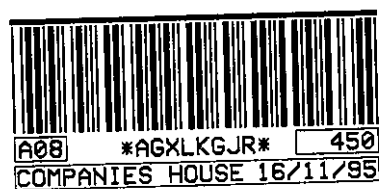


**TURNER INTERNATIONAL NETWORK SALES LIMITED**  
(Registered Number 1927955)

**DIRECTORS' REPORT AND ACCOUNTS**

**31 DECEMBER 1994**



## **TURNER INTERNATIONAL NETWORK SALES LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 1994.

### **REVIEW OF THE BUSINESS**

The principal activity of the Company is the licensing of Turner Broadcasting System, Inc.'s 24 hour news programme and film and cartoon network.

### **RESULTS AND DIVIDENDS**

The Company's loss for the year was US\$5,604,764 (1993: US\$3,643,717). The directors do not recommend the payment of a dividend.

### **DIRECTORS AND THEIR INTERESTS**

The directors during the year are given below:

M L Rudolph (resigned 31 May 1995)  
W H Grumbles  
S Korn  
John Agnoli (resigned 20 September 1994)

The directors do not have any interest in the shares of the Company required to be disclosed under schedule 7 of the Companies Act 1985.

### **FIXED ASSETS**

Details of the movements in tangible fixed assets are given in Note 7 to the accounts.

### **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 and of the 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 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 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.

**TURNER INTERNATIONAL NETWORK SALES LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS**

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board

  
 Gray's Inn Secretaries Limited  
Secretary

27 OCTOBER 1995

*Price Waterhouse*



## **AUDITORS' REPORT TO THE MEMBERS OF TURNER INTERNATIONAL NETWORK SALES LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

### **Respective responsibilities of directors and auditors**

As described on page 1 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 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 as at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors

27 October 1995

# TURNER INTERNATIONAL NETWORK SALES LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>1994</u> US\$	<u>1993</u> US\$
<b>TURNOVER</b> (Note 2)	32,605,787	27,659,042
Cost of sales	<u>(24,454,341)</u>	<u>(17,949,152)</u>
<b>GROSS PROFIT</b>	8,151,446	9,709,890
Sales and administrative expenses	<u>(13,756,210)</u>	<u>(13,353,607)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (Note 3)	(5,604,764)	(3,643,717)
Tax on loss on ordinary activities (Note 6)	<u>-</u>	<u>-</u>
<b>LOSS FOR THE YEAR AFTER TAXATION AND LOSS TRANSFERRED TO RESERVES</b> (Note 12)	<u>(5,604,764)</u>	<u>(3,643,717)</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1994

The Company had no recognised gains or losses during the year other than those reflected in the above profit and loss account.

## NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1994

There is no differences between the results as disclosed in the profit and loss account and those on an unmodified historic cost basis.

The notes on pages 6 to 11 form part of these accounts.

# TURNER INTERNATIONAL NETWORK SALES LIMITED

## BALANCE SHEET - 31 DECEMBER 1994

	1994 US\$	1993 US\$
<b>FIXED ASSETS</b>		
Tangible assets (Note 7)	933,627	1,248,695
Investment (Note 8)	148	148
	<u>933,775</u>	<u>1,248,843</u>
<b>CURRENT ASSETS</b>		
Debtors (Note 9)	22,321,788	5,607,591
Cash at bank and in hand	1,955,969	2,536,136
	<u>24,277,757</u>	<u>8,143,727</u>
<b>CREDITORS - Amounts falling due within one year (Note 10)</b>	<u>(55,125,486)</u>	<u>(33,701,760)</u>
<b>NET CURRENT LIABILITIES</b>	<u>(30,847,729)</u>	<u>(25,558,033)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>(29,913,954)</u>	<u>(24,309,190)</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital (Note 11)	148	148
Profit and loss account (Note 12)	<u>(29,914,102)</u>	<u>(24,309,338)</u>
	<u>(29,913,954)</u>	<u>(24,309,190)</u>

APPROVED BY THE BOARD ON

DIRECTOR



S. KORN

27 OCTOBER 1995

The notes on pages 6 to 11 form part of these accounts.

