

Talkback Productions Limited

(Registered Number: 1801230)

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



Talkback Productions Limited

Directors' report for the nine months ended 31 December 2000

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

Principal activity and future developments

The company's principal activities during the period were the production of television programmes, commercials and the exploitation of television and other ancillary rights. The company will continue to promote its principal activities for the foreseeable future.

On 14 June 2000, Pearson Television Limited acquired the entire share capital of the company.

On 7 April 2000, Pearson plc, the ultimate parent undertaking company, Bertelsmann AG 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 television production, broadcasting and distribution businesses of Pearson plc have been collectively known as Pearson Television. The operations of the Pearson Television business were carried out as a division of Pearson plc by a number of UK and overseas statutory subsidiaries and associates of Pearson plc.

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.

The RTL Group is now 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.

On 20 August 2001, Pearson Television Limited changed its name to FremantleMedia Limited.

Business review

The results of the company for the nine months ended 31 December 2000 are set out on page 5 of the financial statements.

Review and development of the business

The net loss after taxation for the financial period was £1,873,837 (12 months to 31 March 2000: Profit restated £2,582,348).

The directors do not expect any significant changes in the company's operations for the foreseeable future.

Results and dividends

The directors do not recommend the payment of a dividend (12 months to 31 March 2000: Nil). The loss for the year has been deducted from reserves.

Talkback Productions Limited

Directors' report for the nine months ended 31 December 2000 (Continued)

Introduction of the single european currency

The directors do not consider that the costs of the introduction of the single European currency will materially affect the company.

Directors and their interests

The directors in office in the period and their beneficial interests in the company at the balance sheet date and the beginning of the period were as follows:-

		Number of Shares	
		31 Dec 2000	31 March 2000
G. Rhys Jones	Ordinary shares of £1 each	-	-
M. K. Smith	Ordinary shares of £1 each	-	-
P. A. Fincham	Ordinary shares of £1 each	-	33
I R M Ousey (appointed 14 June 2000 and resigned 17 October 2001)	Ordinary shares of £1 each	-	-
T L Cohen (appointed 14 June 2000)	Ordinary shares of £1 each	-	-
A W B Lee (appointed 14 June 2000)	Ordinary shares of £1 each	-	-
M E Brass (appointed 14 June 2000)	Ordinary shares of £1 each	-	-

Talkback Productions Limited

Directors' report for the nine months ended 31 December 2000 (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.

Payment of suppliers

The company agrees terms with individual suppliers and payments to suppliers are made in accordance with these terms. The average credit period taken during the year was 30 days.

Auditors

On 31 March 2000 Nunn Hayward resigned as auditors and PricewaterhouseCoopers were appointed in their place. 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

30 October 2001

Auditors' report to the members of Talkback Productions Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, 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 as to whether 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 affairs of the company as at 31 December 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

30 October 2001

Talkback Productions Limited

Profit and loss account for the nine months ended 31 December 2000

		9 months to 31 Dec 2000	12 months to 31 March 2000 Restated (Note 1)
	Note	£	£
Turnover	1	31,013,718	25,989,668
Cost of sales		<u>25,462,419</u>	<u>19,846,140</u>
Gross profit		5,551,299	6,143,528
Administrative expenses		(7,062,665)	(3,138,379)
Other operating income		<u>442,146</u>	<u>-</u>
Operating (loss)/profit	3	(1,069,220)	3,005,149
Profit on sale of freehold property		-	523,769
		(1,069,220)	3,528,918
Investment income and interest receivable	4	246,954	125,874
Interest payable and similar charges	5	<u>(273,013)</u>	<u>(161,636)</u>
(Loss)/Profit on ordinary activities before taxation		(1,095,279)	3,493,156
Tax on (loss)/profit on ordinary activities	6	<u>(778,558)</u>	<u>(910,818)</u>
Retained (loss)/profit for financial period	17	<u>(1,873,837)</u>	<u>2,582,348</u>

The above results were derived entirely from continuing operations.

