

216-313

Warner Bros. Theatres (UK) Limited

Report and Financial Statements

31 December 2005



Warner Bros. Theatres (UK) Limited

Registered No. 2164313

Directors

M L Ochs

C J Young

E A Romano

D A Pearson

I B Stiegler (Resigned 31 August 2005)

D Bioni

P B Dobson (Resigned 05 July 2005)

S Mertz

Secretary

D Bioni

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Registered Office

Warner House

98 Theobald's Road

London WC1X 8WB

Directors' report

The directors present their report and financial statements for the period ended 31 December 2005.

Results and dividends

The profit for the period, after taxation, amounted to £2,134,099 (2004 – £3,657,068).

The directors approved the payment of a dividend of £3,000,000 for the period (2004 – nil).

Principal activity and review of the business

The principal activity of the company was to provide consultancy services to related undertakings. On 25 June 2004, this activity was transferred to Warner Bros. Entertainment UK Limited (formerly known as Warner Bros. Distributors Limited). After this date the company is principally engaged in investment activities.

Directors and their interests

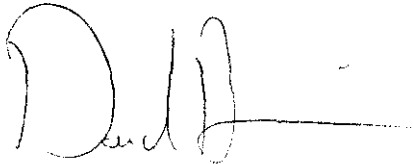
The directors who served during the period were as listed on page 1.

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 1 April 1998. Accordingly, Ernst & Young LLP will be deemed to be reappointed as auditors.

On behalf of the Board



Director

25 OCT 2006

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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Bros. Theatres (UK) Limited

We have audited the company's financial statements for the period ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 19. 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom generally accepted accounting practice) as 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).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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) 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.

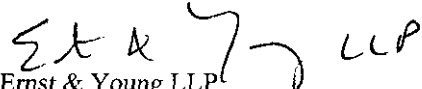
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 Bros. Theatres (UK) 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 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP

Registered auditor

London 30 October 2006

Profit and loss account

for the period ended 31 December 2005

		<i>Period ended 31 December 2005</i>	<i>Period ended 26 November 2004</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Turnover	2	–	1,953
Cost of sales		–	(1,813)
Gross profit		–	140
Administrative expenses		(3)	17
Operating (loss) / profit	3	(3)	157
Interest receivable	6	6,461	5,110
Interest payable	7	(26)	(2)
Profit on ordinary activities before taxation		6,432	5,265
Tax on profit on ordinary activities	8	(1,298)	(1,608)
Profit on ordinary activities after taxation		5,134	3,657
Dividend	9	(3,000)	–
Retained profit for the period	13	2,134	3,657
Retained profit brought forward	13	72,039	68,382
Retained profit carried forward	13	74,173	72,039

Statement of total recognised gains and losses

for the period ended 31 December 2005

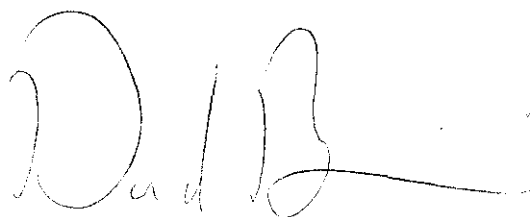
There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £2,134,099 for the period ended 31 December 2005 and the profit of £3,657,068 for the period ended 26 November 2004.

Balance sheet

at 31 December 2005

		31 December 2005	26 November 2004
	Notes	£000	£000
Current assets			
Debtors	10	117,356	97,685
Cash at bank and in hand		6,358	22,261
		<u>123,714</u>	<u>119,946</u>
Creditors: amounts falling due within one year	11	(4,541)	(2,907)
		<u>119,173</u>	<u>117,039</u>
Net current assets			
		<u>119,173</u>	<u>117,039</u>
Total assets less current liabilities		<u>119,173</u>	<u>117,039</u>
Capital and reserves			
Called up share capital	12	45,000	45,000
Profit and loss account	13	74,173	72,039
		<u>119,173</u>	<u>117,039</u>
Equity shareholders' funds	13	<u>119,173</u>	<u>117,039</u>

Director



25 OCT 2006

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Accounting period

The financial statements ending 31 December 2005 cover a 13 month period from 27 November 2004 to 31 December 2005. The reason for the change was 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.

