

FremantleMedia Group Limited
(formerly FremantleMedia Limited)
Registered Number: 353341

Directors' report and financial statements
for the year ended 31 December 2003



FremantleMedia Group Limited (formerly FremantleMedia Limited)

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

Principal activity

The company holds investments in fellow subsidiary companies of the RTL Group. The company also provides support services to the majority of the UK operations of the RTL Group Companies.

Change of name

The name of the company was changed on 23 March 2004 from FremantleMedia Limited to FremantleMedia Group Limited.

Review of business and future developments

The results of the company for the year ended 31 December 2003 are set out on page 4 of the financial statements. The results are in line with the expectations of the directors. The company will continue to promote its principal activities for the foreseeable future.

On 30 March 2004, the group services business and related assets of FremantleMedia Services Limited, one of the company's subsidiaries, were transferred at book value to the company (see note 20).

Results and dividends

The company's profit for the financial year is £2,456,000 (2002: £5,645,000). The profit for the year has been transferred to reserves. The directors do not recommend the payment of a dividend (2002: nil).

Going concern

The company has net current liabilities as at 31 December 2003. The financial statements have been prepared on a going concern basis as the RTL Group has indicated its intention to provide continuing financial support to the company.

Directors and their interests

The directors who held office during the year are given below:

AL Cohen

IRM Ousey

SFH Tingay

At no time during the year ended 31 December 2003 did any directors have any interest which is required to be notified to the company under Section 324 of the Companies Act 1985.

**FremantleMedia Group Limited
(formerly FremantleMedia Limited)**

Directors' report for the year ended 31 December 2003 (Continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. In accordance with the Companies Act 1985, the company has elected to dispense with the obligation to hold an annual general meeting and the requirement to reappoint annually the registered auditors of the company.

By Order of the Board


Sarah Tingay
Company Secretary

1 Stephen Street
London
W1T 1AL

22nd December 2004

Independent auditors' report to the members of FremantleMedia Group Limited (formerly FremantleMedia Limited)

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes.

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 and 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 into 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. The other information comprises only the directors' report.

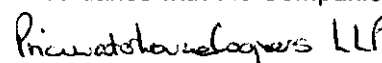
Basis of audit opinion

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 year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

22 December 2004

FremantleMedia Group Limited
(formerly FremantleMedia Limited)

Profit and loss account for the year ended 31 December 2003

	<i>Note</i>	2003 £'000	2002 £'000
Turnover	1	2,519	4,622
Cost of sales		(2,519)	(4,622)
Gross profit		-	-
Administrative expenses – provision against fixed asset investments	9	-	(5,320)
Administrative expenses – other		(3,328)	(541)
Other operating income		885	-
Loss on ordinary activities before interest and taxation	2	(2,443)	(5,861)
Profit on disposal of fixed asset investment	9	683	-
Income from shares in group undertakings		-	4,267
Interest receivable and similar income	6	10,094	10,047
Interest payable and similar charges	7	(5,051)	(4,984)
Profit on ordinary activities before taxation		3,283	3,469
Tax on profit on ordinary activities	8	(827)	2,176
Retained profit for the financial year	15	2,456	5,645

The above results were derived entirely from continuing operations.

The company had no recognised gains or losses during the year other than those reflected in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the result as reported and its historical cost equivalent.

FremantleMedia Group Limited
(formerly FremantleMedia Limited)

Balance sheet as at 31 December 2003

	<i>Note</i>	2003 £'000	2002 £'000
Fixed assets			
Investments	9	631,603	306,069
Current assets			
Debtors	10	35,946	57,947
Cash		-	91,122
		35,946	149,069
Creditors – Amounts falling due within one year	11	(164,596)	(232,401)
Net current liabilities		(128,650)	(83,332)
Total assets less current liabilities		502,953	222,737
Creditors – Amounts falling due after one year	12	-	(175)
Net Assets		502,953	222,562
Capital and reserves			
Called up share capital	14	131,307	131,307
Share premium account	15	277,935	202,254
Capital reserve	15	5,926	5,926
Profit and loss account	15	87,785	(116,925)
Equity shareholders' funds	16	502,953	222,562

The financial statements on pages 4 to 14 were approved by the Board of Directors on 22 December 2004 and signed on its behalf by:



I.R.M. Ousey
Director

FremantleMedia Group Limited (formerly FremantleMedia Limited)

Notes to the accounts for the year ended 31 December 2003

1 Accounting policies

a) Basis of preparation

The financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards in the United Kingdom.

b) Going concern

The company has net current liabilities at 31 December 2003. The financial statements have been prepared on a going concern basis as the company has received confirmation from RTL Group of its intention to provide continuing financial support to the company for a period of not less than fifteen months from the date of approval of these financial statements.

c) Consolidated financial statements

The company is a wholly owned subsidiary of the RTL Group and is included in the financial statements of the RTL Group which are publicly available. Consequently, the company has taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts. Therefore, these accounts include financial information about the company as an individual undertaking rather than as a group.

d) Turnover

Turnover represents income net of value added tax, from the recharge of administration services to UK group companies.

