

# **Warner Home Video (UK) Limited**

## **Report and Financial Statements**

31 December 2006

TUESDAY



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COMPANIES HOUSE

# Warner Home Video (U K ) Limited

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Registered No 1907094

## **Directors**

S W Mertz

C J Young

## **Secretary**

A K Douglas

## **Auditors**

Ernst & Young LLP

1 More London Place

London SE1 2AF

## **Registered Office**

Warner House

98 Theobalds Road

London WC1X 8WB

## Directors' report

The directors present their annual report on the affairs of Warner Home Video (U K ) Limited ("the company") together with the financial statements for the year ended 31 December 2006

### Results and dividends

The profit on ordinary activities after taxation amounted to £136,106 (2005 – loss of £317,657)

The directors paid an interim dividend of £500,000 The directors do not recommend the payment of a final dividend (2005 – £nil)

### Principal activity & review of the business

During the current year and prior period, the company did not trade

A business review has not been completed for the company because it is defined under section 247 of the Companies Act as a small company

### Principal risks and uncertainties

The risks and uncertainties of the company are integrated with the risks of the Time Warner Inc group and are not managed separately

### Events since the balance sheet date

There are no events since the balance sheet date to note

### Directors and their interests

The directors of the company who served during the year ended 31 December 2006 are

E J Byrnes (resigned 14 August 2006)  
N P McEwan (resigned 4 August 2006)  
J M Brown (resigned 14 August 2006)  
S W Mertz  
C J Young

Except as noted above, all directors served throughout the year and are still directors at the date of this report

The Articles of Association do not require directors to retire either by rotation or in the year of appointment

The directors had no interest in the share capital of the company requiring disclosure under the Companies Act 1985 The company seeks exemption under SI802, The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, not to disclose the directors' interests in the common stock of Time Warner Inc , a company incorporated in the USA and the ultimate parent undertaking of the company

The company may indemnify one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 and the company may purchase insurance for this purpose Time Warner Inc has purchased a Directors and Officers liability insurance policy for the benefit of the company and its directors and such policy was in force during the year and is in force as at the date of approving the Directors' Report

## Directors' report

### Charitable and political contributions

The company has made no charitable or political contributions during the period (2005 – £nil)

### Disclosure of information to the Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

### Auditors

Ernst & Young LLP will be reappointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 Companies Act 1985

By order of the Board



Secretary

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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 or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and 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

# **Independent auditors' report**

**to the members of Warner Home Video (U.K.) Limited**

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom generally accepted accounting practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

# Independent auditors' report

to the members of Warner Home Video (U.K.) Limited (continued)

## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

  
Ernst & Young LLP

Registered auditor  
London

23 October 2007

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## Profit and loss account

for the year ended 31 December 2006

		<i>Year ended 31 December 2006 £000</i>	<i>Period ended 31 December 2005 £000</i>
	<i>Notes</i>		
Administrative expenses		(4)	(22)
<b>Operating loss</b>	2	(4)	(22)
Interest receivable	4	199	203
Interest payable	5	–	(18)
		199	185
<b>Profit on ordinary activities before taxation</b>		195	163
Tax on profit on ordinary activities	6	(59)	(481)
<b>Profit/(Loss) on ordinary activities after taxation</b>	12	136	(318)
Interim dividends paid	7	(500)	–
<b>(Loss) retained for the financial period</b>		(364)	(318)
<b>Retained profit brought forward</b>	12	512	830
<b>Retained profit carried forward</b>	12	148	512



## **Statement of total recognised gains and losses**

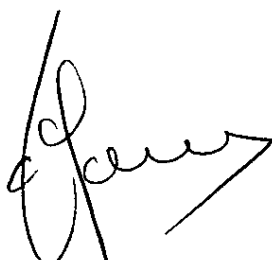
**for year ended 31 December 2006**

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £136,106 in the year ended 31 December 2006 and loss of £317,657 in the period ended 31 December 2005

## Balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
<b>Fixed assets</b>			
Tangible assets	8	—	—
<b>Current assets</b>			
Debtors	9	—	472
Cash at bank and in hand		517	3,720
		517	4,192
<b>Creditors:</b> amounts falling due within one year	10	(369)	(3,680)
<b>Net current assets</b>		148	512
<b>Total assets less current liabilities</b>		148	512
<b>Capital and reserves</b>			
Called up share capital	11	—	—
Profit and loss account	12	148	512
Shareholder's funds	12	148	512



Director

## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies

#### Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

#### Accounting period

The financial statements have been prepared for the 12 months to 31 December 2006. The comparative period is for the 13 months from 27 November 2004 to 31 December 2005. There was a change in the accounting period last year to align the reporting period to that of its parent. As a result of the change, comparative amounts for the profit and loss account, statement of total recognised gains and losses, and related notes are not entirely comparable.

#### 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

#### Statement of cash flows

The company has taken advantage of the exemption in FRS 1 (Revised) "Cash Flow Statements". A statement of cash flows has not been prepared as the company is a wholly owned subsidiary undertaking of Time Warner Inc., a company incorporated in the United States of America, which prepared a statement of cash flows (see note 15).

