

Warner Bros. Distributors Limited

Registered No. 259661

DIRECTORS

R J Fox
T C Lima
E H Senat
C J Young
E E Frumkes
W Duband

SECRETARY

D R Brander

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS

Barclays Bank PLC
Barclays Business Centre
Hanover Square Branch
8/9 Hanover Square
London W1A 4ZW

REGISTERED OFFICE

135 Wardour Street
London W1V 4AP



Warner Bros. Distributors Limited

DIRECTORS' REPORT

The directors present their report and accounts for the period ended 26 November 1994.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £3,297,000 (1993 – profit £3,477,000).

The directors do not recommend the payment of a dividend for the period.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company is principally engaged in the distribution of cinematograph films. The directors intend that the company will continue to expand its policy of film distribution.

MARKET VALUE OF LAND AND BUILDINGS

The freehold and short leasehold land and buildings were professionally revalued as at 23 April 1987 in the sum of £5,700,000. The revalued amount has been included in the accounts.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the period were as shown on page 1.

There are no directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

In accordance with Section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 3 December 1993. Accordingly, Ernst & Young shall be deemed to be reappointed as auditors.

By order of the Board

C J Young

Director

18 August 1995

Warner Bros. Distributors Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts; and
- 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.

REPORT OF THE AUDITORS

to the members of Warner Bros. Distributors Limited

We have audited the accounts on pages 5 to 16, which have been prepared under the historical cost convention as modified by the revaluation of freehold and short leasehold land and buildings and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

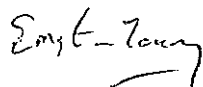
Basis of opinion

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 judgements 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 as to whether the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 26 November 1994 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'Ernst & Young', with a horizontal line underneath.

Ernst & Young
Chartered Accountants
Registered Auditor
London

18 August 1995

Warner Bros. Distributors Limited

PROFIT AND LOSS ACCOUNT

for the period ended 26 November 1994

		<i>Period to 26 November 1994 £000</i>	<i>Period to 27 November 1993 £000</i>
	<i>Notes</i>		
TURNOVER	2	101,502	57,234
Cost of sales		96,283	51,454
Gross profit		5,219	5,780
Administrative expenses		7,250	7,079
		(2,031)	(1,299)
Other operating income		5,579	5,587
OPERATING PROFIT	3	3,548	4,288
Interest payable	6	(578)	(108)
Interest receivable	6	12	91
		(566)	(17)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,982	4,271
Tax credit/(charge) on profit on ordinary activities	7	315	(794)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,297	3,477
Transfer from revaluation reserve	14	50	50
Retained profit brought forward		5,293	1,766
RETAINED PROFIT CARRIED FORWARD		8,640	5,293

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £3,297,000 in the period ended 26 November 1994 and of £3,477,000 in the period ended 27 November 1993.

Warner Bros. Distributors Limited

BALANCE SHEET

at 26 November 1994

		26 November 1994 £000	27 November 1993 £000
	Notes		
FIXED ASSETS			
Tangible assets	8	5,058	5,305
Investments	9	—	—
		<u>5,058</u>	<u>5,305</u>
CURRENT ASSETS			
Debtors	10	30,668	22,643
Cash at bank and in hand		5,589	1,735
		<u>36,257</u>	<u>24,378</u>
CREDITORS: amounts falling due within one year	11	25,480	17,145
NET CURRENT ASSETS		<u>10,777</u>	<u>7,233</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,835</u>	<u>12,538</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Capital reserve	14	2,863	2,863
Revaluation reserve	14	4,331	4,381
Profit and loss account	14	8,640	5,293
		<u>15,835</u>	<u>12,538</u>

C J Young

Director

18 August 1995

NOTES TO THE ACCOUNTS

at 26 November 1994

1. ACCOUNTING POLICIES

Accounting period

The company prepares accounts for either 52 or 53 week periods ending within one week of 26 November.

Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold and short leasehold land and buildings. The accounts have been prepared in accordance with applicable accounting standards.

Film licence income

Non-returnable advances receivable under film licence agreements are recognised evenly over the period of the licence.

Depreciation

The company provides depreciation in equal annual instalments over the estimated lives of the assets at the following rates:

Freehold land and buildings	—	over 50 years
Short-leasehold land and buildings	—	over the remaining lease term
Leasehold improvements	—	over 5 years
Furniture, fittings and equipment	—	over 3 to 5 years

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Group accounts

Group accounts have not been prepared as the company is a wholly owned subsidiary undertaking of another company registered in England and Wales (see note 20).

Pensions

The company is a member of the Time Warner UK Pension Plan which requires contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Variations in pension costs which are identified as a result of actuarial valuations are amortised over the average expected working lives of employees in proportion to their expected payroll costs.

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 26 November 1994

2. TURNOVER

Turnover represents gross film rental income earned, and film licence income, excluding valued added tax. No credit is taken in the accounts for film rental income until billings are prepared based on exhibitors' returns.

