Carlton Communications Plc

Interim Results for the six months ended 31 March 2002

CARLTON

- Continuing turnover £503m (2001: £539m), like-for-like advertising down 13%
- Cost savings of £24m achieved
- Pre-exceptional continuing EBITDA £44m (2001: £75m)
- Group operating profit £17m (2001: £44m)
- Net interest charge £8m (2001: £25m)
- Strong balance sheet, effective net debt of £38m
- Continuing earnings per share -1.1p (2001: -0.1p)
- Dividend per Ordinary share 3.275p (2001: 3.275p)
- Early signs of a recovery in demand for advertising
- £25m additional investment in ITV1 schedule
- European screen advertising acquisition

Front cover: *Bertie and Elizabeth*, a Carlton Production

Interim Results for the six months ended 31 March 2002

The principal features of Carlton's first half were the exit from ITV Digital, managing through a severe downturn in advertising and growing our non-ITV businesses.

Carlton's pre-tax investment of around £600m in ITV Digital has proved unsuccessful. Following months of strenuous restructuring effort, ITV Digital's pay television business, jointly owned with Granada, was placed in administration at the end of March. Regrettably, negotiations with other broadcasters and suppliers proved fruitless and the Administrators closed the business on 30 April.

However, we believe that Carlton should continue to explore opportunities for growth in multichannel television. More than half of the UK population already has access to multi-channel television and we are confident that the UK will continue to pioneer the development of digital television. Digital Terrestrial Television is key to eventual analogue switch-over and we are working closely with other free-to-air broadcasters to secure its future as a viable distribution platform for current and future ITV channels.

ITV1 has been affected by a world-wide advertising downturn, intensified ratings competition from the BBC and growing multi-channel penetration. Like-for-like advertising revenue in our first six months was down 13%, the principal contributor to the decline in operating profits for the period. There are early signs of a recovery in demand for advertising in the second half.

ITV1 continues to be the UK's most powerful advertising medium and we are committed to maintaining its long-term leadership position. We have implemented with our partners in ITV a new structure at the Network Centre, and have agreed an additional £25m investment in the network schedule in the current calendar year, reflecting a concerted drive to improve the performance of the channel. ITV2 is now an established and popular channel in digital homes.

Our programme production and distribution businesses held up reasonably well in challenging markets at home and around the world. These conditions are likely to persist into the second half.

Against this tough trading background, cost control was a major priority and £24m of cost savings were delivered in the period, ahead of our expectations.

Carlton continues to grow its businesses outside ITV. Our cinema advertising business in the UK is performing well and we recently extended our US cinema advertising partnership with Thomson multimedia with a European acquisition, which will accelerate our expansion in this growing market.

The draft Communications Bill, published this month, paves the way for further ITV consolidation and could enable new opportunities for working with non-European partners in the UK. We welcome the deregulatory thrust of the proposed legislation, and believe that the liberalisation of ownership rules will benefit viewers, advertisers and shareholders. Media ownership will continue to be subject to mainstream competition regulation, potentially affecting the pace and direction of changes in the industry.

The closure of ITV Digital has increased the Group's financial flexibility. We are now focused on creating value for our shareholders through strengthening ITV, growing our content and advertising sales businesses in the UK and internationally, and creating opportunities for growth in the changing landscape of the UK media sector.

The Group is in a strong financial position with effective net debt of £38m. Taking this into account, together with the improved outlook for advertising, the Board has maintained an interim dividend of 3.275p per share.

This has been a very difficult period for Carlton. On behalf of the Board we would like to thank all our staff, customers and shareholders for their commitment and loyalty.

Michael Green
Chairman
28 May 2002

Gerry Murphy
Chief Executive Officer

OPERATING REVIEW

OVERVIEW

Pre-exceptional continuing EBITDA was £44m (2001: £75m). Total continuing sales were £503m (2001: £539m) and total continuing operating profits were £17m (2001: £44m).

Operating costs remain under tight control. In December 2001, Carlton reported that a stringent review had identified £45m in annual savings in the second full year, including Carlton's share of savings in ITV. We are ahead of that target and it is now expected that £44m of annual savings will be fully implemented by the end of the current year. Since May 2001 total headcount has been reduced by 545.

CHANNELS

Carlton's like-for-like advertising revenue in the first six months of the financial year was 13% lower than last year, as world-wide economic uncertainty continued to affect the confidence of major brand owners. However, the market appears to be firming through the summer months, even taking into account the expected fillip of the World Cup finals in June. Encouragingly, advertisers in most major categories are showing interest in renewed activity.

