

Report and Accounts

Warner Bros. Distributors Limited

27 November 1999



Warner Bros. Distributors Limited

Registered No. 259661

DIRECTORS

R J Fox
T C Lima
E H Senat
C J Young
E E Frumkes (resigned 31 July 2000)
N Sharrocks
J A Schulman (appointed 29 August 2000)

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

98 Theobald's Road
London WC1X 8WB

Warner Bros. Distributors Limited

DIRECTORS' REPORT

The directors present their report and accounts for the period ended 27 November 1999.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £7,594,000 (1998 – profit of £6,588,000).

The directors recommend a final ordinary dividend amounting to £14,500,000.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

DIRECTORS AND THEIR INTERESTS

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

N Sharrocks was appointed director on 11 May 1999.

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

YEAR 2000

The Time Warner Group considered the issues and business risks resulting from the date change to the Year 2000. Management reviewed the significant software and equipment used in the company's operations and, to the extent practicable, in the operations of its key business partners. From the review, certain measures designed to address the key risks were implemented with priority given to those systems which could cause significant financial or legal impact on the company's business if they were to fail.

The group has not experienced any problems or system failures with the roll over into the Year 2000. All systems to date have continued to perform normally. Given the complexity of the issue, it is not possible for any organisation to guarantee that no Year 2000 problems remain. However, the directors do not anticipate problems arising as the year progresses.

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



Secretary

Date

22/9/00

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; 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 on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

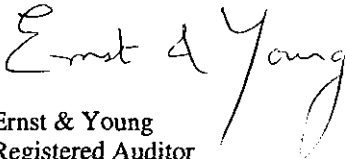
Basis of opinion

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 27 November 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

22 SEP 2000

Warner Bros. Distributors Limited

PROFIT AND LOSS ACCOUNT for the period ended 27 November 1999

		<i>Period ended 27 November 1999 £000</i>	<i>Period ended 28 November 1998 £000</i>
	<i>Notes</i>		
TURNOVER	2	181,458	102,231
Cost of sales		171,678	95,079
		<hr/>	<hr/>
Gross profit		9,780	7,152
Administrative expenses		17,530	12,882
		<hr/>	<hr/>
		(7,750)	(5,730)
Other operating income		15,443	13,147
		<hr/>	<hr/>
OPERATING PROFIT	3	7,693	7,417
Income from investments	4	2,000	–
Profit on disposal of fixed assets	4	–	1,508
Interest receivable	7	452	390
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,145	9,315
Tax charge on profit on ordinary activities	8	(2,551)	(2,727)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	7,594	6,588
Final proposed equity dividends on ordinary shares	16	(14,500)	–
		<hr/>	<hr/>
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL PERIOD		(6,906)	6,588
		<hr/>	<hr/>

Warner Bros. Distributors Limited

PROFIT AND LOSS ACCOUNT

for the period ended 27 November 1999

	<i>Period ended 27 November 1999 £000</i>	<i>Period ended 28 November 1998 £000</i>
Reported profit on ordinary activities before taxation	10,145	9,315
Realisation of property revaluation gains from previous periods	–	4,431
Historical cost profit on ordinary activities before tax	<u>10,145</u>	<u>13,746</u>
Historical cost profit for the period retained after tax	<u>7,594</u>	<u>11,019</u>

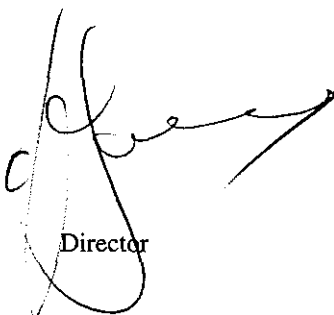
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £7,594,000 in the period ended 27 November 1999 and of £6,588,000 in the period ended 28 November 1998.

Warner Bros. Distributors Limited

BALANCE SHEET at 27 November 1999

		27 November 1999 £000	28 November 1998 £000
	Notes		
FIXED ASSETS			
Tangible assets	9	12,352	2,290
Investments	10	—	—
		<u>12,352</u>	<u>2,290</u>
CURRENT ASSETS			
Debtors	11	75,329	54,289
Cash at bank and in hand		12,189	10,715
		<u>87,518</u>	<u>65,004</u>
CREDITORS: amounts falling due within one year	12	80,295	42,293
NET CURRENT ASSETS		<u>7,223</u>	<u>22,711</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,575</u>	<u>25,001</u>
CREDITORS: amounts falling due after more than one year	13	161	—
PROVISIONS FOR LIABILITIES AND CHARGES			
Leases	14	1,319	—
		<u>18,095</u>	<u>25,001</u>
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Capital reserve	16	2,863	2,863
Revaluation reserve	16	—	—
Profit and loss account	16	15,231	22,137
Shareholders' funds		<u>18,095</u>	<u>25,001</u>



Director

22 SEP 2000

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

1. ACCOUNTING POLICIES

Accounting period

The company prepares accounts for either 52 or 53 week periods ending within one week of 30 November.

