

TALKBACK PRODUCTIONS LIMITED

Company registration number 1801230

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 1996

DUKE HAYWARD

Chartered Accountants



TALKBACK PRODUCTIONS LIMITED
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FOR THE YEAR ENDED 31 MARCH 1996

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TALKBACK PRODUCTIONS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 1996**

The directors present herewith their annual report, together with the audited financial statements of the company for the year ended 31 March 1996.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company's principal activity during the year was that of television production, the making of radio commercials and corporate videos and acting as agents for a number of performers and writers.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £240,514.
The directors do not recommend payment of a dividend for the current year.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and their interests in the share capital of the company at the beginning and end of the year were as follows:

	Ordinary £1 shares	
	31 March 1996	31 March 1995
G Rhys Jones	-	-
M K Smith	-	-
P Fincham	33	33

In addition, G Rhys Jones, M K Smith and P Fincham held one share jointly throughout the year.

The remaining share capital of the company is held by Not Any Old Radio Commercials Limited, the share capital of which is owned by G Rhys Jones and M K Smith.

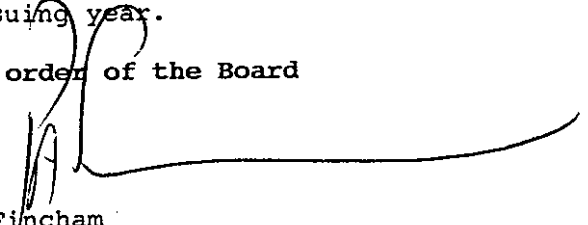
FIXED ASSETS

The movements in fixed assets during the year are set out in note 7 to the financial statements.

AUDITORS

It is proposed that the company's present auditors, Duke Hayward, be reappointed as auditors to the company to hold office for the ensuing year.

By order of the Board


P Fincham
Secretary

Date: 17 January 1997

Registered office:

33 Percy Street
London
W1P 9FG

TALKBACK PRODUCTIONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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' REPORT TO THE MEMBERS OF
TALKBACK PRODUCTIONS LIMITED**

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

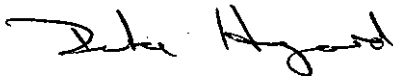
BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 March 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DUKE HAYWARD
Chartered Accountants
and Registered Auditor

11/13 Coombe Road,
New Malden,
Surrey, KT3 4PX.

Date: 17 January 1997

TALKBACK PRODUCTIONS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1996

		1996		1995	
	Notes	£	£	£	£
TURNOVER	2		7,647,706		6,997,122
COST OF SALES			6,770,343		6,284,551
GROSS PROFIT			877,363		712,571
Administrative expenses			594,310		543,170
OPERATING PROFIT	3/4		283,053		169,401
Interest receivable	5	53,920	53,920	40,277	40,277
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			336,973		209,678
Tax on ordinary activities	6		96,459		57,964
RETAINED PROFIT FOR THE YEAR	13		240,514		151,714
Retained profit brought forward			738,614		586,900
RETAINED PROFIT CARRIED FORWARD			£ 979,128		£ 738,614

CONTINUING OPERATIONS

None of the company's activities was acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the above two financial years.

The accompanying notes form part of these financial statements

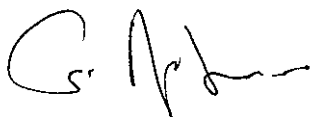
TALKBACK PRODUCTIONS LIMITED

BALANCE SHEET

AT 31 MARCH 1996

		1996		1995	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	7		842,744		832,195
Investments	8		76		40
			<u>842,820</u>		<u>832,235</u>
CURRENT ASSETS					
Stocks	9	638,820		382,873	
Debtors	10	645,896		354,911	
Cash at bank and in hand		1,338,076		841,689	
		<u>2,622,792</u>		<u>1,579,473</u>	
CREDITORS - amounts falling due within one year	11	<u>2,486,350</u>		<u>1,672,960</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>136,442</u>		<u>(93,487)</u>
NET ASSETS			<u><u>£979,262</u></u>		<u><u>£738,748</u></u>
 Financed by:					
CAPITAL AND RESERVES					
Called up share capital	12		134		134
Profit and loss account			979,128		738,614
			<u>£979,262</u>		<u>£738,748</u>
SHAREHOLDERS' FUNDS	13		<u><u>£979,262</u></u>		<u><u>£738,748</u></u>

Signed on behalf of the Board:



G Rhys Jones

Director

Date: 17 January 1997

The accompanying notes form part of these financial statements

TALKBACK PRODUCTIONS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1996

		1996		1995	
	Notes	£	£	£	£
Net cash inflow from operating activities	14(a)		586,591		204,327
Returns from investments and servicing of finance					
Interest received		48,402		43,606	
Net cash inflow from returns from investments and servicing of finance			48,402		43,606
Taxation					
Corporation tax paid			(58,220)		(76,894)
Investing activities					
Investment in associated company	(36)			-	
Proceeds from disposals of tangible fixed assets		5,621		1,755	
Payments to acquire tangible fixed assets		(85,971)		(433,213)	
Net cash outflow from investing activities			(80,386)		(431,458)
Increase/(decrease) in cash and cash equivalents	14(b)		£ 496,387		£(260,419)

The accompanying notes form part of these financial statements

TALKBACK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 MARCH 1996

1. ACCOUNTING POLICIES

1.1 Basis of accounting

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

1.2 Turnover

Turnover represents the invoiced amounts of goods sold and services provided net of value added tax.