# **TURNER INTERNATIONAL NETWORK SALES LIMITED**

## **NOTES TO THE ACCOUNTS - 31 DECEMBER 1994**

### **1 ACCOUNTING POLICIES**

#### **(1) Going concern**

The accounts are prepared on a going concern basis notwithstanding the net deficiency of assets. The parent company, Turner Broadcasting System Limited, has agreed to provide continuing financial support for the foreseeable future.

#### **(2) Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are stated in US dollars with the prior year profit and loss account and balance sheet being translated from sterling to US\$ at a rate of US\$1.48 : £1.

#### **(3) Turnover**

Turnover represents the value of services provided during the year in the normal course of business net of value added tax. The unearned portion is recorded as deferred revenue.

#### **(4) Depreciation**

All tangible fixed assets are depreciated over their estimated useful economic life on a straight line basis.

The annual rates of depreciation are:

Leasehold improvements	Over the life of the lease
Computer equipment	25%
Office equipment	12.5%

#### **(5) Foreign currency translation**

Transactions denominated in non US dollar currencies are recorded in US dollars at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US dollars at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rate is recorded in the profit and loss account.

#### **(6) Operating leases**

The Company enters into operating leases.

Rentals under operating leases are charged to the profit and loss account, as incurred, over the terms of the leases.

#### **(7) Investments**

Fixed asset investments are shown at historic cost.

# TURNER INTERNATIONAL NETWORK SALES LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

### 2 TURNOVER

The geographical analysis of the turnover of the Company is as follows:

	<u>1994</u> US\$	<u>1993</u> US\$
Europe	17,535,350	16,790,532
United Kingdom	6,834,701	5,319,127
Africa	3,633,286	3,206,247
Middle East	4,197,532	2,126,366
South East Asia	404,918	214,900
USA	-	1,870
	<u>32,605,787</u>	<u>27,659,042</u>

The Company's activities are all based in the UK and Europe.

### 3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1994</u> US\$	<u>1993</u> US\$
Loss on ordinary activities before taxation is stated after charging the following amounts:		
Depreciation of fixed assets	428,181	154,729
Directors' remuneration (Note 5)	413,881	354,201
Auditors' remuneration	-	44,385
Operating lease rentals:		
Land and buildings	523,125	2,183,814
Other	37,631	27,923
	<u>1,402,818</u>	<u>2,765,052</u>

Auditors remuneration is borne by the UK parent company, and allocated to the Company as part of the management charge. The remuneration paid to the auditors during the year is disclosed in the accounts of the UK parent company.

### 4 STAFF COSTS

	<u>1994</u> US\$	<u>1993</u> US\$
Wages and salaries	2,452,837	1,914,578
Social security costs	162,848	150,882
Other pension costs	<u>25,540</u>	<u>-</u>
	<u>2,641,225</u>	<u>2,065,460</u>

The average number of employees during the year was 48 (1993: 56). All employees are primarily located in the United Kingdom.

# TURNER INTERNATIONAL NETWORK SALES LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

### 5 DIRECTORS' EMOLUMENTS

	<u>1994</u> US\$	<u>1993</u> US\$
Total emoluments salaries and benefits	413,881	354,201

The emoluments of the highest paid director were US\$413,881 (1993: US\$354,201).

The table which follows shows the number of directors whose emoluments during the year were within the bands stated:

	<u>Directors</u>	
	1994	1993
US\$Nil - US\$5,000	3	5
US\$410,001 - US\$415,000	1	1

### 6 TAX ON LOSS ON ORDINARY ACTIVITIES

The charge for United Kingdom corporation tax in the year was US\$Nil (1993: US\$Nil).

