

Z MUSIC PUBLISHING LIMITED

Report and Financial Statements

30 September 1999

**PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6NN**



**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 SEPTEMEBR 1999**

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**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 SEPTEMBER 1999**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Lord Alli	(resigned 24 June 1999, reappointed 23 November 1999 and resigned 24 November 1999)
M Durkan	(appointed 24 June 1999)
A Rajan	(appointed 24 June 1999)
W Rollason	(appointed 24 June 1999 and resigned 10 December 1999)
N Markham	(appointed 10 December 1999)

COMPANY SECRETARY

D Abdoo

REGISTERED OFFICE

25 Knightsbridge
London
SW1X 7RZ

BANKERS

Barclays Bank PLC
P O Box 544
1st Floor
54 Lombard Street
London
EC3V 9EX

SOLICITORS

Olswang
1 Great Cumberland Place
London W1H 7AL

AUDITORS

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6NN

DIRECTORS' REPORT (continued)

The directors present their annual report and the audited financial statements for the period ended 30 September 1999.

ACTIVITIES

The principal activity of the company is music publishing.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company's turnover for the period was £20,746 (Period to 8 April 1999: £40,321). The company made a profit after tax of £13,775 (Period to 8 April 1999: £33,298).

The directors are satisfied with the results for the period.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are as shown on page 1.

None of the directors held any interest, as defined by the Companies Act 1985, in the share capital of the company or its subsidiary undertakings.

The interests of the following director in the shares of Carlton Communications Plc, at 30 September 1999, together with his interests at 9 April 1999, are:-

	<u>Ordinary Shares of 5p each</u>	
	<u>Held as at 30/09/99</u>	<u>Held as at 09/04/99</u>
W P Rollason	3,824	3,824 *

The interests of the directors in the share options over Carlton Communications Plc Ordinary 5p shares at prices ranging from the nominal amount to 530p exercisable after three years from the date of the grant together with movements during the period are set out below. These interests include share options whose exercise is subject to the satisfaction of certain conditions under the terms of Carlton Communication Plc deferred annual bonus share plan and/or long term incentive share plan and which during the period were converted from awards into share options.

	Options at 8.04.99	Options granted	Options exercised	Options at 30.09.99
W P Rollason	125,531*	-	-	125,531
Lord Alli	-	200,000	-	200,000

* on appointment

AUDITORS

Following the resignation of Deloitte & Touche on 15 November 1999, PricewaterhouseCoopers were appointed auditors as of that date.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year or period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year or period and of the profit or loss of the group 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 group 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 to 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.

By order of the Board


D Addo
Company Secretary

24 July 2000

Registered Office:

25 Knightsbridge
London
SW1X 7RZ

**AUDITORS' REPORT TO THE MEMBERS OF
Z MUSIC PUBLISHING LIMITED**

We have audited the financial statements on pages 5 to 9 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and the profession's ethical guidance.

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 United Kingdom Companies' Act. 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.

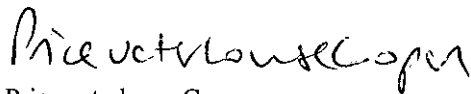
Basis of opinion

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 as at 30 September 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and
Registered Auditors

London 24 July 2000

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD TO 30 SEPTEMBER 1999**

	Note	Period from 9 April 1999 to 30 September 1999	Period from 1 April 1998 to 8 April 1999
		£	£
TURNOVER			
Continuing operations	2	20,746	40,321
Cost of sales		-	(1,308)
Gross profit		20,746	39,013
Net operating expenses		(1,546)	(1,059)
OPERATING PROFIT	3	19,200	37,954
Other interest receivable and similar income		675	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19,875	37,954
Tax charge on profit on ordinary activities	5	(6,100)	(4,656)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,775	33,298
Profit and loss account brought forward		37,420	4,122
Profit and loss account carried forward	10	51,195	37,420

All activities are derived from continuing operations.

There are no recognised gains or losses or movements in shareholders' funds for the current and preceding financial period other than as stated in the profit and loss account. Consequently no statement of total recognised gains and losses or reconciliation of movements in shareholders' funds has been prepared.


