The Moving Picture Company Limited

Annual Report and Accounts for the 15 month period ended 31 December 2003

Registered no: 1191228

The Moving Picture Company Limited

Annual report
for the 15 month period ended 31 December 2003

Directors and advisers

Executive directors

D St G Jeffers
M Benson
M Houghton (resigned 23 April 2004)
R J Brown
A W Camilleri
D Buttimore (resigned 27 June 2003)
M Elson
J C Soret
A Pickett

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank plc
27 -32 Poultry
London
EC2P 2BX

Secretary and registered office

H Tautz
The London Television Centre
Upper Ground
London
SE1 9LT

Directors' report
for the 15 month period ended 31 December 2003

The directors present their report and the audited financial statements for the fifteen month period ended 31 December 2003. The company's reporting date has changed to 31 December. Comparatives are given for the twelve months ended 30 September 2002.

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 period 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 £2,000,000 was paid during the period (2002: £775,000).

The directors do not recommend payment of a final dividend (2002: £Nil).

Charitable donations

The donations made by the company during the period for charitable purposes were £9,864 (2002: £2,705).

Directors and their interests

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

D St G Jeffers
M Benson
R J Brown
A W Camilleri
M Houghton (resigned 23 April 2004)
M Elson
A Pickett
JC Soret
D Buttimore (resigned 27 June 2003)

D Abdoo served as company secretary throughout the period. Upon his resignation on 30 January 2004 H Tautz was appointed company secretary.

On 26 April 2004 M R Hobbs was appointed an additional director of the company.

Directors' interests

None of the directors had any beneficial interest in the share capital of the company at 31 December 2003.

The interests of the directors in the share capital of the ultimate parent company, Carlton Communications Plc, on 31 December 2003, together with their interests at 1 October 2002, were:

Ordinary shares of 5p	1 October 2002	31 December 2003
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 110p to 561p, exercisable after three years from the date of grant, together with movements during the period, are set out below.

	Options held at 1.10.02	Options Granted	Options Exercised	Options lapsed	Options Held at 31.12.03
D St G Jeffers	167,497	149,969	-	13,135	304,331
R J Brown	67,682	31,545	-	-	99,227
M Benson	62,332	45,702	-	4,545	103,489
A W Camilleri	46,911	66,887	-	2,559	111,239
M Houghton	2,000	-	-	-	2,000
M Elson	30,034	41,990	-	1,252	70,772
A Pickett	33,609	40,115	-	835	72,889
J C Soret	89,988	148,275	-	-	238,263

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.

Post balance sheet event

On 16 October 2002 the boards of the ultimate parent company, Carlton Communications Plc, and Granada Plc announced that they had agreed the terms of a proposed merger, paving the way for a fully consolidated ITV. The Secretary of State referred the proposed merger to the Competition Commission on 11 March 2003 and on 7 October 2003 announced that she had decided to clear the merger, subject to appropriate undertakings being given by Carlton and Granada. Carlton and Granada announced on 14 November 2003 that the terms of those undertakings had been agreed and duly accepted by the Secretary of State. On 2 February 2004 Carlton and Granada merged under a court approved Scheme of Arrangement to form ITV plc.

As a result, the company's ultimate parent company is now ITV plc.

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 15 month period ended 31 December 2003 were 54 days (2002: 39 days), based on the ratio of Company trade creditors at the period end to the amount invoiced during the period by trade creditors.

Employee involvement and disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to effect their interests and that all employees are aware of the financial and economic performance of the company.

Auditors

Following the merger of Carlton Communications Plc with Granada plc, the directors propose that KPMG LLP be appointed as auditors to the Company with effect from the date PricewaterhouseCoopers LLP resign. KPMG LLP have expressed their willingness to act as auditors of the Company and accordingly a resolution of the members will be passed to appoint KPMG LLP as auditors at the relevant time.

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Financial Statements before the Company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act 1985.

By order of the board

H Tautz

H Tautz
Company Secretary
25 June 2004

Registered office:
The London Television Centre
Upper Ground
London
SE1 9LT

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

We have audited the financial statements which comprise the profit and loss account and the balance sheet, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 31 December 2003 and of its profit for the fifteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 June 2004

Profit and loss account
for the 15 month period ended 31 December 2003

	Notes	15 months to 31 December 2003	Year ended 30 September 2002
		£'000	£'000
Turnover - all continuing operations	2	38,379	21,731
Cost of sales		(8,564)	(5,057)
Gross profit		29,815	16,674
Administrative expenses		(23,592)	(13,660)
Other operating income		28	48
Operating profit - all continuing operations		6,251	3,062
Other interest receivable and similar income	4	288	184
Profit on ordinary activities before taxation	3	6,539	3,246
Tax on profit on ordinary activities	7	893	165
Profit for the financial year		7,432	3,411
Dividends	8	(2,000)	(775)
Retained profit for the period	17	5,432	2,636
Retained profit brought forward		11,083	8,447
Retained profit carried forward		16,515	11,083

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 period stated above, and their historical cost equivalents.

