INTERIM 2001

CARLTON

KEY FIGURES

for the 6 months ended 31 March 2001

	2001	2000
Total sales:	**£1,099.2m**	£1,045.6m
Total EBITDA:	**£139.3m**	£176.9m
Headline sales:	**£530.0m**	£501.6m
Headline EBITDA:	**£88.9m**	£105.9m
Headline pre-tax profits:	**£65.8m**	£97.0m
Headline earnings per share:	**5.6p**	9.6p
Dividend per ordinary share:	**3.275p**	6.55p

Front cover: *Survivor*, a Carlton production through Planet 24.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Advertising is currently suffering in an uncertain world economic climate. The slowdown, relative to exceptionally strong demand this time last year, started in July 2000. Carlton, a major stakeholder in ITV, the UK's most prominent advertising medium, has inevitably been affected and experienced a like-for-like decline in advertising revenue of 6 per cent.

Carlton believes the advertising downturn is cyclical, not structural. A lead of 10 share points over BBC1 and a peak time audience five times the size of Channel 4's means ITV retains an unrivalled ability to deliver mass audiences to advertisers, enabling them to launch, build and support major brands. Our recently announced partnership to align ITV and ONdigital, creating a free-to-air, pay television and online business under a single management, marks an important shift in British broadcasting. The power of cross promotion will enable us to improve returns on our investment in content and rights and more effective management of ITV assets will yield cost efficiencies.

The successful sale of Technicolor in March substantially completes our process of concentration on media related businesses. We now have the financial resources in place to create value for shareholders through investment in converging analogue and digital media. Television in the future will be interactive and transactional, as well as providing traditional forms of entertainment and information, and will create new choices for viewers and new opportunities for broadcasters. Our industry is changing and Carlton is well placed to pursue significant opportunities for growth.

Following the sale of Technicolor, the Board, as first indicated last December, has carried out a review of dividend policy. In particular the Board has considered the need for financial flexibility to support the development objectives of the re-shaped and focused Carlton. In the light of this review, the Board has concluded that an appropriate level of distribution is represented by a dividend at a rate of half that which was paid in the year to 30 September 2000. Accordingly, the Board has declared an interim dividend of 3.275p per share (2000: 6.55p) and intends to recommend a final dividend of 5.0p per share. The Board plans to maintain a progressive policy of growing future dividends broadly in line with headline earnings before digital investment, having regard to an appropriate level of overall coverage.

Weaker demand for advertising has persisted into our third quarter, particularly from the internet, consumer goods and telecommunications sectors. Although comparison with last year becomes less demanding from our fourth quarter onwards, it is not possible at this stage to predict with any certainty the timing of an underlying improvement in the advertising climate. We remain confident of ITV's readiness to take advantage of the upturn when it occurs. In the meantime, Carlton's management is focused on maintaining ITV's critical audience delivery and ensuring operating efficiency.

Michael Green
Chairman
23 May 2001

Gerry Murphy
Chief Executive Officer

OPERATING REVIEW

OVERVIEW

Total sales increased to £1,099m (2000: £1,046m) and headline sales (excluding Digital Media and discontinued operations) were £530m (2000: £502m). Total and headline operating profit fell to £92.3m (2000: £140.4m) and £69.6m (2000: £94.3m) respectively.

CONTINUING BUSINESSES

Carlton Media's sales increased to £517m (2000: £502m) following the purchase of HTV. Despite challenging trading conditions, which reduced operating profit to £77.3m (2000: £100.8m), real progress was achieved in key areas of our continuing businesses.

Our broadcasting and airtime sales base was expanded and our largest licence renewed. Major programme and interactive projects were launched and a critical growth milestone in ONdigital was reached. We laid the foundations for a new partnership to accelerate ITV into the digital age. The new ITV will include ITV, ITV2, a new ITV Sport Channel, ONdigital, which will be renamed ITV Digital, and itv.com, supported by common service functions. These initiatives have created significant opportunities for reducing costs and increasing efficiencies.

CHANNELS

Advertising: Carlton's like-for-like advertising revenue in the first six months of the financial year was 6.3 per cent lower than a particularly buoyant period last year, when advertising grew by 8.0 per cent. Apart from the expected decline in internet-related advertising, the consumer goods and motor sectors also showed marked reductions. Global brand advertisers were particularly affected, reflecting business trends in key world markets, particularly the US. Additionally, some sectors have been unsettled by the foot and mouth epidemic and the timing of the General Election.

ITV's schedule was strong with a peak time audience share of 38 per cent and ITV has maintained its position as the most popular channel in digital homes. Coupled with the increase in advertising minutage available in peak time, ITV is attractively priced for an upturn in demand for advertising.

Carlton won airtime sales contracts for Scottish and Grampian and the UK sales contract for Irish state broadcaster RTE.

