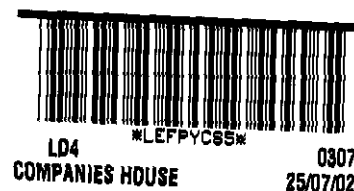


The Moving Picture Company Limited

Annual Report and Accounts for the year ended 30 September 2001

Registered no: 1191228



The Moving Picture Company Limited

Annual report

for the year ended 30 September 2001

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Directors and advisers

Executive directors

D St G Jeffers
M Benson
M Houghton
R J Brown
A W Camilleri
D Buttimore
M Elson
J C Soret
A Pickett

Auditors

PricewaterhouseCoopers
Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank plc
27 -32 Poultry
London
EC2P 2BX

Secretary and registered office

D Abdoo
25 Knightsbridge
London
SW1X 7RZ

Directors' report for the year ended 30 September 2001

The directors present their report and the audited financial statements for the year ended 30 September 2001.

Principal activities

The main activities of the company are film and videotape production, and the provision of broadcast videotape facilities to the television and film industry.

Review of business

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future. The trading results are set out in the profit and loss account on page 7.

Dividends

An interim dividend of £1,000,000 was paid during the year (2000: £Nil).
The directors do not recommend payment of a final dividend (2000: £Nil).

Charitable donations

The donations made by the company during the year for charitable purposes were £6,300 (2000: £1,900).

Directors and their interests

The directors of the company who served during the year were as follows:

D St G Jeffers
M Benson
R J Brown
A W Camilleri
M Houghton
D Buttimore
M Elson
A Pickett
JC Soret

Directors' interests

None of the directors had any beneficial interest in the share capital of the company at 30 September 2001.

The interests of the directors in the share capital of the ultimate parent company, Carlton Communications Plc, on 30 September 2001, together with their interests at 1 October 2000, were:

Ordinary shares of 5p	1 October 2000	30 September 2001
D St G Jeffers	197	197
M Houghton	6,670	6,670
A W Camilleri	2,238	2,238

The interests of the directors in share options over Carlton Communications Plc Ordinary 5p shares at prices ranging from 334p to 561p, exercisable after three years from the date of grant, together with movements during the period, are set out below.

	Options held at 1.10.00	Options Granted	Options Exercised	Options lapsed	Options Held at 30.9.01
D St G Jeffers	73,018	32,353	-	-	105,371
R J Brown	40,000	11,932	-	-	51,932
M Benson	27,919	14,037	-	-	41,956
A W Camilleri	16,418	13,917	-	-	30,335
M Houghton	1,000	-	-	-	1,000
D Buttimore	17,335	8,824	-	-	26,159
M Elson	1,252	12,032	-	-	13,284
A Pickett	1,000	12,299	-	-	13,299
J C Soret	25,000	26,738	-	-	51,738

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

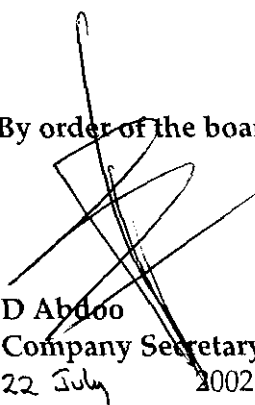
Creditor Payment Policy

It is Company policy that payments to all suppliers are made in accordance with the agreed terms, provided that the supplier is also complying with all relevant terms and conditions. Trade creditor days of the company for the year ended 30 September 2001 were 47 days, based on the ratio of Company trade creditors at the year end to the amount invoiced during the year by trade creditors.

Auditors

An elective resolution has been passed dispensing with the need to reappoint the auditors annually. In the absence of a notice proposing that the appointment be terminated, the auditors PricewaterhouseCoopers will be deemed to be reappointed for the next financial year.