Turnover is entirely generated from providing administration services in the United Kingdom.

e) Foreign currencies

Transactions denominated in foreign currencies during the period are translated at rates ruling at the dates of the transactions. At the balance sheet date all monetary assets and liabilities denominated in foreign currencies are translated at period end rates. Exchange gains and losses are taken to the profit and loss account.

f) Investments

Investments, including investments in subsidiary and associated undertakings, are stated at cost less provision for diminution in value where appropriate, to arrive at a net value equating to the estimated recoverable amount.

g) Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision is made for deferred taxation resulting from timing differences computed for taxation purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax in the future as a result of the reversal of those timing differences. Deferred tax assets are recognised to the extent that they are expected to be recoverable.

FremantleMedia Group Limited **(formerly FremantleMedia Limited)**

Notes to the accounts for the year ended 31 December 2003 (Continued)

2 Loss on ordinary activities before interest and taxation

	2003	2002
	£'000	£'000
This is stated after charging:		
Management charge for asset rental and employment costs	2,704	2,891
Provision against fixed asset investments	-	5,320
Provision for funding of trading losses of a fixed asset investment	-	182
Exchange loss/(gain)	(18)	73
Auditors' remuneration		
- Audit services	134	181
- Non-audit services	38	73

3 Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of the RTL Group and is included in the consolidated financial statements of the RTL Group which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8, Related Party Disclosures, from disclosing related party transactions with other members of the RTL Group.

4 Staff and other costs

All employees are contracted to and paid by FremantleMedia Services Limited a subsidiary undertaking. A management recharge is made by that company to the company for their share of the employee, fixed asset, facility and other administrative costs incurred. The company had no employees during the year ended 31 December 2003 (2002: nil).

5 Directors' emoluments

None of the directors received any fees or emoluments in respect of their services to the company during the year ended 31 December 2003 (2002: nil).

6 Interest receivable and similar income

	2003	2002
	£'000	£'000
Interest receivable from loans to fellow group undertakings	10,060	9,871
Bank interest receivable	34	176
	10,094	10,047

FremantleMedia Group Limited
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Notes to the accounts for the year ended 31 December 2003 (Continued)

7 Interest payable and similar charges

	2003	2002
	£'000	£'000
Interest payable on loans to fellow group undertakings	5,051	4,984
	<u>5,051</u>	<u>4,984</u>

8 Tax on profit on ordinary activities

	2003	2002
	£'000	£'000
a) Analysis of tax charge/(credit) in period		
Current tax:		
UK group relief payable at 30%(2002: 16%) on the profit for the year	827	275
Adjustments in respect of previous periods	-	(2,682)
Total current tax (Note 8(b))	<u>827</u>	<u>(2,407)</u>
Deferred tax:		
Origination and reversal of timing differences	-	231
	<u>827</u>	<u>(2,176)</u>

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

The tax for the period differs from the standard rate of corporation tax in the UK 30% (2002: 30%). The differences are explained below:

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	3,283	3,469
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	985	1,041
Effects of:		
Expenses not deductible for tax purposes	47	1,136
Adjustments to tax charge in respect of previous periods	-	(2,682)
Income exempt from tax	(205)	(1,280)
Group relief available at rate lower than standard UK rate	-	(391)
Short-term timing differences	-	(231)
Current tax charge/(credit) for period (note 8(a))	<u>827</u>	<u>(2,407)</u>

There are no factors noted that may affect the future tax charges.

