

FremantleMedia Limited

(formerly Pearson Television Limited)

(Registered Number: 353341)

**Directors' report and financial statements
for the year ended 31 December 2000**



FremantleMedia Limited

(formerly Pearson Television Limited)

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements of the company for the year ended 31 December 2000.

Principal activity and future developments

The company holds investments in third parties as well as in fellow subsidiary companies of the RTL Group. The company will continue to promote its principal activities for the foreseeable future.

The television production, broadcasting and distribution businesses of Pearson plc were collectively known as Pearson Television. The operations of the Pearson Television business were previously carried out as a division of Pearson plc by a number of UK and overseas statutory subsidiaries and associates of Pearson plc.

On 7 April 2000, Pearson plc, the ultimate parent undertaking company, Bertelsmann and GBL/Electrafina announced their intention to merge the Pearson Television Group and CLT-UFA into Audiofina a company registered in Luxembourg, with the new group seeking a primary listing with the UK Listing Authority. The merger was completed on 25 July 2000 and the name of Audiofina was changed to RTL Group. On 26 July 2000 dealing of RTL Group shares commenced on the London Stock Exchange.

As a result of this transaction, the RTL Group became the company's ultimate parent undertaking.

On 2 July 2001 Bertelsmann AG acquired the 29.9% stake in RTL Group held by GBL/Electrafina. The acquisition gives Bertelsmann a 67% controlling interest in RTL Group.

Change of Name

On 20 August 2001 the name of the company was changed from Pearson Television Limited to FremantleMedia Limited.

Business review

The results set out on page 5 have been affected by the reorganisation described below which has resulted in a provision against the carrying value of certain fixed asset investments of £179,895,000. Otherwise the results are in line with the expectations of the Directors.

Review and development of the business

As part of a reorganisation of Pearson plc's UK television businesses in April 2000, the company sold Pearson Television International Ltd (now FremantleMedia Enterprises Ltd), Pearson Television Productions Ltd (now Thames Television Ltd) and Thames Cable and Satellite Services Ltd to Pearson plc for an aggregate amount of £112,863,411 and two of the company's direct subsidiaries Grundy Worldwide Ltd and Pearson Television Overseas Ltd (now FremantleMedia Overseas Ltd) sold their investments in Grundy Holdings (Netherlands) BV and Grundy Holdings BV to Pearson plc for an amount of US\$4,923,282 and £319,408 respectively. Furthermore, in June 2000 the company acquired Talkback Productions Limited, a television production company, for a consideration of £60,443,257.

Results and dividends

The company's loss for the financial year is £95,885,000 (1999: profit £31,863,000). The directors paid an interim dividend of £140,000,000 (1999: £88,372,000). No final dividend is proposed (1999: £nil).

FremantleMedia Limited
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Directors' report for the year ended 31 December 2000 (Continued)

Directors and their interests

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

M Scardino (Chairman)	(resigned 1 March 2000)
JS Bennett	(resigned 30 November 2000)
AL Cohen	
BFJ Harris	(resigned 30 April 2001)
JG Lee	(resigned 1 May 2001)
NW Humby	(resigned 29 September 2000)
R Turner	(resigned 26 April 2000)
R A Eyre (Chairman)	(appointed 2 February 2000; resigned 20 March 2001)
IRM Ousey	(appointed 24 August 2000)
MG Southgate	(appointed 24 August 2000, resigned 9 November 2001)
SFH Tingay	(appointed 24 August 2000)

At no time during the year ended 31 December 2000 did any directors have any interest which is recognised to be notified to the company under Section 324 of the Companies Act 1985.

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.

FremantleMedia Limited
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Directors' report for the year ended 31 December 2000 (Continued)

Auditors

In accordance with Section 386 of the Companies Act 1985, the company has dispensed with the obligation to appoint auditors annually. PricewaterhouseCoopers, have expressed their willingness to continue in office.

