

FremantleMedia Limited

Registered Number: 353341

**Directors' report and financial statements
for the year ended 31 December 2002**



FremantleMedia Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

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.

Review of business and future developments

The results of the company for the year ended 31 December 2002 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.

Results and dividends

The company's profit for the financial year is £5,645,000 (2001: £5,500,000). The profit for the year has been transferred to reserves. The directors do not recommend the payment of a dividend (2001: nil).

Going concern

The company has net current liabilities as at 31 December 2002. 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 2002 did any directors have any interest which is required to be notified to the company under Section 324 of the Companies Act 1985.

FremantleMedia Limited

Directors' report for the year ended 31 December 2002 (Continued)

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 of the company 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; and
- 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 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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. In accordance with section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to hold an annual general meeting.

By Order of the Board


SFH Tingay
Secretary

1 Stephen Street
London
W1T 1AL

27 March 2003

Independent auditors' report to the members of 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.

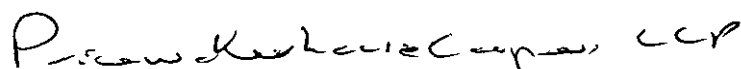
Basis of audit opinion

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 2002 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

27 March 2003

FremantleMedia Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover	2	4,622	2,975
Cost of sales		(4,622)	(2,975)
Gross profit		-	-
Administrative expenses – release of provision against fixed asset investment		-	26,995
Administrative expenses – provision against fixed asset investment	9	(5,320)	(21,443)
Administrative expenses – other		(541)	(8,884)
Other operating income		-	305
Loss on ordinary activities before interest & taxation	3	(5,861)	(3,027)
Income from shares in group undertakings		4,267	-
Interest receivable and similar income	6	10,047	7,260
Interest payable and similar charges	7	(4,984)	(3,965)
Profit on ordinary activities before taxation		3,469	268
Tax on profit on ordinary activities	8	2,176	5,232
Retained profit for the financial year	16	5,645	5,500

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 Limited

Balance sheet as at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Investments	9	306,069	291,066
Current assets			
Debtors	10	57,947	244,181
Cash		91,122	-
		149,069	244,181
Creditors – Amounts falling due within one year	11	(232,401)	(316,174)
Net current liabilities		(83,332)	(71,993)
Total assets less current liabilities		222,737	219,073
Creditors – Amounts falling due after one year	12	(175)	(350)
Provisions for liabilities and charges	14	-	(1,806)
Net Assets		222,562	216,917
Capital and reserves			
Called up share capital	15	131,307	131,307
Share premium account	16	202,254	202,254
Capital reserve	16	5,926	5,926
Profit and loss account	16	(116,925)	(122,570)
Equity shareholders' funds	17	222,562	216,917

The financial statements on pages 4 to 14 were approved by the board of directors on 27 March 2003 and signed on its behalf by:



I.R.M Ousey
Director

FremantleMedia Limited

Notes to the accounts for the year ended 31 December 2002

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 as at 31 December 2002. 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.

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.

e) Foreign currencies

Exchange differences are taken to the profit and loss account where they relate to trading transactions.

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 end 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.

h) 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.

FremantleMedia Limited

Notes to the accounts for the year ended 31 December 2002 (Continued)

2 Turnover

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

3 Loss on ordinary activities before interest and taxation

	2002 £'000	2001 £'000
This is stated after charging:		
Management charge for asset rental and employment costs	2,891	2,460
Release against fixed asset investments	-	(26,995)
Provision against fixed asset investments	5,320	21,443
Provision for funding of trading losses of a fixed asset investment	182	1,051
Exchange (loss)/gain	(73)	3,630
Auditors' remuneration		
- Audit services	181	118
- Non-audit services	73	79

4 Staff and other costs

All employees are contracted to and paid by a fellow subsidiary undertaking. A management recharge is made to the company for their share of the employee, fixed asset, facility and other administrative costs incurred. Until 30 June 2002, the company providing the services was London Playout Centre Limited (formerly known as Thames Television Services Limited). From 1 July 2002, the company providing the services was FremantleMedia Services Limited.

5 Directors' emoluments

None of the directors received any fees or emoluments from the company during the year ended 31 December 2002 (2001: nil) since their duties are incidental to their main duties to other subsidiary undertakings of RTL Group. The company had no employees during the year ended 31 December 2002 (2001: nil).

6 Interest receivable and similar income

	2002 £'000	2001 £'000
Interest receivable from loans to fellow group undertakings	9,871	6,977
Bank interest receivable	176	283
	10,047	7,260

FremantleMedia Limited

Notes to the accounts for the year ended 31 December 2002 (Continued)

7 Interest payable and similar charges

	2002 £'000	2001 £'000
Interest payable on loans to fellow group undertakings	4,984	2,631
Interest payable on loans to related parties	-	1,334
	<u>4,984</u>	<u>3,965</u>

8 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
a) Analysis of tax (credit) in period		
Current tax:		
UK group relief payable at 16% on the profit for the year	275	-
UK corporation tax on the profits for the year at 30% (2001: 30%)	-	(780)
Adjustments in respect of previous periods	<u>(2,682)</u>	<u>(4,221)</u>
Total current tax (Note 8(b))	(2,407)	(5,001)
Deferred tax:		
Origination and reversal of timing differences	<u>231</u>	<u>(231)</u>
	<u>(2,176)</u>	<u>(5,232)</u>

