Carlton Communications Plc

Interim Results

for the six months ended 31 March 2003

CARLTON

- EBITA up 50% to £42 million (2002: £28 million)
- ITV1 peak-time audience 5% ahead of BBC1
- ITV2 a growing success story
- Carlton's share of total ITV advertising revenue up 1.2%
- Cinema revenue up 15% to £37 million
- Cost saving initiatives – £17 million in a full year
- Net interest charges down to £6 million
- PBTA* up 85% to £37 million (2002: £20 million)
- Profit from continuing operations £26 million (2002: £3 million)
- Cash and financial assets of £638 million
- Reported earnings per share 3.0p (2002: loss of 27.3p)
- Dividend per Ordinary share 2.0p (2002: 3.275p)

* PBTA is defined as continuing profits before tax, amortisation and exceptional operating items.

Front cover: *Rudy: The Rudy Giuliani Story*, a Carlton America and JAM Pictures production.

Interim Results for the six months ended 31 March 2003

"Carlton increased earnings before interest, tax, amortisation and exceptional items by 50% to £42 million in the first half of this year. This was despite a 3% decrease in total turnover to £509 million. Carlton has focused on careful cost control across the group.

"Carlton's share of total advertising revenue across ITV's family of channels was up 1.2% in a period when we managed customer uncertainty caused by the Iraq War and continued softness in advertising demand. A combination of investment in programmes, a revitalised commissioning process and competitive scheduling helped ITV1 deliver a 32.4% average audience in peak-time in the first quarter of 2003, 5% ahead of BBC1.

"The schedule has delivered better commercial impacts at a lower cost than we forecast. Carlton is currently expecting its contribution to the cost of network programmes to reduce by at least £10 million to around £320 million in our full financial year.

"ITV2 continues to be a growing success story. The channel enjoyed the highest year-on-year growth in audience share of any UK channel in 2002. During our first half, ITV2 was the second most popular non-terrestrial channel across peak-time in multi-channel homes. In the fast-growing number of Freeview homes, ITV2 has been the top-rating non-terrestrial channel since October. Two weeks ago, ITV2, boosted by *I'm a Celebrity Get Me Out Of Here...!*, achieved more than 3% all-time viewing share, beating Sky One and all other non-terrestrial channels with its highest ratings since launch. ITV2 is becoming increasingly attractive to advertisers in terms of audience delivery and scale.

"Carlton Screen Advertising ('CSA') – our market leading cinema advertising business – increased its turnover by 15% to £37 million (2002: £32 million). Blockbuster films such as *Harry Potter and the Chamber of Secrets*, *Lord of the Rings: The Two Towers* and the latest Bond film *Die Another Day* helped CSA sell out its complete inventory for the first time ever in December.

"Carlton International performed strongly in a generally subdued market using the largest English language film library outside Hollywood to good effect and adding to its top-rating television movies from Carlton America.

"Carlton has achieved £6 million of savings in the first six months compared to last year. Staff totals have reduced by 84, and 129 redundancies from our studio, on-line and interactive operations have been announced and will occur in our second half. Further savings of around £6 million are anticipated in the second half, giving run-rate savings of £17 million a year.

"The proposed merger with Granada is currently with the Competition Commission which has outlined to us the issues raised by further consolidation of ITV and will present its report to the Government on 25 June. We believe the merger has clear benefits for shareholders, advertisers and viewers.

"The company is in a healthy financial position with cash and financial assets of £638 million and has declared an interim dividend of 2.0p (2002: 3.275p). Consistent with the proposed merger terms, this aligns Carlton's dividend cost with Granada's and provides a basis for progressive dividend growth. Reported earnings per share were 3.0p (2002: a loss of 27.3p).

"Carlton's share of total ITV advertising revenue for the first nine months of our financial year is currently anticipated to be down around 1%, reflecting the World Cup revenue benefit last year in May and June. Management continues to achieve higher efficiency and reduce the cost base, concentrate on delivering value to advertisers in the form of commercial impacts and is working to strengthen ITV1, ITV2 and the ITV News Channel.