Carlton Active launched ITV's first interactive campaign for Unilever in March. Interactive advertising will grow as interactive programming moves mainstream. Carlton has provided interactive content for The Brits and ITV's Champions League, and will do so for ITV's General Election coverage,

Carlton Screen Advertising had a slow start to the year. Key studio releases in the second half of the year include *Bridget Jones's Diary, Pearl Harbour, AI* and *Lord of the Rings,* and are expected to boost cinema attendance. The increase in companies using the medium continues with three major new clients gained during the period.

Broadcasting: Total licence payments fell £4.9m reflecting the reduced level of advertising revenue. The Carlton Central region licence was renewed with effect from 1 April 2001 with a PQR rate of 17 per cent and a cash bid of £7.6m starting on 1 January 2002. This will result in licence payments rising in the short-term. PQR will subsequently fall with the significant increase in digital homes when ITV commences broadcasting on digital satellite. To date this "digital dividend" has only been a small benefit.

On a like-for-like basis Carlton's network schedule costs in the first half were 3 per cent lower, mainly due to the timing of transmission of key programmes.
In the full year Carlton's network schedule costs, including HTV, are expected to be approximately £300m, a like-for-like increase of 2 per cent.

Digital Channels: Carlton Cinema is now available to 2.3 million homes and reduced its losses. Carlton Food Network remained wholly owned in the period and lost £5.2m, resulting in the total loss within Digital Channels increasing slightly to £11.2 million (2000: £9.7m). Carlton Food Network will transfer to TasteNetwork, a joint venture with Sainsbury's, when certain contractual conditions have been satisfied.

Carlton's interest in ITV2 increased to 44 per cent following the acquisition of HTV. This resulted in a higher share of losses being recognised, totalling £6.4m in the first half (2000: £4.8m). Complementary scheduling, an integrated sales house and better cross promotion are expected to accelerate revenue growth for ITV2 in the future.

CONTENT

Overall content sales were £83m (2000: £97m) as fewer high value dramas were delivered in the period. Carlton International's sales, including video and books, were unchanged at £38m.

Programme Production: We successfully launched *Crossroads* and *Survivor.* The third series of *The Vice* won critical acclaim and attracted an average of 8m viewers. A fourth series has now been commissioned. Carlton made programmes for every major UK broadcaster during the period. The *'…In Colour'* franchise is well established with the BAFTA award-winning *Britain at War* achieving audiences of 5.5m in the autumn. *Empire At War* is currently in production and *America at War* is due to go into production for the PBS network shortly. US production worth $3m has been secured as a result of Carlton's joint venture with Newsweek.

International Sales and Merchandising: Carlton International continues to expand its activities and has signed a number of co-production agreements with major broadcasters. Carlton America is on target to produce 16 made-for-TV movies this year. *Thunderbirds* remains popular in the UK and has been rolled out internationally to 20 territories. Carlton Books has a leading position in sports books, including Formula 1 and Manchester United titles, as well as programme-related titles such as *Survivor, Coronation Street* and *Popstars*. Carlton Video has made rapid inroads into the DVD market.

DIGITAL MEDIA

Interactive: Carlton's interactive costs were £4.7m (2000: £4.9m) following the rationalisation of Carlton's TV programme sites, the *Popcorn* movie site and *Jamba* games site into carlton.com. Carlton also hosts and manages the *Who Wants To Be A Millionaire* site for ITV. Elements of carlton.com will be incorporated into itv.com in the autumn, with expected savings for Carlton next year of £5m.

Carlton's 25 per cent interest in Ask Jeeves UK has been equity accounted for the first time, reflecting the reduced likelihood of early flotation in current market conditions. Carlton's share of costs since launch in February 2000 amount to £6.4m of which £3.2m was incurred in this half. Ask Jeeves UK is one of the top ten most visited UK web sites, a key driver of value in a crowded internet market.

Carlton has written down its £7.5m investment in www.com which has ceased trading and its £3.3m investment in Peoplebank, which is no longer regarded as a strategic holding. Any future investment by Carlton in the internet will be focused on activities complementary to the group's core media operations.

ITV Digital: Carlton's pre-tax investment in ONdigital, co-owned with Granada, totalled £83.3m in the first half (2000: £69.2m), of which £9.4m relates to ONsport. ONdigital, to be rebranded ITV Digital in the autumn, is moving to a new stage of its development after achieving its first major target of one million subscribers. Its strategy now is to improve customer loyalty, increase revenues and margins, and reduce the cost of customer acquisition. The target is for EBITDA break-even in 2003/4 with 1.7 million subscribers, requiring an anticipated further investment of £200m before tax relief over the next three years. Government and regulatory support has been achieved for a consumer campaign to promote DVB, the technical standard for integrated digital televisions and the relaxation of cross-promotional rules.