By order of the board



D Abdo
Company Secretary
22 July 2002

Registered office:
25 Knightsbridge
London
SW1X 7RZ

Independent auditors' report to the members of The Moving Picture Company Limited

We have audited the financial statements on pages 7 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on pages 3 to 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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

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

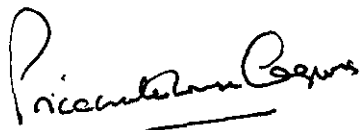
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, reading "PricewaterhouseCoopers", with a horizontal line underneath the name.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

22 May 2002

Profit and loss account for the year ended 30 September 2001

	Notes	2001 £'000	2000 £'000 as restated
Turnover - Continuing operations	3	16,617	14,819
- Discontinued operations	3	<u>45</u>	<u>2,049</u>
		16,662	16,868
Cost of sales	3	<u>(4,733)</u>	<u>(5,738)</u>
Gross profit		11,929	11,130
Net operating expenses		<u>(10,466)</u>	<u>(10,172)</u>
Operating profit/(Loss) - Continuing operations		1,566	953
- Discontinued operations		<u>(103)</u>	<u>5</u>
		1,463	958
Interest receivable and similar income	6	<u>171</u>	<u>119</u>
Profit on ordinary activities before taxation	5	1,634	1,077
Tax on profit on ordinary activities	9	<u>-</u>	<u>-</u>
		1,634	1,077
Dividends	10	<u>(1,000)</u>	<u>-</u>
Retained profit for the year		634	1,077
Retained profit brought forward		<u>7,813</u>	<u>6,736</u>
Retained profit at 30 September		<u>8,447</u>	<u>7,813</u>

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

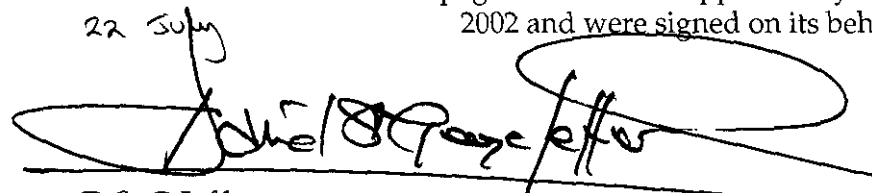
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents

The notes on pages 9 to 17 form part of these financial statements.

Balance sheet at 30 September 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	11	8,658	8,427
Investments	12	<u>-</u>	<u>-</u>
		8,658	8,427
Current assets			
Stock	13	69	90
Debtors	14	3,739	4,035
Cash at bank and in hand		<u>3,490</u>	<u>2,723</u>
		7,298	6,848
Creditors: amounts falling due within one year	15	<u>(5,009)</u>	<u>(4,962)</u>
Net current assets		<u>2,289</u>	<u>1,886</u>
Total assets less current liabilities		10,947	10,313
Creditors: amounts falling due after more than one year	17	<u>(2,500)</u>	<u>(2,500)</u>
Net assets		<u>8,447</u>	<u>7,813</u>
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account		<u>8,447</u>	<u>7,813</u>
Equity shareholders' funds	20	<u>8,447</u>	<u>7,813</u>

The financial statements on pages 7 to 17 were approved by the board of directors on 22 July 2002 and were signed on its behalf by:


D St G Jeffers
Director

Notes to the financial statements for the year ended 30 September 2001

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flows

The company is a wholly owned subsidiary of Carlton Communications Plc and the cash flows of the company are included in the consolidated cash flow statement of Carlton Communications Plc. Consequently the company is exempt under the terms of Financial Reporting Standard 1 (Revised) from publishing a cash flow statement.

Turnover

Turnover, which excludes value added tax, is arrived at as follows:-

- (i) Where facilities are being provided, turnover represents the sales value of the service during the year.
- (ii) Where a production contract exists, turnover represents the sales value of contracts completed during the year. Completion is defined as when all post production work is finished.
- (iii) Where a long term contract exists, turnover represents the value of contracts work done on contracts not completed.

Depreciation

Depreciation is calculated on a straight line basis so as to write off the book value of fixed assets over their expected useful lives. The main annual rates adopted are as follows:-

Leasehold improvements	Length of lease
Equipment, fixtures and fittings	15-33% per annum
Motor vehicles	25% per annum

Depreciation policies are reviewed on a regular basis.

Work in progress

Work in progress on productions for third parties is valued at the lower of cost and net realisable value. No value is attributed to work in progress unless there is a contract committing a customer to purchase the production. Cost comprises direct costs of production. Net realisable value is the estimated selling price less all further costs to completion. Payments in advance are set off against work in progress in the balance sheet, and any amount in excess of the value of work in progress is included in current liabilities.