1.3 Depreciation of tangible assets

Provision is made for depreciation on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, on a straight line basis, as follows:

Freehold property:	2% per annum
Leasehold property:	over the lease term
Fixtures and fittings:	10%-20% per annum
Computer equipment:	33.33% per annum
Video & recording equipment:	20% per annum

1.4 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.5 Deferred taxation

Provision is made by the liability method for all timing differences which are expected to reverse in the foreseeable future.

2. TURNOVER

The turnover and pre-tax Profit are wholly attributable to the company's main activity.

The turnover arises entirely in the U.K.

TALKBACK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

for the year ended 31 MARCH 1996

3. OPERATING PROFIT	<u>1996</u> £	<u>1995</u> £
This is stated after charging:		
Staff costs (see note 4)	289,731	271,443
Auditors' remuneration	8,000	7,500
Depreciation	71,264	50,891
Adjustment on disposal of fixed assets	(1,463)	6,321
	<u>289,731</u>	<u>271,443</u>
4. EMPLOYEE INFORMATION	<u>1996</u> £	<u>1995</u> £
4.1 Staff costs:		
Wages and salaries	264,442	247,239
Social security costs	25,289	24,204
	<u>£289,731</u>	<u>£271,443</u>
4.2 The average weekly number of employees during the year was as follows:	<u>1996</u> No.	<u>1995</u> No.
Directors	3	3
Administrative	6	5
Production	7	9
	<u>16</u>	<u>17</u>
4.3 Directors' emoluments:		
No directors' emoluments were paid in the year.		
5. INTEREST RECEIVABLE	<u>1996</u> £	<u>1995</u> £
Bank interest	53,920	40,277
	<u>£53,920</u>	<u>£40,277</u>

TALKBACK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 MARCH 1996

6. TAXATION

	<u>1996</u> £	<u>1995</u> £
The tax charge on the Profit on ordinary activities for the year was as follows:		
U K corporation tax at 26.7% (1995 - 25%)	96,459	58,220
Deferred taxation	-	(150)
	<u>96,459</u>	<u>58,070</u>
Taxation (over)/underprovided in previous years:		
Corporation tax	-	(106)
	<u>£96,459</u>	<u>£57,964</u>

7. TANGIBLE FIXED ASSETS

	Freehold property	Short leasehold property	Fixtures and fittings	Computer equipment	Video and recording equipment	Total
	£	£	£	£	£	£
Cost:						
At 1 April 1995	670,360	97,500	153,847	38,668	27,713	988,088
Additions	20,873	-	30,118	23,844	11,136	85,971
Disposals	-	-	(695)	(3,419)	(2,986)	(7,100)
At 31 March 1996	<u>691,233</u>	<u>97,500</u>	<u>183,270</u>	<u>59,093</u>	<u>35,863</u>	<u>1,066,959</u>
Depreciation:						
At 1 April 1995	13,407	36,188	62,109	28,174	16,015	155,893
Charge for year	13,824	4,905	29,905	16,986	5,644	71,264
Disposals	-	-	(278)	(2,067)	(597)	(2,942)
At 31 March 1996	<u>27,231</u>	<u>41,093</u>	<u>91,736</u>	<u>43,093</u>	<u>21,062</u>	<u>224,215</u>
Net book value:						
At 31 March 1996	<u>£664,002</u>	<u>£56,407</u>	<u>£91,534</u>	<u>£16,000</u>	<u>£14,801</u>	<u>£842,744</u>
At 31 March 1995	<u>£656,953</u>	<u>£61,312</u>	<u>£91,738</u>	<u>£10,494</u>	<u>£11,698</u>	<u>£832,195</u>

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. The other partners are third party tenants of the remaining parts of the building.