By Order of the Board


SFH Tingay
Secretary

1 Stephen Street
London
W1T 1AL

10 December 2001

**Auditors' report to the members of
FremantleMedia Limited
(formerly Pearson Television Limited)**

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, 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 our 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.

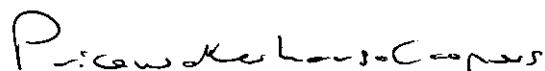
Basis of audit opinion

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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

10 December 2001

FremantleMedia Limited
(formerly Pearson Television Limited)

Profit and loss account for the year ended 31 December 2000

	<i>Note</i>	2000 £'000	1999 £'000
Administrative expenses – provision against fixed asset investment	9	(179,895)	-
Administrative expenses – other		(16,416)	(5,925)
Other operating income	4	51,771	491
Loss on ordinary activities before interest & taxation	2	(144,540)	(5,434)
Income from shares in group undertakings		39,435	20,000
Interest receivable and similar income	5	5,806	12,665
Interest payable and similar charges	6	(4,825)	-
(Loss)/Profit on ordinary activities before taxation		(104,124)	27,231
Tax on loss on ordinary activities	7	8,239	4,632
(Loss)/Profit for the financial year		(95,885)	31,863
Dividends	8	(140,000)	(88,372)
Retained loss for the financial year	15	(235,885)	(56,509)

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
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Balance sheet as at 31 December 2000

	<i>Note</i>	2000 £'000	1999 £'000
Fixed assets			
Investments	9	150,833	445,975
Current assets			
Debtors	10	193,952	152,725
Creditors – Amounts falling due within one year	11	(89,535)	(168,127)
Net current assets		104,417	(15,402)
Total assets less current liabilities		255,250	430,573
Creditors – Amounts falling due after one year	12	(60,332)	(525)
Provisions for liabilities and charges	13	(755)	-
Net Assets		194,163	430,048
Capital and reserves			
Called up share capital	14	131,307	131,307
Share premium account	15	185,000	185,000
Capital reserve	15	5,926	5,926
Profit and loss account	15	(128,070)	107,815
Equity shareholders' funds	16	194,163	430,048

The financial statements on pages 5 to 16 were approved by the board of directors on 10 December 2001 and signed on its behalf by:



I.R.M Ousey
Director

FremantleMedia Limited
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Notes to the financial statements for the year ended 31 December 2000

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

b) Basis of consolidation

The company is a wholly owned subsidiary of RTL Group and is included in the financial statements of 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.

c) Cashflow statement and related party disclosures

The company is a wholly owned subsidiary of RTL Group and is included in the consolidated financial statements of 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. (see note 20)

d) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the appropriate rates ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates of exchange prevailing at the date of the transaction. Exchange differences are taken to the profit and loss account where they relate to trading transactions.

e) Fixed asset investments

Fixed asset investments are stated at cost less provisions for impairment.

f) Deferred taxation

Deferred taxation is provided, using the liability method, at the expected applicable rates, on all timing differences between accounting and taxation treatments, which are expected to reverse in the foreseeable future.

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Notes to the accounts for the year ended 31 December 2000 (Continued)

1 Accounting policies (continued)

g) Pension costs

The regular pension cost of defined benefit pension schemes is charged to the profit and loss account in order to apportion the cost of pensions over the service lives of employees in the schemes. The effect of variations from regular cost are apportioned over the expected service lives of current employees in the schemes.

The pension cost charge of defined contribution pension schemes represents contributions payable to these schemes.

2 Profit/(loss) on ordinary activities before interest and taxation

	2000 £'000	1999 £'000
This is stated after charging:		
Management charge for asset rental and employment costs	190	1,093
Provision against fixed asset investments	179,895	-
Provision for funding of trading losses of a fixed asset investment	755	-
Exchange (gain)/loss	8,992	-
Auditors' remuneration		
Audit services	67	22
Non-audit services	992	1

All employees are contracted to and paid by Thames Television Services Limited ("TTSL") (formerly Pearson Television Services Limited), a fellow subsidiary undertaking. A management recharge is made by TTSL to the Company for their share of the employee, fixed asset, facility and other administrative costs incurred.