In recent months ITV1 has reported a weak schedule performance, although the introduction of a new audience measurement system by BARB in January has made like-for-like comparisons unreliable. The closer alignment of the ITV licencees with the Network Centre through a new management structure, and an additional investment of £25m in the network schedule in the current calendar year to maximise the benefit from a firmer advertising market, underline the shareholders' determination to improve performance. Carlton's share of the ITV1 network schedule costs was £165m, a like-for-like increase of 4%. In the full year Carlton's network schedule costs are expected to be £319m, a like-for-like increase of 4%.

ITV2 continues to perform well with a growing audience fuelled by extensions to ITV1 shows such as *Pop Idol*, *Club Reps* and *Survivor*.

Carlton Active has continued to develop interactive content and advertising campaigns for ITV with 12 new interactive campaigns launched in the period. Carlton Active created the popular interactive version of *Who Wants to be a Millionaire* on ITV2, and is developing the same format for TV2 in Denmark. Interactive programme and advertising templates are now being developed for digital satellite transmission.

ITV1 and ITV2 launched on digital satellite in November and are now available in digital form in more than 9 million homes.

Carlton's 44% share of losses in ITV2 was £6.3m (2001: £6.1m).

Following the closure of ITV Digital, the ITV Sport Channel, 50% owned by Carlton, ceased broadcasting on 11 May and has been treated as a discontinued operation. A review of the wholly-owned Carlton Cinema channel is now underway.

Screen Advertising: Carlton Screen Advertising revenue in the UK and Ireland in the first six months increased by 31% to £32m, helped by strong feature film releases including Harry Potter and the Philosopher's Stone and Lord of the Rings. Cinema admissions in 2001 were the highest since 1972 and admissions in the first 3 months of 2002 rose by 37%. In the US, Screenvision, a 50:50 joint venture with Thomson, experienced a challenging half year, but increased its national coverage to almost 50% share of cinema screens which take advertising.

In May, Carlton and Thomson announced the proposed acquisition, in a 50:50 joint venture, of the cinema advertising businesses owned by UGC of France and the Belgian broadcaster RTBF. Carlton has been looking to extend its cinema advertising activities into continental Europe for some time, and this is a natural extension of the Screenvision joint venture with Thomson in the US. Carlton now has screen advertising interests covering nearly 20,000 screens in 16 territories.

CONTENT

Carlton's programme production and international distribution businesses had sales of £94.5m (2001: £84.5m) and operating profit before amortisation of £2.0m (2001: £1.5m loss).

Carlton Productions: Production revenue was £51.4m (2001: £50.9m) in a difficult programme market, with most broadcasters, including ITV, operating on restricted commissioning budgets. UK television producers and broadcasters will now also have to adapt to the recent withdrawal of the favourable sale and leaseback tax treatment previously available to television drama producers. The value to Carlton of this was about £3m in a full year.

Carlton's reputation as a programme-maker continued to strengthen. *Kelly and Her Sisters*, shown on ITV1, won three major documentary awards: the Broadcast Best Documentary Award, the Royal Television Society Best Single Documentary Award, and the BAFTA Flaherty Award. *Hell in the Pacific* won the Japan Foundation Prize and the Peabody Award, the US industry's most prestigious factual award, the second time in three years that Carlton has won this award.

ITV will shortly be announcing a major slate of continuing drama commissions from Carlton Productions. A highlight of the ITV1 summer schedule will be Carlton's *Bertie & Elizabeth*, based on the Queen Mother's married life with George VI. Carlton also has a strong slate of entertainment programmes including *The Vault*, *Elimidate*, *The Brits*, *The Classical Brits* and *Barbara*.

Carlton International: Distribution revenue was £43.1m (2001: £33.9m). Carlton International had a strong first six months in a generally subdued international market. Despite the market challenges, Carlton America is scheduled to deliver 10 made-for-TV movies this year. The *Thunderbirds* brand continues its national and international success: the series has now been seen in 52 countries and over 250 lines of product have been licensed with 65 licensees. In the UK, Tracy Island was the number two best-selling toy in 2001.

Carlton Visual Entertainment continues to exploit the strong growth in DVD sales in the UK. Carlton Books has enjoyed considerable success with its sports-related titles, and achieved its first non-fiction number one best seller with the *Pop Idol* book.

DISCONTINUED

ITV Digital and ITV Sport Channel: An exceptional charge of £99m has been taken as a result of the closure of ITV Digital and the ITV Sport Channel, made up of a £35m balance sheet write-off and a £64m provision for Carlton's share of closure costs.