Basis of preparation

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

Consolidated financial statements

Consolidated financial statements have not been prepared as the company is a wholly-owned subsidiary of an undertaking registered in England and Wales.

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.

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 accounting policy in respect of pension costs has been changed to reflect the requirements of FRS 17 "Retirement Benefits". The adoption of FRS 17 has not necessitated a restatement of prior period comparatives.

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.

FRS 21

In preparing the financial statements for the current period, the company has adopted FRS 21 'Post Balance Sheet Events'. Full application of FRS 21 has not required any revisions to the financial statements in either the current or prior periods.

Notes to the financial statements

at 31 December 2005

2. Turnover

Turnover comprised revenue from the provision of consultancy services to related undertakings and third parties, excluding value added tax.

An analysis of turnover by geographical market is given below:

	<i>Period ended 31 December 2005 £000</i>	<i>Period ended 26 November 2004 £000</i>
UK	—	486
Europe	—	453
Rest of the world	—	1,014
	<u>—</u>	<u>1,953</u>

3. Operating profit

This is stated after charging:

	<i>Period ended 31 December 2005 £000</i>	<i>Period ended 26 November 2004 £000</i>
Directors' remuneration	—	334
Auditors' remuneration – audit work	3	4
Operating lease rentals	—	37
	<u>—</u>	<u>375</u>

4. Directors' remuneration

	<i>Period ended 31 December 2005 £000</i>	<i>Period ended 26 November 2004 £000</i>
Emoluments	—	334
Company contributions paid to defined benefit pension scheme	—	16
	<u>—</u>	<u>350</u>
The amounts in respect of the highest paid director are as follows:		
Emoluments	—	220
Company contributions paid to defined benefit pension scheme	—	8
	<u>—</u>	<u>228</u>

Notes to the financial statements

at 31 December 2005

4. Directors' remuneration (continued)

	<i>Period ended 31 December 2005 No.</i>	<i>Period ended 26 November 2004 No.</i>
Members of defined benefit pension scheme	—	2

The directors received no remuneration for their services to the company during the period (2004 - £349,508). None of the directors exercised share options during the period (2004 - none).

5. Staff costs

Staff costs during the period amounted to:

	<i>Period ended 31 December 2005 £000</i>	<i>Period ended 26 November 2004 £000</i>
Wages and salaries	—	1,532
Social security costs	—	161
Other pension costs	—	112
	—	1,805

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

	<i>Period ended 31 December 2005 No.</i>	<i>Period ended 26 November 2005 No.</i>
Office and management	—	43

6. Interest receivable

	<i>Period ended 31 December 2005 £000</i>	<i>Period ended 26 November 2004 £000</i>
Interest receivable from group undertakings	6,459	4,930
Interest received on bank deposits and other interest	2	180
	6,461	5,110

Notes to the financial statements

at 31 December 2005

7. Interest payable

	<i>Period ended 31 December 2005</i>	<i>Period ended 26 November 2004</i>
	<i>£000</i>	<i>£000</i>
Other interest payable	26	2
	<u>26</u>	<u>2</u>

8. Tax on profit on ordinary activities

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

	<i>Period ended 31 December 2005</i>	<i>Period ended 26 November 2004</i>
	<i>£000</i>	<i>£000</i>
<i>Taxation based on the profit for the period</i>		
Corporation tax payable at 30%	1,478	1,352
Group relief payments	453	210
(Over)/under provision for prior years	(633)	29
Total current tax charge	<u>1,298</u>	<u>1,591</u>
<i>Deferred tax</i>		
Timing differences, origination and reversal	—	17
Total deferred tax	<u>—</u>	<u>17</u>
Total tax charge on profit on ordinary activities	<u>1,298</u>	<u>1,608</u>