3 Directors' emoluments

	2000 £'000	1999 £'000
The emoluments of the remaining directors are summarised as follows:		
Aggregate emoluments for qualifying services	1,858	1,245
Aggregate of pension contributions	59	39
Compensation for loss of office	616	-
Sums paid to third parties for directors' services	79	73
	2,612	1,357

FremantleMedia Limited
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Notes to the accounts for the year ended 31 December 2000 (Continued)

3 Directors' emoluments (continued)

Highest paid director

	2000 £'000	1999 £'000
Aggregate emoluments for qualifying services	951	417
Aggregate of pension contributions	-	19
	951	436

No director exercised share options in the year (1999 : one).

Retirement benefits are accruing to four directors (1999: two) under a defined benefit scheme, and to four directors under money purchase schemes.

4 Other operating income

Other operating income includes a £28,528,000 loan forgiveness from Pearson plc.

Also included in other operating income is £17,115,000 arising on the liquidation of the company's subsidiary, Pearson Asia-Pacific Ltd.

5 Interest receivable and similar income

	2000 £'000	1999 £'000
Interest receivable from loans to fellow group undertakings	5,511	12,665
Bank interest receivable	295	-
	5,806	12,665

6 Interest payable and similar charges

	2000 £'000	1999 £'000
Interest payable on loans to fellow group undertakings	3,372	-
Interest payable on loans to related parties	1,453	-
	4,825	-

FremantleMedia Limited
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Notes to the accounts for the year ended 31 December 2000 (Continued)

7 Taxation on profit on ordinary activities

	2000 £'000	1999 £'000
Taxation on the profit for the year		
UK corporation tax (credit)/charge at 30% (1999: 30.25%)	(913)	916
(Over) provision for prior years	(7,380)	(5,494)
Deferred taxation	54	(54)
	(8,239)	(4,632)

8 Dividends

	2000 £'000	1999 £'000
Interim paid	140,000	88,372

9 Fixed asset investments

	Associated undertakings £'000	Investments £'000	Subsidiary undertakings £'000	Total £'000
Cost				
At 1 January 2000	28,565	4,954	412,456	445,975
Additions	47,896	2,275	60,443	110,614
Disposals	(4,790)	-	(218,717)	(223,507)
Transfers	-	(2,354)	-	(2,354)
At 31 December 2000	71,671	4,875	254,182	330,728
Provision				
At 1 January 2000	-	-	-	-
Charged during the year	-	(4,875)	(175,020)	(179,895)
At 31 December 2000	-	(4,875)	(175,020)	(179,895)
Net book value				
At 31 December 2000	71,671	-	79,162	150,833
At 1 January 2000	28,565	4,954	412,456	445,975

The charge for the year relates to provisions for impairment made against the carrying value of fixed asset investments.

The company's subsidiary undertakings are incorporated and operate in Great Britain and are registered in England and Wales (unless otherwise stated).

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Notes to the accounts for the year ended 31 December 2000 (Continued)

9 Fixed asset investments (Continued)

The following interests were directly held at the financial year-end at net book value. This information has only been provided for those subsidiaries that, in the directors' opinion, principally affect the figures shown in the financial statements.

Name of subsidiary undertaking	Percentage of Ordinary shares held	Principal activity
Eva Entertainment Limited	100%	Animation
Grundy Productions Limited	100%	Programme production
Grundy Worldwide Limited (incorporated in Bermuda)	100%	Investment
FremantleMedia Overseas Limited (formerly Pearson Television Overseas Ltd)	100%	Investment
Thames Television Services Limited (formerly Pearson Television Services Ltd)	100%	Transmission, engineering, and management services
Regent Productions Limited	100%	Programme production
Talkback Productions Limited	100%	Programme production
Interest in associated undertakings	Shareholding	Principal activity
Channel 5 Television Group Limited	9.2% Ordinary voting 4.3% Ordinary non-voting 26% Preference 28.4% Deferred	Commercial broadcasting
Interests in other investments	Shareholding	Principal activity
The Digital Broadcasting Company Limited	13.8% Ordinary	Digital broadcasting

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.