TALKBACK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

for the year ended 31 MARCH 1996

8. FIXED ASSET INVESTMENTS

	<u>1996</u> £	<u>1995</u> £
Investments in associated companies:		
Shares at cost	85,076	85,040
Amounts written off	85,000	85,000
	<u>£76</u>	<u>£40</u>

9. STOCKS

	<u>1996</u> £	<u>1995</u> £
Productions in progress	£ 638,820	£ 382,873

10. DEBTORS

	<u>1996</u> £	<u>1995</u> £
Trade debtors	415,673	116,822
Amounts owed by associated company	60,089	38,885
Other debtors	74,766	117,854
Prepayments and accrued income	95,368	81,350
	<u>£645,896</u>	<u>£354,911</u>

**11. CREDITORS - AMOUNTS FALLING DUE
WITHIN ONE YEAR**

	<u>1996</u> £	<u>1995</u> £
Trade creditors	627,697	447,626
Amounts owed to parent company	3,734	3,734
Corporation tax	96,459	58,220
Other taxes and social security costs	149,975	70,213
Other creditors	438,157	195,648
Accruals and deferred income	1,170,328	897,519
	<u>£2,486,350</u>	<u>£1,672,960</u>

12. SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>	
	£	<u>1996</u> £	<u>1995</u> £
Ordinary shares of £1 each	£ 150	£ 134	£ 134

TALKBACK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

for the year ended 31 MARCH 1996

13. RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' FUNDS

	<u>1996</u>	<u>1995</u>
	£	£
Profit for the year	240,514	151,714
Shareholders' funds at 1 April 1995	738,748	587,034
	<hr/>	<hr/>
Shareholders' funds at 31 March 1996	£ 979,262	£738,748
	<hr/>	<hr/>

14. NOTES TO THE CASH FLOW STATEMENT

14(a) Reconciliation of operating profit to net cash inflow from operating activities

	<u>1996</u>	<u>1995</u>
	£	£
Operating profit	283,053	169,401
Depreciation	71,264	50,891
(Profit)/loss on disposal of fixed assets	(1,463)	6,321
(Increase)/decrease in stocks	(255,947)	1,105,924
(Increase) in debtors	(285,467)	(84,099)
Increase/(decrease) in creditors	775,151	(1,044,111)
	<hr/>	<hr/>
Net cash inflow from operating activities	£ 586,591	£ 204,327
	<hr/>	<hr/>

14(b) Analysis of changes in cash and cash equivalents during the year

	<u>1996</u>	<u>1995</u>
	£	£
Balance at 1 April 1995	841,689	1,102,108
Net cash inflow/(outflow)	496,387	(260,419)
	<hr/>	<hr/>
Balance at 31 March 1996	£1,338,076	£ 841,689
	<hr/>	<hr/>

14(c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	<u>1996</u>	<u>1995</u>	<u>Change in</u>
	£	£	year
			£
Cash at bank and in hand	£1,338,076	£ 841,689	£ 496,387
	<hr/>	<hr/>	<hr/>

15. OPERATING LEASE COMMITMENTS

The company is committed to make the following payments during the year commencing 1 April 1996 in respect of operating leases:

	<u>1996</u>	<u>1995</u>
	£	£
Land and buildings:		
leases which expire after 5 years	£37,860	£37,860
	<hr/>	<hr/>

TALKBACK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

for the year ended 31 MARCH 1996

16. CAPITAL COMMITMENTS

At 31 March 1996 the company had no capital commitments (1995 - NIL)

17. ADDITIONAL INFORMATION ON ASSOCIATED COMPANIES

Associated company	Class of capital	Total issued capital	Portion held
		£	%
Smith Jones Brown and Cassie Limited	'A' Ordinary	100	40.00
	'B' Ordinary	100	36.00
TTT Playback Communications Ltd	Ordinary	71,250	23.86
	Preference	1,975,000	-

All associated companies are incorporated and operate in England and Wales and their principal activities are film production and training video production and distribution.

Audited results of Smith Jones Brown and Cassie Limited and TTT Playback Communications Limited for the year ended 31 March 1995 are as follows:

	Smith Jones Brown and Cassie Limited £	TTT Playback Communications Limited £
Turnover	<u>3,918,005</u>	<u>360,630</u>
Profit/(loss) on ordinary activities before taxation	<u>2,352</u>	<u>135,303</u>
Profit/(loss) on ordinary activities after taxation	<u>(2,260)</u>	<u>134,601</u>
Profit/(loss) attributable to Talkback Productions Limited	<u>(904)</u>	<u>32,116</u>
Net assets/(liabilities) attributable to Talkback Productions Limited	<u>2,044</u>	<u>(64,972)</u>

TALKBACK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 MARCH 1996

18. TRANSACTIONS WITH DIRECTORS

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

Directors' Interests	Value of purchases £	Supplying company
G Rhys Jones	379,213	Griff Rhys Jones Ltd
M K Smith	288,357	Mel Smith Enterprises Ltd
P Fincham	379,577	Linden Productions Ltd

19. ULTIMATE PARENT COMPANY

The company regards Not Any Old Radio Commercials Limited, registered in England, as its ultimate parent company.