Carlton and Granada are currently engaged in legal proceedings with the Football League. These proceedings include a counterclaim by the Football League against Carlton and Granada for £178.5m which remains outstanding to the Football League from ITV Digital. Having taken advice from Leading Counsel, Carlton and Granada believe the counterclaim has no legal basis whatsoever. Accordingly, it will be robustly defended and no provision has been made for it.

Other: Losses in the period for other discontinued digital and internet businesses were reduced to £2.6m (2001: £6.4m). These businesses have been sold or closed, resulting in a net exceptional charge of £2.5m, although the outcome was marginally cash positive.

FINANCIAL REVIEW

OVERVIEW

Turnover from continuing operations fell 7% to £503.1m (2001: £539.0m) primarily due to the continued decline in the television advertising market. Net advertising revenue for the period was £333.8m, a year-on-year decline of 13% on a like-for-like basis, adjusting for the effect of an additional month of HTV revenue (£7.6m). Although the reduction in advertising revenue was partly offset by operating cost savings, group operating profit from continuing operations fell to £16.8m from £43.5m.

The prior year results have been re-stated to reflect the closure of ITV Digital and ITV Sport Channel, and the sale of the investment in Ask Jeeves, in discontinued operations in accordance with FRS3.

In continuing operations, the prior year results have been re-stated to include some operations that were previously reported in the Digital column.

PROFIT ANALYSIS

EBITDA from continuing operations before exceptional operating charges fell to £43.7m from £74.6m in 2001, primarily due to the difficulties experienced in the television advertising market. EBITDA is calculated as earnings before interest, tax, depreciation, amortisation,exceptional items and the share of results from associates and joint ventures. EBITA, operating profit from continuing operations before exceptional operating charges, fell to £32.7m from £63.0m.

	2002	2001
6 months to 31 March	£m	£m
Carlton Media – EBITDA	**50.1**	79.4
Other – EBITDA	**(6.4)**	(4.8)
Continuing operations EBITDA (before exceptionals)	**43.7**	74.6
Depreciation	**(11.0)**	(11.6)
Continuing operations EBITA	**32.7**	63.0
Amortisation	**(11.7)**	(8.7)
Continuing operations EBIT	**21.0**	54.3
Exceptional operating costs	**(4.2)**	(10.8)
Group operating profit	**16.8**	43.5
Joint ventures and associates	**(5.5)**	(3.4)
Profit before interest and taxation	**11.3**	40.1
Interest	**(8.5)**	(25.5)
Continuing operations profit before taxation	**2.8**	14.6
Technicolor – discontinued trading	**-**	49.4
Profit on sale of businesses	**18.5**	378.6
Goodwill written back	**-**	(630.2)
Discontinued operations trading losses	**(101.7)**	(89.7)
ITV Digital & ITV Sport Channel - exceptional charges	**(99.0)**	-
Discontinued operations loss before taxation	**(182.2)**	(291.9)
Loss before taxation	**(179.4)**	(277.3)

Exceptional items relating to the period can be further analysed as follows:

	Continuing £m	Discontinued – closure costs £m	Discontinued – sale of businesses £m	Total exceptional costs £m
Exceptional operating charges				
Restructuring costs	(3.0)			(3.0)
Other	(1.2)			(1.2)
	(4.2)	-	-	(4.2)
Exceptional charges				
ITV Digital and ITV Sport Channel balances written-off		(35.0)		(35.0)
ITV Digital and ITV Sport Channel closure costs		(64.0)		(64.0)
Technicolor sale adjustments			21.0	21.0
Sale of other investments			(2.5)	(2.5)
	-	(99.0)	18.5	(80.5)
Total exceptional costs	(4.2)	(99.0)	18.5	(84.7)

CARLTON MEDIA

(See overleaf for table.) Payments to the Government for the group's wholly owned broadcasting licences are a significant element of Carlton Media's cost structure. In the period, on a like-for-like basis, PQR and licence fee payments have reduced by £7.3m. Total PQR and licence fee payments were £53.7m. The saving is partly offset by increased transmission costs for digital broadcasting, including satellite in 2002, of £5.5m (2001: £1.1m).

OTHER

Relates to central overheads and rental incomes.