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Notes to the accounts for the year ended 31 December 2000 (Continued)

10 Debtors

	2000 £'000	1999 £'000
Amounts owed by group undertakings	167,209	139,900
Amounts owed by undertakings in which company has a participating interest	20,798	12,660
Taxation and social security	3,047	54
Other debtors	2,701	9
Prepayments and accrued income	197	102
	193,952	152,725

Amounts owed by fellow subsidiary undertakings are unsecured and repayable on demand.

11 Creditors – amounts falling due within one year

	2000 £'000	1999 £'000
Amounts due to group undertakings	52,039	164,021
Taxation and social security	-	3,059
Other creditors	36,454	859
Accruals and deferred income	1,042	188
	89,535	168,127

Amounts owed to fellow subsidiary undertakings are unsecured and repayable on demand.

12 Creditors – amounts falling after one year

	2000 £'000	1999 £'000
Other creditors	60,332	525

The majority of the other creditors balance represents loan notes which are backed by a series of guarantees. Interest on the notes is payable quarterly in arrears on the quarterly charging dates of the Guarantor in each year at the rate per annum which is 0.75 per cent below the HSBC sterling base lending rate.

Note-holders shall be entitled to require the whole or any part of the Notes to be repaid at par on any date falling on or after 31 March 2001. It is expected that they will be repaid in 2003.

The loan note guarantees are secured at 31 December 2000 by cash deposits with banks of £60,014,204 (31 December 1999 £Nil) in Thames Television Services Limited (formerly Pearson Television Services Limited).

FremantleMedia Limited
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Notes to the accounts for the year ended 31 December 2000 (Continued)

13 Provisions for liabilities and charges

	Losses of a fixed asset investment £'000
At 1 January 2000	-
Charged to profit and loss account in the year	755
At 31 December 2000	755

A provision has been made against the funding of trading losses of one of the company's subsidiary entities, to which FremantleMedia Limited extended a letter of financial support to enable the Company to continue to pay its liabilities as and when they become due whilst the Company remains a subsidiary of FremantleMedia Limited.

14 Called up share capital

	2000 £'000	1999 £'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

On 3 October 2001 two ordinary shares of 25p each were allotted to Pearson Television Holdings SA, 1 share was issued at a premium of £10,058,881 the second share was issued at a premium of £7,195,993.50.

15 Reconciliation of movements in reserves

	Share premium account £'000	Profit and Loss Account £'000	Capital Reserve £'000	Total £'000
At 1 January 2000	185,000	107,815	5,926	298,741
Retained result for the financial year	-	(235,885)	-	(235,885)
At 31 December 2000	185,000	(128,070)	5,926	62,856

FremantleMedia Limited
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Notes to the accounts for the year ended 31 December 2000 (Continued)

16 Reconciliation of movements in equity shareholders' funds

	2000 £'000	1999 £'000
(Loss)/Profit for the year	(95,885)	31,863
Dividends	(140,000)	(88,372)
Net addition to shareholders' funds	(235,885)	(56,509)
Shareholders' funds as at 1 January	430,048	486,557
Equity shareholders' funds as at 31 December	194,163	430,048

17 Guarantees and other financial commitments

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

In connection with the acquisition by FremantleMedia North America Inc of ACI in November 1995, guarantees have been given by the company to former shareholders and continuing employees of ACI to make certain payments up to a maximum of \$45 million. Of this amount, payments of US \$35.4 million have been made in total from 1995 to 2000. No tax relief is likely on the crystallisation of the contingent liability.