### 7 TANGIBLE ASSETS

	<u>Leasehold</u> <u>improvements</u> US\$	<u>Computer</u> <u>equipment</u> US\$	<u>Office</u> <u>equipment</u> US\$	<u>Total</u> <u>Company</u> US\$
<b>Cost</b>				
At 1 January 1994	1,158,267	289,115	255,231	1,702,613
Additions	<u>54,064</u>	<u>34,262</u>	<u>24,788</u>	<u>113,114</u>
At 31 December 1994	<u>1,212,331</u>	<u>323,377</u>	<u>280,019</u>	<u>1,815,727</u>
<b>Accumulated depreciation</b>				
At 1 January 1994	(203,612)	(161,196)	(89,111)	(453,919)
Charge for the year	<u>(281,053)</u>	<u>(98,280)</u>	<u>(48,848)</u>	<u>(428,181)</u>
At 31 December 1994	<u>(484,665)</u>	<u>(259,476)</u>	<u>(137,959)</u>	<u>(882,100)</u>
<b>Net book value</b>				
At 31 December 1994	<u>727,666</u>	<u>63,901</u>	<u>142,060</u>	<u>933,627</u>
At 31 December 1993	<u>954,655</u>	<u>127,919</u>	<u>166,121</u>	<u>1,248,695</u>

# TURNER INTERNATIONAL NETWORK SALES LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

### 8 INVESTMENT

	<u>1994</u> US\$	<u>1993</u> US\$
Shares in Turner Broadcasting International Limited	148	148

Turner Broadcasting International Limited, a company incorporated in the United Kingdom, is a wholly owned subsidiary of Turner International Network Sales Limited,

Group accounts have not been prepared as the Company has taken advantage of the dispensation available to wholly owned subsidiary undertakings where Group accounts have been prepared by the UK parent undertaking (see Note 16).

### 9 DEBTORS

	<u>1994</u> US\$	<u>1993</u> US\$
Trade debtors	6,911,756	2,859,749
Amounts owed by group undertaking	10,998,548	614,451
Amounts owed by fellow subsidiary undertakings	2,371,564	-
Other debtors	171,178	62,032
Prepayments and accrued income	<u>1,868,742</u>	<u>2,071,359</u>
	<u>22,321,788</u>	<u>5,607,591</u>

### 10 CREDITORS - amounts falling due within one year

	<u>1994</u> US\$	<u>1993</u> US\$
Bank overdrafts and loans	798,588	-
Amounts owed to group undertaking	44,485,387	30,379,325
Amounts owed to fellow subsidiary undertakings	6,113,185	219,164
Social security and PAYE	76,632	494,425
Other creditors	104,705	533,335
Accruals and deferred income	<u>3,546,989</u>	<u>2,075,511</u>
	<u>55,125,486</u>	<u>33,701,760</u>

# TURNER INTERNATIONAL NETWORK SALES LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

### 11 CALLED UP SHARE CAPITAL

	<u>1994</u> Number	<u>1994</u> US\$	<u>1993</u> Number	<u>1993</u> US\$
Authorised	1,000	1,500	1,000	1,500
Allotted and fully paid ordinary shares of £1 each	<u>100</u>	<u>148</u>	<u>100</u>	<u>148</u>

### 12 PROFIT AND LOSS ACCOUNT

	<u>1994</u> US\$	<u>1993</u> US\$
At 1 January	(24,309,338)	(20,665,621)
Loss for the year	<u>(5,604,764)</u>	<u>(3,643,717)</u>
At 31 December	<u>(29,914,102)</u>	<u>(24,309,338)</u>

### 13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>1994</u> US\$	<u>1993</u> US\$
Loss for the year	(5,604,764)	(3,643,717)
Shareholders' funds at 1 January	<u>(24,309,190)</u>	<u>(20,665,473)</u>
Shareholders' funds at 31 December	<u>(29,913,954)</u>	<u>(24,309,190)</u>

### 14 OPERATING LEASE COMMITMENTS

At 31 December 1994, the Company was committed to making the following annual payments in respect of operating leases:

	<u>Land &amp; buildings</u> US\$	<u>Other</u> US\$
Leases which expire:		
After five years	<u>523,125</u>	<u>37,631</u>

## **TURNER INTERNATIONAL NETWORK SALES LIMITED**

### **NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)**

#### **15 CASH FLOW STATEMENT**

A statement of cash flow has been omitted as the Company has taken advantage of the dispensation available to wholly owned subsidiary undertakings where a consolidated cash flow statement has been prepared by the parent undertaking.

#### **16 ULTIMATE HOLDING UNDERTAKING**

The Company is a subsidiary undertaking of Turner Broadcasting System, Inc., which is incorporated in the USA.

The Company's parent undertaking is Turner Broadcasting System Limited, a company incorporated in Great Britain and the Company's accounts are consolidated in the accounts of that company.