"I am delighted to announce that John McGrath, chairman of The Boots Company plc and former group chief executive of Diageo plc, has joined the Board as a non-executive director."

Michael Green, Chairman
21 May 2003

OVERVIEW

Total turnover from continuing operations was £508.5 million (2002: £524.8 million) and total EBITA from continuing businesses before exceptional items was £42.1 million (2002: £28.1 million). Net interest charges were down to £5.6 million (2002: £8.5 million) due to lower effective interest rates. Profit from continuing operations before taxation was £26.4 million (2002: £2.8 million).

BROADCASTING

Turnover was £370.0 million (2002: £376.2 million) and Carlton's ITV1 Net Advertising Revenue (NAR) was £334.0 million (2002: £333.8 million). The effect of the Iraq War on our business was less than many forecast with only a few customers deferring campaigns. Major sector advertisers included financial services, cosmetics and pharmaceuticals and supermarkets.

Last year we strengthened and streamlined the ITV management structure as well as increased investment in the programme schedule. We have produced a more competitive schedule at a lower cost than we had forecast and replaced some high-cost programming with additional news output around the war.

ITV2, 44% owned by Carlton, enjoyed the highest year-on-year growth in audience share of any UK channel in 2002. *American Idol 2*, *Popstars: The Rivals Extra* and Champions League have helped to deliver good demographics as well as a growing audience.

Carlton and Granada are consolidating ownership of the ITV News Channel which has seen its ratings more than double since it was re-launched in October last year and it played an important role in ITV's highly regarded war coverage.

ITV's family of three channels delivered an overall peak-time share of commercial audiences of 53% during our first six months.

CINEMA ADVERTISING

Carlton Screen Advertising's revenue in the UK and the Republic of Ireland in the first six months increased by 15% helped by strong feature film releases in the Autumn including the latest Harry Potter, Lord of the Rings and Bond movies. Turnover was £37.3 million (2002: £32.4 million).

CSA won the National Amusements Cinemas contract from October 2002, pushing its share of cinema admissions in the UK to 63%. UK cinema admissions in 2002 were the highest for 30 years.

The second half of our financial year looks strong with *Matrix Reloaded, Terminator 3*, *X2* and *Charlie's Angels 2* released this summer. Sponsorship and product promotions are growth areas for CSA.

We are also continuing to build our cinema advertising businesses in North America and Europe, using the commercial expertise which CSA has developed in the more mature UK market. The combined revenues of these 50% joint venture businesses is running at around £100 million per annum.

CONTENT

Carlton Content substantially improved its margins while turnover of £66.6 million was down (2002: £94.5 million).

Carlton International: Turnover for the first six months was £37.8 million (2002: £43.1 million). This fall was due to a high volume, low-margin, third party distribution deal coming to an end.

Carlton International otherwise performed strongly with its substantial library showing the commercial longevity of its film and drama catalogue. *Peak Practice* is still a popular series internationally and is now playing on one of China's major terrestrial stations, whilst *Inspector Morse* has been on US TV consistently for the last 10 years. Carlton has licensed four of the UK's top five exported shows over the last five years.

Carlton America is one of the largest producers and distributors of TV movies in Hollywood. It continued to add to its portfolio of 180 TV movie titles and scored a major hit this year with its film *Rudy: The Rudy Giuliani Story* starring James Woods, which has also been acquired by ITV. *Thunderbirds The Movie* – licensed by Carlton – is in production for a 2004 theatrical release with major licensing and publishing initiatives.

Videos and DVDs of favourite films and dramas performed well for Carlton Visual Entertainment. The most recent releases of *Inspector Morse* and *Sharpe* box sets have produced retail sales of £2.5 million in just three months. DVD sales now accounts for more than 70% of Carlton Visual turnover.

Carlton Productions: Carlton Productions' revenue was £28.8 million (2002: £51.4 million). Delays last year in ITV commissioning, particularly in drama, and the ending of *The Big Breakfast* contract were the major contributing factors to this reduction in turnover. However, full year revenue is currently expected to be at a similar level to last year.