FremantleMedia Limited

Notes to the accounts for the year ended 31 December 2002 (Continued)

8 Tax on profit on ordinary activities (Continued)

b) Factors affecting tax (credit) for period

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

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	3,469	268
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	1,041	80
Effects of:		
Expenses not deductible for tax purposes (primarily provisions against investments)	1,136	213
Adjustments to tax charge in respect of previous periods	(2,682)	(4,221)
Income exempt from tax	(1,280)	(204)
Group relief available at rate lower than standard UK rate	(391)	(1,100)
Short-term timing differences	(231)	231
Current tax (credit) for period (note 8(a))	(2,407)	(5,001)

c) Factors that may affect future tax charges

The future availability of losses made elsewhere in the group to the company at less than the standard UK rate of corporation tax is uncertain.

FremantleMedia Limited

Notes to the accounts for the year ended 31 December 2002 (Continued)

9 Fixed asset investments

	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2002	232,422	254,107	486,529
Additions	19,921	402	20,323
At 31 December 2002	252,343	254,509	506,852
Provision			
At 1 January 2002	-	(195,463)	(195,463)
Increase in provision during the year	-	(5,320)	(5,320)
At 31 December 2002	-	(200,783)	(200,783)
Net book value			
At 31 December 2002	252,343	53,726	306,069
At 1 January 2002	232,422	58,644	291,066

Included in investments in associated undertakings is principal of £185,223,000 (2001: £170,295,000) and accrued interest of £31,392,000 (2001: £26,401,000) which represents shareholder loans made to associated undertakings. £81,953,000 (2001: £81,953,000) of these loans accrues interest at Libor plus 2% and is repayable on 1 July 2006. The remaining £103,270,000 (2001: £88,342,000) of these loans is repayable on a monthly rolling basis and bears interest at Libor plus 1%.

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 Limited

Notes to the accounts for the year ended 31 December 2002 (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
FremantleMedia Animation Limited	100%	Animation
Grundy Productions Limited	100%	Programme production
Grundy Worldwide Limited (incorporated in Bermuda)	100%	Investment
FremantleMedia Overseas Limited	100%	Investment
London Payout Centre Limited (formerly known as Thames Television Services Ltd)	100%	Transmission, engineering
Regent Productions Limited	100%	Programme production
Talkback Productions Limited	100%	Programme production
Thames Television Holdings Ltd	100%	Investment
FremantleMedia Services Ltd	100%	Management services

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.

10 Debtors

	2002 £'000	2001 £'000
Amounts owed by group undertakings	54,868	242,579
Taxation and social security	3,072	879
Other debtors	7	723
	57,947	244,181

Amounts owed by group undertakings are unsecured and repayable on demand.

FremantleMedia Limited

Notes to the accounts for the year ended 31 December 2002 (Continued)

11 Creditors – amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due to group undertakings	229,009	254,070
Other creditors	1,983	59,853
Accruals and deferred income	1,409	2,251
	<u>232,401</u>	<u>316,174</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

	2002 £'000	2001 £'000
Other creditors	175	350

13 Provision for deferred tax

	2002 £'000	2001 £'000
Short-term timing differences	-	(231)
	<u>-</u>	<u>(231)</u>
Provision / (asset) at start of period	(231)	-
Deferred tax charge in profit and loss account for period (note 8)	231	-
	<u>-</u>	<u>-</u>

In 2001, the deferred tax asset was included within debtors.

14 Provisions for liabilities and charges

	Losses of a fixed asset investment £'000
At 1 January 2002	1,806
Released to profit and loss account in the year	(1,806)
<u>At 31 December 2002</u>	<u>-</u>

FremantleMedia Limited

Notes to the accounts for the year ended 31 December 2002 (Continued)

15 Called up share capital

	2002 £'000	2001 £'000
Authorised		
600,000,000 ordinary shares of 25p each	150,000	150,000
Allotted and fully paid		
525,226,412 ordinary shares of 25p each	131,307	131,307

16 Reconciliation of movements in reserves

	Share premium account £'000	Profit and loss account £'000	Capital reserve £'000	Total £'000
At 1 January 2002	202,254	(122,570)	5,926	85,610
Retained result for the financial year	-	5,645	-	5,645
At 31 December 2002	202,254	(116,925)	5,926	91,255

17 Reconciliation of movements in equity shareholders' funds

	2002 £'000	2001 £'000
Profit for the year	5,645	5,500
Share premium on issue of shares	-	17,254
Net addition to shareholders' funds	5,645	22,754
Shareholders' funds as at 1 January	216,917	194,163
Equity shareholders' funds as at 31 December	222,562	216,917

18 Guarantees and other financial commitments

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

FremantleMedia Limited

Notes to the accounts for the year ended 31 December 2002 (Continued)

19 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 2002 was £1,716,628 in funds (2001: £3,450,047 overdraft).

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

20 Ultimate parent undertaking

The immediate parent undertaking is RTL UK Holdings 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.