

Chrysalis Holdings Limited

Directors' report and financial statements

31 August 2002

Registered number 918616



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2002.

Principal activities

The principal activities of the company are the provision of management and administration services to members of the Chrysalis Group of companies and acting as an investment holding company. The directors do not anticipate any changes in these activities over the coming year.

Results and dividends

The retained profit of £24,952,240 for the year and transfer to reserves (2001: 23,672,800 retained loss and transfer from reserves) are set out in the profit and loss account on page 4. The directors recommend the payment of a dividend of £11.40 per share (2001: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

CN Wright
NRA Butterfield
RNL Huntingford
MJ Pilsworth (resigned 3 May 2002)
PS Riley

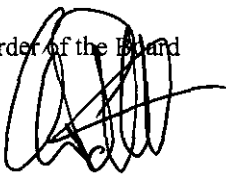
None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year. At 31 August 2002 and 31 August 2001 or the date of appointment, all of the directors were also directors of the ultimate parent company, Chrysalis Group plc, and their share interests are disclosed in the directors' report of that company.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



CR Potterell
Secretary

The Chrysalis Building
Bramley Road
London
W10 6SP

26/06/ 2003

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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Chrysalis Holdings Limited

We have audited the financial statements on pages 4 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report 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 with the company is not disclosed.

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 as at 31 August 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 June 2003

Profit and loss account

for the year ended 31 August 2002

	Note	2002 £	2001 £
Administrative expenses:			
Provisions against carrying value of investments		(61,568)	(8,882,386)
Other		(3,205)	(3,235)
		<hr/>	<hr/>
		(64,773)	(8,885,621)
Income from shares in group undertakings		5,700,000	6,521,000
		<hr/>	<hr/>
Operating loss		5,635,227	(2,364,621)
Exceptional profit/(loss) on disposal of fixed asset investments	3	25,448,104	(20,795,411)
Other interest receivable and similar income	5	-	524
Interest payable and similar charges	6	(431,091)	(512,752)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	2	30,652,240	(23,672,260)
Tax on profit on ordinary activities	7	-	(540)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		30,652,240	(23,672,800)
Dividends proposed and paid	8	(5,700,000)	-
		<hr/>	<hr/>
Retained profit/(loss) for the financial year		24,952,240	(23,672,800)
Retained (loss)/profit brought forward		(23,515,981)	156,819
		<hr/>	<hr/>
Retained profit/(loss) carried forward		1,436,259	(23,515,981)
		<hr/>	<hr/>

Amounts relating to operating profit and loss in the current and previous year respectively derive from continuing activities.

The notes on pages 7 to 14 form part of these financial statements.

Statement of total recognised gains and losses
for the year ended 31 August 2002

	2002 £	2001 £
Profit/(loss) for the financial year	24,952,240	(23,672,800)
Foreign currency losses	(139,268)	(274,740)
	<hr/>	<hr/>
Total recognised gains/(losses) in the year	24,812,972	(23,947,540)
	<hr/>	<hr/>

Reconciliation of movements in shareholders' funds/ (deficit)
for the year ended 31 August 2002

	2002 £	2001 £
Shareholders' (deficit)/funds brought forward	(21,144,662)	2,802,878
Profit/(loss) retained in the year	30,652,240	(23,672,800)
Dividends proposed and paid	(5,700,000)	-
Foreign currency losses	(139,268)	(274,740)
	<hr/>	<hr/>
Shareholders' funds/(deficit) carried forward	3,668,310	(21,144,662)
	<hr/>	<hr/>

Balance sheet
at 31 August 2002

	Note	2002	2001
		£	£
Fixed assets			
Investments	9	76,897,750	69,911,362
Current assets			
Debtors	10	31,699,037	7,490,000
Investments		-	329,503
		<u>31,699,037</u>	<u>7,819,503</u>
Creditors: amounts falling due within one year	11	<u>(99,378,477)</u>	<u>(93,325,527)</u>
Net current liabilities		<u>(67,679,440)</u>	<u>(85,506,024)</u>
Total assets less current liabilities		<u>9,218,310</u>	<u>(15,594,662)</u>
Creditors: amounts falling due after more than one year	12	<u>(5,550,000)</u>	<u>(5,550,000)</u>
Net assets		<u><u>3,668,310</u></u>	<u><u>(21,144,662)</u></u>
Capital and reserves			
Called up share capital	14	500,000	500,000
Other reserves	15	1,732,051	1,871,319
Profit and loss account	15	1,436,259	(23,515,981)
Shareholders' funds – equity		<u><u>3,668,310</u></u>	<u><u>(21,144,662)</u></u>