18 Pension scheme

During the year the Company was a member of the Pearson Group Pension Plan, which is primarily a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation as at 1 January 1999, can be found in the Report and Accounts of Pearson plc for the year ended 31 December 1999. The pensions costs relating to the group plan are assessed in accordance with the advice of a qualified actuary.

The results of the most recent actuarial valuation show the scheme in surplus. The company's pension cost for this year and last year was borne by Thames Television Services Limited.

Following the transaction which created the RTL Group S.A. on 25 July 2000, the company's employees continued to participate in the Pearson plc pension fund. On 29 December 2000 the RTL Group UK Pension Trustee Limited scheme was established and contributions to the Pearson plc scheme were frozen. Contributions to the RTL Scheme commenced from 1 January 2001.

FremantleMedia Limited
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Notes to the accounts for the year ended 31 December 2000 (Continued)

19 Ultimate parent undertaking

Following the merger of the Pearson Television Group and CLT-UFA into Audiofina, a company registered in Luxembourg, on 25 July 2000, the name of Audiofina was changed to RTL Group, and the company's ultimate parent undertaking became RTL Group, incorporated in Luxembourg.

The immediate parent undertaking is Pearson Television Holdings SA, a company registered in Luxembourg.

The ultimate parent undertaking and controlling party is RTL Group which is the smallest and largest group to consolidate these accounts. Copies of RTL Group accounts can be obtained from the General Counsel at RTL Group, 45 Boulevard Pierre Frieden, L-1543 Luxembourg.

20 Related party information

During the year the company undertook a number of transactions with Pearson plc, which has influence over the ultimate parent undertaking and controlling party of the company, RTL Group. These transactions include:

The company paid a dividend of £140 million to Pearson plc on 6 April 2000.

As part of a reorganisation of Pearson plc's UK television businesses in April 2000, the company sold Pearson Television International Ltd (now FremantleMedia Enterprises Ltd), Pearson Television Productions Ltd (now Thames Television Ltd) and Thames Cable and Satellite Services Ltd to Pearson plc for an aggregate amount of £112,863,411 and two of the company's direct subsidiaries Grundy Worldwide Ltd and Pearson Television Overseas Ltd (now FremantleMedia Overseas Ltd) sold their investments in Grundy Holdings (Netherlands) BV and Grundy Holdings BV to Pearson plc for an amount of US\$4,923,282 and £319,408 respectively. As a result of these transactions, the company made a provision of £171,518,000 against investments in subsidiaries.

Also in April 2000, the company's debtor for amounts receivable from Pearson plc of £119,775,000, and the company's liability for amounts payable to Pearson plc of £76,176,000 were transferred to Darpar 128 GmbH, a company that is now part of the RTL Group. Corresponding debtor and creditor balances were then established between the company and Darpar 128 GmbH.

In June 2000 Pearson plc provided a loan of £65,000,000 to the Company. £28,528,000 of this loan was forgiven on 25 July 2000. At 31 December 2000 £30,594,000 of this loan remains outstanding and is recorded in other creditors due within one year. During the year interest of £1,453,000 was payable to Pearson plc in relation to this loan, and this amount remains accrued at 31 December 2000 in other creditors due within one year.

During the period the company paid management charges to a total value of £2,350,000 to Pearson plc in return for various central support services.

During the period the company paid £165,000 to Pearson plc in relation to stock options exercised by executives of the company.

Included in the company's other debtor balance at 31 December 2000 is an amount owed from Pearson plc of £651,000.

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Notes to the accounts for the year ended 31 December 2000 (Continued)

21 Post balance sheet event

On 2 July 2001 Bertelsmann AG acquired the 29.9% stake in RTL Group held by GBL/Electrafina. The acquisition gives Bertelsmann a 67% controlling interest in RTL Group.

In July 2001, The Digital Broadcasting Company Limited declared voluntary liquidation. The 13.8% ordinary investment held by FremantleMedia Limited (see note 9) is already fully provided within these financial statements.