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 nine months ended 31 December 2000

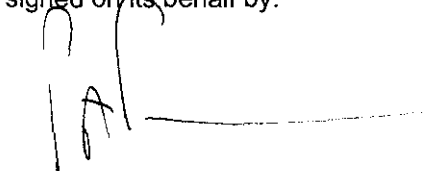
	9 months to 31 Dec 2000	12 months to 31 March 2000 Restated (Note 1)
	£	£
(Loss)/profit for the period	(1,873,837)	2,582,348
Prior year adjustment (as explained in note 1)	(257,968)	-
Total gains and losses recognised since last annual report	(2,131,805)	2,582,348

Talkback Productions Limited

Balance sheet as at 31 December 2000

		31 Dec 2000	31 March 2000 Restated (Note 1)
	Note	£	£
Fixed assets			
Tangible assets	7	7,004,545	5,430,520
Investments	8	2	452
		<u>7,004,547</u>	<u>5,430,972</u>
Current assets			
Stocks	9	222,323	2,284,335
Debtors	10	4,171,628	4,965,853
Cash at bank and in hand	11	18,685,670	2,401,701
		<u>23,079,621</u>	<u>9,651,889</u>
Creditors – amounts falling due within one year	12	<u>(7,352,824)</u>	<u>(7,754,978)</u>
Net Current Assets		<u>15,726,797</u>	<u>1,896,911</u>
Total assets less current liabilities		<u>22,731,344</u>	<u>7,327,883</u>
Creditors - Amounts falling due after more than one year	13	<u>(19,779,298)</u>	<u>(2,597,000)</u>
Provisions for liabilities and charges	15	<u>(95,000)</u>	<u>-</u>
Net Assets		<u>2,857,046</u>	<u>4,730,883</u>
Capital and reserves			
Called up share capital	16	134	134
Profit and loss account	17	2,856,912	4,730,749
Equity shareholders' funds	18	<u>2,857,046</u>	<u>4,730,883</u>

The financial statements on pages 5 to 18 were approved by the board of directors on 30 October 2001 and signed on its behalf by:



P.A. Fincham
Director

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000

1 Accounting policies

The following accounting policies has 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) Changes in accounting policy and in presentation

Comparative figures have been restated to reflect the following change in accounting policy:

Income from the production of television programmes 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 tax, and excluding trade discounts. Previously, the attributable profit on long term productions was recognised to reflect the proportion of work completed but not necessarily delivered to date on the production and once the outcome of the production could be assessed with reasonable certainty.

As a result, comparative figures for the year ended 31 March 2001 have been adjusted as follows:

	Profit for the year £	Net assets £
As previously reported	2,840,316	4,988,851
Gross profit effect of the change in accounting policy for long term contracts	(368,526)	(368,526)
Corporation tax effect for change in accounting policy	110,558	110,558
As restated	2,582,348	4,730,883

The effect of the change in the accounting policy for long term contracts in the current year is not material and has not been disclosed.

c) Turnover

Income from the production of television programmes and commercials is recognised on the basis of the proportion of the services which have produced and delivered by the balance sheet date, net of value added tax and other sales tax, and excluding tax discounts.

Income from the exploitation of TV and ancillary rights represents the invoice amounts, excluding value added tax.

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000

d) 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 included financial information about the company as an individual undertaking rather than as a group.

e) Tangible fixed assets

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

Freehold buildings	2% on cost
Short leasehold land and buildings	Over the term of the lease
Video and recording equipment	20% on cost
Office equipment and fittings	10% - 33.3% on cost

Freehold buildings in the course of constructions are not depreciated

f) Stocks and work in progress

Production costs are amortised pro rate 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.

Stocks and work in progress are valued at the lower of cost and net realisable value, after deducting progress payments.

g) Fixed asset investments

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

h) Deferred taxation

Provision is made for deferred taxation using the liability method on all timing differences except for those which are not expected to reverse in the foreseeable future.