These financial statements were approved by the Board of directors on 26/06/2003 and were signed on its behalf by:



RNL Huntingford
Director

The notes on pages 7 to 14 form part of these financial statements.

Notes

(forming part of the financial statements)

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 except as noted below. The company has adopted FRS 19 'Deferred tax' in these financial statements. There has been no material impact of the adoption of FRS 19 'Deferred tax' on either the current or prior year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The accounts have been prepared on a going concern basis in view of the fact that Chrysalis Group Plc has formally indicated that it will provide sufficient funding to the group to enable it to meet its liabilities as they fall due, for at least the next twelve months.

Dividend income

Dividend income from investments in group undertakings is included on a receivable basis.

Investments

Investments in subsidiary and associated undertakings are periodically revalued in the company's balance sheet to reflect the value of these companies at the balance sheet date. Any permanent diminutions in the value of investments are fully provided for and written off through the profit and loss account for the year.

Foreign Exchange

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates at the date of the transaction (or, where applicable at the rate specified in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of the exchange prevailing at the year end (or, where applicable at the rate specified in a related forward exchange contract). Any gain or loss on the retranslation of monetary assets and liabilities to the closing rate of exchange are included in the profit and loss account.

The hedge accounting method permitted by Statement of Standard Accounting Practice No. 20 --Foreign Currency Translation has been adopted. The exchange differences arising on the retranslation of a loan denominated in a foreign currency have been offset against the exchange difference arising on the retranslation of the carrying value of an overseas equity investment denominated in a foreign currency, within reserves

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain times for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Chrysalis Group PLC entities are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of the group that such losses will be purchased and paid for by the recipient company. Where there is reasonable certainty that taxable losses can be utilised the group relief taxation is included in the taxation charge or credit for the year.

2 Profit on ordinary activities before taxation

The amount paid to auditors for the audit of the company was £2,500 (2001: £2,400).

3 Exceptional income

Exceptional income relates to the profit/(loss) on disposals of fixed asset investments:

	2002	2001
	£	£
Profit on disposals of subsidiary companies	24,743,497	-
Profit/(losses) on disposals of associated companies	547,529	(7,909,334)
Losses arising on the termination of business by subsidiary companies	-	(12,886,077)
Liquidators dividend in respect of associated company investment written off in prior year	157,078	-
	<u>25,448,104</u>	<u>(20,795,411)</u>

4 Directors' and employees' remuneration

The directors received no remuneration from the company for services during the year. Messrs CN Wright, NBA Butterfield, MJ Pilsworth and RNL Huntingford received remuneration from Chrysalis Group plc, the company's ultimate holding company, which is disclosed in the financial statements of that company.

The company did not have any other employees and as a result incurred no staff costs.

Notes (continued)

5 Other interest receivable and similar income

	2002	2001
	£	£
Bank interest receivable	-	524
	<u> </u>	<u> </u>

6 Interest payable & similar charges

	2002	2001
	£	£
Interest on loan notes	431,091	512,752
	<u> </u>	<u> </u>

7 Taxation

Analysis of charge in the year

	2002	2001
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	-	540
Adjustments in respect of previous periods	-	-
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	<u> </u>	<u> </u>

Factors affecting the tax charge for the current year

The tax charge for the year is lower than the standard rate of corporation tax in the UK at 30% (2001: 30%). The differences are explained below.

