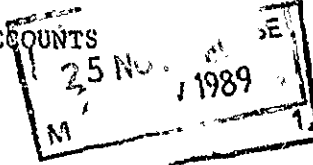


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CNN INTERNATIONAL SALES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 December 1988



# CNN INTERNATIONAL SALES LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the year ended 31 December 1987.

## REVIEW OF THE BUSINESS

The group's principal activity is the licensing of a 24 hour news programme by satellite throughout the United Kingdom and Europe.

## RESULTS AND DIVIDENDS

The group's loss for the year was £1,835,232. The directors do not recommend the payment of a dividend.

## DIRECTORS AND THEIR INTERESTS

The directors during the year are given below:

RE Turner	
TF McGuirk	
RW Ross	
AM Seward	(appointed 5 February 1988)
PD Beckham	(appointed 5 February 1988)
D Garland	(resigned 5 February 1988)
WC Bevins Jr	(resigned 5 February 1988)

No director had any interest in the shares of the group companies at the beginning and end of the period.

## EMPLOYEES

The average number of employees during the year including directors were 32.

## FIXED ASSETS

Details of the movements in tangible fixed assets are given in Note 4.

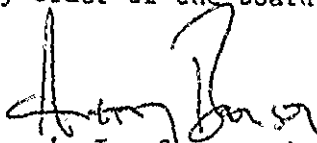
## FUTURE DEVELOPMENTS

The directors are of the opinion that the turnover of the company will continue to expand in future years. It is believed that this expansion will lead to the creation of profits.

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

  
for Gray's Inn Secretaries Limited  
Secretary

8 June 1989

*Price Waterhouse*



AUDITORS' REPORT TO THE MEMBERS OF  
CNN INTERNATIONAL SALES LIMITED

We have audited the financial statements on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1988 and of the loss and the source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Chartered Accountants

8 June 1989



CNN INTERNATIONAL SALES LIMITED AND SUBSIDIARY

GROUP PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>Note</u>	<u>1988</u> £	<u>1987</u> £
TURNOVER	2	1,461,341	730,084
Cost of sales		(1,096,006)	(547,563)
Sales and administrative expenses		(2,156,766)	(1,661,010)
Foreign exchange gain/(loss)		<u>(43,801)</u>	<u>155,854</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(1,835,232)	(1,322,635)
Tax on loss on ordinary activities	3	<u>-</u>	<u>-</u>
LOSS TRANSFERRED FROM RESERVES		<u>(1,835,232)</u>	<u>(1,322,635)</u>

A statement of movements on reserves is given in Note 9.

# CNN INTERNATIONAL SALES LIMITED AND SUBSIDIARY

## GROUP BALANCE SHEET - 31 DECEMBER 1988

	Note	1988 £	1987 £
FIXED ASSETS			
Tangible assets	4	<u>83,663</u>	<u>86,662</u>
CURRENT ASSETS			
Debtors	6	999,753	472,673
Cash at bank and in hand		<u>136,132</u>	<u>115,766</u>
		1,135,885	588,439
CREDITORS (amounts falling due within one year)	7	<u>4,732,554</u>	<u>2,352,875</u>
NET CURRENT LIABILITIES		(3,596,669)	(1,764,436)
		<u>(3,513,006)</u>	<u>(1,677,774)</u>
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account	9	(3,513,106)	(1,677,874)
		<u>(3,513,006)</u>	<u>(1,677,774)</u>

Approved by the Board on 8 June 1989.

A Seward )  
RW Ross ) DIRECTORS

*Amanda Seward*  
*RL Ross*

CNN INTERNATIONAL SALES LIMITED AND SUBSIDIARY

COMPANY BALANCE SHEET - 31 DECEMBER 1988

	<u>Note</u>	<u>1988</u> £	<u>1987</u> £
FIXED ASSETS			
Tangible assets	4	83,663	86,662
Investments	5	<u>100</u>	<u>100</u>
		<u>83,763</u>	<u>86,762</u>
CURRENT ASSETS			
Debtors	6	1,113,536	570,091
Cash at bank and in hand		<u>136,144</u>	<u>113,850</u>
		1,249,680	683,941
CREDITORS (amounts falling due within one year)	7	<u>4,846,449</u>	<u>2,448,477</u>
NET CURRENT LIABILITIES		(3,596,769)	(1,764,536)
		<u>(3,513,006)</u>	<u>(1,677,774)</u>
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account	9	(3,513,106)	(1,677,874)
		<u>(3,513,006)</u>	<u>(1,677,774)</u>

Approved by the Board on 8 June 1989.