FremantleMedia Group Limited **(formerly FremantleMedia Limited)**

Notes to the accounts for the year ended 31 December 2003 (Continued)

9 Fixed asset investments

	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2003	252,343	254,509	506,852
Additions	13,120	544,087	557,207
Disposals	-	(231,673)	(231,673)
At 31 December 2003	265,463	566,923	832,386
Provision			
At 1 January 2003 and at 31 December 2003	-	(200,783)	(200,783)
Net book value			
At 31 December 2003	265,463	366,140	631,603
At 1 January 2003	252,343	53,726	306,069

Included in investments in associated undertakings is principal of £193,624,786 (2002: £185,223,000) and accrued interest of £36,113,339 (2002: £31,392,000) which represents shareholder loans made to associated undertakings. The £13,120,000 additions to associated undertakings is explained by the movement in the principal of £8,401,786 and accrued interest of £4,721,339. Of these loans, £81,953,000 (2002: £81,953,000) accrues interest at Libor plus 2% and is repayable on 1 July 2006. The remaining £111,671,786 (2002: £103,270,000) is repayable on a monthly rolling basis and bears interest at Libor plus 1%.

The £544,087,000 additions to subsidiary undertakings comprise of the following acquisitions;

On 9 July 2003, FremantleMedia Group Limited acquired the entire share capital of FremantleMedia Overseas Holdings BV for £33,797,000.

On 2 September 2003 FremantleMedia Group Limited issued 2 ordinary shares for the value of £227,964,100 and £49,970,562 to FremantleMedia SA (formerly RTL UK Holdings SA) in exchange for the entire share capital in Thames Television Limited and FremantleMedia Limited (formerly FremantleMedia Enterprises Limited) respectively.

On 2 September 2003, shares with a book value of £231,673,000 in Thames Television Limited together with Grundy Productions Limited and Regent Productions Limited were transferred to TalbackTHAMES Limited for the total consideration of £232,356,000 in exchange for 3 shares in the capital of TalbackTHAMES Limited with a value of £232,356,000. This results in a gain on disposal of £683,000.

The company's subsidiary and associated undertakings are incorporated and operate in the United Kingdom and are registered in England and Wales (unless otherwise stated).

FremantleMedia Group Limited **(formerly FremantleMedia Limited)**

Notes to the accounts for the year ended 31 December 2003 (Continued)

9 Fixed asset investments (Continued)

The company's principal subsidiaries, associated undertakings and other investments include:

Name of subsidiary undertaking	Percentage of ordinary shares held	Principal activity
Talkback Thames Limited (formerly Not Any Old Radio Commercials Limited)	100%	Investment
FremantleMedia Animation Limited	100%	Animation
Grundy Worldwide Limited (incorporated in Bermuda)	100%	Investment
FremantleMedia Overseas Limited	100%	Investment
London Playout Centre Limited	100%	Transmission, engineering
Talkback Productions Limited	100%	Programme production
Thames Television Holdings Limited	100%	Investment
FremantleMedia Services Limited	100%	Management services
FremantleMedia Limited (formerly FremantleMedia Enterprises Limited)	100%	Distribution

Interest in associated undertakings	No. of shares	Shareholding	Principal activity
HD Thames Limited	12,000	24% £1 'A' Ordinary	Technical services provider
Channel 5 Television Group Limited	73	9.2% £0.01 Ordinary voting	Commercial broadcasting
	138	4.3% £0.01 Non-rating Ordinary	
	4,095	26% £0.01 Preference	
	70	28.4% £0.01 Deferred	

The directors are of the opinion that the value of the company's fixed asset investments is not less than the amount at which they are stated in the balance sheet.

FremantleMedia Group Limited
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Notes to the accounts for the year ended 31 December 2003 (Continued)

10 Debtors

	2003 £'000	2002 £'000
Amounts owed by group undertakings	34,265	54,868
Taxation and social security	1,594	3,072
Other debtors	87	7
	<u>35,946</u>	<u>57,947</u>

Amounts owed by group undertakings are unsecured and repayable on demand. Within amounts owed by group undertakings are loans attracting interest at Libor plus 1%.

11 Creditors – amounts falling due within one year

	2003 £'000	2002 £'000
Amounts due to group undertakings	146,666	229,009
Overdraft	14,504	-
Other creditors	2,060	1,983
Accruals and deferred income	1,366	1,409
	<u>164,596</u>	<u>232,401</u>

Amounts due to group undertakings are unsecured and repayable on demand. Within amounts due to group companies are loans attracting interest at Libor plus 50 basis points.

