

Talkback Productions Limited

(Registered Number: 1801230)

**Directors' report and financial statements
for the year ended 31 December 2001**



Talkback Productions Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001.

Principal activity

The company's principal activities during the year were the production of television programmes, commercials and the exploitation of television and other ancillary rights. The company ceased production of commercials in December 2001.

Change of control

On 2 July 2001 Bertelsmann AG acquired the 29.9% stake held by GBL/Electrafina in RTL Group, the company's previous ultimate parent undertaking. The acquisition gave Bertelsmann a 67% controlling interest in RTL Group.

On 31 January 2002 Bertelsmann AG acquired the 22% stake in RTL Group held by Pearson plc. This acquisition gives Bertelsmann an 89% controlling interest in RTL Group. Bertelsmann has subsequently increased its shareholding to 90.2%. The remaining 9.8% of shares in RTL Group are held by minority shareholders.

Business review and future developments

The results of the company for the year ended 31 December 2001 are set out on page 4 of the financial statements. The results are in line with the expectations of the Directors.

The directors do not expect any significant changes in the company's operations for the foreseeable future. The company will continue to promote its principal activity for the foreseeable future.

Results and dividends

The company's profit for the financial year was £3,428,707 (9 months to 31 December 2000: loss £1,873,837).

The directors do not recommend the payment of a dividend (2000: Nil). The profit for the year has been transferred to reserves.

Directors and their interests

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

AL Cohen	
AWB Lee	(resigned 15 February 2002)
G Rhys Jones	
MK Smith	
PA Fincham	
M Brass	
IRM Ousey	(resigned 17 October 2001)

At no time during the year ended 31 December 2001 did any director have any interest which is required to be notified to the company under Section 324 of Companies Act 1985.

Talkback Productions Limited

Directors' report for the year ended 31 December 2001 (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 as at the end of the financial period 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 maintaining 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

In accordance with section 386 of the Companies Act 1985, the company has dispensed with the obligation to hold an annual general meeting. PricewaterhouseCoopers have expressed their willingness to continue in office.

By Order of the Board



H Farnaby
Secretary

23 April 2002

1 Stephen Street
London
W1T 1AL

Independent auditors' report to the members of Talkback Productions Limited

We have audited the financial statements on pages 4 to 17.

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 on page 2.

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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

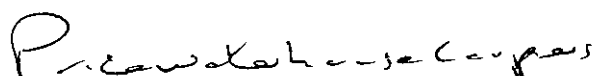
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
23 April 2002

Talkback Productions Limited

Profit and loss account for the year ended 31 December 2001

	Note	12 months to 31 December 2001 £	9 months to 31 December 2000 £
Turnover	1	29,822,934	31,013,718
Cost of sales		22,577,252	25,462,419
Gross profit		7,245,682	5,551,299
Administrative expenses		(4,870,155)	(7,062,665)
Other operating income	4	1,046,526	442,146
Profit/(loss) on ordinary activities before interest	5	3,422,053	(1,069,220)
Interest receivable and similar income	6	1,208,782	246,954
Interest payable and similar charges	7	(1,253,958)	(273,013)
Profit/(loss) on ordinary activities before taxation		3,376,877	(1,095,279)
Tax on profit/(loss) on ordinary activities	8	51,830	(778,558)
Retained profit/(loss) for financial period	19	3,428,707	(1,873,837)

The above results were derived entirely from continuing operations.

The company ceased production of commercials in December 2001. These activities are not material and as such do not fall within the definition of discontinued activities and do not have a significant impact on the profit for the financial year. Accordingly, all amounts are disclosed as continuing activities.

