

# **TURNER INTERNATIONAL NETWORK SALES LIMITED**

**(Registered Number 1927955)**

## **DIRECTORS' REPORT AND ACCOUNTS**

**31 DECEMBER 1995**



**NOTES TO THE ACCOUNTS - 31 DECEMBER 1995**

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the company for the year ended 31 December 1995.

**REVIEW OF THE BUSINESS**

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

**RESULTS AND DIVIDENDS**

The Company's profit for the year was US\$24,948,281 (1994: US\$5,604,764 Loss). The directors do not recommend the payment of a dividend (1994: US\$Nil).

**DIRECTORS AND THEIR INTERESTS**

The directors during the year are given below:

W H Grumbles

S W Korn

R W Ross (Appointed 24 September 1995, resigned 22 September 1996)

M Rudolph (Resigned 31 May 1995)

P I Kent (Appointed 24 September 1996)

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 6 to the accounts.

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

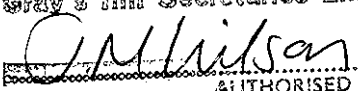
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 profit 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.

By Order of the Board

For and on behalf of  
Gray's Inn Secretaries Limited  
 DIRECTOR  
AUTHORISED SIGNATORY

Gray's Inn Secretaries Limited  
Secretary

// March 1997

*Price Waterhouse*



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

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7 and 8.

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

As described on page 3 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 1995 and of its profit 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

11 March 1997

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1995**

	<u>1995</u> US\$	<u>1994</u> US\$
<b>TURNOVER</b> (Note 1c)	39,075,619	32,605,787
Cost of sales	<u>(29,290,148)</u>	<u>(24,454,341)</u>
<b>GROSS PROFIT</b>	9,785,471	8,151,446
Administrative expenses	(16,137,190)	(13,756,210)
Reallocation of costs incurred in the current and prior years to fellow Group US subsidiary undertaking	<u>31,300,000</u>	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (Note 2)	24,948,281	(5,604,764)
Tax on profit on ordinary activities (Note 5)	-	-
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION TRANSFERRED TO RESERVES</b> (Note 11)	<u>24,948,281</u>	<u>(5,604,764)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 1995**

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

The notes on pages 7 to 14 form part of these accounts.

**BALANCE SHEET - 31 DECEMBER 1995**

	<u>1995</u> US\$	<u>1994</u> US\$
<b>FIXED ASSETS</b>		
Tangible assets (Note 6)	951,442	933,627
Investment (Note 7)	<u>148</u>	<u>148</u>
	951,590	933,775
<b>CURRENT ASSETS</b>		
Debtors (Note 8)	42,969,099	22,321,788
Cash at bank and in hand	<u>71,306</u>	<u>1,955,969</u>
	43,040,405	24,277,757
<b>CREDITORS - Amounts falling due within one year (Note 9)</b>	<u>(48,957,668)</u>	<u>(55,125,486)</u>
<b>NET CURRENT LIABILITIES</b>	<u>(5,917,263)</u>	<u>(30,847,729)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>(4,965,673)</u>	<u>(29,913,954)</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital (Note 10)	148	148
Profit and loss account (Note 11)	<u>(4,965,821)</u>	<u>(29,914,102)</u>
	<u>(4,965,673)</u>	<u>(29,913,954)</u>

APPROVED BY THE BOARD ON 11 MARCH 1997

P I Kent  
DIRECTOR



The notes on pages 7 to 14 form part of these accounts.

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

### 1. ACCOUNTING POLICIES

#### (a) Going Concern

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

#### (b) 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.

#### (c) 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 income.

#### (d) 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	33.33%
Office equipment	20%

#### (e) Foreign currency translation

Transactions denominated in non-US dollar currencies are recorded in US dollars at actual exchange rates as at the date of 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.

**NOTES TO THE ACCOUNTS - 31 DECEMBER 1995  
(CONTINUED)**

**(f) 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.

**(g) Investments**

Fixed asset investments are shown at historic cost.



**NOTES TO THE ACCOUNTS - 31 DECEMBER 1995  
(CONTINUED)**

**2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>1995</u> US\$	<u>1994</u> US\$
Profit on ordinary activities before taxation is stated after charging the following amounts:		
Depreciation of fixed assets	147,617	428,181
Operating lease rentals:		
Land and building	413,121	523,125
Other	65,562	37,631

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.

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

### 3. STAFF COSTS

Particulars of employee costs are shown below:

	<u>1995</u> US\$	<u>1994</u> US\$
Wages and salaries	2,748,733	2,452,837
Social security costs	527,123	162,848
Other pension costs	<u>37,272</u>	<u>25,540</u>
	<u>3,313,128</u>	<u>2,641,225</u>

The average number of employees during the year was 47 (1994:48). All employees are primarily located in the United Kingdom.