COST SAVINGS

On a like-for-like basis savings in operating costs of continuing operations of £9.6m have been achieved in the first half. In addition, savings of £14.0m have been made from the closure of

Table for Carlton Media

Reconciliation of 2001 to 2002 first half profits:

6 months to 31 March 2002	£m
Carlton Media 2001 EBITDA	**79.4**
Half-year-on-half-year changes	
Advertising revenue & sponsorship – like-for-like	**(52.3)**
HTV October revenues	**7.6**
PQR & licence fees	**7.3**
Network schedule – like-for-like	**(6.3)**
Network schedule – HTV October costs	**(4.1)**
Transmission costs	**(4.4)**
Cost savings achieved	**23.5**
HTV – Other October costs	**(5.5)**
Other net savings	**4.9**
Carlton Media 2002 EBITDA	**50.1**
Depreciation	**(10.6)**
Carlton Media 2002 EBITA	**39.5**
Amortisation of goodwill and film libraries	**(11.7)**
Carlton Media 2002 EBIT	**27.8**

several loss-making businesses (not including discontinued operations), giving a total profit and loss benefit of £23.5m in the period. The full year profit and loss benefit is expected to be £34m. By the end of the financial year, since the start of the review in May 2001, annualised savings of £44m are expected to have been achieved.

JOINT VENTURES AND ASSOCIATES

The share of joint venture and associated company losses before goodwill amortisation (excluding the discontinued ventures ITV Digital, ITV Sport Channel and Ask Jeeves) increased to £4.6m from £3.4m in 2001, principally due to increased investment in ITV2.

DISCONTINUED OPERATIONS

Discontinued operations include pre-closure losses and closure cost provisions for ITV Digital and ITV Sport Channel, and pre-sale losses of Ask Jeeves, offset by further settlements following the disposal of Technicolor. The 2001 results have been restated to include ITV Digital and ITV Sport Channel in discontinued operations. The exceptional charges relating to ITV Digital and ITV Sport Channel in 2002 comprise £35.0m of balances written-off and a provision for closure costs of £64.0m.

INTEREST

Net interest payable has reduced to £8.5m (2001: £25.5m) including Carlton's share of associates' and joint ventures' interest paid of £1.2m (2001: £1.0m). The reduction reflects higher cash balances and lower interest rates on net debt financing, partly offset by higher debt levels compared to the first half of 2001.

EARNINGS PER SHARE

Basic earnings per share from continuing operations, after amortisation, in the first half of 2002 were (1.1p) compared to (0.1p) in 2001.

Basic earnings per share, including discontinued operations, were (27.3p) (2001: (43.0p)).

Earnings per Share – Basic	**2002 pence**	**2001 pence**
Reported earnings per share	(27.3)	(43.0)
Discontinued operations	(26.2)	(42.9)
Continuing operations	(1.1)	(0.1)
Continuing operations pre-exceptionals and amortisation	1.3	2.9

CASH FLOW

Cash flow from operating activities of £174.8m (2001: £83.0m) included £180.0m proceeds from the sale of Thomson loan notes, treated as a sale of a current asset investment. The group generated gross cash inflows of £73.6m (2001: £168.4m outflow) after tax, interest and preference dividend payments but before all acquisitions and financing. The cash flow from operating activities funded ITV Digital and the ITV Sport Channel (£73.0m) and capital expenditure (£4.6m).

BALANCE SHEET

The balance sheet at 31 March 2002 showed net assets of £452.6m, a decrease of £211.1m since 1 October 2001. Fixed asset investments include an investment in Thomson shares at a carrying value of £393.1m. Current asset investments include Thomson loan notes at a carrying value of £35.1m. Loan notes with a nominal value of £175.0m were sold or repaid in the period.

On 30 November 2001 the group raised a bond exchangeable into Thomson shares, raising £389.6m (€627.4m) which was issued in January 2002. The bond has a maturity date of 2007 and is exchangeable into Thomson shares at a fixed exchange price of €41.2.

Overall net debt was £408.4m at 31 March 2002, a reduction of £98.2m since 1 October 2001 (net debt £506.6m). The decrease was a result of the sale of the Thomson loan notes, partly offset by investment in the ITV Digital and ITV Sport Channel businesses. Effective net debt (i.e. net debt adjusted for the market value of Thomson shares at March 31 and loan notes) was £37.7m at 31 March 2002. (30 September 2001: £7.0m).