Long term contracts

Turnover on long term contracts is recognised according to the stage reached in the contract with reference to the value of work done. A prudent estimate of the profit attributable to the work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown as work in progress.

Pensions

Certain employees of the Company are members of the Carlton Communications Plc group pension scheme, a defined benefit scheme. The costs of this scheme are determined by external actuaries and charged against profits each year.

The Company also operates two defined contribution schemes for one of its employees. The costs of these schemes are charged against profits in the year they are incurred.

Leases

Operating lease rentals are charged to income in equal amounts over the lease term.

Foreign Currencies

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account in the year in which they arise.

Deferred taxation

Provision is made for deferred taxation to the extent that the liability is expected to crystallise within the foreseeable future.

2 Restatement of prior year comparatives

At 28 February 2001 the company closed its commercials productions division, Blonde Films. The 2000 comparative figures have therefore been restated to reclassify this activity as discontinued operations.

3 Cost of sales and other operating expenses

	2001			2000		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	16,617	45	16,662	14,819	2,049	16,868
Cost of sales	<u>4,730</u>	<u>3</u>	<u>4,733</u>	<u>4,160</u>	<u>1,578</u>	<u>5,738</u>
Gross profit	11,887	42	11,929	10,659	471	11,130
Net operating Expenses	<u>10,321</u>	<u>145</u>	<u>10,466</u>	<u>9,706</u>	<u>466</u>	<u>10,172</u>
Operating profit	<u>1,566</u>	<u>(103)</u>	<u>1,463</u>	<u>953</u>	<u>5</u>	<u>958</u>

4 Turnover

The analysis of turnover by geographical destination is as follows:

	2001 £'000	2000 £'000
United Kingdom	13,547	13,618
Rest of Europe	1,336	1,694
North America	1,740	1,465
Australia and New Zealand	29	(2)
Asia	-	85
Africa	<u>10</u>	<u>8</u>
	<u>16,662</u>	<u>16,868</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:	2001 £'000	2000 £'000
Depreciation charge for the year on tangible fixed assets	2,538	2,370
Auditors' remuneration for audit	17	12
Hire of plant and machinery – operating leases	137	139
Hire of other assets – operating leases	<u>1,066</u>	<u>809</u>

Remuneration of the company's auditors for provision of non-audit services to the company was £Nil (2000: £Nil).

6 Interest receivable and similar income

	2001 £'000	2000 £'000
Other interest receivable and similar income	<u>171</u>	<u>119</u>

7 Directors' emoluments

The remuneration of the directors of The Moving Picture Company Limited was:

	2001 £'000	2000 £'000
Fees	1,160	736
Contributions towards defined contribution scheme	34	33
Other emoluments (including benefits in kind)	<u>125</u>	<u>107</u>
	<u>1,319</u>	<u>876</u>

Highest paid director:

	2001 £'000	2000 £'000
Total emoluments	252	214
Contributions towards defined contribution scheme	<u>34</u>	<u>33</u>
	<u>286</u>	<u>247</u>

Shares options granted to or exercised by the highest paid director were 32,353 granted and none exercised.

Retirement benefits are accruing to five directors under a defined benefit scheme and one director under a defined contribution scheme.

8 Employee information

(a) The average weekly number of persons (including executive directors) employed during the year was:

	2001 Number	2000 Number
Production	82	79
Selling	35	33
Administration	<u>44</u>	<u>43</u>
	<u>161</u>	<u>155</u>

(b) Staff costs (for the above persons):

	2001 £'000	2000 £'000
Wages and salaries	6,042	5,626
Social security costs	613	581
Pension costs	<u>231</u>	<u>204</u>
	<u>6,886</u>	<u>6,411</u>

9 Tax on profit on ordinary activities

There is no tax charge for the year as the company has benefited from the surrender of group relief free of charge.

