

1907096

## **Report and Accounts**

*Warner Home Video (U.K.)  
Limited*

**29 November 1996**



# Warner Home Video (U.K.) Limited

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Registered No. 1907094

## **DIRECTORS**

W N Lieberfarb

E J Byrnes

M V Heap

N P McEwan

## **SECRETARY**

T C Lima

## **AUDITORS**

Ernst & Young

Becket House

1 Lambeth Palace Road

London SE1 7EU

## **REGISTERED OFFICE**

135 Wardour Street

London W1V 4AP

**DIRECTORS' REPORT**

The directors present their report and accounts for the period ended 29 November 1996.

**RESULTS AND DIVIDENDS**

The profit on ordinary activities, after taxation, amounted to £5,078,000 (1995 – profit of £2,705,000).

The directors recommend the payment of a final dividend amounting to £7,200,000 for the period. This leaves retained earnings of £3,081,000 to be carried forward.

**PRINCIPAL ACTIVITY**

The company's principal activity during the period continued to be the sale of pre-recorded video cassettes. The directors will continue to exploit this business to its full potential.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The retail business has continued to expand and revenues are again up considerably on the previous year. This was mainly due to exceptional revenues in the area of premium business. Warner Home Video has managed to increase its market share during the year and the company will continue to exploit new products and its strong catalogue during 1997.

The decline in the rental market has stopped and Warner Home Video has managed to maintain revenues and market share at 1995 levels.

**DIRECTORS AND THEIR INTERESTS**

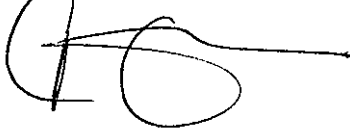
The directors of the company during the period ended 29 November 1996 were those listed on page 1. There are no directors' interests requiring disclosure under the Companies Act 1985.

**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 will be deemed to be reappointed as auditors.

On behalf of the board

Director



23 October 1997

## Warner Home Video (U.K.) Limited

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### 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 Home Video (U.K.) Limited

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention 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 that 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 29 November 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

24 October 1997

# Warner Home Video (U.K.) Limited

## PROFIT AND LOSS ACCOUNT for the period ended 29 November 1996

		<i>Period to 29 November 1996</i>	<i>Period to 24 November 1995</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>TURNOVER</b>	2	70,326	65,112
Cost of sales		44,962	46,801
		<hr/>	<hr/>
		25,364	18,311
Other operating income		267	83
		<hr/>	<hr/>
		25,631	18,394
		<hr/>	<hr/>
Distribution costs		2,881	2,364
Administrative expenses		16,237	12,282
		<hr/>	<hr/>
		19,118	14,646
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>	3	6,513	3,748
		<hr/>	<hr/>
Interest receivable	6	513	482
Interest payable	7	—	(18)
		<hr/>	<hr/>
		513	464
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		7,026	4,212
Tax on profit on ordinary activities	8	1,948	1,507
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		5,078	2,705
Dividends	9	(7,200)	(5,600)
		<hr/>	<hr/>
		(2,122)	(2,895)
<b>RETAINED PROFIT BROUGHT FORWARD</b>		5,203	8,098
		<hr/>	<hr/>
<b>RETAINED PROFIT CARRIED FORWARD</b>		3,081	5,203
		<hr/>	<hr/>

## 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 £5,078,000 in the period ended 29 November 1996 and profit of £2,705,000 in the period ended 24 November 1995.

# Warner Home Video (U.K.) Limited

## BALANCE SHEET

at 29 November 1996

		29 November 1996	24 November 1995
	Note	£000	£000
<b>FIXED ASSETS</b>			
Tangible assets	10	61	73
<b>CURRENT ASSETS</b>			
Debtors	11	18,752	16,694
Stocks	12	1,597	1,446
Cash at bank and in hand		15,675	7,721
		36,024	25,861
<b>CREDITORS: amounts falling due within one year</b>	13	33,004	20,731
<b>NET CURRENT ASSETS</b>		3,020	5,130
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,081	5,203
<b>CAPITAL AND RESERVES</b>			
Called up share capital (£100)	15	-	-
Profit and loss account	17	3,081	5,203
<b>Shareholders' funds</b>		3,081	5,203



Director

23 October 1997

# Warner Home Video (U.K.) Limited

## NOTES TO THE ACCOUNTS

at 29 November 1996

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Accounting period*

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

#### *Depreciation*

The company provides depreciation at rates which are calculated to write off the cost of the assets by equal annual instalments as follows:

Furniture and fittings	-	25% on cost
Office equipment	-	25% on cost
Computer equipment	-	33% on cost

#### *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.

#### *Stocks*

Stocks are stated at the lower of cost, being invoiced purchase price, and net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

#### *Foreign currencies*

Transactions in foreign currencies have been translated at the rate of exchange ruling at the date of the transactions. 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.

#### *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.

#### *Leasing commitments*

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

#### *Related parties*

The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with fellow wholly owned subsidiary undertakings.

### 2. TURNOVER

Turnover, which arose in the United Kingdom and is from continuing activities, is stated net of value added tax and represents income receivable from the sale of pre-recorded video cassettes.



# Warner Home Video (U.K.) Limited

## NOTES TO THE ACCOUNTS

at 29 November 1996

### 3. OPERATING PROFIT

(a) This is stated after charging:

	<i>Period to 29 November 1996 £000</i>	<i>Period to 24 November 1995 £000</i>
Directors' remuneration	330	306
Auditors' remuneration	17	17
Depreciation	39	38
Operating lease rentals	97	83
	<u>          </u>	<u>          </u>

### 4. DIRECTORS' REMUNERATION

	<i>Period to 29 November 1996 £000</i>	<i>Period to 24 November 1995 £000</i>
Fees	—	—
Other emoluments (including pension contributions)	330	306
	<u>          </u>	<u>          </u>

The emoluments of the highest paid director, excluding pension contributions, were £197,094 (1995 – £181,083). There was no chairman of the company during the period.