ONsport will be absorbed into the ITV Sport Channel, co-owned with Granada. The new premium pay channel will have an annual programme budget of £150m and will launch in August at the start of the new football season. With promotional links from ITV's terrestrial sports programming, ITV Sport Channel will offer unrivalled football coverage including 150 live matches across the Champions League, Nationwide League and Worthington Cup. Subscribers via ITV Digital will also have access to 40 live Premiership matches on pay-per-view.

DISCONTINUED BUSINESSES

In line with Carlton's strategy of concentrating on its media businesses, the sale of Technicolor to Thomson multimedia was completed on 16 March 2001. Consideration was $1.35bn in cash and loan notes and Carlton will receive 15.5 million Thomson shares on 16 March 2002 representing 5.5 per cent of Thomson's issued share capital. The sale resulted in a profit before goodwill of £379m.

Technicolor's sales increased from £535m in 2000 (26 weeks) to £562m (24 weeks), while operating profit fell from £74m to £49m, principally due to pricing pressure and disruption caused by the Hollywood screen writers' threatened strike.

As part of the purchase of HTV, Carlton's 20 per cent interest in Meridian was sold for an unrealised profit of £64m.

COST SAVINGS

Operating costs remain under tight control and were reduced by 2 per cent like-for-like during the period. HTV has been successfully integrated and a comprehensive review of all activities undertaken. Initiatives totalling £25m per annum in the second full year have already been identified, including Carlton's £10m share of the ITV partnership savings previously announced. Restructuring costs of approximately £15m are expected.

FINANCE REVIEW

OVERVIEW

Headline turnover grew by 6% and EBITDA (before Digital Media and the Discontinued Operations of Technicolor) was lower by 16%. The reduction in headline pre-tax profit to £65.8m (2000: £97.0m) was driven by lower television advertising sales from Carlton Media. The prior year results have been restated to take account of the disposal of Technicolor as a discontinued operation in accordance with FRS3.

PROFIT BEFORE TAX

Headline profit of £65.8m is after associates and interest (but before Digital Media and Discontinued Operations), as set out in the table below:

Six Months to 31 March	2001 £m	2000 £m
Carlton Media	**77.3**	100.8
Other	**(7.7)**	(6.5)
Headline operating profit	**69.6**	94.3
Associates, before digital	**2.0**	4.8
Interest, before digital	**(5.8)**	(2.1)
Headline profit before tax	**65.8**	97.0
Digital Media		
Trading	**(15.9)**	(14.6)
Joint Ventures and Associates	**(96.1)**	(74.0)
Interest	**(18.7)**	(9.5)
Digital Media – exceptional items	**(10.8)**	–
	(141.5)	(98.1)
Total Continuing Operations	**(75.7)**	(1.1)
Technicolor – discontinued trading	**49.4**	74.0
Products – discontinued trading	**–**	(12.8)
Profit on sale of Technicolor (2000:SSL)	**378.6**	16.8
Goodwill written back	**(630.2)**	(50.0)
Total Discontinued Operations	**(202.2)**	28.0
Loss before tax	**(277.9)**	26.9

CARLTON MEDIA

Advertising revenue (excluding HTV) fell by 6.3% to £332.0m (2000: £354.4m). The cost of our share of the ITV schedule (excluding HTV) was £133.8m (2000: £137.5m). Total licence payments fell by £4.9m to £57.1m, reflecting the lower advertising revenue. Our Carlton Central region licence was renewed with effect from 1 April 2001, with the new cash bid starting on the 1 January 2002.

To date there has only been a small benefit from the "digital dividend" of not paying PQR in respect of viewing of ITV in digital homes. HTV contributed sales of £51.3m and operating profits of £1.3m in the period since acquisition on 24 October 2000 before goodwill amortisation of £5.1m.

Carlton Media	£m
2000 operating profit (before amortisation)	103.4
HTV operating profits	1.3
Year-on-year changes (excluding. HTV)	
Advertising revenue	(22.4)
Licence fees	4.9
Network schedule	3.7
Other net changes, mainly content	(2.4)
Other income in 2000	(3.9)
2001 operating profit (before amortisation)	84.6
Amortisation of goodwill and film libraries	(7.3)
2001 operating profit	77.3

OTHER

Includes central costs and the results of Screenvision, which is expected to be passed into a US screen advertising joint venture with Thomson multimedia later this year. Operating costs remain under tight control and were reduced by 2% like-for-like during the period.

Headline operating costs	£m
6 months to 31 March 2001	(460.4)
Adjust for:	
HTV operating costs	(50.6)
Screenvision operating costs	(13.6)
Lower licence fees	4.9
One-off income in 2000	(3.9)
Like-for-like 2001 costs	(397.8)
Actual 2000 costs	(407.3)
Like-for-like reduction	2%

ASSOCIATES AND JOINT VENTURES:

The share of associates' and joint ventures' operating profits (excluding Digital Media) fell from £4.8m in the first half of 2000 to £2.0m in 2001. This was mainly due to the disposal of the 20% stake in Meridian and a weak result from ITN which incurred net costs on its new 24-hour news channel. Digital Media joint ventures and associates include the 50% share of ONdigital, 44% share of ITV2, and 25% of Ask Jeeves UK which is now being equity accounted.

