Carlton Programmes Development Limited

(Registered Number: 3053908)

Directors' report and accounts for the year ended 30 September 2002



Carlton Programmes Development Limited

Directors' report
for the year ended 30 September 2002

The directors present their report and financial statements for the year ended 30 September 2002.

Review of business and principal activity

The principal activity of the company is the development and acquisition of programming for distribution and exploitation in the UK and worldwide.

The directors do not envisage a change in the principal activity.

Results and dividends

Results for the year to 30 September 2002 are set out in the profit and loss account on page 4.

The directors do not recommend payment of a dividend (2001: nil).

Directors and their interests

The directors who served during the year were as follows:

RMWJ Dilnott-Cooper
WJ Medlicott (appointed 31 December 2001)
NN Walmsley (resigned 31 December 2001)

None of the directors had any beneficial interest in the share capital of the company at 30 September 2002.

The interests of the directors in the shares of Carlton Communications Plc are as follows:

Ordinary 5p shares	**30 September 2002**	**30 September 2001**
RMWJ Dilnott-Cooper	2,617	2,617
WJ Medlicott	5,500	5,500*

Options

The interests of the directors in share options over Carlton Communications Plc Ordinary 5p shares at prices ranging from 209p to 561p exercisable after three years from the date of grant together with movements during the period are set out below.

	Options Held at 1.10.01	Options granted	Options exercised	Options lapsed	Options held at 30.9.02
RMWJ Dilnott-Cooper	177,997	107,918	-	2,586	283,329
WJ Medlicott	134,641*	2,272	-	467	136,446

* On appointment

Carlton Programmes Development Limited

Directors' report
for the year ended 30 September 2002 (continued)

Carlton Communications Plc has also granted options under its Equity Participation Plan ("EPP"). Participation in the EPP applies to Carlton's executive directors and selected senior executives. Participants invited to take part in the EPP are required to own Carlton shares (EPP shares) by a specified date to qualify for a matching award. A matching award comprises both an award of free shares (in the form of a nil-price option) and an option grant over shares at market value. The extent to which a matching award will vest depends on the participant retaining his/her EPP shares and the performance conditions relating to the matching award being satisfied. The maximum matching award will be free shares equal in number to three times the EPP shares and options (at market value) over an equal number of shares. The principal performance conditions are measured on the basis of Carlton's TSR performance against that of other major UK media companies and the FTSE-100 companies. None of the matching award will vest if Carlton's TSR is below median for the media comparator group. Up to 50% of the options can vest on 1 April three years after the start of the performance period and the balance can vest on 1 April the following year. The interests of directors of this company in the EPP at prices ranging from a nominal amount to 225p are as follows:-

	Options Held at 1.10.01	Options granted	Options exercised	Options lapsed	Options held at 30.9.02
RMWJ Dilnott-Cooper	-	399,996	-	-	399,996
WJ Medlicott	150,000*	-	-	-	150,000

*On appointment

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 May 2003 and on the same date, by ordinary resolution, the sole member appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By order of the Board

25 Knightsbridge, London SW1X 7RZ

D. Abdoo
Secretary
5 June 2003

Independent auditors' report to the members of Carlton Programmes Development Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 the company's affairs at 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
5 June 2003

Carlton Programmes Development Limited

Profit and loss account for the year ended 30 September 2002

	Note	30 September 2002 £'000	30 September 2001 £'000
Turnover	2	**4,493**	2,710
Cost of sales		**(4,558)**	(3,084)
Gross loss		**(65)**	(374)
Net operating expenses		**(7)**	(10)
Operating loss		**(72)**	(384)
Interest receivable	6	**1,397**	410
Interest (payable)	6	**(1,367)**	(412)
Loss on ordinary activities before taxation	3	**(42)**	(386)
Tax on ordinary activities	5	**-**	-
Retained loss for the period	12	**(42)**	(386)

All amounts relate to continuing operations.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

There are no recognised gains or losses during the year other than those reflected in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 6 to 11 are an integral part of these financial statements.

Carlton Programmes Development Limited

Balance sheet as at 30 September 2002

	Note	30 September 2002 £'000	30 September 2001 £'000
Current assets			
Stocks	7	**5,454**	6,965
Debtors	8	**3,186**	3,407
Cash at bank	10	**17,876**	18,008
		26,516	28,380
Creditors: amounts falling due within one year	9	**(6,732)**	(8,057)
Net current assets		**19,784**	20,323
Creditors: amounts falling due after more than one year	10	**(16,362)**	(16,859)
Net assets		**3,422**	3,464
Capital and reserves			
Called up share capital	11	**5,300**	5,300
Profit and loss account	12	**(1,878)**	(1,836)
Equity shareholders' funds		**3,422**	3,464

Signed on behalf of the Board

WJ Medlicott (Director)

5 June 2003

The notes on 6 to 11 are an integral part of these financial statements.

Carlton Programmes Development Limited

Notes to the financial statements for the year ended 30 September 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. A summary of the more important accounting policies is set out below:

a) Basis of consolidation

As the company is a wholly owned subsidiary of Carlton Communications Plc, another body corporate registered in England and Wales, advantage has been taken of s228 of the Companies Act 1985 not to prepare group accounts.

b) Cash flow statement

The company is a wholly owned subsidiary of Carlton Communications Plc and the cash flows of the company are included in the consolidated group cash flow statement of Carlton Communications Plc. Consequently the company is exempt under FRS 1 from publishing a cash flow statement.

c) Programme rights

Programme rights are stated at cost less amortisation except where, in the opinion of the directors, there is a permanent diminution in value in which case the net cost is reduced to net realisable value.