A Seward )  
RW Ross ) DIRECTORS

*Amanda Seward*  
*RW Ross*

CNY INTERNATIONAL SALES LIMITED AND SUBSIDIARY

GROUP SOURCE AND APPLICATION OF FUNDS STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>1988</u> £	<u>1987</u> £
FLOW OF FUNDS FROM OPERATIONS		
Sources		
Loss on ordinary activities before taxation	(1,835,232)	(1,322,635)
Adjustments for items not involving the movement of funds		
Depreciation	<u>16,520</u>	<u>11,540</u>
	(1,818,712)	(1,311,095)
Applications		
Additions to tangible fixed assets	<u>(13,521)</u>	<u>(84,837)</u>
FUNDS (ABSORBED)/GENERATED BY OPERATIONS	<u>(1,832,233)</u>	<u>(1,395,932)</u>
CHANGES IN WORKING CAPITAL		
Increase/(decrease) in debtors	527,080	422,065
Decrease/(increase) in creditors	(2,379,679)	(1,888,273)
Increase/(decrease) in net liquid funds	<u>20,366</u>	<u>70,276</u>
	<u>(1,832,233)</u>	<u>(1,395,932)</u>



CNN INTERNATIONAL SALES LIMITED AND SUBSIDIARY

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988

1 ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention.

b) Turnover

Turnover represents the value of services provided during the year net of value added tax.

c) Depreciation

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

The rates of depreciation are:

Office equipment	12.5% per annum
Computer equipment	25% per annum
Leasehold improvements	9.4% per annum

d) Foreign currency translation

Transactions in foreign currencies are translated at exchange rates existing at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated at the year end exchange rates. Any differences arising on translation are recorded in the profit and loss account.

e) Operating leases

Operating leases relate to the hire of sundry office equipment, the lessor retaining the risks and rewards of ownership.

# CNN INTERNATIONAL SALES LIMITED AND SUBSIDIARY

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (continued)

### 2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1988</u> £	<u>1987</u> £
Loss on ordinary activities before taxation is stated after charging the following amounts:		
Staff costs		
Wages and salary costs	585,896	419,525
Social security costs	49,003	41,172
Depreciation	16,520	11,540
Directors' remuneration	334,134	178,189
Auditors' remuneration	10,500	6,000
Operating lease rentals		
Land and buildings	165,145	130,825
Other	30,810	17,282
Exchange movements		
Realised loss	12,238	5,785
Unrealised loss/(gain)	31,563	(161,639)

The geographical analysis of the group turnover is as follows:

	<u>1988</u> £	<u>1987</u> £
Europe	1,016,033	515,261
United Kingdom	<u>445,308</u>	<u>214,823</u>
	<u>1,461,341</u>	<u>730,084</u>

### 3 TAX ON LOSS ON ORDINARY ACTIVITIES

The charge for United Kingdom corporation tax in the period was £Nil.

# CNN INTERNATIONAL SALES LIMITED AND SUBSIDIARY

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (continued)

### 4 TANGIBLE ASSETS

	<u>Leasehold improvements</u>	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Total Group and company</u>
	£	£	£	£
<u>Cost</u>				
At 1 January 1988	35,241	27,030	38,101	100,372
Additions	<u>—</u>	<u>9,051</u>	<u>4,470</u>	<u>13,521</u>
At 31 December 1988	35,241	36,081	42,571	113,893
<u>Accumulated depreciation</u>				
At 1 January 1988	3,026	4,501	6,183	13,710
Provision for the year	<u>3,313</u>	<u>8,099</u>	<u>5,108</u>	<u>16,520</u>
At 31 December 1988	6,339	12,600	11,291	30,230
<u>Net book value</u>				
At 31 December 1988	28,902	23,481	31,280	83,663
At 31 December 1987	32,215	22,529	31,918	86,662

### 5 INVESTMENTS

	<u>Company</u>
	<u>1988</u>
	£
Shares in Turner Program International Limited at cost	100

Turner Program International Limited is a wholly owned subsidiary of CNN International Sales Limited and has not traded since 1 January 1988.