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

Balance sheet
at 31 December 2003

	Note	31 December 2003 £'000	30 September 2002 £'000
Fixed assets			
Tangible assets	9	9,615	8,504
Investments	10	-	-
		9,615	8,504
Current assets			
Stocks	11	16	52
Debtors	12	6,250	5,648
Cash at bank and in hand		9,111	3,068
		15,377	8,768
Creditors: amounts falling due within one year	13	(8,477)	(6,189)
Net current assets		6,900	2,579
Net assets		16,515	11,083
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account	17	16,515	11,083
Equity shareholders' funds	17	16,515	11,083

The financial statements on pages 7 to 17 were approved by the board of directors on 25 June 2004 and were signed on its behalf by:

D St G Jeffers
Director

Notes to the financial statements for the 15 month period ended 31 December 2003

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 period.

(ii) Where a production contract exists, turnover represents the sales value of contracts completed during the period. 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	15-50% 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 during the length of the contract. The amount by which turnover exceeds invoiced work is shown under debtors. The amount by which invoiced work exceeds turnover is shown under creditors as deferred income. The costs on long term contracts are taken to the profit and loss account as they are incurred.

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 period.

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

Deferred taxation

Full provision is made for deferred tax liabilities arising from timing differences, in respect of transactions or events that result in an obligation to pay tax in the future, that have originated but not reversed by the balance sheet date. A deferred tax asset is not recognised to the extent that recoverability is uncertain. Deferred tax liabilities and assets which are recognised are not discounted.

2 Turnover

The analysis of turnover by geographical destination is as follows:

	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
United Kingdom	36,761	17,286
Rest of Europe	1,124	3,515
North America	435	848
South America	-	6
Australia and New Zealand	-	50
Asia	1	17
Africa	58	9
	38,379	21,731

3 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Depreciation charge for the year on tangible fixed assets	5,854	3,045
Auditors' remuneration for audit	27	18
Hire of plant and machinery - operating leases	145	90
Hire of other assets - operating leases	1,601	1,223

Remuneration of the company's auditors for provision of non-audit services to the company was £Nil (2002: £Nil).

4 Interest receivable and similar income

	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Other interest receivable and similar income	288	184

5 Directors' emoluments

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

	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Fees	1,993	1,285
Contributions towards defined contribution scheme	59	34
Other emoluments (including benefits in kind)	96	142
	2,148	1,461

Highest paid director:

	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Total emoluments	412	308
Contributions towards defined contribution scheme	59	34
	471	342

Share options granted to, or exercised by, the highest paid director were 149,969 granted and none exercised.

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

6 Employee information

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

	15 months to 31 December 2003 Number	Year ended 30 September 2002 Number
Production	219	130
Selling	41	38
Administration	55	45
	315	213

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

	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Wages and salaries	14,643	8,541
Social security costs	1,587	646
Pension costs	475	250
	16,705	9,437

7 Tax on profit on ordinary activities

(a) Analysis of tax (charge)/credit for the period

	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
United Kingdom corporation tax based on the profits for the period at 30% (2002: 30%)	(156)	-
Adjustments in respect of United Kingdom corporation tax for prior periods	188	-
Current tax (charge)/credit for the period	32	-
Deferred taxation	359	141
Adjustments in respect of deferred taxation for prior periods	502	24
Tax (charge)/credit for the period	893	165

(b) Factors affecting tax (charge)/credit for the period

The current tax charge for the period is lower (2002-lower) than the standard rate of corporation tax in the UK (30%). The difference is explained below:

	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Profit on ordinary activities before taxation	6,539	3,246
Tax (charge)/credit at 30% (2002:30%)	(1,962)	(974)
(Increase)/decrease resulting from:		
Permanent differences and group relief	2,321	1,115
Timing differences	(515)	(141)
Adjustments in respect of prior years	188	-
Current tax (charge)/credit for the period	32	-

8 Dividends

	15 months to 31 December 2003 £'000	Year ended 30 September 2002 £'000
Ordinary:		
Interim, £10,000 per Ordinary share (2002: £3,875 per Ordinary share)	2,000	775
	2,000	775