An analysis of turnover by geographical market is given below:

	<i>Period to 26 November 1994</i>		<i>Period to 27 November 1993</i>	
	<i>£000</i>	<i>%</i>	<i>£000</i>	<i>%</i>
United Kingdom and Eire	12,904	12.71	23,158	40.4
America and Canada	82,723	81.50	2,689	4.7
Other territories	5,875	5.79	31,387	54.9
	<u>101,502</u>	<u>100.00</u>	<u>57,234</u>	<u>100.00</u>

3. OPERATING PROFIT

This is stated after charging/(crediting):

	<i>Period to 26 November 1994 £000</i>	<i>Period to 27 November 1993 £000</i>
Directors' remuneration (see note 4)	160	169
Film lease rental costs	1,485	1,245
Operating lease rentals – plant and machinery	143	156
– land and buildings	999	924
Auditors' remuneration	19	15
Depreciation	399	622
Group income – film licence income	(2,670)	(2,689)
– management fees	(6,085)	(5,466)

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 26 November 1994

4. DIRECTORS' REMUNERATION

	<i>Period to 26 November 1994 £000</i>	<i>Period to 27 November 1993 £000</i>
Fees	—	—
Other emoluments (including pension contributions)	160	169
	<u>160</u>	<u>169</u>

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	<i>Period to 26 November 1994 No.</i>	<i>Period to 27 November 1993 No.</i>
£nil — £5,000	4	4
£50,001 — £55,000	1	1
£90,001 — £95,000	1	1
	<u>1</u>	<u>1</u>

The emoluments, excluding pension contributions, of the highest paid director were £94,000 (1993 — £94,125). There was no chairman of the company during the period.

5. STAFF COSTS

	<i>Period to 26 November 1994 £000</i>	<i>Period to 27 November 1993 £000</i>
Wages and salaries	3,610	3,004
Social security costs	326	295
Other pension costs	329	278
	<u>4,265</u>	<u>3,577</u>

The average weekly number of employees during the period was 102 (1993 — 93). All were engaged in administration and marketing.

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 26 November 1994

6. INTEREST

(a) Interest payable:

	<i>Period to 26 November 1994 £000</i>	<i>Period to 27 November 1993 £000</i>
Interest payable to group undertakings	<u>578</u>	<u>108</u>

(b) Interest receivable:

	<i>Period to 26 November 1994 £000</i>	<i>Period to 27 November 1993 £000</i>
Interest receivable from group undertakings	12	39
Interest receivable on certificates of tax deposit	<u>-</u>	<u>52</u>
	<u>12</u>	<u>91</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The credit/(charge) in the profit and loss account comprises:

	<i>Period to 26 November 1994 £000</i>	<i>Period to 27 November 1993 £000</i>
Based on the profit for the period	-	(661)
Corporation tax at 33%	(76)	(111)
Overseas taxation	-	-
Deferred taxation	391	(22)
Corporation tax under/(over) provided in previous years	<u>315</u>	<u>(794)</u>

Other group undertakings have undertaken to surrender their losses for tax purposes to the company for no consideration.

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 26 November 1994

8. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £000</i>	<i>Short leasehold land and buildings £000</i>	<i>Fixtures and fittings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
Cost or valuation:					
At 27 November 1993	1,521	4,461	1,104	1,651	8,737
Additions	—	10	—	141	151
At 26 November 1994	<u>1,521</u>	<u>4,471</u>	<u>1,104</u>	<u>1,792</u>	<u>8,888</u>
Depreciation:					
At 27 November 1993	202	1,310	854	1,066	3,432
Provided during the year	31	71	74	222	398
At 26 November 1994	<u>233</u>	<u>1,381</u>	<u>928</u>	<u>1,288</u>	<u>3,830</u>
Net book value:					
At 26 November 1994	<u>1,288</u>	<u>3,090</u>	<u>176</u>	<u>504</u>	<u>5,058</u>
At 27 November 1993	<u>1,319</u>	<u>3,151</u>	<u>250</u>	<u>585</u>	<u>5,305</u>

The freehold and short leasehold land and buildings were valued on an open market basis as at 23 April 1987 in the sum of £5,700,000.

If the land and buildings were sold at their valuation, a tax liability of approximately £400,000 (1993 – £440,000) could arise.

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 26 November 1994

8. TANGIBLE FIXED ASSETS (continued)

For the short leasehold land and buildings included at valuation:

	<i>Freehold land and buildings £000</i>	<i>Short leasehold land and buildings £000</i>
Historical cost:		
At 27 November 1993	27	1,489
Additions	—	10
At 26 November 1994	27	1,499
Depreciation based cost:		
At 27 November 1993	—	455
Provided during the period	—	46
At 26 November 1994	—	501
Net book value:		
At 26 November 1994	27	998
Net book value:		
At 27 November 1993	27	1,034

9. INVESTMENTS

(a) Investment in subsidiary undertakings:

	<i>£</i>
Cost:	
At 26 November 1994 and 27 November 1993	100

The investment represents 100% of the ordinary share capital of Lorimar-Telepictures International Limited, a company registered in England and Wales.