12 Creditors – amounts falling due after one year

	2003 £'000	2002 £'000
Other creditors	-	175

13 Provision for deferred tax

	2003 £'000	2002 £'000
Provision / (asset) at start of period	-	(231)
Deferred tax charge in profit and loss account for period (note 8)	-	231
	<u>-</u>	<u>-</u>

FremantleMedia Group Limited
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Notes to the accounts for the year ended 31 December 2003 (Continued)

14 Called up share capital

	2003	2002
	£'000	£'000
Authorised		
600,000,000 ordinary shares of 25p each	150,000	150,000
Allotted and fully paid		
525,226,414 ordinary shares of 25p each (2002: 525,226,412)	131,307	131,307

15 Reconciliation of movements in reserves

	Share premium account	Profit and loss account	Capital reserve	Total
	£'000	£'000	£'000	£'000
At 1 January 2003	202,254	(116,925)	5,926	91,255
Transfer of share premium	(202,254)	202,254	-	-
Retained result for the financial year	-	2,456	-	2,456
Share premium on shares issued in the year	277,935	-	-	277,935
At 31 December 2003	277,935	87,785	5,926	371,646

On 2 September 2003 FremantleMedia Group Limited issues 2 shares at a premium for the value of £227,964,100 and £49,970,562 to RTL: UK Holdings SA (known as FremantleMedia SA).

On 28 May 2003 a special resolution was passed to transfer £202,254,000 from the share premium account to the profit and loss reserves, following a court order on 25 June 2003, as permitted by section 381A of the Companies Act.

16 Reconciliation of movements in equity shareholders' funds

	2003	2002
	£'000	£'000
Profit for the year	2,456	5,645
Share premium arising on shares issued in the year	277,935	-
Net addition to equity shareholders' funds	280,391	5,645
Equity shareholders' funds as at 1 January	222,562	216,917
Equity shareholders' funds as at 31 December	502,953	222,562

FremantleMedia Group Limited (formerly FremantleMedia Limited)

Notes to the accounts for the year ended 31 December 2003 (Continued)

17 Guarantees and other financial commitments

The company has entered into a cross guarantee with Thames Television Limited to guarantee the obligations of FremantleMedia Services Limited, a subsidiary undertaking of the company, under a 15 year lease of 1 Stephen Street, London from 1 October 1996.

Following the sale of London Playout Centre Limited to Ascent Media Limited on 12 March 2004, London Playout Centre Limited's obligations under the sub lease of 1 Stephen Street remains guaranteed by The Company and Thames Television Limited pending replacement by an Ascent Media Group guarantor acceptable to the lessor, the Prudential. In the meantime Ascent Media have made an undertaking to indemnify the FremantleMedia Group guarantors.

18 Contingent liabilities

Bank guarantees

The company participates in an arrangement with HSBC Bank plc whereby the accounts of the company, Thames Television Limited, a fellow subsidiary undertaking, and nine other of the FremantleMedia group companies, "the guarantors", are combined, with cleared debit and credit balances being offset for interest calculation purposes. In order to comply with banking regulations, each guarantor to this arrangement has provided a multilateral guarantee in respect of the overdraft obligations (but no other debts due to the bank) of each of the other participants. The net balance under this arrangement at 31 December 2003 was £6,403,934 overdraft (2002: £1,716,628 overdraft).

The maximum amount of this guarantee is limited to a net overdraft of £10,000,000.

From 10th December 2003, the company entered into an arrangement with Barclays Bank plc whereby funds are physically transferred creating an intergroup balance between the company and FremantleMedia Services Limited.

19 Ultimate parent undertaking

The immediate parent undertaking is FremantleMedia SA, a company registered in Luxembourg. The smallest group to consolidate these accounts is the RTL Group, a company registered in Luxembourg. Copies of the RTL Group accounts can be obtained from the General Counsel at RTL Group, 45 Boulevard Pierre Frieden, L-1543 Luxembourg.

The ultimate parent undertaking and controlling party is Bertelsmann AG, a company registered in Germany which is the largest group to consolidate these accounts.

FremantleMedia Group Limited (formerly FremantleMedia Limited)

Notes to the accounts for the year ended 31 December 2003 (Continued)

20 Post balance sheet events

On 12th March 2004, the entire issued share capital of London Playout Centre Limited was sold to Ascent Media Group Limited for a consideration of £20 million plus additional contingent consideration payable subject to certain performance targets.

On 29 March 2004 FremantleMedia Group Limited increased its share holding in FremantleMedia Licensing Limited by 1 share for a consideration of £2.6 million.

On 30 March 2004 a decision was taken to restructure the UK companies within the FremantleMedia Group. As part of this reorganisation certain fixed assets were purchased from FremantleMedia Services Limited for £93,345 cash consideration.