9 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 2002	2,813	17,400	1,431	21,644
Additions	10	6,630	366	7,006
Disposals	-	(2,990)	(81)	(3,071)
At 31 December 2003	2,823	21,040	1,716	25,579
Depreciation:				
At 1 October 2002	889	11,420	831	13,140
Charge for 15 months	358	5,116	380	5,854
Disposals	-	(2,990)	(40)	(3,030)
At 31 December 2003	1,247	13,546	1,171	15,964
Net book value				
At 31 December 2003	1,576	7,494	545	9,615
Net book value				
At 1 October 2002	1,924	5,980	600	8,504

10 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

11 Stocks

	31 December 2003 £'000	30 September 2002 £'000
Raw materials and consumables	14	11
Work in progress	2	41
	16	52

12 Debtors

	31 December 2003 £'000	30 September 2002 £'000
Trade debtors	3,048	4,714
Amounts owed by group undertakings	174	192
Corporation Tax recoverable	32	-
Deferred taxation (Note 14)	1,026	165
Prepayments and accrued income	1,970	577
	6,250	5,648

13 Creditors: amounts falling due within one year

	31 December 2003 £'000	30 September 2002 £'000
Trade creditors	1,848	1,180
Amounts owed to group undertakings	2,547	2,154
Other creditors including taxation and social security	1,009	1,145
Accruals and deferred income	3,066	1,692
Payments received on account	7	18
	8,477	6,189

Other creditors including taxation and social security comprise:	31 December 2003 £'000	30 September 2002 £'000
Taxation and social security	504	320
Other creditors	453	780
Pension	52	45
	1,009	1,145

14 Deferred Taxation

Deferred tax comprises

	31 December 2003 £'000	30 September 2002 £'000
Accelerated capital allowances	**(948)**	(49)
Short term timing differences	**(63)**	(108)
Other timing differences	**(15)**	(8)
See note 12	**(1,026)**	(165)

15 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 2001.

The total pension cost for the Carlton Communications Plc group pension scheme to the company in the fifteen month period was £415,484 (2002: £250,330 in 12 months).

An accrual of £51,379 in respect of pension contributions to the Carlton Communications Plc group scheme is included in these financial statements (2002: £44,747).

In addition one employee of the company is a member of two defined contributions pension schemes. The total cost of these schemes to the company for the fifteen month period was £59,100 (2002: £34,280 in 12 months).

16 Called up share capital

	31 December 2003 £'000	30 September 2002 £'000
Authorised		
10,000 shares of £1 each	**10**	10
Allotted, called up and fully paid		
200 ordinary shares of £1 each	**-**	-

17 Reconciliation of movements in shareholders' funds

	31 December 2003 £'000	30 September 2002 £'000
Profit for the 15 month period (2002: 12 month)	7,432	3,411
Dividends	(2,000)	(775)
Net additions to shareholders' funds	5,432	2,636
Opening shareholders' funds	11,083	8,447
Closing shareholders' funds	16,515	11,083

18 Financial commitments

As at 31 December 2003, the company was committed to payments during the next year under non-cancellable leases, expiring as set out below:

On land and buildings:	31 December 2003 £'000	30 September 2002 £'000
Expiry date:		
Between one and two years	115	45
Between two and five years	-	263
Over five years	1,246	814
	1,361	1,122

19 Parent undertaking

The ultimate controlling and parent company (as defined in FRS 8) during the period was Carlton Communications Plc, a company incorporated in England and Wales. On 2 February 2004 Carlton Communications Plc became a subsidiary of ITV plc. 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 the reports and financial statements of Carlton Communications Plc may be obtained from ITV plc, The London Television centre, Upper Ground, London SE1 9LT. The immediate parent company is The Moving Picture Company Holdings Limited, a company incorporated in England and Wales.

20 Post balance sheet event

On 16 October 2002 the boards of the ultimate parent company, Carlton Communications Plc, and Granada Plc announced that they had agreed the terms of a proposed merger, paving the way for a fully consolidated ITV. The Secretary of State referred the proposed merger to the Competition Commission on 11 March 2003 and on 7 October 2003 announced that she had decided to clear the merger, subject to appropriate undertakings being given by Carlton and Granada. Carlton and Granada announced on 14 November 2003 that the terms of those undertakings had been agreed and duly accepted by the Secretary of State. On 2 February 2004 Carlton and Granada merged under a court approved Scheme of Arrangement to form ITV plc.

As a result, the company's ultimate parent company is now ITV plc.