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

Talkback Productions Limited

Statement of total recognised gains and losses for the year ended 31 December 2001

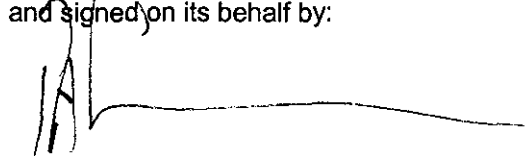
	12 months to 31 December 2001 £	9 months to 31 December 2000 £
Profit/(loss) for the period	3,428,707	(1,873,837)
Prior period adjustment	-	(257,968)
Total gains and losses recognised since last annual report	3,428,707	(2,131,805)

Talkback Productions Limited

Balance sheet as at 31 December 2001

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	9	7,665,297	7,004,545
Investments	10	2	2
		7,665,299	7,004,547
Current assets			
Stock	11	237,453	222,323
Debtors	12	6,769,843	4,171,628
Cash at bank and in hand	13	31,333,043	18,685,670
		38,340,339	23,079,621
Creditors – Amounts falling due within one year	14	(5,834,084)	(7,352,824)
Net current assets		32,506,255	15,726,797
Total assets less current liabilities		40,171,554	22,731,344
Creditors - Amounts falling due after more than one year	15	(33,778,801)	(19,779,298)
Provisions for liabilities and charges	17	(107,000)	(95,000)
Net assets		6,285,753	2,857,046
Capital and reserves:			
Called up share capital	18	134	134
Profit and loss account	19	6,285,619	2,856,912
Equity shareholders' funds	20	6,285,753	2,857,046

The financial statements on pages 4 to 17 were approved by the board of directors on 23 April 2002 and signed on its behalf by:



P.A. Fincham
Director

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001

1 Accounting policies

The Directors consider the following accounting policies to be the most appropriate 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, the accounting policies set out below and in accordance with applicable accounting standards. During the year the company has adopted FRS 18 'Accounting Policies' and has complied with the transitional arrangements of FRS 17 'Retirement Benefits'.

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.

b) Turnover

Income from the production of television programmes and commercials is recognised on the basis of the proportion of the services which have been produced and delivered by the balance sheet date, net of value added tax and other sales taxes, and excluding trade discounts and anticipated returns, provided to external customers and associated undertakings.

c) Stocks and work in progress

Stock and work in progress, representing completed programmes and productions in progress, include an attributable portion of overheads and are stated at the lower of cost and net realisable value, after deducting progress payments.

Production costs are amortised pro rata to future forecast revenues over the estimated period in which the related revenue is forecast to be earned. Estimates of total gross revenues are reviewed periodically, and amortisation is adjusted accordingly.

d) Tangible fixed assets

The cost of tangible fixed assets, with the exception of freehold land, is depreciated over estimated economic lives in equal amounts at the rates indicated below:

Freehold buildings	25 years
Short leasehold land and buildings	Over the term of the lease
Video and recording equipment	5 years
Office equipment and fittings	between 3 and 5 years

Freehold land is not depreciated.

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

1 Accounting policies (Continued)

e) Leases

Finance lease rentals are capitalised at the total amount of rentals payable under the leasing agreement (excluding finance charges) and depreciated over estimated economic lives or over the life of the lease if shorter. Finance charges are written off over the period of the lease in reducing amounts in relation to the written down carrying cost. Operating lease rentals are expensed as incurred.

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.

g) Fixed asset investments

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

2 Cash flow 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 entities that are members of the RTL Group.

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

3 Information on directors and employees

	12 months to 31 December 2001 £	9 months to 31 December 2000 £
Staff costs		
Wages and salaries	2,711,432	5,233,739
Pensions	106,106	29,122
Social security costs	281,916	431,614
	3,099,454	5,694,475

	12 months to 31 December 2001 No.	9 months to 31 December 2000 No.
The average number of employees during the year/period was made up as follows:		
Directors	3	3
Administrative	25	19
Productions	30	22
	58	44

Directors Emoluments

AL Cohen, AWB Lee, M Brass and IRM Ousey did not receive any emoluments from the company since their duties are incidental to their main duties to other subsidiary undertakings of RTL Group. Their emoluments, share options and retirement benefit information are therefore excluded from the note below.

The emoluments of the remaining directors are summarised as follows:

	12 months to 31 December 2001	9 months to 31 December 2000
Aggregate emoluments	297,708	126,500
Aggregate of pensions contributions	-	-
	297,208	126,500

No directors exercised share options in the year (2000: Nil).

4 Other operating income

Other operating income represents income generated from other exploitation of certain intellectual property rights.