Carlton has a strong slate of drama commissions, with £19 million being delivered in our second half including three major new series, comedy drama *Fortysomething*, a new medical series *Sweet Medicine* and a naval drama series *Making Waves*.

Police drama *The Vice* returns in the summer and new one-off dramas include *Margery & Gladys* and *Too Good To Be True*.

By the end of 2003, Carlton Productions will also have delivered 270 hours of its RTS Award-winning daytime show *Today with Des and Mel* to ITV, a new situation comedy for BBC1 and a raft of programming for BSkyB, Channel 4, Five and PBS Network in America.

Fortysomething

The Vice

Margery & Gladys

Today with Des and Mel

FINANCIAL REVIEW

In the six months to 31 March 2003 total EBITA (profits before interest, tax, amortisation and exceptional items) rose by 50% to £42.1m (2002: £28.1m). Profit before tax from continuing operations rose to £26.4m from £2.8m in 2002.

Six months ended 31 March	2003 £m	2002 £m
Continuing operations EBITDA (before exceptional operating items)	**47.2**	43.7
Depreciation	**(10.1)**	(11.0)
Group EBITA before exceptional operating items	**37.1**	32.7
Share of operating results of joint ventures and associates	**2.7**	(4.6)
Investment income	**2.3**	-
Total EBITA before exceptional operating items	**42.1**	28.1
Amortisation	**(7.7)**	(11.7)
Joint venture goodwill amortisation	**(1.6)**	(0.9)
	32.8	15.5
Exceptional operating items	**(0.8)**	(4.2)
Reported profit before interest and tax (EBIT) on continuing businesses	**32.0**	11.3
Net Interest charges	**(5.6)**	(8.5)
Continuing operations profit before taxation	**26.4**	2.8
Discontinued operations		
– operating loss	**-**	(101.7)
– exceptional profit/(loss) on sale/closure of businesses	**10.6**	(80.5)
Discontinued operations profit/(loss) before taxation	**10.6**	(182.2)
Total Group profit/(loss) before taxation	**37.0**	(179.4)

PROFIT ANALYSIS

Group EBITA before exceptional operating items was £37.1m, up 13% against 2002 (£32.7m). The changes in Group EBITA before exceptional operating items from 2002 to 2003 are reconciled in the table below:

Group EBITA	£m
Six months ended 31 March 2002	**32.7**
Year-on-year changes	
Advertising revenue	**0.2**
Sponsorship income	**(1.4)**
PQR & licence fees	**6.1**
Network programme budget	**(6.4)**
Digital satellite transmission costs	**(1.3)**
Cost saving initiatives	**5.8**
Other net movements	**1.4**
Six months ended 31 March 2003	**37.1**
Share of operating results of joint ventures and associates	**2.7**
Investment income	**2.3**
Total EBITA before exceptional operating items	**42.1**

Carlton share of ITV1 NAR was £334.0m (2002: £333.8m). Total turnover (including share of joint ventures' turnover) fell by £16.3m due to the scaling down and closure of non-core businesses and reduced Content turnover.

Carlton's share of network schedule costs has increased by £6.4m since last year. In the second half these costs are expected to be lower than last year, with our share of total network budget being around £320m in the full financial year.

Payments to the Government for the Group's wholly owned broadcasting licences continue to be a significant element of costs. In the six month period these payments totalled £47.6m before digital satellite transmission costs (2002: £53.7m) and were made up of cash bids of £14.2m (2002: £12.0m) and Percentage of Qualifying Revenue ('PQR') payments of £33.4m (2002: £41.7m). PQR has been calculated after the effects of digital penetration, which has been calculated at an average of 40% (2002: 26%) in the period, reducing licence costs by £22.2m (2002: £14.4m).

Cost savings of £5.8m have been achieved in the period. Most of these savings relate to regional programming, transmission and network centre costs. There have also been significant savings in staff costs following the restructuring of various parts of the business.

AMORTISATION

Amortisation in 2002 included accelerated amortisation of £4.0m which was re-allocated to exceptional operating items in the full year results. Like-for-like amortisation charges are unchanged.