UNAUDITED SUMMARY PROFIT AND LOSS ACCOUNT

For the six months ended 31 March 2002

6 months ended 31 March 2002	Note	Continuing operations £m	Discontinued operations £m	Total £m
Turnover		524.8	61.0	585.8
Less: share of joint ventures		(21.7)	(61.0)	(82.7)
Group turnover		503.1	-	503.1
Operating costs before exceptionals		(482.1)	-	(482.1)
Exceptional operating charges		(4.2)		(4.2)
Total operating costs		(486.3)	-	(486.3)
EBITDA		39.5	-	39.5
Depreciation		(11.0)	-	(11.0)
Amortisation		(11.7)	-	(11.7)
Group operating profit		16.8	-	16.8
Share of operating results of joint ventures		-	(99.1)	(99.1)
Joint venture goodwill amortisation		(0.9)	-	(0.9)
Share of operating results of associated companies		(4.6)	(2.6)	(7.2)
		11.3	(101.7)	(90.4)
Profit on sale of businesses		-	18.5	18.5
Loss on termination of businesses		-	(99.0)	(99.0)
Total loss on sale and termination of businesses		-	(80.5)	(80.5)
Profit/(loss) on ordinary activities before interest		11.3	(182.2)	(170.9)
Net interest payable		(8.5)	-	(8.5)
Profit/(loss) on ordinary activities before taxation		2.8	(182.2)	(179.4)
Taxation	1	(4.7)	6.1	1.4
Profit/(loss) on ordinary activities after taxation		(1.9)	(176.1)	(178.0)
Dividends equity and non-equity	2	(27.3)	-	(27.3)
Retained profit/(loss)		(29.2)	(176.1)	(205.3)

Earnings per share	3	Pence per share 2002	Pence per share 2001 (as restated)
Continuing earnings per Ordinary share		**(1.1)**	(0.1)
Basic earnings per Ordinary share		**(27.3)**	(43.0)
Interim Ordinary dividend per share		**3.275**	3.275

UNAUDITED SUMMARY PROFIT AND LOSS ACCOUNT

6 months ended 31 March 2001 (as restated)	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	547.0	599.1	1,146.1
Less: share of joint ventures	(8.0)	(37.1)	(45.1)
Group turnover	539.0	562.0	1,101.0
Operating costs before exceptionals	(484.7)	(512.6)	(997.3)
Exceptional operating charges	(10.8)	-	(10.8)
Total operating costs	(495.5)	(512.6)	(1,008.1)
EBITDA	63.8	76.1	139.9
Depreciation	(11.6)	(26.0)	(37.6)
Amortisation	(8.7)	(0.7)	(9.4)
Group operating profit	43.5	49.4	92.9
Share of operating results of joint ventures	0.2	(83.3)	(83.1)
Share of operating results of associated companies	(3.6)	(6.4)	(10.0)
	40.1	(40.3)	(0.2)
Loss on sale of businesses			
Profit on 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/(loss) on ordinary activities before interest	40.1	(291.9)	(251.8)
Net interest payable	(25.5)	-	(25.5)
Profit/(loss) on ordinary activities before taxation	14.6	(291.9)	(277.3)
Taxation	(10.3)	4.3	(6.0)
Profit/(loss) on ordinary activities after taxation	4.3	(287.6)	(283.3)
Dividends equity and non-equity	(27.3)	-	(27.3)
Retained profit/(loss)	(23.0)	(287.6)	(310.6)

UNAUDITED SUMMARY PROFIT AND LOSS ACCOUNT

For the six months ended 31 March 2002

6 months to 31 March 2002	Group operating profit £m	Amortisation £m	Depreciation £m	EBITDA £m
Carlton Media	27.8	11.7	10.6	50.1
Other	(6.8)	-	0.4	(6.4)
Exceptional operating charges	(4.2)	-	-	(4.2)
Continuing operations	16.8	11.7	11.0	39.5
Discontinued operations	-	-	-	-
	16.8	11.7	11.0	39.5

6 months to 31 March 2001	Group operating profit (as restated) £m	Amortisation £m	Depreciation £m	EBITDA (as restated) £m
Carlton Media	62.0	7.3	10.1	79.4
Other	(7.7)	1.4	1.5	(4.8)
Exceptional operating charges	(10.8)	-	-	(10.8)
Continuing operations	43.5	8.7	11.6	63.8
Discontinued operations	49.4	0.7	26.0	76.1
	92.9	9.4	37.6	139.9

UNAUDITED SUMMARY PROFIT AND LOSS ACCOUNT (cont)

For the six months ended 31 March 2002

	Group turnover	
	2002	**2001 (as restated)**
Divisional information	**£m**	**£m**
Carlton Media	503.1	526.2
Other	-	12.8
Continuing operations	503.1	539.0
Discontinued operations	-	562.0
	503.1	1,101.0