DIGITAL MEDIA

Digital Media comprises the following net costs:

Pre-tax Loss	2001 £m	2000 £m
50% share of ONdigital	**83.3**	69.2
Carlton Digital Channels	**11.2**	9.7
Share of ITV2 and GMTV2	**6.4**	4.8
Carlton Interactive	**4.7**	4.9
Ask Jeeves UK	**6.4**	–
Digital funding cost	**18.7**	9.5
Exceptional write-downs of www.com and Peoplebank investments	**10.8**	–
Total	**141.5**	98.1

DIGITAL INVESTMENT

Our total investment in Digital Media for the 2001 fiscal year is expected to be approximately £250m.

DISCONTINUED OPERATIONS

Include the exceptional profit on the sale of Technicolor of £378.6m before charging £630.2m of goodwill. The disposal completed on 16 March 2001. Under the terms of the transaction there are a number of remaining closing adjustments which require agreement and cash settlement with the purchaser. These will not be concluded until later in the year, with the final result expected in the second half.

EARNINGS PER SHARE

Headline basic earnings per share in the first half of 2001 were 5.6p (2000 – 9.6p). There was no dilution of earnings per share.

Earnings Per Share – Basic	2001 pence	2000 pence
Reported earnings per share	**(43.0)**	0.1
Discontinued operations	**32.6**	(1.6)
Continuing operations	**(10.4)**	(1.5)
Digital Media	**16.0**	11.1
Headline earnings per share	**5.6**	9.6

CASH FLOW

Cash flow from operations of £83.0m reflected working capital consumption in Carlton Television which was affected by the timing of cash flows. Cash invested in ONdigital was £82.5m and investment in associates of £18.5m mainly related to ITV2 and Ask Jeeves UK. Cash payments for subsidiaries acquired were £224.1m relating to HTV (£193.3m) and Covitec (£30.8m), which was subsequently sold with Technicolor. Cash received for the sale of Technicolor (net of costs and cash sold with the business) totalled £540.7m inclusive of £208.2m raised from loan notes sold in March 2001. The second half is expected to include cash received on the formation of the Screenvision joint venture together with the final cash adjustments on the Technicolor disposal. Overall net debt was £353.9m at 31 March 2001, a reduction of £156.3m since 1 October 2000 (net debt of £510.2m).

BALANCE SHEET

Our balance sheet is robust, with net assets of £872.0m at 31 March 2001, an increase of £419.7m since 1 October 2000. Fixed asset investments include an investment in Thomson shares stated at £41.19 per share at a carrying value of £400.3m. Short-term investments include Thomson loan notes at a carrying value of £208.2m. Goodwill amounting to £248m arising on the acquisition of HTV is being amortised over a 20 years. As a consequence of the purchase of HTV in exchange for cash and the 20% stake in Meridian an unrealised gain of £63.6m on disposal of the Meridian stake is shown in the Statement of Total Recognised Gains net of £17.1m of goodwill written back.

Bernard Cragg, *Finance Director*
23 May 2001

UNAUDITED SUMMARY PROFIT AND LOSS ACCOUNT

For the six months ended 31 March 2001

6 months ended 31 March 2001

	Note	Headline £m	Digital Media £m	Continuing operations £m	Discontinued operations £m	Total £m
Turnover		538.0	44.3	582.3	562.0	1,144.3
Less: share of joint ventures		(8.0)	(37.1)	(45.1)	–	(45.1)
Group turnover		530.0	7.2	537.2	562.0	1,099.2
Operating costs before exceptionals		(460.4)	(23.1)	(483.5)	(512.6)	(996.1)
Exceptional impairment charge		–	(10.8)	(10.8)	–	(10.8)
Total operating costs		(460.4)	(33.9)	(494.3)	(512.6)	(1,006.9)
EBITDA		88.9	(25.7)	63.2	76.1	139.3
Depreciation		(10.6)	(1.0)	(11.6)	(26.0)	(37.6)
Amortisation of capitalised goodwill		(8.7)	–	(8.7)	(0.7)	(9.4)
Group operating profit		69.6	(26.7)	42.9	49.4	92.3
Share of operating results of joint ventures		0.2	(83.3)	(83.1)	–	(83.1)
Share of operating results of associated companies		1.8	(12.8)	(11.0)	–	(11.0)
		71.6	(122.8)	(51.2)	49.4	(1.8)
Loss on sale of businesses						
Profit on net assets		–	–	–	378.6	378.6
Goodwill written back		–	–	–	(630.2)	(630.2)
Total loss on sale of businesses		–	–	–	(251.6)	(251.6)
Profit on ordinary activities before interest		71.6	(122.8)	(51.2)	(202.2)	(253.4)
Net interest payable		(5.8)	(18.7)	(24.5)	–	(24.5)
Profit on ordinary activities before tax		65.8	(141.5)	(75.7)	(202.2)	(277.9)
Tax		(22.8)	33.7	10.9	(16.8)	(5.9)
Minority interest		–	–	–	–	–
Profit on ordinary activities after tax		43.0	(107.8)	(64.8)	(219.0)	(283.8)
Dividends		(27.3)	–	(27.3)	–	(27.3)
Retained (loss)/profit		15.7	(107.8)	(92.1)	(219.0)	(311.1)