Accounting convention

The accounts are prepared under the historical cost convention. 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:

Leasehold improvements	–	over 10 years
Furniture, fittings and equipment	–	over 3 – 7 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.

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.

Related parties

The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with fellow wholly owned group undertakings. There is no effect on the taxation charge of the 1999 exceptional items recognised below operating profit.

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

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 ended 27 November 1999</i>		<i>Period ended 28 November 1998</i>	
	£000	%	£000	%
United Kingdom and Eire	27,568	15.19	22,746	22.25
America and Canada	153,694	84.70	79,334	77.60
Other territories	196	0.11	151	0.15
	<u>181,458</u>	<u>100.00</u>	<u>102,231</u>	<u>100.00</u>

3. OPERATING PROFIT

This is stated after charging/(crediting):

	<i>Period ended 27 November 1999</i>	<i>Period ended 28 November 1998</i>
	£000	£000
Directors' remuneration (see note 5)	352	223
Operating lease rentals – plant and machinery	136	156
– land and buildings	2,996	1,801
Auditors' remuneration	21	18
Depreciation of owned assets	974	669
Depreciation of assets held under finance leases	11	–
Management fees	(13,042)	(11,356)
Exceptional provision for lease commitments (see note 14)	1,319	–
	<u>–</u>	<u>–</u>

4. EXCEPTIONAL ITEMS

	<i>Period ended 27 November 1999</i>	<i>Period ended 28 November 1998</i>
	£000	£000
Profit on disposal of land and buildings	–	1,508
Dividend income from investment in Lorimar – Telepictures International Limited (see note 10)	2,000	–
	<u>2,000</u>	<u>1,508</u>

The effect on the taxation charge in 1998 of the exceptional items recognised below operating profit is disclosed in note 8.

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

5. DIRECTORS' REMUNERATION

	<i>Period ended 27 November 1999 £000</i>	<i>Period ended 28 November 1998 £000</i>
Emoluments	331	198
Company contributions paid to defined benefit pension schemes	21	25
	<i>No.</i>	<i>No.</i>
Members of defined benefit pension schemes	3	2

The amounts in respect of the highest paid director are as follows:

Emoluments	152	136
Company contributions paid to defined benefit pension schemes	14	17

During the year, two directors exercised share options.

6. STAFF COSTS

	<i>Period ended 27 November 1999 £000</i>	<i>Period ended 28 November 1998 £000</i>
Wages and salaries	7,396	6,775
Social security costs	683	595
Other pension costs	595	599
	8,674	7,969

The average monthly number of employees during the period was 164 (1998 – 152). All were engaged in administration and marketing.

7. INTEREST RECEIVABLE

	<i>Period to 27 November 1999 £000</i>	<i>Period to 28 November 1998 £000</i>
Interest receivable from group undertakings	411	381
Bank interest receivable	41	9
	452	390

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge in the profit and loss account comprises:

	<i>Period to 27 November 1999 £000</i>	<i>Period to 28 November 1998 £000</i>
Based on the profit for the period		
Corporation tax	(2,541)	(3,089)
Double tax relief	215	175
	<u>(2,091)</u>	<u>(2,914)</u>
Overseas taxation	(215)	(175)
	<u>(2,306)</u>	<u>(3,089)</u>
Corporation tax (under)/over provided in previous periods	(10)	362
	<u>(2,551)</u>	<u>(2,727)</u>

The tax effect in the profit and loss account relating to the exceptional items recognised in 1998 below operating profit is a charge of £593,000 which is reflected in the 1998 provision.