EXCEPTIONAL ITEMS

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

	Continuing £m	Discontinued – sale of businesses £m	Total exceptional items £m
Exceptional operating charges			
Restructuring costs	(0.8)	-	(0.8)
	(0.8)	-	(0.8)
Exceptional income			
Technicolor sale adjustments	-	10.6	10.6
	-	10.6	10.6

The majority of the Technicolor sale adjustments relate to the release of litigation provisions.

JOINT VENTURES AND ASSOCIATES

Joint ventures and associates generated profits before interest and amortisation of £2.7m (2002: £4.6m loss). Goodwill amortisation charge was £1.6m (2002: £0.9m).

The improved performance reflects the growth of ITV2 with Carlton's share of losses reduced to £1.3m, down from £5.1m in 2002. The improved performance has been driven by increased advertising revenues. The two Screenvision joint ventures generated profits of £1.8m (2002: £0.7m loss) from a share of turnover of £25.2m (2002: £7.9m).

INVESTMENT INCOME

Investment income includes a declared £2.0m maiden dividend from the 15.5 million Thomson shares held.

INTEREST

Net interest charges were £5.6m (2002: £8.5m). The tables that follow show the constituent elements of the net interest charge and a reconciliation from the 2002 figure.

	£m
Interest payable	(23.7)
Benefits from swaps	12.7
Interest receivable	8.8
Amortisation of fees and fx option costs	(3.4)
Net interest charge 2003	(5.6)

Net interest charge 2002	(8.5)
Lower effective interest rates	6.5
Higher interest bearing balances	(2.4)
Other	(1.2)
Net interest charge 2003	(5.6)

EARNINGS PER SHARE

Details of the earnings upon which the calculations which follow are based are in Note 3. Diluted reported earnings per share figures are the same as those in the following table.

Basic earnings per share	Six months to 31 March 2003 pence	Six months to 31 March 2002 pence
Continuing operations – pre-exceptionals	**1.6**	(0.6)
Exceptional operating items after tax	**(0.1)**	(0.5)
Continuing operations – post-exceptionals	**1.5**	(1.1)
Discontinued operations	**1.5**	(26.2)
Reported earnings per share	**3.0**	(27.3)

Continuing operations – pre-exceptionals (as above)	**1.6**	(0.6)
Amortisation	**1.4**	1.9
Continuing operations pre-exceptionals and amortisation	**3.0**	1.3

CASH FLOW

Cash inflow from operating activities was £46.0m (2002: £174.8m). This includes the proceeds from the redemption of Thomson loan notes (£32.6m). There was a £33.0m increase in working capital due to payment of year end accruals, including those of closed businesses, and increased work in progress in Carlton Productions.

Payments of £21.0m relating to the closure of ITV Digital and ITV Sport Channel were made in the period, bringing Carlton's share of total closure costs to date to £38.4m.

BALANCE SHEET

Net assets at 31 March 2003 were £441.7m, an increase of £8.2m since 1 October 2002. Fixed asset investments include Thomson shares at a carrying value of £440.7m. All Thomson loan notes have now been sold or have matured. Loan notes with a book value of £35.0m matured in the period. Net debt is analysed in the table below:

Analysis of net debt	**31 March 2003 £m**
Net cash	476.4
Credit linked notes	45.0
Loans - long-term	(986.1)
Finance leases	(32.4)
Statutory net debt	**(497.1)**
Hedged exchange movements	26.2
Adjusted net debt	**(470.9)**
Market value of Thomson shares	110.0
Effective net debt	**(360.9)**

Since 1 October 2002, the strengthening of the euro against sterling has increased the book value of both the exchangeable liability and the Thomson shares held as fixed asset investments by £39.3m. The increased liability has a direct effect on the calculation of statutory net debt. The adjustment in the table below shows the corresponding value of the currency option (£26.2m) purchased to hedge differences that may arise on the maturity of the euro-denominated exchangeable bond, giving a more meaningful measure of net debt for comparative purposes.