	2002	**2001 (as restated)**
Discontinued operations	**£m**	**£m**
ITV Digital & ITV Sport Channel - discontinued trading	(99.1)	(83.3)
Other - discontinued trading	(2.6)	(6.4)
Profit on sale of Technicolor	21.0	378.6
Loss on sale of investments	(2.5)	-
ITV Digital & ITV Sport Channel - exceptional closure costs	(99.0)	-
Technicolor - discontinued trading	-	49.4
Goodwill written back	-	(630.2)
	(182.2)	(291.9)
Tax credit	6.1	4.3

UNAUDITED CONSOLIDATED BALANCE SHEET

	Note	31 March 2002 £m	31 March 2001 (as restated) £m	30 Sept 2001 £m
Fixed assets				
Intangible assets		**329.4**	425.4	343.9
Tangible assets		**114.3**	129.5	120.6
Investments in joint ventures:				
Share of gross assets		**18.0**	131.1	174.7
Share of gross liabilities		**(14.6)**	(387.1)	(534.4)
Loan to joint venture		**0.5**	277.0	418.4
Goodwill		**35.7**	-	36.6
		39.6	21.0	95.3
Investments in associated undertakings		**1.9**	15.3	0.4
Other investments		**422.3**	448.4	429.4
		463.8	484.7	525.1
		907.5	1,039.6	989.6
Current assets				
Stocks		**5.0**	8.5	7.1
Programme and film rights		**184.0**	197.6	187.4
Debtors		**214.8**	230.8	216.6
Investments		**40.5**	216.5	214.8
Cash and other liquid funds		**695.0**	499.0	458.5
		1,139.3	1,152.4	1,084.4
Creditors: amounts falling due within one year	4	**(470.8)**	(720.0)	(711.6)
Net current assets		**668.5**	432.4	372.8
Total assets less current liabilities		**1,576.0**	1,472.0	1,362.4
Creditors: amounts falling due after more than one year				
Loans		**913.3**	447.6	559.0
Convertible debt		**100.9**	101.1	97.8
Finance lease creditors		**33.1**	33.8	28.9
Other creditors		**9.9**	15.3	10.6
Provisions for liabilities and charges	5	**66.2**	6.4	2.4
		1,123.4	604.2	698.7
		452.6	867.8	663.7

	31 March 2002	31 March 2001 (as restated)	30 Sept 2001
	£m	£m	£m
Capital and reserves			
Called up share capital	**41.8**	41.8	41.8
Share premium	**151.4**	150.7	150.7
Other reserves	**17.1**	76.1	21.6
Profit and loss account	**242.3**	599.2	449.6
Shareholders' funds	**452.6**	867.8	663.7
Minority interests - equity	**-**	-	-
	452.6	867.8	663.7

UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS

	6 months to 31 March 2002 £m	6 months to 31 March 2001 (as restated) £m	Year to 30 Sept 2001 £m
Operational cash flows			
Operating profit	**16.8**	92.9	47.4
Depreciation and amortisation	**22.7**	47.0	63.2
Movement in working capital	**(39.1)**	(67.7)	(7.3)
Sale of current asset investments	**173.4**	-	-
Non-cash fixed asset impairment	**1.0**	10.8	-
Cash flow from operating activities	**174.8**	83.0	103.3
Dividends received from joint ventures and associated undertakings	**-**	-	1.6
Returns on investments and servicing of finance			
Net interest paid	**(11.3)**	(15.2)	(32.5)
Preference dividends paid	**(5.3)**	(5.6)	(10.5)
	(16.6)	(20.8)	(43.0)
Taxation	**-**	(3.9)	3.1
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**(4.6)**	(33.9)	(43.1)
Purchase of intangible assets	**(0.7)**	(6.7)	(6.6)
Loans repaid from associates	**-**	2.2	-
Disposal of intangible and tangible fixed assets	**0.2**	-	10.5
Loans to ITV Digital/ITV Sport Channel	**(73.0)**	(82.5)	(190.3)
Other investments	**(6.5)**	(105.8)	(20.9)
	(84.6)	(226.7)	(250.4)
Cash inflow/(outflow) before acquisitions, management of liquid resources and financing	**73.6**	(168.4)	(185.4)
Acquisitions and disposals			
Purchase of subsidiary undertakings	**-**	(224.1)	(226.1)
Disposal of subsidiary undertakings	**28.5**	540.7	499.6
	28.5	316.6	273.5
Equity dividends paid	**-**	-	(89.2)
Management of liquid resources	**-**	(29.5)	-
Financing			
Share issues	**-**	2.1	2.1
Net issue/(repayment) of debt	**361.6**	(29.2)	56.6
	361.6	(27.1)	58.7
Increase in cash in the period	**463.7**	91.6	57.6