CNN INTERNATIONAL SALES LIMITED AND SUBSIDIARY

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (continued)

6 DEBTORS

	<u>Group</u> <u>1988</u> £	<u>Group</u> <u>1987</u> £	<u>Company</u> <u>1988</u> £	<u>Company</u> <u>1987</u> £
Trade debtors	344,746	167,215	344,746	167,215
Amounts owed by group companies	466,941	181,719	581,724	280,137
Other debtors	41,975	28,359	40,975	27,359
Prepayments and accrued income	<u>146,091</u>	<u>95,380</u>	<u>146,091</u>	<u>95,380</u>
	<u>999,753</u>	<u>472,673</u>	<u>1,113,536</u>	<u>570,091</u>

7 CREDITORS (amounts falling due within one year)

	<u>Group</u> <u>1988</u> £	<u>Group</u> <u>1987</u> £	<u>Company</u> <u>1988</u> £	<u>Company</u> <u>1987</u> £
Amounts owed to group companies	4,482,006	2,154,178	4,595,901	2,249,780
Taxation and social security	20,916	15,067	20,916	15,067
Accruals	212,141	176,142	212,141	176,142
Deferred revenue	<u>17,491</u>	<u>7,488</u>	<u>17,491</u>	<u>7,488</u>
	<u>4,732,554</u>	<u>2,352,875</u>	<u>4,846,449</u>	<u>2,448,477</u>

8 CALLED UP SHARE CAPITAL

	<u>1988</u> Number	<u>1988</u> £	<u>1987</u> Number	<u>1987</u> £
Authorised, allotted and fully paid ordinary shares of £1 each	100	100	100	100

# CNN INTERNATIONAL SALES LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (continued)

### 9 PROFIT AND LOSS ACCOUNT

	<u>1988</u> <u>Company and Group</u> £
At 1 January 1988	(1,677,874)
Loss for the year	<u>(1,835,232)</u>
At 31 December 1988	<u>(3,513,106)</u>

### 10 CNN INTERNATIONAL SALES LIMITED PROFIT AND LOSS ACCOUNT

CNN International Sales Limited has not presented its own profit and loss account as permitted by Section 228 (7) of the Companies Act 1985. The amount of the consolidated loss for the financial period dealt with in the accounts of the holding company is £1,835,232.

### 11 ULTIMATE HOLDING COMPANY AND FINANCIAL SUPPORT

The company's ultimate holding company is Turner Broadcasting System Inc., which is incorporated in the USA.

The company has been informed that it is the present intention of Turner Broadcasting System Inc to provide the financial support necessary to enable the group to continue in business as a going concern.

### 12 DIRECTORS AND EMPLOYEES EMOLUMENTS

The emoluments of the highest paid director was £244,357.

The table which follows shows the number of directors and employees whose emoluments during the year were within the bands stated (excluding employees whose emoluments were below £30,000).

	<u>Directors</u>		<u>Employees</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
£30,001 - £35,000	-	-	2	-
£35,001 - £40,000	-	1	1	-
£40,001 - £45,000	2	-	2	1
£130,001 - £135,000	-	1	-	-
£240,000 - £245,000	1	-	-	-

GNN INTERNATIONAL SALES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (continued)

13 OPERATING LEASE COMMITMENTS

At 31 December 1988, the group was committed to making the following annual payments in respect of operating leases:

	<u>Land &amp; Buildings</u> £	<u>Other</u> £
Leases which expire:		
Within one year	72,930	5,252
Within two to five years	-	37,313
After five years	<u>92,200</u>	<u>-</u>
	<u>165,130</u>	<u>42,565</u>

14 POST BALANCE SHEET EVENTS

On 25 March 1989, the company entered into a long-term lease for additional office space. The annual commitment under the terms of this lease is £132,000.