Thomson assets	**Carrying value 31 March 2003 £m**	**Market value 31 March 2003 £m**	**Market value 16 May 2003 £m**
15.5 million shares	440.7	110.0	149.2
	440.7	110.0	149.2
Thomson share price	€41.2	€10.3	€13.6

Adjusted net debt has increased by £11.0m since 1 October 2002. The increase is reconciled below:

	£m
Reported net debt at 30 September 2002	(459.9)
Net cash flow	(76.5)
Credit linked notes	45.0
Long term loans (excluding exchange differences)	35.0
Finance leases	(0.7)
	(457.1)
Exchange differences on long-term loans	(40.0)
Hedged exchange movements	26.2
Adjusted net debt at 31 March 2003	(470.9)

Effective net debt adjusted to reflect the market value of Thomson shares at 16 May, the latest practical date before announcement of these results (£149.2m) was £321.7m.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months ended 31 March 2003

	Note	Continuing operations £m	Discontinued operations £m	Total £m
Turnover		508.5	-	508.5
Less: share of joint ventures		(34.6)	-	(34.6)
Group turnover		473.9	-	473.9
Operating costs before exceptionals		(444.5)	-	(444.5)
Exceptional operating items		(0.8)	-	(0.8)
Total operating costs		(445.3)	-	(445.3)
Group operating profit		28.6	-	28.6
Share of operating results of joint ventures		2.1	-	2.1
Joint ventures' goodwill amortisation		(1.6)	-	(1.6)
Share of operating results of associated companies		0.6	-	0.6
Investment income		2.3	-	2.3
		32.0	-	32.0
Profit on sale of businesses		-	10.6	10.6
Loss on termination of businesses		-	-	-
Profit on ordinary activities before interest		32.0	10.6	42.6
Net interest payable		(5.6)	-	(5.6)
Profit on ordinary activities before taxation		26.4	10.6	37.0
Taxation	1	(11.2)	(0.2)	(11.4)
Profit on ordinary activities after taxation		15.2	10.4	25.6
Dividends equity and non-equity	2	(18.7)	-	(18.7)
Retained profit/(loss)		(3.5)	10.4	6.9

UNAUDITED PRIOR PERIOD CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six 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 items		(4.2)	-	(4.2)
Total operating costs		(486.3)	-	(486.3)
Group operating profit		16.8	-	16.8
Share of operating results of joint ventures		-	(99.1)	(99.1)
Joint ventures' 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)
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
Loss on ordinary activities after taxation		(1.9)	(176.1)	(178.0)
Dividends equity and non-equity	2	(27.3)	-	(27.3)
Retained loss		(29.2)	(176.1)	(205.3)

UNAUDITED CONSOLIDATED BALANCE SHEET

	Note	31 March 2003 £m	31 March 2002 £m	30 September 2002 £m
Fixed assets				
Intangible assets		**313.3**	329.4	319.5
Tangible assets		**106.5**	114.3	110.3
Investments in joint ventures:				
Share of gross assets		**50.1**	18.0	46.3
Share of gross liabilities		**(53.4)**	(14.6)	(43.9)
Loans to joint ventures		**28.6**	0.5	18.9
Goodwill		**62.8**	35.7	58.2
		88.1	39.6	79.5
Investments in associated undertakings		**8.9**	1.9	6.1
Other investments		**449.2**	422.3	409.9
Total fixed asset investments	4	**546.2**	463.8	495.5
		966.0	907.5	925.3
Current assets				
Stocks		**6.2**	5.0	6.3
Programme and film rights		**169.8**	184.0	178.5
Debtors: amounts falling due within one year		**165.6**	201.9	170.3
Debtors: amounts falling after more than one year		**22.1**	12.9	17.6
Investments		**51.5**	40.5	40.6
Cash and other liquid funds		**476.4**	695.0	552.9
		891.6	1,139.3	966.2
Creditors: amounts falling due within one year	5	**(342.9)**	(470.8)	(401.6)
Net current assets		**548.7**	668.5	564.6
Total assets less current liabilities		**1,514.7**	1,576.0	1,489.9
Creditors: amounts falling due after more than one year				
Loans		**895.2**	913.3	854.8
Convertible debt		**90.9**	100.9	91.3
Finance lease creditors		**32.4**	33.1	31.7
Other creditors		**27.5**	9.9	30.5
		1,046.0	1,057.2	1,008.3
Provisions for liabilities and charges		**27.0**	66.2	48.1
Net assets		**441.7**	452.6	433.5