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	6 months to 31 March 2002 £m	6 months to 31 March 2001 £m	Year to 30 Sept 2001 £m
Increase/(decrease) in cash in the period	**463.7**	91.6	57.6
Cash (inflow)/outflow from (increase)/decrease in debt	**(361.6)**	29.2	(56.6)
Cash (inflow)/outflow from increase/(decrease) in liquid resources	**-**	29.5	-
Change in net debt resulting from cash flows	**102.1**	150.3	1.0
Translation difference and non-cash movements	**(3.9)**	6.0	2.6
Movement in net debt in the period	**98.2**	156.3	3.6
Opening net debt	**(506.6)**	(510.2)	(510.2)
Closing net debt	**(408.4)**	(353.9)	(506.6)

Analysis of net debt	At 1 October 2001 £m	Cash flows £m	Exchange & non-cash movements £m	At 31 March 2002 £m
Cash at bank and in hand	458.5	241.6	(5.1)	695.0
Overdrafts	(222.1)	222.1	-	-
Loan notes and short-term borrowings	(2.1)	1.2	-	(0.9)
Loans due within one year	(55.2)	-	-	(55.2)
Loans due after more than one year	(559.0)	(358.6)	4.3	(913.3)
Convertible debt	(97.8)	-	(3.1)	(100.9)
Finance lease creditors	(28.9)	(4.2)	-	(33.1)
Net debt	(506.6)	102.1	(3.9)	(408.4)

Balance sheet analysis of net debt	At 1 October 2001 £m	At 31 March 2002 £m
Cash and other liquid funds	458.5	695.0
Overdrafts and short-term borrowings	(279.4)	(56.1)
Loans	(559.0)	(913.3)
Convertible debt	(97.8)	(100.9)
Finance lease creditors	(28.9)	(33.1)
Net debt	(506.6)	(408.4)

UNAUDITED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the six months ended 31 March 2002

	6 months to 31 March 2002 £m	6 months to 31 March 2001 (as restated) £m	Year to 30 Sept 2001 £m
Loss for the period	**(178.0)**	(283.3)	(390.0)
Ordinary and preference dividends	**(27.3)**	(27.3)	(66.1)
Exchange differences on foreign currency net investments	**(5.0)**	18.7	14.7
New share capital issued	**0.7**	2.1	2.1
Other reserve movements	**(1.5)**	63.6	9.0
Goodwill reinstated on sale of businesses	**-**	647.3	647.3
Net (decrease)/increase in shareholders' funds	**(211.1)**	421.1	217.0
Shareholders' funds at beginning of the period as previously stated	**663.7**	451.4	451.4
Prior year adjustment	**-**	(4.7)	(4.7)
Shareholders' funds at beginning of the period	**663.7**	446.7	446.7
Shareholders' funds at the end of the period	**452.6**	867.8	663.7

UNAUDITED ATTRIBUTABLE SHAREHOLDERS' FUNDS

As at 31 March 2002

	6 months to 31 March 2002 £m	6 months to 31 March 2001 (as restated) £m	Year to 30 Sept 2001 £m
Equity shareholders' funds (before goodwill)	**1,223.7**	1,641.8	1,437.7
Cumulative goodwill written off directly to reserves	**(934.7)**	(937.6)	(937.6)
Equity shareholders' funds	**289.0**	704.2	500.1
Non-equity shareholders' funds	**163.6**	163.6	163.6
Total shareholders' funds	**452.6**	867.8	663.7

UNAUDITED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the six months ended 31 March 2002

	6 months to 31 March 2002 £m	6 months to 31 March 2001 (as restated) £m	Year to 30 Sept 2001 £m
Loss for the period	**(178.0)**	(283.3)	(390.0)
Exchange differences on foreign currency net investments	**(5.0)**	18.7	14.7
Gain on sale of Meridian	**-**	63.6	9.2
Total recognised gains and losses in the period	**(183.0)**	(201.0)	(366.1)
Prior year adjustment	**-**	(4.7)	(4.7)
Total recognised gains and losses	**(183.0)**	(205.7)	(370.8)

(1) TAX

Based on estimated tax rates for the full year, taxation on profits from continuing operations before exceptional operating charges and amortisation is calculated at 30.4%. Tax relief on the exceptional operating charges in continuing operations is calculated at 30.0%, resulting in tax on continuing operations of £4.7m, the UK corporation tax element of which is largely relieved by losses of the same period on discontinued operations. No tax or tax relief is attributed to the profit on sale of businesses or to the exceptional charges included in discontinued operations. Included in taxation is overseas taxation of £0.4m (interim 2001: £4.0m, full year 2001: £3.3m).

