

Elementary Productions Limited

Report and Financial Statements

31 March 2011

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COMPANIES HOUSE

Elementary Productions Limited

Company registration no: 06628579

Directors

R D Button
D J Blakley
S W Mertz

Secretary

R-L Jensen
T Hammond

Registered Office

Warner House
98 Theobald's Road
London WC1X 8WB

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Barclays Bank PLC
8/9 Hanover Square
London W1A 4ZW

Elementary Productions Limited

Directors' report

Company registration no 06628579

The directors present their annual report on the affairs of Elementary Productions Limited ("the company") together with the financial statements for the year ended 31 March 2011

Results and dividends

The company's profit for the year after taxation amounted to £35,608 (year ended 31 March 2010 - £21,885)

No dividends were paid during the period and the directors do not recommend the payment of a final dividend

Principal activity

The principal activity of the company is film production and exploitation

Going concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The directors of the company who served during the year were as follows

R D Button

S W Mertz

D J Blaikley

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

Directors' qualifying third party indemnity provisions

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 2006 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

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 each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each 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

Elementary Productions Limited

Directors' report (continued)

Company registration no 06628579

Auditors

In accordance with section 386 of the Companies Act 1985, a resolution to dispense with the requirement to appoint auditors annually was passed on 27 October 2009. This resolution remains in force under the Companies Act 2006 and accordingly Ernst & Young LLP will be deemed to be reappointed as auditors.

Small companies' exemption

In preparing the Directors' Report, the directors have taken advantage of the small companies' exemption under section 415(A) of the Companies Act 2006.

On behalf of the Board



D J Blakley
Director

Date 13 / 12 / 2011

Elementary Productions Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgements and accounting 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,

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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Elementary Productions Limited

Independent auditor's report

to the members of Elementary Productions Limited

We have audited the financial statements of Elementary Productions Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended, have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the requirements of the Companies Act 2006.

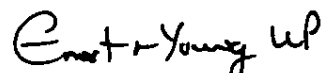
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.



Michael Wansbury (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

13 December 2011

Elementary Productions Limited

Profit and loss account for the year ended 31 March 2011

| | | Year ended 31 March 2011 £ | Year ended 31 March 2010 £ |
|---|-------|--|--|
| | Notes | | |
| Turnover | 2 | 14,927,747 | 2,841,314 |
| Cost of sales | | <u>(17,710,378)</u> | <u>(3,342,568)</u> |
| Gross loss | | (2,782,631) | (501,254) |
| Administrative expenses | | <u>(11,211)</u> | <u>(11,672)</u> |
| Loss on ordinary activities before taxation | 4 | <u>(2,793,842)</u> | <u>(512,926)</u> |
| Taxation on loss on ordinary activities | 5 | <u>2,829,450</u> | <u>534,811</u> |
| Retained profit for the year | 9 | <u>35,608</u> | <u>21,885</u> |

All amounts relate to continuing operations

There have been no recognised gains or losses since the last annual report other than those presented above, and accordingly no separate statement of total recognised gains and losses has been presented

All profits and losses have been accounted for on a historical cost basis

Elementary Productions Limited

Balance sheet at 31 March 2011

| | Notes | 31 March 2011 £ | 31 March 2010 £ |
|--|-------|-----------------------|-----------------------|
| Current assets | | | |
| Debtors | 6 | 21,016,060 | 3,158,821 |
| Cash | | <u>2,484,940</u> | <u>1,415,030</u> |
| | | 23,501,000 | 4,573,851 |
| Creditors amounts falling due within one year | 7 | <u>(23,435,193)</u> | <u>(4,543,652)</u> |
| Net current assets | | <u>65,807</u> | <u>30,199</u> |
| Capital and reserves | | | |
| Called up share capital | 8 | 100 | 100 |
| Profit and loss account | 9 | <u>65,707</u> | <u>30,099</u> |
| Total shareholders' funds | 9 | <u>65,807</u> | <u>30,199</u> |

Approved by the Board and signed on its behalf by



D J Blakley

Director

Date 13 / 12 / 2011

Elementary Productions Limited

Notes to the financial statements at 31 March 2011

1 Accounting policies

Basis of preparation

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

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 prepares publically available group financial statements (see note 11)

Going concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. On the basis of their assessment of the company's financial position the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Interest receivable

Interest income is recognised on an accruals basis

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet dates. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits

Related Parties

The company has taken advantage of the exemption in FRS8 not to disclose related party transactions with fellow wholly owned subsidiary undertakings of Time Warner Inc, a company incorporated in the United States of America, which prepares publicly available group financial statements (see note 11)

2 Turnover

The company engages in film production, and turnover includes film production fees and profit participations from the exploitation of films. The total turnover of the company, which is stated net of value added tax, for the current and preceding period has been derived from these activities. All turnover arises in the United Kingdom. Turnover by destination is not materially different and arises from continuing operations

3 Directors' emoluments

The directors received no remuneration from the company for their services to the company during the year (2010 – £nil). The directors of the company were paid by fellow group undertakings in the current and prior year

Elementary Productions Limited

Notes to the financial statements at 31 March 2011

4 Loss on ordinary activities before taxation

| This is stated after charging | Year ended 31 March 2011 £ | Year ended 31 March 2010 £ |
|---------------------------------------|--|--|
| Auditor's remuneration audit services | 11,018 | 11,400 |

To the extent that the company is a film production company it engages cast and crew to provide services for film production. As such these individuals are not considered to be employees for the purposes of section 411 of the Companies Act 2006.

5 Taxation on loss on ordinary activities

(a) The credit based on the loss for the year is £2,829,450 (year ended 31 March 2010 - £534,811)

(b) Circumstances affecting the current tax credit

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 28% (year ended 31 March 2010 - 28%)

The current tax credit for the year differs from the standard rate for the reasons in the reconciliation below

| | Year ended 31 March 2011 £ | Year ended 31 March 2010 £ |
|---|--|--|
| Loss on ordinary activities before tax | (2,793,842) | (512,926) |
| Tax on loss on ordinary activities at standard rate | (782,276) | (143,619) |
| Factors affecting the tax charge | | |
| Film tax credit | (2,047,174) | (391,192) |
| Total current tax credit (see note (a) above) | (2,829,450) | (534,811) |

(c) Factors affecting future tax charge

A number of changes to the UK corporation tax system were announced in the June 2010 and March 2011 Budget statements. The Finance (No 2) Act 2010, enacted in July 2010, included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011.

A further 1% reduction in the rate to 26% from 1 April 2011 was substantively enacted via Resolution in March 2011 and a reduction of a further 1% to a rate of 25% effective from 1 April 2012 was substantively enacted in July 2011. As the change to the 25% rate was substantively enacted after the balance sheet date, they are not reflected in the figures within these financial statements. Further changes to the rate are proposed to reduce the rate by a further 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and are not therefore included in the figures within these financial statements.

Elementary Productions Limited

Notes to the financial statements at 31 March 2011

| | | | |
|----|---|------------------------------------|--------------------------------------|
| 6 | Debtors | 31 March 2011 £ | 31 March 2010 £ |
| | Other debtors | 15,080,133 | 3,110,474 |
| | VAT receivable | 2,434,602 | 48,247 |
| | Amounts due from group undertakings | 487,429 | 100 |
| | Prepayments and accrued income | 3,013,897 | - |
| | | <u>21,016,060</u> | <u>3,158,821</u> |
| 7 | Creditors amounts falling due within one year | 31 March 2011 £ | 31 March 2010 £ |
| | Amounts owed to group undertakings | 15,626,189 | 3,920,211 |
| | Other taxes | - | 205,288 |
| | Accruals | 7,809,004 | 418,153 |
| | | <u>23,435,193</u> | <u>4,543,652</u> |
| 8 | Called up share capital | 31 March 2011 £ | 31 March 2010 £ |
| | <i>Issued, allotted, called up and unpaid</i> | | |
| | 100 ordinary shares of £1 each | 100 | 100 |
| 9 | Reconciliation of shareholders' funds and movements in reserves | Profit and loss account £ | Total shareholders' funds £ |
| | Share capital £ | | |
| | At 31 March 2010 | 100 | 30,099 |
| | Retained profit for the year | - | 35,608 |
| | At 31 March 2011 | <u>100</u> | <u>65,707</u> |
| 10 | Contingent liabilities | | |

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 partners 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 £3,030,460 (year ended 31 March 2010 - £1,423,682).

Elementary Productions Limited

Notes to the financial statements

at 31 March 2011

11 Ultimate parent undertaking

The company's immediate parent undertaking is Warner Bros Productions Limited

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. Copies of Time Warner Holdings Limited financial statements can be obtained from the Registrar of Companies in Cardiff.

At 31 March 2011, 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.