10 Dividends

	2001 £'000	2000 £'000
Ordinary:		
Interim, £5,000 per Ordinary share (2000: £Nil per Ordinary share)	1,000	-
Final, £Nil per Ordinary share (2000: £Nil per Ordinary share)	=	=
	<u>1,000</u>	=

11 Tangible fixed assets

	Alterations to short leasehold properties £'000	Video Taping equipment £'000	Fixtures fittings and motor vehicles £'000	Total £'000
Cost:				
At 1 October 2000	2,785	13,537	1,134	17,456
Additions	2	2,550	260	2,812
Disposals	-	(1,227)	(122)	(1,349)
At 30 September 2001	<u>2,787</u>	<u>14,860</u>	<u>1,272</u>	<u>18,919</u>
Depreciation:				
At 1 October 2000	324	8,300	405	9,029
Charge for year	281	1,999	258	2,538
Disposals	-	(1,227)	(79)	(1,306)
At 30 September 2001	<u>605</u>	<u>9,072</u>	<u>584</u>	<u>10,261</u>
Net book value				
At 30 September 2001	<u>2,182</u>	<u>5,788</u>	<u>688</u>	<u>8,658</u>
Net book value				
At 1 October 2000	<u>2,461</u>	<u>5,237</u>	<u>729</u>	<u>8,427</u>

12 Fixed asset investments**Interests in group undertakings**

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares and voting rights held	Principal activity
Digital Film Limited	England and Wales	Ordinary £1	100%	Dormant
Blonde Films Limited	England and Wales	Ordinary £1	100%	Dormant

13 Stocks

	2001 £'000	2000 £'000
Consumables	11	12
Work in progress	<u>58</u>	<u>78</u>
	<u>69</u>	<u>90</u>

14 Debtors

	2001 £'000	2000 £'000
Trade debtors	2,937	3,342
Amounts owed by group undertakings	183	179
Prepayments and accrued income	<u>619</u>	<u>514</u>
	<u>3,739</u>	<u>4,035</u>

15 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Payments received on account	154	4
Trade creditors	866	1,249
Amounts owed to group undertakings	2,380	2,197
Other creditors including taxation and social security	642	613
Accruals and deferred income	<u>967</u>	<u>899</u>
	<u>5,009</u>	<u>4,962</u>

Other creditors including taxation and social security
comprise:

	2001 £'000	2000 £'000
Taxation and social security	213	187
Other creditors	397	397
Pension	<u>32</u>	<u>29</u>
	<u>642</u>	<u>613</u>

16 Deferred Taxation

At the year end no provision was required for deferred taxation (2000 £nil).

17 Creditors: amounts falling due after one year

	2001 £'000	2000 £'000
Amounts owed to group undertakings	<u>2,500</u>	<u>2,500</u>

The above balance of £2,500,000 is an interest free loan from the ultimate parent company.

18 Pension and similar obligations

Certain employees of the company are members of the Carlton Communications Plc group pension scheme. The scheme, which is of the defined benefit type, is funded and the assets are held in separate funds administered by trustees.

The fund is valued every three years by a professionally qualified independent actuary. Particulars of the scheme are contained in the annual report and accounts of Carlton Communications Plc. The most recent actuarial valuation was on 1 July 1999.

The total pension cost for the company in the year was £196,880 (2000: £169,966).

An accrual of £30,706 in respect of pension contributions is included in these financial statements (2000: £27,877).

19 Called up share capital

	2001 £'000	2000 £'000
Authorised		
10,000 shares of £1 each	<u>10</u>	<u>10</u>
Allotted, called up and fully paid		
200 ordinary shares of £1 each	<u>=</u>	<u>=</u>

20 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	1,634	1,077
Dividends	<u>(1,000)</u>	=
Net additions to shareholders' funds	634	1,077
Opening shareholders' funds	<u>7,813</u>	<u>6,736</u>
Closing shareholders' funds	<u>8,447</u>	<u>7,813</u>

21 Financial commitments

As at 30 September 2001, the company was committed to payments during the next year under non-cancellable leases, expiring as set out below:

On land and buildings:	2001 £'000	2000 £'000
Over five years	<u>1,066</u>	<u>1,066</u>

22 Capital commitments

	2001 £'000	2000 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>Nil</u>	<u>Nil</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>Nil</u>	<u>Nil</u>

23 Ultimate parent company

The company's ultimate parent company and ultimate controlling party (in accordance with FRS8) is Carlton Communications Plc, a company registered in England and Wales. The company has decided to adopt the exemption available to it under FRS8 not to disclose transactions within the group of which Carlton Communications Plc is the ultimate controlling party. Copies of its Report and Accounts may be obtained from the Company Secretary at 25 Knightsbridge, London SW1X 7RZ.