### 4. DIRECTORS' EMOLUMENTS

Directors' emoluments (including pension contributions) were as follows:

	<u>1995</u> US\$	<u>1994</u> US\$
Total emoluments:		
Salaries and benefits	267,968	413,881
Pensions	<u>13,417</u>	<u>20,700</u>
	<u>281,385</u>	<u>434,581</u>

The emoluments of the highest paid director, (excluding pension contributions) were US\$267,968 (1994: US\$413,881).

The table which follows shows the number of directors whose emoluments during the year, (excluding pension contributions) were within the bands stated.

	<u>Directors</u> 1995	<u>Directors</u> 1994
Nil - US\$5,000	3	3
US\$5001 - US\$265,000	0	0
US\$265,001 - US\$270,000	1	0
US\$410,001 - US\$415,000	0	1

# NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for United Kingdom corporation tax at 33% in the year was US\$Nil (1994: US\$Nil).

## 6. TANGIBLE FIXED ASSETS

	<u>Leasehold improvements</u> US\$	<u>Computer equipment</u> US\$	<u>Office equipment</u> US\$	<u>Total Company</u> US\$
<b>Costs</b>				
At 1 January 1995	1,212,331	323,377	280,019	1,815,727
Additions	<u>4,618</u>	<u>95,897</u>	<u>64,917</u>	<u>165,432</u>
At 31 December 1995	<u>1,216,949</u>	<u>419,274</u>	<u>344,936</u>	<u>1,981,159</u>
<b>Accumulated depreciation</b>				
At 1 January 1995	(484,665)	(259,476)	(137,959)	(882,100)
Charge for the year	<u>(28,917)</u>	<u>(64,954)</u>	<u>(53,746)</u>	<u>(147,617)</u>
At 31 December 1995	<u>(513,582)</u>	<u>(324,430)</u>	<u>(191,705)</u>	<u>(1,029,717)</u>
<b>Net book value</b>				
At 31 December 1995	<u>703,367</u>	<u>94,844</u>	<u>153,231</u>	<u>951,442</u>
At 31 December 1994	<u>727,666</u>	<u>63,901</u>	<u>142,060</u>	<u>933,627</u>

**NOTES TO THE ACCOUNTS - 31 DECEMBER 1995  
(CONTINUED)**

**7. INVESTMENT**

	<u>1995</u>	<u>1994</u>
	US\$	US\$
Shares in Turner Broadcasting International Limited	<u>148</u>	<u>148</u>

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 15).

**8. DEBTORS**

	<u>1995</u>	<u>1994</u>
	US\$	US\$
Trade Debtors	9,987,365	6,911,756
Amounts owed by group undertakings	32,745,015	13,370,112
Other debtors	34,396	171,178
Prepayments	<u>202,323</u>	<u>1,868,742</u>
	<u>42,969,099</u>	<u>22,321,788</u>

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

### 9. CREDITORS - amounts falling due within one year

	<u>1995</u> US\$	<u>1994</u> US\$
Bank Overdrafts and Loans	-	798,588
Amounts owed to group undertakings	45,511,218	50,598,572
Other creditors including taxation and social security	490,743	181,337
Accruals and Deferred Income	<u>2,955,707</u>	<u>3,546,989</u>
	<u>48,957,668</u>	<u>55,125,486</u>

### 10. SHARE CAPITAL

	<u>1995</u> Number	<u>1995</u> US\$	<u>1994</u> Number	<u>1994</u> US\$
Authorised	100	148	100	148
Allotted, called up and fully paid ordinary shares of £1 each	<u>100</u>	<u>148</u>	<u>100</u>	<u>148</u>

### 11. RESERVES

	<u>Profit &amp; Loss</u> <u>Account</u> US\$	<u>Total</u> US\$
At 1 January	(29,914,102)	(29,914,102)
Profit for the year transferred to reserves	<u>24,948,281</u>	<u>24,948,281</u>
At 31 December	<u>(4,965,821)</u>	<u>(4,965,821)</u>

**NOTES TO THE ACCOUNTS - 31 DECEMBER 1995  
(CONTINUED)**

**12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1995**

	<u>1995</u> US\$	<u>1994</u> US\$
Profit for the year	24,948,281	(5,604,764)
Shareholders' funds at 1 January	<u>(29,913,954)</u>	<u>(24,309,190)</u>
Shareholders' funds at 31 December	<u>(4,965,673)</u>	<u>(29,913,954)</u>

**13. OPERATING LEASE COMMITMENTS**

At 31 December 1995, the Company was committed to making the following annual payments in respect of operating leases:

	<u>Other</u> US\$	<u>Land &amp; buildings</u> US\$
Leases which expire within 5 years	27,800	290,050

**14. 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.

**15. 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 Systems Limited, a company incorporated in England and Wales and the Company's accounts are consolidated in the accounts of that company.