Earnings per share	Note	Pence per share 2001	Pence per share 2000
	3		
Headline earnings per Ordinary share		**5.6**	9.6
Basic earnings per Ordinary share		**(43.0)**	0.1
Interim Ordinary dividend per share		**3.275**	6.55

	6 months ended 31 March 2000 (as restated)				
	Headline £m	Digital Media £m	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	505.6	35.2	540.8	535.1	1,075.9
Less: share of joint ventures	(4.0)	(24.9)	(28.9)	(1.4)	(30.3)
Group turnover	501.6	10.3	511.9	533.7	1,045.6
Operating costs before exceptionals	(407.3)	(24.9)	(432.2)	(473.0)	(905.2)
Exceptional operating charges	–	–	–	–	–
Total operating costs	(407.3)	(24.9)	(432.2)	(473.0)	(905.2)
EBITDA	105.9	(13.6)	92.3	84.6	176.9
Depreciation	(9.0)	(1.0)	(10.0)	(23.9)	(33.9)
Amortisation	(2.6)	–	(2.6)	–	(2.6)
Group operating profit	94.3	(14.6)	79.7	60.7	140.4
Share of operating results of joint ventures	0.5	(69.2)	(68.7)	0.5	(68.2)
Share of operating results of associated companies	4.3	(4.8)	(0.5)	–	(0.5)
	99.1	(88.6)	10.5	61.2	71.7
Loss on sale of businesses					
Deficit on net assets	–	–	–	16.8	16.8
Goodwill written back	–	–	–	(50.0)	(50.0)
Total loss on sale of businesses	–	–	–	(33.2)	(33.2)
Profit on ordinary activities before interest	99.1	(88.6)	10.5	28.0	38.5
Net interest payable	(2.1)	(9.5)	(11.6)	–	(11.6)
Profit on ordinary activities before tax	97.0	(98.1)	(1.1)	28.0	26.9
Tax	(29.7)	28.4	(1.3)	(18.8)	(20.1)
Minority interest	0.1	–	0.1	–	0.1
Profit on ordinary activities after tax	67.4	(69.7)	(2.3)	9.2	6.9
Dividends	(48.3)	–	(48.3)	–	(48.3)
Retained (loss)/profit	19.1	(69.7)	(50.6)	9.2	(41.4)

UNAUDITED SUMMARY PROFIT AND LOSS ACCOUNT

For the six months ended 31 March 2001

	Turnover	
Divisional information	2001 £m	2000 £m
Carlton Media	**517.2**	501.6
Other	**12.8**	–
Headline turnover	**530.0**	501.6
Discontinued operations	**562.0**	533.7
Digital Media	**7.2**	10.3
	1,099.2	1,045.6

6 months to 31 March 2001	Operating Profit £m	Amortisation £m	Depreciation £m	EBITDA £m
Carlton Media	77.3	7.3	9.1	93.7
Other	(7.7)	1.4	1.5	(4.8)
Headline	69.6	8.7	10.6	88.9
Discontinued Operations	49.4	0.7	26.0	76.1
Digital Media	(15.9)	–	1.0	(14.9)
Exceptional charge – Digital Media	(10.8)	–	–	(10.8)
	92.3	9.4	37.6	139.3
6 months to 31 March 2000				
Carlton Media	100.8	2.6	8.6	112.0
Other	(6.5)	–	0.4	(6.1)
Headline	94.3	2.6	9.0	105.9
Discontinued Operations	60.7	–	23.9	84.6
Digital Media	(14.6)	–	1.0	(13.6)
Exceptional charge – Digital Media	–	–	–	–
	140.4	2.6	33.9	176.9

Digital Media The analyses of the Digital Media results are set out in the table below:	6 months to 31 March 2001 £m	6 months to 31 March 2000 £m
Operating loss:		
Carlton Digital Channels	**(11.2)**	(9.7)
Carlton Interactive	**(4.7)**	(4.9)
Exceptional charge re www.com and Peoplebank	**(10.8)**	–
	(26.7)	(14.6)
Share of joint ventures – ONdigital (50%)	**(83.3)**	(69.2)
Share of associates – ITV2 (44%) & GMTV2 (25%) and Ask Jeeves UK (25%)	**(12.8)**	(4.8)
	(122.8)	(88.6)
Interest on Digital Media	**(18.7)**	(9.5)
Digital Media loss before tax	**(141.5)**	(98.1)

Interest on Digital Media has been calculated on the total cumulative project cost to date at the average rate earned on cash deposits.