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000 (Continued)

1 Accounting policies (Continued)

i) Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the lesser of the term of the lease or the estimated useful life of the asset. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

2 Information on directors and employees

	9 months to 31 Dec 2000 £	12 months to 31 March 2000 £
Staff costs		
Wages and salaries	5,468,107	1,559,532
Pensions	29,122	-
Social security costs	197,875	137,901
	5,695,104	1,697,433

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

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000 (Continued)

2 Information on directors and employees (Continued)

Directors Emoluments

	9 months to 31 Dec 2000	12 months to 31 March 2000
Emoluments as executive directors of the Company	126,500	-

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:	9 months to 31 Dec 2000 £	12 months to 31 March 2000 £
Depreciation of fixed assets	128,659	102,290
Auditors' remuneration	7,000	15,000
Hire of equipment	197,005	222,615
Operating lease rentals		
Land and buildings	231,497	217,456

4 Investment income and interest receivable

	9 months to 31 Dec 2000 £	12 months to 31 March 2000 £
Interest received and receivable		
Bank interest	126,954	125,874
Bank interest on restricted deposits	120,000	-
	246,954	125,874

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000 (Continued)

5 Interest payable and similar charges

	9 months to 31 Dec 2000 £	12 months to 31 March 2000 £
On bank loans and overdrafts	153,012	154,445
On overdue tax	-	7,191
Finance leases	120,000	-
	273,012	161,636

6 Tax on (loss)/profit on ordinary activities

	9 months to 31 Dec 2000 £	12 months to 31 March 2000 Restated (Note 1) £
The taxation charge comprises:		
UK Corporation tax at 30% (31 March 2000: 30%)	683,558	910,808
Deferred taxation	95,000	-
	778,558	910,808

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000 (Continued)

7 Tangible fixed assets

	Land and buildings	Video and recording equipment	Office Equipment and fittings	Total
	£	£	£	£
Cost				
At 1 April 2000	5,253,597	88,672	636,061	5,978,330
Additions	1,393,063	32,460	277,161	1,702,684
At 31 Dec 2000	6,646,660	121,132	913,222	7,681,014
Depreciation:				
At 1 April 2000	61,938	55,362	430,510	547,810
Charge for year	4,104	11,040	113,515	128,659
At 31 Dec 2000	66,042	66,402	544,025	676,469
Net book value:				
At 31 Dec 2000	6,580,618	54,730	369,197	7,004,545
At 31 March 2000	5,191,659	33,310	205,551	5,430,520

	31 Dec 2000 £	31 March 2000 £
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b) Analysis of net book value of land and buildings:

Freehold:		
Freehold buildings under construction	6,549,160	5,156,097
Short leasehold	31,458	35,562
	6,580,618	5,191,659

The company's interest in its leasehold property is held through its participation in the Percy Street Partnership, which holds the head lease of the building.

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000

(Continued)

8 Fixed asset investments

	31 Dec 2000	31 March 2000
	£	£
Subsidiary undertakings	2	452

Subsidiary undertakings

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

United World Productions Limited was incorporated on 2 September 1999 in England and Wales. The company did not trade during the period.

9 Stocks and work in progress

	31 Dec 2000	31 March 2000
	£	£
Productions in progress	222,323	2,284,335

10 Debtors

	31 Dec 2000	31 March 2000
	£	£
Trade debtors	2,433,262	2,812,992
Amounts owed by associates	150,000	250,000
Amounts owed group undertakings	29,581	-
Other debtors	811,195	331,034
Prepayments and accrued income	747,590	1,571,827
	4,171,628	4,965,853

Included in the above are amounts due after more than one year as follows

Amounts owed by associates	-	125,000
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Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000 (Continued)

10 Debtors (Continued)

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

11 Cash

At 31 December 2000, cash balances with banks include £14,145,519 (31 March 2000 £Nil) of cash deposits which are subject to either a legal assignment or a charge in favour of a third party. It is expected that they will be released in 2015.