UNAUDITED CONSOLIDATED BALANCE SHEET (continued)

	31 March 2003 £m	31 March 2002 £m	30 September 2002 £m
Capital and reserves			
Called up share capital	**41.8**	41.8	41.8
Share premium	**151.4**	151.4	151.4
Other reserves	**16.9**	17.1	17.1
Profit and loss account	**231.6**	242.3	223.2
Shareholders' funds	**441.7**	452.6	433.5

UNAUDITED STATEMENT OF CASH FLOWS

	Six months to 31 March 2003 £m	Six months to 31 March 2002 £m	Year to 30 September 2002 £m
Operational cash flows			
Operating profit	**28.6**	16.8	58.0
Depreciation and amortisation	**17.8**	22.7	42.4
Movement in working capital	**(33.0)**	(39.1)	(11.6)
Sale of current asset investments	**32.6**	173.4	179.0
Non-cash fixed asset impairment	**-**	1.0	1.8
Profit on sale of fixed assets	**-**	-	(0.2)
Cash flow from operating activities	**46.0**	174.8	269.4
Dividends received from joint ventures and associated undertakings	**1.1**	-	0.8
Returns on investments and servicing of finance			
Interest received	**33.2**	20.2	43.4
Interest paid	**(22.1)**	(31.5)	(61.4)
Preference dividends paid	**(5.3)**	(5.3)	(10.5)
	5.8	(16.6)	(28.5)
Taxation	**(7.4)**	-	4.2
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**(6.6)**	(4.6)	(11.7)
Purchase of intangible assets	**(2.0)**	(0.7)	(0.2)
ITV Digital/ITV Sport Channel closure costs	**(21.0)**	-	-
Disposal of intangible and tangible fixed assets	**0.2**	0.2	0.9
Payments to ITV Digital/ITV Sport Channel	**-**	(73.0)	(96.8)
Other net investments	**(13.0)**	(6.5)	(18.4)
	(42.4)	(84.6)	(126.2)
Cash inflow before acquisitions, management of liquid resources and financing	**3.1**	73.6	119.7
Acquisitions and disposals	**(0.3)**	28.5	(7.8)
Equity dividends paid	**-**	-	(55.5)
Management of liquid resources	**(45.0)**	-	-
Financing			
Share issues	**-**	-	-
Net change in long-term funding	**(34.3)**	361.6	266.3
	(34.3)	361.6	266.3
(Decrease)/increase in cash in the period	**(76.5)**	463.7	322.7

UNAUDITED RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	Six months to 31 March 2003 £m	Six months to 31 March 2002 £m	Year to 30 September 2002 £m
(Decrease)/increase in cash in the period	**(76.5)**	463.7	322.7
Cash outflow/(inflow) from decrease/(increase) in debt	**34.3**	(361.6)	(269.6)
Cash outflow from increase in liquid financial instruments	**45.0**	-	-
Change in net debt resulting from cash flows	**2.8**	102.1	53.1
Exchange differences and non-cash movements	**(40.0)**	(3.9)	(6.4)
Movement in net debt in the period	**(37.2)**	98.2	46.7
Opening net debt	**(459.9)**	(506.6)	(506.6)
Closing net debt	**(497.1)**	(408.4)	(459.9)

Analysis of net debt	At 1 October 2002 £m	Cash flows £m	Exchange & non-cash movements £m	At 31 March 2003 £m
Cash at bank and in hand	552.9	(76.5)	-	476.4
Liquid financial instruments	-	45.0	-	45.0
Loans due within one year	(35.0)	35.0	-	-
Loans due after more than one year	(854.8)	-	(40.4)	(895.2)
Convertible debt	(91.3)	-	0.4	(90.9)
Finance lease creditors	(31.7)	(0.7)	-	(32.4)
Statutory net debt	(459.9)	2.8	(40.0)	(497.1)
Hedged exchange differences	-	-	26.2	26.2
Adjusted net debt	(459.9)	2.8	(13.8)	(470.9)