(2) DIVIDEND

The interim dividend of 3.275p per share costing £22.0m will be paid on 16 August 2002 to holders of ordinary shares on the register on 5 July 2002. Preference dividends charged total £5.3m (interim 2001: £5.3m, full year 2001: £10.5m).

(3) EARNINGS PER SHARE

	6 months to 31 March 2002		6 months to 31 March 2001 (restated)	
	Earnings £m	Pence per share	Earnings £m	Pence per share
Basic loss per Ordinary share	**(183.3)**	**(27.3)**	(288.6)	(43.0)
Discontinued operations	**(176.1)**	**(26.2)**	(287.6)	(42.9)
Continuing operations	**(7.2)**	**(1.1)**	(1.0)	(0.1)

The calculation of basic earnings per Ordinary share has been based on 670.7 million shares (interim 2001: 670.1 million) in issue, being the weighted average number of ordinary shares in issue throughout the period. There was no dilution of earnings per share.

(4) CREDITORS: CURRENT

	31 March 2002	31 March 2001 (as restated)	30 Sept 2001
	£m	£m	£m
Creditors	**273.8**	302.8	315.1
Overdrafts and short term borrowings	**56.1**	270.4	279.4
Dividends payable	**55.6**	89.1	33.6
Taxation	**85.3**	57.7	83.5
	470.8	720.0	711.6

(5) PROVISIONS FOR LIABILITIES AND CHARGES

These include provisions for closure of businesses of £64.0m (2001: £nil) and deferred taxation provisions of £2.2m (2001: £6.4m).

(6) SUMMARY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2001

Year ended 30 September 2001 (as restated)	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	1,051.0	651.6	1,702.6
Less: share of joint ventures	(10.9)	(90.2)	(101.1)
Group turnover	1,040.1	561.4	1,601.5
Operating costs before exceptionals	(983.3)	(512.2)	(1,495.5)
Exceptional operating charges	(52.4)	(6.2)	(58.6)
Total operating costs	1,035.7	(518.4)	(1,554.1)
EBITDA	44.2	66.4	110.6
Depreciation	(22.4)	(23.0)	(45.4)
Amortisation	(17.4)	(0.4)	(17.8)
Group operating profit	4.4	43.0	47.4
Share of operating results of joint ventures	0.4	(175.7)	(175.3)
Share of operating results of associated companies	(8.8)	(9.9)	(18.7)
	(4.0)	(142.6)	(146.6)
Loss on sale of businesses			
Deficit on net assets	-	403.2	403.2
Goodwill written back	-	(630.2)	(630.2)
Total loss on sale of businesses	-	(227.0)	(227.0)
Profit/(loss) on ordinary activities before interest	(4.0)	(369.6)	(373.6)
Net interest payable	(35.6)	-	(35.6)
Profit/(loss) on ordinary activities before taxation	(39.6)	(369.6)	(409.2)
Taxation	(3.9)	23.1	19.2
Profit/(loss) on ordinary activities after taxation	(43.5)	(346.5)	(390.0)
Dividends equity and non-equity	(66.1)	-	(66.1)
Retained profit/(loss)	(109.6)	(346.5)	(456.1)

INDEPENDENT REVIEW

INTRODUCTION

We have been instructed by the company to review the financial information set out on pages 10 to 22. 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 test 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 2002.

PricewaterhouseCoopers
Chartered Accountants
London
28 May 2002

Directors	Michael Green (chairman)
*non executives	Etienne de Villiers*
	David Green*
	Leslie Hill*
	Sir Sydney Lipworth, QC*
	Gerry Murphy (Chief Executive Officer)
	Paul Murray (Finance Director)
	Sir Brian Pitman*
Company Secretary	David Abdoo

The financial information set out in this document does not constitute the Company's statutory accounts. Statutory accounts for the year ended 30 September 2001, which received an auditors' report which was unqualified and did not contain any statement concerning accounting records or failure to obtain necessary information and explanations, have been filed with the Registrar of Companies.

Stockbrokers	Cazenove UBS Warburg
Registrars	Computershare Investor Services Plc PO Box 82, The Pavilions, Bridgwater Road Bristol BS99 7NH
ADR Depository	Morgan Guaranty Trust Company of New York PO Box 8205 Boston MA 02266-8205 USA
Listings	London Stock Exchange (Symbol CCM) NASDAQ (Symbol CCTVY)
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