#### 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 Plan are held in a separately administered fund.

The contribution rate for each employer does not reflect the individual experience of the company's members in isolation, as it is not possible to identify accurately or consistently from year to year the share of pension assets relating to the company. Consequently the company has accounted for its contributions to the plan as if it were a defined contribution scheme. Contributions to the fund of the defined benefit scheme are charged to the profit and loss account as they become payable.

## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies (continued)

#### 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. Operating loss

This is stated after charging

	<i>Year ended 31 December 2006 £000</i>	<i>Period ended 31 December 2005 £000</i>
Auditors' remuneration	2	2

There were no employees during the year (2005 – nil)

### 3. Directors' emoluments

The directors received no remuneration for their services to the company during the year (2005 – £nil)

### 4. Interest receivable

	<i>Year ended 31 December 2006 £000</i>	<i>Period ended 31 December 2005 £000</i>
Interest receivable from group undertakings	166	137
Other interest receivable	33	66
	<u>199</u>	<u>203</u>

### 5. Interest payable

	<i>Year ended 31 December 2006 £000</i>	<i>Period ended 31 December 2005 £000</i>
Other interest payable	–	18

## Notes to the financial statements

at 31 December 2006

### 6. Tax on profit on ordinary activities

(a) The charge based on the results for the year is as follows

	<i>Year ended 31 December 2006 £000</i>	<i>Period ended 31 December 2005 £000</i>
<i>Taxation based on the profit for the year</i>		
Corporation tax payable at 30%	59	–
Group relief payments	–	55
Under provision for prior years	–	426
<b>Total current tax charge</b>	<b>59</b>	<b>481</b>
<b>Total tax charge on profit on ordinary activities</b>	<b>59</b>	<b>481</b>

(b) Circumstances affecting current charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2005– 30%) The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

	<i>Year ended 31 December 2006 £000</i>	<i>Period ended 31 December 2005 £000</i>
Profit on ordinary activities before tax	195	163
<b>Tax on profit on ordinary activities at standard rate</b>	<b>59</b>	<b>49</b>
Factors affecting charges		
Disallowable expenses	–	6
Tax underprovided in previous years	–	426
<b>Total current tax (note (a) above)</b>	<b>59</b>	<b>481</b>

## Notes to the financial statements

at 31 December 2006

### 7. Dividends

	<i>Year ended 31 December 2006 £000</i>	<i>Period ended 31 December 2005 £000</i>
<i>Dividends on ordinary shares</i>		
Interim dividends paid	500	—

### 8. 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 31 December 2005	213	81	591	885
Disposals	(213)	(81)	(591)	(885)
At 31 December 2006	—	—	—	—
Depreciation				
At 31 December 2005	213	81	591	885
Disposals	(213)	(81)	(591)	(885)
At 31 December 2006	—	—	—	—
Net book value				
At 31 December 2005 and 31 December 2006	—	—	—	—

### 9. Debtors

	<i>2006 £000</i>	<i>2005 £000</i>
Corporation tax receivable	—	472

### 10. Creditors: amounts falling due within one year

	<i>2006 £000</i>	<i>2005 £000</i>
Amounts due to group undertakings	—	3,373
Accruals	5	2
Group relief payable	250	305
Corporation tax payable	114	—
	369	3,680

## Notes to the financial statements

at 31 December 2006

### 11. Share capital

	2006 £	2005 £
<i>Authorised, allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	100	100

### 12. Reconciliation of shareholder's funds and movement on reserves

	Share capital £000	Profit and loss account £000	Total £000
At 31 December 2005	–	512	512
Profit for the year	–	136	136
Dividend	–	(500)	(500)
At 31 December 2006	–	148	148

### 13. 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 £516,902 (2005 – £3,720,411).

### 14. Pensions

The Time Warner UK Pension Plan is a multi-employer defined benefit plan. The total overall combined contribution rate from employers to the plan will vary depending on the experience of the plan and hence any surplus or deficit in the plan will be revealed when actuarial valuations are completed from time to time. Following the actuarial valuation as at 5 April 2005, the contribution rate payable by the company has been set based on discussions among the participating companies, so that the total contributions from all employers equal the required funding rate.

The assets of the plan are invested as a whole and are not segregated by participating employer. Consequently information concerning that part of the plan's assets attribution to the company is not available.

The company has discussed the position with the plan's actuaries and, in accordance with FRS 17 has taken their advice that the company treat its participation in the plan as if it were a defined contribution scheme. The surplus on the whole plan under FRS 17 at 31 December 2006 is £6,698,000 (2005 – £2,423,000).

Further information concerning the scheme as a whole can be found in the report and financial statements of Time Warner Holdings Limited, which are available from the company secretary, Time Warner House, 44 Great Marlborough Street, London W1F 7JL.

## Notes to the financial statements

at 31 December 2006

### 14. Pensions (continued)

The total pension cost to the company for the year ended 31 December 2006 amounted to £nil (2005 – £nil). The company has no employees that are members of the defined benefit scheme.

### 15. Ultimate parent undertaking

Time Warner Holdings 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 Holdings Limited is registered in England and Wales and copies of its accounts can be obtained from the Registrar of Companies in Cardiff.

At 31 December 2006, Time Warner Inc, a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the largest group of undertakings of which the company is a member and for which the group financial statements are drawn up. Copies of Time Warner Inc's financial statements can be obtained from One Time Warner Center, New York, NY10019, USA.