Discontinued operations	£m	£m
Operating profit – Technicolor (incl. JVs)	**52.8**	74.0
Operating (loss) – Technicolor Digital Cinema	**(3.4)**	–
Operating (loss) – Products	**–**	(12.8)
Total discontinued operating profit	**49.4**	61.2
Sale of Technicolor before goodwill	**378.6**	–
Sale of SSL before goodwill	**–**	16.8
Goodwill written back on sale	**(630.2)**	(50.0)
Loss on sale	**(251.6)**	(33.2)
Tax (charge)/credit	**(16.8)**	(18.8)

UNAUDITED CONSOLIDATED BALANCE SHEET

	Note	31 March 2001 £m	31 March 2000 £m	30 September 2000 £m
Fixed assets				
Intangible assets		**425.4**	154.1	233.2
Tangible assets		**129.5**	382.0	418.4
Investments in joint ventures:				
Share of gross assets		**131.1**	95.2	126.9
Share of gross liabilities		**(387.1)**	(177.1)	(287.9)
Loans to joint venture		**277.0**	114.3	194.5
		21.0	2.4	33.5
Investment in associated undertakings		**15.3**	17.5	19.8
Other investments		**448.4**	33.3	61.3
		484.7	83.2	114.6
		1,039.6	619.3	766.2
Current assets				
Stocks		**8.5**	46.5	47.7
Programme and film rights		**202.1**	143.5	172.8
Debtors		**185.0**	594.7	634.9
Investments		**216.5**	8.8	8.4
Cash and other liquid funds		**499.0**	381.9	341.8
		1,111.1	1,175.4	1,205.6
Creditors: amounts falling due within one year	4	**(674.5)**	(659.5)	(872.6)
Net current assets		**436.6**	515.9	333.0
Total assets less current liabilities		**1,476.2**	1,135.2	1,099.2
Creditors: amounts falling due after more than one year				
Loans		**447.6**	491.7	499.2
Convertible debt		**101.1**	90.0	97.2
Finance lease creditors		**33.8**	–	11.4
Creditors		**15.3**	19.7	27.2
Provisions for liabilities and charges				
Deferred tax		**6.4**	6.6	11.9
		604.2	608.0	646.9
		872.0	527.2	452.3
Capital and reserves				
Share capital		**41.8**	46.4	41.8
Share premium		**150.7**	144.6	148.8
Other reserves		**76.1**	6.1	12.5
Profit and loss account		**603.4**	330.1	248.3
Shareholders' funds		**872.0**	527.2	451.4
Minority interests – equity		**–**	–	0.9
		872.0	527.2	452.3

UNAUDITED STATEMENT OF CONSOLIDATED CASH FLOWS

	6 months to 31 March 2001 £m	6 months to 31 March 2000 £m	Year to 30 Sept 2000 £m
Operational cash flows			
Operating profit	**92.3**	140.4	231.9
Depreciation and amortisation	**47.0**	36.5	77.1
Movement in working capital	**(67.1)**	(38.4)	44.5
Non-cash fixed asset impairment	**10.8**	–	–
Cash flow from operating activities	**83.0**	138.5	353.5
Dividends from a joint venture and associates	**–**	5.2	4.8
Returns on investments and servicing of finance			
Net interest paid	**(15.2)**	(10.9)	(29.1)
Preference dividends paid	**(5.6)**	(10.2)	(18.5)
	(20.8)	(21.1)	(47.6)
Taxation	**(3.9)**	(12.2)	(40.6)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**(33.9)**	(41.2)	(112.0)
Purchase of intangible assets, principally development	**(6.7)**	–	(9.6)
Loans repaid from associates	**2.2**	1.0	–
Disposal of intangible and tangible fixed assets	**–**	–	7.3
Loans to ONdigital	**(82.5)**	(82.0)	(163.5)
Other investments	**(87.3)**	(31.6)	(63.8)
	(208.2)	(153.8)	(341.6)
Cash flow before acquisitions, management of liquid resources and financing	**(149.9)**	(43.4)	(71.5)
Acquisitions and disposals			
Purchase of subsidiary undertakings	**(224.1)**	(39.6)	(111.4)
Disposal of subsidiary undertakings	**540.7**	33.4	35.3
Investment in joint ventures and associates	**(18.5)**	(10.6)	(14.0)
	298.1	(16.8)	(90.1)
Equity dividends paid	**–**	–	(101.6)
Management of liquid resources	**(29.5)**	2.9	30.5
Financing			
Share issues	**2.1**	11.2	13.2
Net (repayment)/issue of debt	**(29.2)**	(1.0)	60.6
	(27.1)	10.2	73.8
Increase/(decrease) in cash in the period	**91.6**	(47.1)	(158.9)