There is no difference between the profit on ordinary activities and the retained profit as shown, and their historical cost equivalents.

The notes on pages 7 to 9 form part of these financial statements.

BALANCE SHEET
As at 30 September 1999

	Note	30 September 1999 £	8 April 1999 £
CURRENT ASSETS			
Debtors	6	18,295	43,430
Cash at bank and in hand		54,454	424
		<u>72,749</u>	<u>43,854</u>
CREDITORS: amounts falling due within one year	7	<u>(21,552)</u>	<u>(6,432)</u>
NET CURRENT ASSETS		<u>51,197</u>	<u>37,422</u>
CAPITAL AND RESERVES			
Called up share capital	8	2	2
Profit and loss account	10	51,195	37,420
EQUITY SHAREHOLDERS' FUNDS		<u>51,197</u>	<u>37,422</u>

These financial statements were approved by the Board of Directors on 24 July 2000.
Signed on behalf of the Board of Directors


M Durkan
Director

NOTES TO THE ACCOUNTS**Period from 9 April 1999 to 30 September 1999****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents costs recovered on contracts and other income attributable to the ordinary activities of the group.

Royalties receivable

Royalties receivable are recognised in respect of returns received for each of the royalty accounting periods ending within the company's financial year.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

2. TURNOVER

The turnover and profit before taxation are attributable to the ordinary activities of the group. The directors are of the opinion that no part of the group's worldwide market is substantially different from any other and therefore a geographical analysis of turnover and profit or loss is not disclosed.

3. OPERATING PROFIT

	Period from 9 April 1999 to 30 Sept 1999 £	Period from 1 April 1998 to 8 April 1999 £
Operating profit is after charging:		
Auditors' remuneration - as auditors	500	500
- other services	-	500
	<hr/>	<hr/>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No directors received any emoluments (8 April 1999 : £Nil).

Z Music Publishing Limited had no employees during the period, hence employee costs are £ Nil (8 April 1999: £ Nil).

NOTES TO THE ACCOUNTS

Period from 9 April 1999 to 30 September 1999

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	Period from 9 April 1999 to 30 Sept 1999 £	Period from 1 April 1998 to 8 April 1999 £
United Kingdom corporation tax charge at 30% (8 April 1999 : 21%)	6,100	5,432
Over provision in earlier years	-	(766)
	<u>6,100</u>	<u>4,656</u>

6. DEBTORS

	30 Sept 1999 £	8 April 1999 £
Trade debtors	-	23,328
Other debtors	-	5
Called up share capital not paid	2	2
Prepayments and accrued income	18,293	20,095
	<u>18,295</u>	<u>43,430</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 Sept 1999 £	8 April 1999 £
Corporation tax	11,532	5,432
Other Taxes and Social Security	420	-
Accruals	9,100	1,000
Amounts owed to fellow subsidiaries	500	-
	<u>21,552</u>	<u>6,432</u>

NOTES TO THE ACCOUNTS

Period from 9 April 1999 to 30 September 1999

8. CALLED UP SHARE CAPITAL

	30 Sept 1999 £	8 April 1999 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Called up, allotted and unpaid:		
2 unpaid ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

9. CASH FLOW STATEMENT

No cash flow statement has been prepared since the company is a wholly owned subsidiary of Carlton Communication Plc whose accounts include a consolidated cash flow statement.

Consequently, the company has taken advantage of the exemption under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 Sept 1999 £	8 April 1999 £
Opening shareholders' funds	37,422	4,124
Profit for the period	13,775	33,298
	<u> </u>	<u> </u>
Closing shareholders' funds	51,197	37,422
	<u> </u>	<u> </u>

11. RELATED PARTY TRANSACTIONS

The company is taking advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No 8 "Related Party Disclosures" not to disclose transactions with the group companies which are related parties.

12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

Following the purchase of Planet 24 Limited by Carlton Communications Plc on 8 April 1999, the ultimate parent company and controlling party is Carlton Communications Plc. Copies of group accounts of Carlton Communications Plc are available from 25 Knightsbridge, London SW1X 7RZ.