	2002	2001
	£	£
Profit/(loss) on ordinary activities before tax	30,652,240	(23,672,800)
	<u> </u>	<u> </u>
Current tax at 30% (2001: 30%)	9,195,672	(7,101,840)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	18,471	8,903,338
Income not chargeable to tax	(9,344,431)	(1,956,300)
Expenses capitalised of revenue nature	(53,789)	(106,112)
Losses brought forward	-	249,553
Losses carried forward	184,077	11,361
Tax credit written off	-	540
	<u> </u>	<u> </u>
Current tax charge for the period	<u> </u>	<u> </u>

Notes (continued)

8 Dividends

	2002 £	2001 £
Proposed dividend of £11.40 per share (2001: nil)	5,700,000	-

9 Fixed asset investments

	Shares in Subsidiaries £	Shares in Participating interests £	Total £
Cost			
At beginning of year	87,449,487	4,324,466	91,773,953
Additions	5,616,757	2,032,428	7,649,185
Disposals	(582,479)	(3,041,673)	(3,624,152)
Transfers	471,044	(471,044)	-
At end of year	92,954,809	2,844,177	95,798,986
Provisions			
At beginning of year	18,710,891	3,151,700	21,862,591
Charge for the year	61,568	-	61,568
Disposals	-	(3,022,923)	(3,022,923)
At end of year	18,772,459	128,777	18,901,236
Net book value			
At 31 August 2002	74,182,350	2,715,400	76,897,750
At 31 August 2001	68,738,596	1,172,766	69,911,362

Notes (continued)

9 Fixed asset investments (continued)

The principal companies in which the company's interests are more than 10% are as follows:

Company and country of registration (all registered in England except where indicated)	Principal activity	Class of Share	Percentage of shares held
Subsidiary undertakings (held directly)			
Armourvale Limited	Holding company	Ordinary	100%
Assembly Film and Television Limited	TV production	Ordinary	75%
Cactus TV Limited	TV production	Ordinary	100%
Chrysalis Film Productions Limited	Film production	Ordinary	100%
Chrysalis Holdings Inc (USA)	Holding company	Common stock	100%
Chrysalis Music Limited	Music publishing	Ordinary	100%
Tandem Television Limited	TV production	Ordinary	100%
Chrysalis Properties Limited	Property management	Ordinary	100%
Chrysalis Retail Entertainment Limited	Retail broadcasting	Ordinary	100%
Chrysalis Television Mobiles Limited	Dormant	Ordinary	100%
The Hit Label Limited	Record company	Ordinary	100%
Chrysalis Books Limited	Book Publishing	Ordinary	100%
Chrysalis Television Midlands Limited	TV productions	Ordinary	100%
South Pacific Pictures Limited (New Zealand)	TV and Film Production	Ordinary*	100%
Puremix Limited	Internet	Ordinary	100%
Rivals Europe Limited	Internet	Ordinary	100%
Subsidiary undertakings (shares held by Subsidiaries)			
Chrysalis Music Group Inc (USA)	Music publishing	Common stock	100%
Chrysalis Music Investments Inc (USA)	Investments	Common stock	100%
Chrysalis Standards Inc (USA)	Music publishing	Common stock	100%
MAM (Music Publishing) Corporation (USA)	Music publishing	Common stock	100%
Speaking Books Limited	Record company	Ordinary	100%
The Echo Label Limited	Record company	Ordinary	100%
Ramboro Books PLC	Book Publishing	Ordinary	100%
Salamander Limited	Book Publishing	Ordinary	100%
BT Batsford Ltd	Book Publishing	Ordinary	100%
Chrysalis Logistics Ltd	Book Publishing	Ordinary	100%
Bentley Productions Limited	TV production	Ordinary	100%
Associated undertakings and joint ventures			
BCR fm Limited	Radio operations	Ordinary	31%
Bridge FM Radio Limited	Radio operations	Ordinary	42%
Digital News Network Limited	Radio operations	Ordinary	22%
Downboy Music Limited	Music production	Ordinary	5%
Jerv Songs Limited	Music production	Ordinary	5%
Knowsley Community Radio Limited	Radio operations	Ordinary	35%
MXR Holdings Limited	Holding Company	Ordinary	39%
MXR Trading Limited	Radio operations	Ordinary	39%
Rivals Digital Media Limited	Internet		5%
Telford Radio Limited	Radio operations	Ordinary	2%
Tuchwood Records Limited	Music production	Ordinary	5%
Associates (shares held by subsidiaries)			
Alliance Publishing Services Ltd	Book Publishing	Ordinary	50%

* Also includes redeemable preference shares

In the opinion of the directors the investments in the company's subsidiary and associates are worth at least the amounts at which they are stated in the balance sheet.