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	6 months to 31 March 2001 £m	6 months to 31 March 2000 £m	Year to 30 Sept 2000 £m
Increase/(decrease) in cash in the period	**91.6**	(47.1)	(158.9)
Cash outflow/(inflow) from reduction/(increase) in debt	**29.2**	1.0	(60.6)
Cash outflow/(inflow) from increase/(decrease) in liquid resources	**29.5**	(2.9)	(30.5)
Change in net debt resulting from cash flows	**150.3**	(49.0)	(250.0)
Loans (acquired)/disposed	**–**	(0.7)	(0.7)
Translation difference	**6.0**	(0.6)	(6.2)
Movement in net debt in the year	**156.3**	(50.3)	(256.9)
Opening net debt	**(510.2)**	(253.3)	(253.3)
Closing net debt	**(353.9)**	(303.6)	(510.2)

Analysis of net debt	At 1 October 2000 £m	Cash Flow £m	Exchange movements £m	At 31 March 2001 £m
Cash at bank and in hand	341.8	145.5	11.7	499.0
Overdrafts	(168.6)	(53.9)	–	(222.5)
Loans due within one year	(75.6)	29.5	(1.8)	(47.9)
Loans due after more than one year	(499.2)	51.6	–	(447.6)
Convertible debt	(97.2)	–	(3.9)	(101.1)
Finance lease creditors	(11.4)	(22.4)	–	(33.8)
Net debt	(510.2)	150.3	6.0	(353.9)

Balance sheet analysis of net debt	At 1 October 2000 £m	At 31 March 2001 £m
Cash and other liquid funds	341.8	499.0
Overdrafts and short term borrowings	(244.2)	(270.4)
Loans	(499.2)	(447.6)
Convertible debt	(97.2)	(101.1)
Finance lease creditors	(11.4)	(33.8)
	(510.2)	(353.9)

UNAUDITED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the six months ended 31 March 2001

	6 months to 31 March 2001 £m	6 months to 31 March 2000 £m	Year to 30 Sept 2000 £m
(Loss)/profit for the period	**(283.8)**	6.9	(267.6)
Ordinary and Preference dividends	**(27.3)**	(48.3)	(123.5)
Amortisation of the 5.5p Preference share premium over redemption price	**–**	(1.9)	(2.7)
Exchange differences on foreign currency net investments	**18.7**	2.3	23.0
New share capital issued	**2.1**	15.3	13.2
Gain on sale of Meridian	**63.6**	–	–
Goodwill reinstated on sale of businesses	**647.3**	50.0	300.0
Contingent future share issues	**–**	(1.3)	–
Other reserve adjustments	**–**	(1.1)	3.7
Net increase in shareholders' funds	**420.6**	21.9	(53.9)
Shareholders' funds at the beginning of the period	**451.4**	505.3	505.3
Shareholders' funds at the end of the period	**872.0**	527.2	451.4

UNAUDITED ATTRIBUTABLE SHAREHOLDERS' FUNDS

As at 31 March 2001

	6 months to 31 March 2001 £m	6 months to 31 March 2000 £m	Year to 30 Sept 2000 £m
Equity shareholders' funds (before goodwill)	**1,628.7**	2,088.6	1,855.2
Cumulative goodwill written off directly to reserves	**(920.3)**	(1,817.7)	(1,567.6)
Equity shareholders' funds	**708.4**	270.9	287.6
Non-equity shareholders' funds	**163.6**	256.3	163.8
Total shareholders' funds	**872.0**	527.2	451.4

UNAUDITED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the six months ended 31 March 2001

	6 months to 31 March 2001 £m	6 months to 31 March 2000 £m	Year to 30 Sept 2000 £m
(Loss)/profit for the period	**(283.8)**	6.9	(267.6)
Exchange differences on foreign currency net investments	**18.7**	2.3	23.0
Gain on sale of Meridian	**63.6**	–	–
Total recognised (losses)/gains	**(201.5)**	9.2	(244.6)

NOTES

(1) TAX

Based on estimated tax rates for the full year, taxation on headline profits before goodwill amortisation is calculated at 30.8%, tax relief on Digital Media losses before the exceptional items is calculated at 25.8%, and taxation on Discontinued Operations before the exceptional item is calculated at 33.5%. The tax relief in relation to Digital Media includes the group's share of consortium relief available from ONdigital Plc and other associates. The rate of tax relief for Digital Media losses reflects timing differences, principally in respect of ONdigital fixed assets, which give rise to a deferred tax asset which has not been recognised. No tax relief has been attributed to the exceptional losses. Included within taxation is overseas taxation of £4.0m (interim 2000 – £14.8m, full year 2000 £12.7m).