If full provision had been made for deferred taxation for the year, the taxation charge would have been increased by £87,000 (1998 – £17,000) as follows:

	<i>1999 £000</i>	<i>1998 £000</i>
Capital allowances in advance of depreciation	99	31
Other timing differences	(12)	(14)
	<u>87</u>	<u>17</u>

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

9. TANGIBLE FIXED ASSETS

	<i>Assets in the course of construction £000</i>	<i>Leasehold land and buildings £000</i>	<i>Fixtures and fittings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
Cost or valuation:					
At 28 November 1998	1,185	1,939	233	3,403	6,760
Additions	—	8,411	—	2,636	11,047
Transfers	(1,185)	1,185	—	—	—
Disposals	—	(1,941)	(233)	(1,096)	(3,270)
At 27 November 1999	—	9,594	—	4,943	14,537
Depreciation:					
At 28 November 1998	—	1,742	164	2,564	4,470
Provided during the period	—	334	69	582	985
Disposals	—	(1,941)	(233)	(1,096)	(3,270)
At 27 November 1999	—	135	—	2,050	2,185
Net book value:					
At 27 November 1999	—	9,459	—	2,893	12,352
At 28 November 1998	1,185	197	69	839	2,290

10. INVESTMENTS

(a) Investment in subsidiary undertakings:

	<i>27 November 1999 £</i>	<i>28 November 1998 £</i>
Cost:		
At 27 November 1999 and 28 November 1998	100	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 22). Consequently, these accounts present information about the company as an individual undertaking and not about its group.

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

10. INVESTMENTS (continued)

(b) Investment in associated undertaking:

	27 November 1999 £	28 November 1998 £
Investment at cost	75	75

The investment in associated undertaking comprises an investment in Filmbank Distributors Limited and represents 50% of the Ordinary share capital. Filmbank Distributors Limited is engaged in the distribution of filmed entertainment in non-theatrical markets.

11. DEBTORS

	27 November 1999 £000	28 November 1998 £000
Trade debtors	3,202	2,388
Other debtors	2,361	1,335
Prepayments and accrued income	596	643
Amounts owed by group undertakings	67,764	49,854
Amounts owed by associated undertakings	49	69
Corporation tax recoverable	1,357	—
	<u>75,329</u>	<u>54,289</u>

12. CREDITORS: amounts falling due within one year

	27 November 1999 £000	28 November 1998 £000
Bank overdraft	944	20
Obligation under finance leases	76	—
Trade creditors	5,880	4,750
Other taxes and social security costs	416	359
Corporation tax payable	2,010	2,819
Accruals	6,572	1,639
Amounts owed to associated undertakings	—	120
Amounts owed to group undertakings	49,897	32,586
Proposed final dividend	14,500	—
	<u>80,295</u>	<u>42,293</u>

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

13. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	27 November 1999 £000	28 November 1998 £000
Amounts payable:		
Within one year	90	-
In two to five years	174	-
	<u>264</u>	<u>-</u>
Less: finance charges allocated to future periods	27	-
	<u>237</u>	<u>-</u>
Finance leases are analysed as follows:		
Current obligations (note 12)	76	-
Non-current obligations	161	-
	<u>237</u>	<u>-</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	27 November 1999 £	28 November 1998 £
At start of period	-	-
Charge for the period	1,319	-
	<u>1,319</u>	<u>-</u>
At end of period	<u>1,319</u>	<u>-</u>

The company moved premises in 1999; however has a lease commitment until 2014 for a building now vacated. A provision of £1,319,674 is included in administrative expenses for the estimated present value of future losses on this property.

15. SHARE CAPITAL

	27 November 1999 £	28 November 1998 £
Authorised, allotted, called up and fully paid:		
1,100 Ordinary shares of £1 each	1,100	1,100
	<u>1,100</u>	<u>1,100</u>

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £000</i>	<i>Capital reserve £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
Balance at 29 November 1997	1	2,863	4,181	11,368	18,413
Profit for the period	—	—	—	6,588	6,588
Write back of revaluation reserve	—	—	(4,181)	4,181	—
Balance at 28 November 1998	1	2,863	—	22,137	25,001
Profit for the period	—	—	—	7,594	7,594
Dividend	—	—	—	(14,500)	(14,500)
Balance at 27 November 1999	1	2,863	—	15,231	18,095

17. CAPITAL COMMITMENTS

There were no capital commitments contracted for and not provided in the accounts at either 27 November 1999 or 28 November 1998.

18. OTHER FINANCIAL COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>27 November 1999 £000</i>	<i>28 November 1998 £000</i>	<i>27 November 1999 £000</i>	<i>28 November 1998 £000</i>
Operating leases which expire:				
Within one year	—	817	3	20
In the second to fifth years inclusive	—	—	83	80
In over five years	4,804	1,551	—	—
	4,804	2,368	86	100

19. CONTINGENT LIABILITY

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 £11,855,306.

20. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared as the company is a wholly owned subsidiary of another company registered in England and Wales (see note 22).

Warner Bros. Distributors Limited

NOTES TO THE ACCOUNTS

at 27 November 1999

21. 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 1998 and details of this actuarial valuation are disclosed in the accounts of Time Warner Entertainment Limited.

22. 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.