Notes (continued)

10 Debtors

	2002 £	2001 £
Amounts owed by group undertakings	31,590,000	7,390,000
Other debtors	109,037	100,000
	<u>31,699,037</u>	<u>7,490,000</u>

Debtors include an amount of £ nil (2001: £nil) due after more than one year.

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts owed to group undertakings	96,469,810	90,269,945
Other creditors including taxation and social security	2,908,667	3,055,582
Dividends proposed	-	-
	<u>99,378,477</u>	<u>93,325,527</u>

12 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Other creditors	5,550,000	5,550,000
	<u>5,550,000</u>	<u>5,550,000</u>

13 Deferred taxation

A deferred tax asset of £11,356 arises in the UK which is not recognised in the accounts. These assets can only be deducted against future suitable taxable profits. There is currently insufficient evidence that suitable taxable profits will be generated to offset the future reversal of these timing differences and therefore no asset has been recognised.

Notes (continued)

14 Called up share capital

	2002 £	2001 £
<i>Authorised, allotted, called up and fully paid</i>		
250,000 Ordinary shares of £1 each	250,000	250,000
250,000 Non-voting 'A' shares of £1 each	250,000	250,000
	<hr/>	<hr/>
	500,000	500,000
	<hr/>	<hr/>

The authorised Share Capital of the Company is divided into 250,000 Ordinary £1 shares and 250,000 Non-Voting "A" Ordinary £1 shares. Both class of share rank pari passu for participation in the profits and assets of the Company and in all other respects save that the Non-Voting Ordinary shares shall not entitle the holders to attend or vote at any General Meeting of the Company.

15 Reserves

	Other Reserves £	Profit and loss account £
At the beginning of the year	1,871,319	(23,515,982)
Retained profit for the year	-	24,952,240
Foreign exchange losses	(139,268)	-
	<hr/>	<hr/>
At the end of year	1,732,051	1,436,258
	<hr/>	<hr/>

Foreign exchange losses comprise gains and losses arising on the retranslation of the carrying value of an overseas investment and on the retranslation of a loan denominated in a foreign currency, using hedge accounting method permitted by Statement Accounting Practice No.20 – Foreign Currency Translation.

16 Capital commitment

The terms of a sale and purchase agreement and shareholders' agreement both dated 13 June 1994 between the Company, William Burdett-Coutts, Assembly Film and Television Limited ('Assembly') and others and subsequent amendments whereby the Company acquired 75% of the share capital of Assembly, established put and call options enabling or requiring the Group to acquire the remaining 25% of the share capital for a consideration payable in cash under a formula based on pre-tax profits of Assembly for a rolling two year period, but ending not earlier than 31st August 2003, and subject to a cap of £1 million plus 10% of the amount (if any) by which the product of the formula exceeds £1 million.

Notes (continued)

17 Contingent Liability

The company, together with other group companies, has given a guarantee and a floating charge over certain of its assets to secure borrowing of other group companies amounting to £12,266,000 (2001: £6,172,000)

18 Group accounts

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts on the grounds that it is a wholly owned subsidiary of another body corporate registered in England and Wales. These financial statements present information about the company as an individual undertaking and not about its group.

19 Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised 1996) to prepare a cash flow statement on the grounds that its parent undertaking, Chrysalis Group plc, includes the company in its own published consolidated financial statements.

20 Related party transactions

As the company is a wholly owned subsidiary of Chrysalis Group PLC, the company has taken advantage of the exemption contained in FRS8 Related Party Transactions and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated statements of Chrysalis Group PLC, within which the company is included, can be obtained from the address given in note 20.

21 Ultimate parent company

The immediate parent company is Chrysalis Investments Limited which is registered in England and Wales.

The ultimate parent company is Chrysalis Group PLC which is registered in England and Wales, for which consolidated accounts are prepared. The consolidated accounts of this company may be obtained from The Secretary, Chrysalis Group PLC, The Chrysalis Building, Bramley Road, London W10 6SP.