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

5 Profit/(loss) on ordinary activities before interest

	12 months to 31 December 2001 £	9 months to 31 December 2000 £
Profit/(loss) on ordinary activities before interest is stated after charging:		
Depreciation of tangible fixed assets – owned assets	268,337	128,659
Auditors' remuneration	5,100	7,000
Hire of equipment	165,549	197,005
Loss on disposal of fixed assets	26,000	-
Operating lease rentals - land and buildings	122,782	231,497

6 Interest receivable and similar income

	12 months to 31 December 2001 £	9 months to 31 December 2000 £
Bank interest on current accounts	126,071	126,954
Bank interest on restricted deposits	1,082,711	120,000
	1,208,782	246,954

7 Interest payable and similar charges

	12 months to 31 December 2001 £	9 months to 31 December 2000 £
Interest payable on bank loans and overdrafts	171,247	153,013
Finance leases	1,082,711	120,000
	1,253,958	273,013

8 Tax on profit/(loss) on ordinary activities

	12 months to 31 December 2001 £	9 months to 31 December 2000 £
Tax on profit/(loss) on ordinary activities		
UK Corporation tax at 30% (31 December 2000: 30%)	(1,046,225)	(683,558)
Over provision in prior periods	1,110,055	-
Deferred taxation	(12,000)	(95,000)
	51,830	(778,558)

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

9 Tangible fixed assets

	Land and buildings £	Video and recording equipment £	Office equipment and fittings £	Total £
Cost				
At 1 January 2001	6,646,660	121,132	913,222	7,681,014
Additions	4,194	24,658	926,238	955,090
Disposals	(97,500)	-	-	(97,500)
At 31 December 2001	6,553,354	145,790	1,839,460	8,538,604
Depreciation:				
At 1 January 2001	66,042	66,402	544,025	676,469
Charge for year	38,237	19,475	210,626	268,338
Released on disposal	(71,500)	-	-	(71,500)
At 31 December 2001	32,779	85,877	754,651	873,307
Net book value:				
At 31 December 2001	6,520,575	59,913	1,084,809	7,665,297
At 31 December 2000	6,580,618	54,730	369,197	7,004,545

Analysis of net book value of land and buildings:

	2001 £	2000 £
Freehold	6,520,575	6,549,160
Short leasehold	-	31,458
	6,520,575	6,580,618

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

10 Fixed asset investments

	2001	2000
	£	£
Subsidiary undertakings	2	2

Subsidiary undertakings

	Class of capital	Total issued capital £	Portion held %
United World Productions Limited	Ordinary	2	100

United World Productions Limited is incorporated in England and Wales. The company did not trade during the year.

11 Stocks

	2001 £	2000 £
Work in progress	237,453	222,323

12 Debtors

	2001 £	2000 £
Trade debtors	2,571,168	2,433,262
Amounts owed by group undertakings	29,581	29,581
Other debtors	3,213,807	961,195
Prepayments and accrued income	955,287	747,590
	6,769,843	4,171,628

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

13 Cash at bank and in hand

At 31 December 2001, cash balances with banks include £25,673,792 (31 December 2000 £14,145,519) of restricted cash deposits which are subject to either a legal assignment or a charge in favour of a third party. They are expected to be released over the period to 2016.

14 Creditors - Amounts falling due within one year

	2001 £	2000 £
Bank loan (note 16)	196,000	245,000
Trade creditors	317,550	833,669
Amounts owed to group undertakings	514,994	304,000
Taxation	229,645	1,290,366
Other taxation and social security	116,747	119,264
Finance lease obligations	672,853	316,221
Other creditors	658,490	804,082
Accruals and deferred income	3,127,805	3,440,222
	5,834,084	7,352,824

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 Creditors - Amounts falling due after more than one year

	2001 £	2000 £
Bank loans (note 15)	2,254,000	2,450,000
Amounts owed to group undertakings	3,500,000	3,500,000
Finance lease obligations	28,024,801	13,829,298
	33,778,801	19,779,298

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

16 Borrowings

Repayment terms of the bank loan are as follows:

	2001 £	2000 £
Up to one year and on demand	196,000	245,000
Between one and two years	196,000	196,000
Between two and five years	588,000	588,000
After five years	1,470,000	1,666,000
	2,450,000	2,695,000

The loan is repayable by fixed instalments at standard rates of interest. The loan is secured by a fixed and floating charge over the company's assets.

