m). The remaining £13.8m (2001: £53.5m) comprises £11.0m (2001: £42.9m) asset write offs and £2.8m (2001: £10.6m) of accrued income expenses. See note 4.

### 31 ANALYSIS OF NET DEBT

	I October 2001 (as restated)	Cash flow	Exchange and non-cash I movements	September 2002
	£m	£m	£m	£m
Cash at bank and in hand	256.5	302.6	(6.2)	<b>552.9</b>
Overdrafts	(20.1)	20.1	–	<b>–</b>
	236.4	322.7	(6.2)	<b>552.9</b>
Loan notes and short-term borrowings	(2.1)	1.2	0.9	<b>–</b>
Loans due within one year	(55.2)	55.2	(35.0)	<b>(35.0)</b>
	(57.3)	56.4	(34.1)	<b>(35.0)</b>
Loans due after more than one year	(559.0)	(323.2)	27.4	<b>(854.8)</b>
Convertible debt	(97.8)	–	6.5	<b>(91.3)</b>
Finance lease creditors	(28.9)	(2.8)	–	<b>(31.7)</b>
	(685.7)	(326.0)	33.9	<b>(977.8)</b>
<b>Net debt</b>	<b>(506.6)</b>	<b>53.1</b>	<b>(6.4)</b>	<b>(459.9)</b>

Non-cash movements principally comprise loan reclassifications.

### 32 CAPITAL EXPENDITURE – CONTRACTED FOR

	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
Expenditure on tangible assets – contracted for	<b>3.1</b>	<b>2.8</b>	–	0.1

### 33 COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Operating leases

As at 30 September 2002 the Group had minimum annual commitments under non-cancellable leases as follows:

	2002			2001		
	Land & Buildings £m	Other £m	Total £m	Land & Buildings £m	Other £m	Total £m
Operating leases which expire:						
Within one year	<b>0.5</b>	–	<b>0.5</b>	0.5	0.2	0.7
After one year but within five years	<b>2.8</b>	<b>0.4</b>	<b>3.2</b>	3.3	0.9	4.2
After five years	<b>4.7</b>	–	<b>4.7</b>	4.7	0.1	4.8
	<b>8.0</b>	<b>0.4</b>	<b>8.4</b>	8.5	1.2	9.7

#### (b) Guarantees

The Company and certain of its UK subsidiaries have entered into cross-guarantees in connection with the Group's UK banking arrangements. At 30 September 2002 subsidiary overdrafts amounting to £16.6m (2001: £38.1m) were covered by guarantees given by the Company.

#### (c) Disposals

Contingent liabilities exist in respect of warranties and indemnities given to Thomson pursuant to the Technicolor disposal agreement. Provision has been made against any anticipated payments.

### 34 ACQUISITIONS AND DISPOSALS

Net cash outflow of £7.8m (2001: £273.5m inflow) from acquisitions and disposals comprises £31.0m for the acquisition of Screenvision Holdings (Europe) Limited and £23.2m further post-acquisition receipts from the disposal of Technicolor in 2001.

The Group acquired a 50% interest in Screenvision Holdings (Europe) Limited in June 2002. The goodwill held in this joint venture entity is stated after provisional fair value adjustments.

### 35 RELATED PARTY TRANSACTIONS

The Group entered into the following material transactions with related parties during the year:

	<b>2002</b>	<b>2001</b>
	<b>£m</b>	<b>£m</b>
Sales to joint ventures	3.9	13.1
Sales to associated companies	2.8	–
Purchases from joint ventures	8.2	7.3
Purchases from associates	19.4	20.6
Amounts owed by joint ventures	–	0.9
Loans owed by joint ventures	19.7	–
Amounts owed by associated undertakings	0.7	–
Loans owed by associated undertakings	0.2	30.9
Amounts owed to joint ventures	1.8	1.1
Amounts owed to associated undertakings	1.6	1.8

All transactions arose in the normal course of business. They include sale of television advertising time, advertising commission, programme sales and the purchase of news programmes and transmission services.

In 2002 the Group made loans to ITV Digital (including ITV Sport Channel) totaling £82.7m (2001: £190.3m). Full provision has been made against all ITV Digital (including ITV Sport Channel) loans held at 30 September 2002.

### 36 POST BALANCE SHEET EVENTS

On 16 October 2002 Carlton and Granada plc announced agreed terms for a proposed merger; to pave the way for a fully consolidated ITV. The merger is conditional on regulatory clearances, including from the competition authorities. A joint submission by Carlton and Granada was filed with the Office of Fair Trading on 25 November 2002.

### 37 PRINCIPAL OPERATING COMPANIES

All of the Group's principal operating companies are detailed below and are included in its consolidated financial statements.

All subsidiary companies are wholly owned and are incorporated and operating in the UK (and are registered in England and Wales) except as noted. \* Indirect holdings. \*\*Trading as divisions of subsidiary companies.

<b>(a) Subsidiary undertakings</b>	<b>Country of incorporation/establishment</b>
Action Time (UK) Limited*	
Andre Deutsch Limited	
Carlton Active Limited**	
Carlton Books Limited	
Carlton Broadcasting Limited*	
Carlton Film Distributors Limited	
Carlton Interactive Media Limited	
Carlton International Media, Inc. (trading as Carlton America)*	USA
Carlton International Media Limited*	
Carlton Productions Limited**	
Carlton Media Sales Limited**	
Carlton Screen Advertising Limited*	
Carlton Television Limited*	
Carlton 021 Limited**	
Carlton Visual Entertainment Limited*	
Central Independent Television Limited *	
Hamdon Entertainment*	USA
HTV Group Limited*	
ITC Distribution LLC (also trading as Carlton Productions LLC)*	USA
ITC Entertainment Group Limited*	
The Moving Picture Company Limited*	
Planet 24 Productions Limited*	
SelecTV Cable Limited*	
Superhire Limited	
Westcountry Television Limited*	

<b>(b) Joint ventures and associated undertakings</b>	<b>Country of registration/ incorporation</b>	<b>Nominal value of Ordinary shares</b>	<b>Number of Ordinary shares in issue</b>	<b>Proportion of shares held by group</b>
GMTV Limited	England and Wales	£1	2,000,000	25%
Independent Television News Limited	England and Wales	£1	400,000	20%
ITV2 Limited	England and Wales	£1	915,610	44.1%
ITV News Channel Limited (1)	England and Wales	1p	1,000	32.5%
London News Network Limited (2)	England and Wales	£1	100	50%
Screenvision Europe (Holdings) Limited (3)	England and Wales	£1	40,208,404	50%
Technicolor Cinema Advertising LLC (4)	USA	US\$1	122,000	50%

The Group holds a 33% interest in France Telefilms, operating in France. This is held as a fixed asset investment as the Group does not have a significant influence under the FRS 9 definition.

#### Notes

- (1) The Group also owns 40.25% of the 20,350,000 preference shares of £1 each in issue.
- (2) The Group also owns 50% of the 2,250,000 7% Cumulative Preference shares of £1 each in issue.
- (3) Screenvision Europe (Holdings) Limited owns 100% of the share capital of Circuit A SAS, RMB Espana Multimedia SA, RMB Cinema SA and RMB Netherland BV.
- (4) Technicolor Cinema Advertising LLC owns 100% of the issued share capital of Cinema Billboard Network Inc, Screenvision Cinema Network LLC, Technicolor Cinema Billboard Inc, Technicolor Screen Advertising Inc, Technicolor Screen Services Inc and Val Morgan Cinema Advertising Inc.