Amortisation is calculated on an individual programme basis as a percentage of gross revenue in the period. The percentage is calculated so as to amortise fully the cost over the period of the first cycle sales income.

d) Foreign currencies

Transactions denominated in foreign currency during the period are translated at rates ruling at the dates of the transactions or at contracted rates. At the balance sheet date all monetary assets and liabilities denominated in foreign currencies are translated at period end rates or at contracted rates. Exchange gains and losses are taken to the profit and loss account.

e) Taxation

Full provision is made for deferred tax liabilities arising from timing differences, in respect of transactions or events that result in an obligation to pay tax in the future, that have originated but not reversed by the balance sheet date. A deferred tax asset is not recognised to the extent that recoverability is uncertain. Deferred tax liabilities and assets which are recognised are not discounted.

f) Turnover

Revenue earned on the exploitation of film and programme rights is recognised as turnover at the point at which the right sold is available for exploitation. All amounts recognised as turnover are stated net of VAT or equivalent sales taxes and net of rebates or refunds.

Notes to the financial statements for the year ended 30 September 2002 (continued)

1 Accounting policies (continued)

The right sold is considered to be available for exploitation at the point when a binding commitment exists with a customer, the programme is available for exploitation and the physical material is available for delivery.

Royalties receivable in excess of minimum guarantees are recognised at the point at which such royalties become due and payable to the Company.

2 Turnover

Turnover, which excludes value added tax, arises primarily in the United Kingdom.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	30 September 2002	30 September 2001
	£'000	£'000
Amortisation of programme rights	**2,068**	2,016
Auditors' remuneration for audit services	**7**	10

4 Directors' and employees remuneration

The company had no employees during the year (2001: nil) and no director received any fees or remuneration (2001: nil).

5 Taxation On Loss On Ordinary Activities

	30 September 2002	30 September 2001
	£'000	£'000
(a) Analysis of tax (charge)/credit for the year		
United Kingdom corporation tax based on the profits for the year at 30% (2001: 30%)	-	-
Current tax (charge)/credit for the year	0	0

(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:

	30 September 2002 £'000	30 September 2001 £'000
Loss on ordinary activities before taxation	(42)	(386)
Tax credit at 30% (2001: 30%)	13	116
Decrease resulting from:		
Permanent differences and group relief	149	204
Timing differences	(162)	(320)
Current tax (charge)/credit for the year	0	0

(c) Factors that may affect future tax charges

The company has a deferred tax asset of £550,000 in respect of film rights which has not been recognised. The company can only recover this deferred tax asset against suitable taxable profits generated by it.

6 Net interest payable and receivable

	30 September 2002	30 September 2001
	£'000	£'000
Bank interest receivable	1,397	410
Bank interest payable	-	(2)
Interest payable on finance leases	(1,367)	(410)
	30	(2)

7 Stock

	30 September 2002	30 September 2001
	£'000	£'000
Film and programme rights	**5,454**	6,965

8 Debtors

	30 September 2002	30 September 2001
	£'000	£'000
Amounts falling due within one year:		
Amounts due by ultimate parent undertaking	**2,300**	2,300
Amounts due by parent undertaking	**431**	697
Interest receivable	**404**	410
	3,135	3,407
Amounts falling due after more than one year:		
Amounts due by parent undertaking	**51**	-
	3,186	3,407

9 Creditors: amounts falling due within one year

	30 September 2002	30 September 2001
	£'000	£'000
Trade creditors	**1,488**	2,047
Interest payable – finance lease	**404**	410
Obligations under finance leases	**497**	408
Amounts due to fellow subsidiary undertakings	**4,343**	5,167
Accruals and deferred income	**-**	25
	6,732	8,057

Notes to the financial statements for the year ended 30 September 2002 (continued)

10 Creditors: amounts falling due after more than one year

The following obligations arise under finance leases:

	30 September 2002	30 September 2001
	£'000	£'000
Repayable:		
Between one and two years	**591**	497
Between two and five years	**2,481**	2,119
Over five years	**13,290**	14,243
	16,362	16,859

The company has entered into leasing transactions in relation to the rights associated with programmes produced by a fellow group undertaking. The rights were sold by the fellow group undertaking to third parties and leased to the company for a period of 15 years. Following the transactions, the programmes were classified as stock on the balance sheet of the company and were treated in line with the company's policy for accounting for programme production stock as disclosed in note 1 to these accounts. The company's cash at bank includes £16,859,167 of restricted balances relating to these transactions.

11 Called-up share capital

	30 September 2002	30 September 2001
	£	£
Authorised		
ordinary shares of £1 each	**5,300,000**	5,300,000
Allotted, called-up and fully paid		
ordinary shares of £1 each	**5,300,000**	5,300,000

12 Reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 October 2001	5,300	(1,836)	3,464
Retained (loss) for the year	-	(42)	(42)
At 30 September 2002	5,300	(1,878)	3,422

Notes to the financial statements for the year ended 30 September 2002 (continued)

13 Commitments

Bank guarantees

The company, its ultimate parent company and certain fellow subsidiary undertakings have entered into cross guarantees in connection with the Carlton Communications Plc Group's UK banking arrangements.

14 Related parties

The Company has taken advantage of the exemption granted by FRS8 – Related Party Transactions – not to disclose details of transactions with other Group Companies. There were no other related party transactions during the period.

15 Ultimate parent undertaking

The immediate parent undertaking is Carlton International Media Limited.

The ultimate parent undertaking and controlling party is Carlton Communications Plc, a company registered in England and Wales. Copies of the report and accounts of Carlton Communications Plc can be obtained at 25 Knightsbridge, London SW1X 7RZ.