Group accounts have not been prepared as the company is a wholly owned subsidiary undertaking of another company registered in England and Wales (see note 20).

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 26 November 1994

9. INVESTMENTS (continued)

(b) Investment in associated undertaking:

	26 November 1994	27 November 1993
	£	£
Investment at cost, less provisions	50	50

The investment in associated undertaking comprises an investment in Columbia-Cannon-Warner Distributors Limited ("C.C.W."), a joint venture company. C.C.W. ceased to trade on 1 December 1987 and was placed in member's voluntary liquidation. Application was made to the courts to have the liquidation stayed and this was granted on 9 February 1994. The company has not traded since that date.

10. DEBTORS

	26 November 1994	27 November 1993
	£000	£000
Trade debtors	419	3,439
Other debtors	2,944	2,969
Prepayments and accrued income	1,240	301
Amounts owed by group undertakings	26,031	15,830
Amounts owed by associated undertakings	34	104
	30,668	22,643

11. CREDITORS: amounts falling due within one year

	26 November 1994	27 November 1993
	£000	£000
Bank overdraft	1,068	2,276
Trade creditors	4,741	4,878
Other taxes and social security costs	—	17
Accruals	1,312	1,468
Amounts owed to subsidiary undertakings	180	47
Amounts owed to group undertakings	18,179	7,796
Corporation tax payable	—	663
	25,480	17,145

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 26 November 1994

12. DEFERRED TAXATION

(i) Other than taxation on the valuation surplus, there was no potential liability to deferred taxation at either 26 November 1994 or 27 November 1993.

(ii) Taxation on valuation surplus:

	Potential £000
At 26 November 1994	400
At 27 November 1993	440

13. SHARE CAPITAL

	26 November 1994 £	27 November 1993 £
Authorised, allotted, called up and fully paid 1,000 Ordinary shares of £1 each	1,000	1,000

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £000	Capital reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
Balance at 28 November 1992	1	2,863	4,431	1,766	9,061
Profit for the period	-	-	-	3,477	3,477
Transfer to profit and loss account	-	-	(50)	50	-
Balance at 27 November 1993	1	2,863	4,381	5,293	12,538
Profit for the period	-	-	-	3,297	3,297
Transfer to profit and loss account	-	-	(50)	50	-
Balance at 26 November 1994	1	2,863	4,331	8,640	15,835

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 26 November 1994

15. CAPITAL COMMITMENTS

There were no capital commitments authorised or contracted at 26 November 1994 or 27 November 1993.

16. OTHER FINANCIAL COMMITMENTS

(a) The maturity of obligations under finance leases is as follows:

	26 November 1994 £000	27 November 1993 £000
Amounts payable:		
Within one year	—	1,419
In the second to fifth year inclusive	—	—
In over five years	—	—
	—	1,419
Less: finance charges allocated to future periods	—	(70)
	—	1,349

(b) The company also had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	26 November 1994 £000	27 November 1993 £000	26 November 1994 £000	27 November 1993 £000
Operating leases which expire:				
Within one year	—	—	28	59
In the second to fifth years inclusive	—	—	166	56
In over five years	1,463	924	—	—
	1,463	924	194	115

17. CONTINGENT LIABILITIES

(a) The company has entered into a group composite accounting agreement with its bankers. The terms of the agreement permit the bankers, without notice, to draw down funds deposited into the system, to offset borrowings drawn down from the system by other group members who are also parties to these arrangements. At the balance sheet date, funds deposited by the company into the system and potentially at risk to cover liabilities elsewhere in the group amounted to £nil.

(b) On 26 July 1994 the company together with other group undertakings guaranteed the obligations of a parent undertaking, Time Warner Entertainment Limited, pursuant to a £45 million, five year, bank revolving credit and term loan facility.

18. CASH FLOW STATEMENT

A cash flow statement has not been prepared as the company is a wholly owned subsidiary of another company registered in England and Wales (see note 20).

NOTES TO THE ACCOUNTS

at 26 November 1994

19. PENSIONS

The company is one of the sponsoring employers of the Time Warner UK Pension Plan which is a defined benefit scheme. The assets of the scheme are held in a separately administered fund.

The pension cost relating to the plan is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessment of the plan was at 6 April 1993 and details of this actuarial valuation are disclosed in the accounts of Time Warner Entertainment Limited.

20. ULTIMATE PARENT UNDERTAKING

Time Warner Entertainment Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which group accounts are drawn up. Time Warner Entertainment Limited is registered in England and Wales and copies of its accounts can be obtained from the Registrar of Companies in Cardiff.

The largest group in whose accounts the company is consolidated is Time Warner Entertainment Company L.P., a limited partnership incorporated in the United States of America.

The ultimate parent undertaking is Time Warner Inc., a company incorporated in the United States of America.