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

	<i>1996 No.</i>	<i>1995 No.</i>
£nil – £5,000	2	2
£90,001 – £95,000	—	1
£95,001 – £100,000	1	—
£180,001 – £185,000	—	1
£195,001 – £200,000	1	—
	<u>          </u>	<u>          </u>

### 5. STAFF COSTS

	<i>Period to 29 November 1996 £000</i>	<i>Period to 24 November 1995 £000</i>
Wages and salaries	1,503	1,385
Social security costs	182	163
Other pension costs	130	102
	<u>          </u>	<u>          </u>
	1,815	1,650
	<u>          </u>	<u>          </u>

# Warner Home Video (U.K.) Limited

## NOTES TO THE ACCOUNTS at 29 November 1996

### 5. STAFF COSTS (continued)

The average weekly number of employees during the period was made up as follows:

	<i>Period to 29 November 1996 No.</i>	<i>Period to 24 November 1995 No.</i>
Office and management	17	17
Selling, marketing and distribution	34	30
	<u>51</u>	<u>47</u>

### 6. INTEREST RECEIVABLE

	<i>Period to 29 November 1996 £000</i>	<i>Period to 24 November 1995 £000</i>
Interest receivable from group undertaking	511	480
Bank interest	2	2
	<u>513</u>	<u>482</u>

### 7. INTEREST PAYABLE

	<i>Period to 29 November 1996 £000</i>	<i>Period to 24 November 1995 £000</i>
Other interest payable	—	18

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>Period to 29 November 1996 £000</i>	<i>Period to 24 November 1995 £000</i>
Based on the profit for the period:		
Corporation tax payable at 33% (1995 - 33%)	79	1,463
Group relief payable	2,204	—
Double taxation relief	(22)	(17)
	<u>2,261</u>	<u>1,446</u>
Overseas taxation	22	17
(Over)/under provision for corporation tax in prior periods	(335)	44
	<u>1,948</u>	<u>1,507</u>

In 1995, other group undertakings undertook to surrender their losses for tax purposes to the company for no consideration.

# Warner Home Video (U.K.) Limited

## NOTES TO THE ACCOUNTS at 29 November 1996

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

There was no potential liability to deferred taxation at either 29 November 1996 or 24 November 1995.

### 9. DIVIDENDS

	<i>Period to 29 November 1996 £000</i>	<i>Period to 24 November 1995 £000</i>
Interim, paid	—	5,600
Final, proposed	7,200	—
	<u>7,200</u>	<u>5,600</u>

### 10. FIXED ASSETS

	<i>Furniture and fittings £000</i>	<i>Office equipment £000</i>	<i>Computer equipment £000</i>	<i>Total £000</i>
Cost or valuation:				
At 25 November 1995	193	27	346	566
Additions	—	—	27	27
	<u>193</u>	<u>27</u>	<u>373</u>	<u>593</u>
At 29 November 1996				
Depreciation:				
At 25 November 1995	190	25	278	493
Provided during the period	3	—	36	39
	<u>193</u>	<u>25</u>	<u>314</u>	<u>532</u>
At 29 November 1996				
Net book value:				
At 29 November 1996	—	2	59	61
	<u>3</u>	<u>2</u>	<u>68</u>	<u>73</u>
At 25 November 1995				

# Warner Home Video (U.K.) Limited

## NOTES TO THE ACCOUNTS

at 29 November 1996

### 11. DEBTORS

	29 November 1996 £000	24 November 1995 £000
Trade debtors	4,404	8,640
Amounts due from parent undertakings	12,196	7,801
Prepayments and accrued income	198	145
Recoverable overseas taxation	68	76
Other debtors	86	32
ACT recoverable	1,800	-
	<u>18,752</u>	<u>16,694</u>

### 12. STOCKS

Stocks consist of finished goods held for resale.

### 13. CREDITORS: amounts falling due within one year

	29 November 1996 £000	24 November 1995 £000
Amounts due to parent undertaking	4,283	5,517
Amounts due to fellow subsidiary undertakings	3,141	1,806
Accruals	12,669	10,386
Other taxes and social security costs	1,520	1,111
Corporation tax payable	1,987	1,911
Group relief payable	2,204	-
Dividend payable	7,200	-
	<u>33,004</u>	<u>20,731</u>

### 14. OTHER FINANCIAL COMMITMENTS

At 29 November 1996 the company had annual commitments under non cancellable operating leases as set out below:

	29 November 1996 £000	24 November 1995 £000
Operating leases which expire:		
Within one year	-	14
Within two to five years	83	24
In over five years	-	-
	<u>83</u>	<u>38</u>

# Warner Home Video (U.K.) Limited

## NOTES TO THE ACCOUNTS at 29 November 1996

### 15. SHARE CAPITAL

	29 November 1996 £	24 November 1995 £
Authorised, allotted, called up and fully paid: 100 Ordinary shares of £1 each	100	100

### 16. 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 20).

### 17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Profit and loss account £000	Total £000
At 27 November 1994	-	8,098	8,098
Profit for the period	-	2,705	2,705
Dividend	-	(5,600)	(5,600)
At 24 November 1995	-	5,203	5,203
Profit for the period	-	5,078	5,078
Dividend	-	(7,200)	(7,200)
At 29 November 1996	-	3,081	3,081

### 18. 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 £15.6m.

### 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 costs relating to the plan are 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.

## Warner Home Video (U.K.) Limited

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### NOTES TO THE ACCOUNTS at 29 November 1996

#### 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.