12 Creditors amounts falling due within one year

	31 Dec 2000	31 March 2000 Restated (Note 1)
	£	£
Bank loans	245,000	196,000
Payments received on amount on long term contracts	-	156,231
Trade creditors	833,669	495,936
Amounts owed to group undertakings	304,000	3,734
Corporation tax	1,290,366	910,808
Other taxes and social security costs	119,264	566,261
Finance lease obligations	316,221	-
Other creditors	804,082	1,013,363
Accruals and deferred income	3,440,222	4,412,645
	7,352,824	7,754,978

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

13 Creditors amounts falling due after more than one year

	31 Dec 2000	31 March 2000
	£	£
Bank loans	2,450,000	2,597,000
Amounts due to group undertakings	3,500,000	-
Finance lease obligations	13,829,298	-
	19,779,298	2,597,000

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000 (Continued)

14 Borrowings

Repayment terms of the bank loan are as follows:

	31 Dec 2000 £	31 March 2000 £
Up to one year and on demand	245,000	196,000
Between one and two years	196,000	196,000
Between two and five years	588,000	588,000
After five years	1,666,000	1,813,000
	2,695,000	2,793,000

The loan is repayable by fixed instalments at normal commercial rates of interest.

The loan is secured by a fixed and floating charge over the company's assets.

15 Provisions for liabilities and charges

Deferred taxation

	£
At 1 April 2000	-
Charged to the profit and loss account in the period	95,000
At 31 December 2000	95,000

	31 Dec 2000 £	31 March 2000 £
Deferred taxation is provided in the accounts as follows:		
Capital allowances in advance of depreciation	95,000	-
	95,000	-

	31 Dec 2000 £	31 March 2000 £
Deferred taxation not provided		
Roll over relief	105,767	105,767
Accelerated capital allowances	-	(9,290)
	105,767	96,477

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000 (Continued)

16 Share capital

	31 Dec 2000 £	31 March 2000 £
Authorised:		
Equity interests:		
Ordinary shares of £1 each	150	150
Allotted, called up and fully paid:		
Equity interests:		
Ordinary shares of £1 each	134	134

17 Profit and loss account

	31 Dec 2000 £
Retained profit as at 1 April 2000 (as previously stated):	4,988,717
Prior year adjustment (Note 1)	(257,968)
Retained profit as at 1 April 2000 (restated):	4,730,749
Loss for the period	(1,873,837)
Retained profit as at 31 December 2000	2,856,912

18 Reconciliation of movements in shareholders' funds

	31 Dec 2000 £	31 March 2000 £
Opening shareholders' funds (as previously stated):	4,988,851	2,148,535
Prior year adjustment (Note 1)	(257,968)	-
Opening shareholders' funds (restated)	4,730,883	2,148,535
(Loss)/Profit for the period	(1,873,837)	2,840,316
Closing shareholders' funds	2,857,046	4,988,851
Represented by:-		
Equity interests	2,857,046	4,988,851

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000 (Continued)

19 Cashflow and related party disclosures

The company is a wholly owned subsidiary of the 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 members of the RTL Group.

20 Finance lease obligations

Obligations under finance leases fall due as follows:	31 Dec 2000 £	31 March 2000 £
Between one and two years	331,651	-
Between two and five years	2,267,605	-
After five years	11,230,042	-
	13,829,298	
Amount due within one year	316,220	
	14,145,519	

21 Financial commitments

At the year end the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	Land and Buildings		Other	
	31 Dec 2000 £	31 March 2000 £	31 Dec 2000 £	31 March 2000 £
Within one year	-	68,950	-	-
More than one year and less than five years	-	-	-	-
More than five years	70,000	70,000	-	-
	70,000	138,950	-	-

At 31 December 2000 the company had contracted for capital commitments of £532,709 (31 March 2000 – £2,213,212).

Talkback Productions Limited

Notes to the financial statements for the nine months ended 31 December 2000

(Continued)

22 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 9 months to 31 Dec 2000	Value of Purchases 12 months to 31 March 2000	Supplying Company	Amount Outstanding At 31 Dec 2000	Amount outstanding At 31 March 2000
	£	£			£
G. Rhys Jones	24,316	17,392	Grumpy Ltd	-	6,843
M.K. Smith	2,163	14,516	Mel Smith Enterprises Ltd	-	14,343
P.A. Fincham	529,376	275,326	Linden Productions Ltd	-	88,656

23 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 Limited, a company registered in England and Wales.

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.

24 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.