(2) DIVIDEND

The interim dividend of 3.275p per share costing £22.0m will be paid on 17 August 2001 to holders of ordinary shares on the register on 6 July 2001. Preference dividends charged total £5.3m (interim 2000 – £6.4m, full year 2000 – £11.0m).

(3) EARNINGS PER SHARE

Reconciliation of Headline earnings

	Year ended 31 March 2001 Earnings £m	Year ended 31 March 2001 Pence per share	Year ended 31 March 2000 Earnings £m	Year ended 31 March 2000 Pence per share
Basic loss per Ordinary share	**(289.1)**	**(43.0)**	0.5	0.1
Discontinued Operations	**219.0**	**32.6**	(9.2)	(1.6)
Continuing operations	**(70.1)**	**(10.4)**	(8.7)	(1.5)
Digital Media	**107.8**	**16.0**	69.7	11.1
Headline earnings per Ordinary share	**37.7**	**5.6**	61.0	9.6

The calculation of basic earnings per Ordinary share has been based on 671.8 million shares (interim 2000 – 632.4 million) in issue, being the weighted average number of ordinary shares in issue throughout the period. Headline earnings per share are calculated using profits attributable to ordinary shareholders excluding the after tax effect of the exceptional item, Discontinued Operations and Digital Media.

(4) CREDITORS: CURRENT

	31 March 2001 £m	31 March 2000 £m	30 Sept 2000 £m
Creditors	**257.3**	386.3	504.0
Overdrafts and short term borrowings	**270.4**	103.8	244.2
Dividends payable	**89.1**	101.1	67.1
Taxation	**57.7**	68.3	57.3
	674.5	659.5	872.6

(5) SUMMARY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2000

	Year ended 30 September 2000 (as restated)					
	Headline £m	Exceptional items £m	Digital Media £m	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	998.4	–	67.4	1,065.8	1,077.9	2,143.7
Less: share of joint ventures	(7.6)	–	(53.3)	(60.9)	(2.8)	(63.7)
Group turnover	990.8	–	14.1	1,004.9	1,075.1	2,080.0
Operating costs before exceptionals	(798.5)	–	(54.4)	(852.9)	(956.2)	(1,809.1)
Exceptional operating charges	–	(11.1)	–	(11.1)	(27.9)	(39.0)
Total operating costs	(798.5)	(11.1)	(54.4)	(864.0)	(984.1)	(1,848.1)
EBITDA	213.2	(11.1)	(38.3)	163.8	145.2	309.0
Depreciation	(16.5)	–	(2.0)	(18.5)	(51.9)	(70.4)
Amortisation	(4.4)	–	–	(4.4)	(2.3)	(6.7)
Group operating profit	192.3	(11.1)	(40.3)	140.9	91.0	231.9
Share of operating results of joint ventures	0.4	–	(143.2)	(142.8)	0.7	(142.1)
Share of operating results of associated companies	10.1	–	(9.1)	1.0	–	1.0
	202.8	(11.1)	(192.6)	(0.9)	91.7	90.8
Loss on sale of businesses						
Deficit on net assets	–	–	–	–	(4.3)	(4.3)
Goodwill written back	–	–	–	–	(300.0)	(300.0)
Total loss on sale of businesses	–	–	–	–	(304.3)	(304.3)
Profit on ordinary activities before interest	202.8	(11.1)	(192.6)	(0.9)	(212.6)	(213.5)
Net interest payable	(5.9)	–	(22.5)	(28.4)	–	(28.4)
Profit on ordinary activities before tax	196.9	(11.1)	(215.1)	(29.3)	(212.6)	(241.9)
Tax	(60.1)	–	63.9	3.8	(29.5)	(25.7)
Minority interest	–	–	–	–	–	–
Profit on ordinary activities after tax	136.8	(11.1)	(151.2)	(25.5)	(242.1)	(267.6)
Dividends	(123.5)	–	–	(123.5)	–	(123.5)
Retained (loss)/profit	13.3	(11.1)	(151.2)	(149.0)	(242.1)	(391.1)

INDEPENDENT REVIEW

INTRODUCTION

We have been instructed by the company to review the financial information which comprises the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2001.

PRICEWATERHOUSECOOPERS
Chartered Accountants
London
22 May 2001

Directors	Michael Green (Chairman)
*non-executive	Bernard Cragg (Finance Director)
	Anthony Forbes*
	David Green*
	Leslie Hill*
	Sir Sydney Lipworth, QC*
	Gerry Murphy (Chief Executive Officer)
	Sir Brian Pitman*
	Nigel Walmsley (Deputy Chief Executive)
Company Secretary	David Abdoo, LLB

Corporate Affairs	Shaun Williams Telephone +44 020 7663 6363
Auditors	PricewaterhouseCoopers
Stockbrokers	Cazenove UBS Warburg
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