Carlton has purchased credit linked notes totalling £45.0m from an 'AA' rated bank. The notes earn a return of libor plus 1.5% and mature prior to the year end. Carlton will receive the full nominal value of the notes at maturity provided that there has been no credit event (effectively default) on its borrowings. Since 1 October 2002, the strengthening of the euro against sterling has increased the book value of both the exchangeable liability and the Thomson shares held as fixed asset investments by £39.3m. The increased liability has a direct effect on the calculation of statutory net debt. The adjustment in the table above shows the corresponding value of the currency option (£26.2m) purchased to hedge differences that may arise on the maturity of the euro-denominated exchangeable bond, giving a more meaningful measure of net debt for comparative purposes.

UNAUDITED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months to 31 March 2003 £m	Six months to 31 March 2002 £m	Year to 30 September 2002 £m
Profit/(loss) for the period	**25.6**	(178.0)	(156.0)
Ordinary and preference dividends	**(18.7)**	(27.3)	(66.0)
Exchange differences on foreign currency net investments	**1.5**	(5.0)	(7.3)
New share capital issued	**-**	0.7	0.7
Other reserve movements	**(0.2)**	(1.5)	(1.6)
Net increase/(decrease) in shareholders' funds	**8.2**	(211.1)	(230.2)
Shareholders' funds at beginning of the period	**433.5**	663.7	663.7
Shareholders' funds at the end of the period	**441.7**	452.6	433.5

UNAUDITED ATTRIBUTABLE SHAREHOLDERS' FUNDS

	Six months to 31 March 2003 £m	Six months to 31 March 2002 £m	Year to 30 September 2002 £m
Equity shareholders' funds (before goodwill)	**1,212.8**	1,223.7	1,207.5
Cumulative goodwill written off directly to reserves	**(934.7)**	(934.7)	(937.6)
Equity shareholders' funds	**278.1**	289.0	269.9
Non-equity shareholders' funds	**163.6**	163.6	163.6
Total shareholders' funds	**441.7**	452.6	433.5

UNAUDITED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six months to 31 March 2003 £m	Six months to 31 March 2002 £m	Year to 30 September 2002 £m
Profit/(loss) for the period	**25.6**	(178.0)	(156.0)
Exchange differences on foreign currency net investments	**1.5**	(5.0)	(7.3)
Total recognised gains and losses	**27.1**	(183.0)	(163.3)

NOTES

(1) TAX

Based on the estimated tax rate for the full year, before any adjustments in respect of taxation for prior years, taxation on profits from continuing operations before exceptional operating items and amortisation is calculated at approximately 31%. Tax relief of £0.2m is attributed to the exceptional operating items in continuing operations. This results in a tax charge on continuing operations of £11.2m. Tax of £0.2m is attributed to the exceptional credits included in discontinued operations which largely relate to the release of litigation provisions in respect of the sale of Technicolor in 2001. Included in taxation is overseas taxation of £0.5m.

(2) DIVIDENDS

The interim dividend of 2.0p per share will be paid on 15 August 2003 to holders of Ordinary shares on the register at the close of business on 4 July 2003.

(3) EARNINGS PER SHARE

The reconciliation of earnings used in the calculation of earnings per share is set out below:

	Six months ended 31 March 2003		Six months ended 31 March 2002	
	Earnings £m	Pence per share	Earnings £m	Pence per share
Reconciliation of earnings				
Continuing pre-tax profits	**26.4**		2.8	
Tax	**(11.2)**		(4.7)	
Exceptional operating items	**0.8**		4.2	
Tax on exceptional operating items	**(0.2)**		(1.2)	
Preference dividend	**(5.3)**		(5.3)	
Continuing operations – pre-exceptionals	**10.5**	**1.6**	(4.2)	(0.6)
Exceptional operating items after tax	**(0.6)**	**(0.1)**	(3.0)	(0.5)
Continuing operations – post-exceptionals	**9.9**	**1.5**	(7.2)	(1.1)
Discontinued operations	**10.4**	**1.5**	(176.1)	(26.2)
Basic earnings	**20.3**	**3.0**	(183.3)	(27.3)
Continuing operations – pre-exceptionals	**10.5**	**1.6**	(4.2)	(0.6)
Exceptional operating items after tax	**(0.6)**	**(0.1)**	(3.0)	(0.5)
Continuing operations – post-exceptionals	**9.9**	**1.5**	(7.2)	(1.1)
Discontinued operations	**10.4**	**1.5**	(176.1)	(26.2)
Diluted earnings	**20.3**	**3.0**	(183.3)	(27.3)
Reconciliation of earnings				
Continuing operations – pre-exceptionals (as above)	**10.5**	**1.6**	(4.2)	(0.6)
Amortisation	**9.3**	**1.4**	12.6	1.9
Continuing operations – pre-exceptionals and amortisation	**19.8**	**3.0**	8.4	1.3

(4) FIXED ASSET INVESTMENTS

	£m
At 30 September 2002	**495.5**
Loans advanced to joint ventures and associates	**10.9**
Revaluation of Thomson shares	**39.3**
Other	**0.5**
At 31 March 2003	**546.2**

(5) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2003	31 March 2002	30 September 2002
	£m	£m	£m
Creditors	**203.4**	273.8	244.6
Short term borrowings	**-**	56.1	35.0
Dividends payable	**47.0**	55.6	33.5
Taxation	**92.5**	85.3	88.5
	342.9	470.8	401.6

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 cash flow 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 for 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 Listing Rules of the Financial Services Authority 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. 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 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. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

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 2003.

PricewaterhouseCoopers LLP
Chartered Accountants, London
21 May 2003

Directors	Michael Green (Chairman)
*non executives	Etienne de Villiers*
	David Green*
	Leslie Hill*
	Sir Sydney Lipworth, QC*
	John McGrath*
	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 2002, which received an auditors' report that 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
Registrars	Computershare Investor Services Plc PO Box 82, The Pavilions, Bridgwater Road Bristol BS99 7NH
ADR Depository	JP Morgan Chase Bank PO Box 43013 Providence RI 02940-3013 USA
Listings	London Stock Exchange (Symbol CCM) NASDAQ (Symbol CCTVY)
Website	www.carlton.com

This document is not an offer of securities for sale in the United States. The securities referred to herein have not been, and are not intended to be, registered under the United States Securities Act of 1933. Accordingly, such securities may not be offered, sold or delivered, directly or indirectly, in or into the United States except pursuant to an exception from the applicable registration requirements of the United States Securities Act of 1933.

FORWARD LOOKING STATEMENTS LEGEND:

DISCLOSURE NOTICE: The information contained in this notice is as of May 21, 2003. Carlton assumes no obligation to update any forward-looking statements contained in this document as a result of new information or future events or developments.

In order to utilise the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, Carlton is providing the following cautionary statement: This document contains certain statements that are or may be forward-looking with respect to Carlton's financial condition, results of operations and business, including viewing figures, advertising revenues, expected full year revenues and cost savings, contributions to ITV's program investment, investment in new programs and films, as well as the state of the order book for Carlton's programs and films. This document also contains certain statements that are or may be forward-looking with respect to the merger timetable and regulatory clearance of the proposed merger between Carlton and Granada as well as the expected benefits from the merger. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, statements made elsewhere in the document, as well as (i) difficulties in obtaining regulatory clearance for the proposed merger between Carlton and Granada, (ii) the ability of Carlton and Granada to integrate their businesses, achieve cost savings and realise other synergies, (iii) adverse changes in tax laws and regulations, (iv) the risks associated with the introduction of new products or services, (v) pricing, product and program initiatives of competitors, including increased competition of programs such as major sporting events, (vi) changes in technology or consumer demand, (vii) the termination or delay of key contracts and (viii) fluctuations in exchange rates. A further description of certain of these risks, uncertainties and other matters can be found in Item 3.B, 'Key Information - Risk Factors' included in Carlton's Annual Report on Form 20-F for the fiscal year ended September 30, 2002, filed with the United States Securities and Exchange Commission (Commission file number: 0-15252).

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