(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% (2004 – 30%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	<i>Period ended 31 December 2005</i>	<i>Period ended 26 November 2004</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before tax	6,432	5,265
Tax on profit on ordinary activities at standard rate	1,930	1,579
Factors affecting charge:		
Disallowable expenses	—	2
Depreciation in excess of capital allowances	—	(13)
Other timing differences	—	(6)
Tax (over)/under provided in previous years	(633)	29
Other	1	—
Total current tax (note a)	<u>1,298</u>	<u>1,591</u>

Notes to the financial statements

at 31 December 2005

9. Dividends

	<i>Period ended 31 December 2005 £000</i>	<i>Period ended 26 November 2004 £000</i>
<i>Dividends on ordinary shares:</i>		
Interim dividends paid	3,000	—

10. Debtors

	<i>31 December 2005 £000</i>	<i>26 November 2004 £000</i>
Amounts owed by group undertakings	117,000	97,228
Other debtors	14	302
VAT recoverable	20	16
Corporation tax receivable	322	—
Consortium relief receivable	—	139
	<u>117,356</u>	<u>97,685</u>

Amounts owed by group undertakings includes a long-term loan of £117,000,000. This is repayable in full on 31 October 2007.

11. Creditors: amounts falling due within one year

	<i>31 December 2005 £000</i>	<i>26 November 2004 £000</i>
Amounts owed to related undertakings	3,968	1,482
Accruals	3	203
Corporation tax payable	117	649
Group relief payable	453	365
Consortium relief payable	—	208
	<u>4,541</u>	<u>2,907</u>

12. Share capital

	<i>31 December 2005 £</i>	<i>Authorised 26 November 2004 £</i>	<i>Allotted, called up and fully paid 31 December 2005 £</i>	<i>26 November 2004 £</i>
Ordinary shares of £1 each	45,000,002	45,000,002	45,000,002	45,000,002

Notes to the financial statements

at 31 December 2005

13. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 27 November 2003	45,000	68,382	113,382
Profit for the period	–	3,657	3,657
At 26 November 2004	45,000	72,039	117,039
Profit for the period	–	5,134	5,134
Dividend paid	–	(3,000)	(3,000)
At 31 December 2005	45,000	74,173	119,173

14. Commitments

Leasing commitments

The company had annual commitments under non-cancellable operating leases as follows:

	<i>Period ended 31 December 2005 £000</i>	<i>Period ended 26 November 2004 £000</i>
Operating leases which expire:		
Within one year	–	12
Between two and five years	–	–
	–	12

15. Contingent liabilities

The company has acted as guarantor to leases of property occupied by other group undertakings, the minimum annual rental payments of which amount to £2,990,980 (2004 - £4,579,000). It has also acted as guarantor to leases of property occupied by an undertaking part owned by the group's ultimate holding company, the minimum annual rental payments of which amount to £3,415,003 (2004 - £3,476,000)

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 19).

Notes to the financial statements

at 31 December 2005

17. 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 attributable to the company is not available.

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 attributable 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 2005 is £2.4m (2004 - deficit of £20.8m).

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.

The total pension cost to the company for the period ended 31 December 2005 amounted to £nil (year ended 26 November 2004 - £111,881).

18. Related parties

The company has taken advantage of the exemption under FRS 8 (Related Party Disclosures) not to disclose related party transactions with the ultimate parent undertaking nor with fellow wholly owned subsidiary undertakings.

19. 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 financial statements are drawn up. Time Warner Holdings Limited is registered in England and copies of its financial statements may be obtained from the Registrar of Companies in Cardiff.

At 31 December 2005, 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 group financial statements are drawn up. Copies of Time Warner Inc.'s financial statements can be obtained from One Time Warner Center, New York, NY 10019, USA.