17 Provisions for liabilities and charges

Deferred taxation provided

	£
At 1 January 2001	95,000
Charged to the profit and loss account in the year	12,000
At 31 December 2001	107,000

	2001 £	2000 £
Deferred taxation is provided in the accounts as follows:		
Capital allowances in advance of depreciation	107,000	95,000
	107,000	95,000

Deferred taxation not provided

	2001 £	2000 £
Roll over relief	105,767	105,767
	105,767	105,767

A deferred tax provision has not been established in relation to this roll over relief because the gain rolled over is not expected to crystallise in the foreseeable future.

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

18 Share capital

	2001 £	2000 £
Authorised:		
150 ordinary shares of £1 each	150	150
Allotted and fully paid:		
134 ordinary shares of £1 each	134	134

19 Reserves

	Profit and loss account £
At 1 January 2001	2,856,912
Retained profit for the financial year	3,428,707
At 31 December 2001	6,285,619

20 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Opening shareholders' funds	2,857,046	4,988,851
Prior period adjustment	-	(257,968)
Opening shareholders' funds	2,857,046	4,730,883
Profit/(loss) for the period	3,428,707	(1,873,837)
Closing shareholders' funds	6,285,753	2,857,046

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

21 Finance lease obligations

Finance lease obligations represent the sale and leaseback of certain intellectual property rights. Obligations under finance leases fall due as follows:

	2001 £	2000 £
Between one and two years	887,429	331,651
Between two and five years	3,671,495	2,267,605
After five years	23,465,877	11,230,042
	28,024,801	13,829,298
Amount due within one year	672,853	316,221
	28,697,564	14,145,519

22 Financial commitments

At the year end the company was committed to making the following annual payments in respect of operating leases for which payments extend over a number of years:

	Land and Buildings		Other	
	2001 £	2000 £	2001 £	2000 £
Annual commitments under operating leases expiring				
Within one year	-	-	-	-
More than one year and less than five years	117,500	-	90,000	-
More than five years	-	70,000	-	-
	117,500	70,000	90,000	-

At 31 December 2001 the company had contracted for capital commitments of £Nil (31 December 2000: £532,709).

23 Pension commitments

TalkBack Productions Limited and its employees participate in the defined benefit and defined contribution sections of the RTL Group UK Pension Plan ("the Plan") operated by Thames Television Services Ltd. Contribution rates for these sections are set out for the Plan as a whole. Details of this Plan are included in the Thames Television Services Limited accounts.

The pension cost in respect of the Talkback Production Limited was £106,106 in 2001 (2000: £29,122).

Talkback Productions Limited

Notes to the financial statements for the year ended 31 December 2001 (Continued)

24 Contingent liabilities

Bank guarantees

The company participates in an arrangement with HSBC Bank plc whereby the accounts of the company, Thames Television Limited (formerly Pearson Television Productions Limited), a fellow subsidiary undertaking, and seven other of the FremantleMedia (formerly Pearson Television) 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 2001 was £3,450,047 in funds (2000: £7,492,233 overdraft).

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

25 Transactions with directors

Cost of sales includes the following amounts payable to the personal service companies of the directors for services rendered in the ordinary course of activities of the company:

	Value of purchases 12 months to 31 December 2001 £	Value of purchases 9 months to 31 December 2000 £	Supplying Company	Amount outstanding at 31 December 2001 £	Amount outstanding at 31 December 2000 £
G. Rhys Jones	-	24,316	Grumpy Ltd	-	-
M.K. Smith	-	2,163	Mel Smith Enterprises Ltd	-	-
P.A. Fincham	-	529,376	Linden Productions Ltd	-	-

26 Ultimate parent undertaking

The immediate parent undertaking is Not Any Old Radio Commercial Limited, a company registered in England and Wales.

The smallest group to consolidate these accounts is 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.

27 Post balance sheet event

On 31 January 2002 Bertelsmann AG acquired the 22% stake in RTL Group held by Pearson plc, and has since increased its shareholding to 90.2%. The remaining 9.8% of shares in RTL Group are held by minority shareholders.