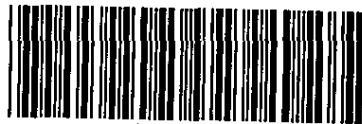


Shed Media Limited

Report and Financial Statements

31 December 2011

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COMPANIES HOUSE

Directors

N Southgate
C Hungate
T Downing

Secretary

Kirsten Spurr

Auditor

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

Bankers

Barclays Bank Plc
27 Soho Square
London W1D 3QR

Registered Office

85 Grays Inn Road
London WC1X 8TX

Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

Results and dividends

The loss for the year after taxation amounted to £487,000 (2010 – profit of £2,983,000) The directors do not propose the payment of a dividend (2010 – £1,069,000)

Principal activities and review of the business

The trade of the company was transferred, on the 13 October 2010, to its immediate parent company Shed Media Group Limited, and the company is now an investment holding company

Principal risks and uncertainties

As the principal activity of the company is as a holding company, the risks and uncertainties inherently lie in the companies under its control and are communicated within their directors' reports

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements

Directors

The directors who served the company during the year, and subsequently, were as follows

N Southgate

C Hungate

T Downing (appointed 10 April 2012)

J Kemp (resigned 2 March 2012)

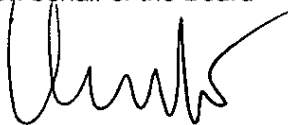
Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

The auditor, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

On behalf of the Board



Claire Hungate
Director

26 September 2012

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the 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 these 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 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.

Independent auditor's report

to the members of Shed Media Limited

We have audited the financial statements of Shed Media Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 18. 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 3, 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 Report and Financial Statements 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 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 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with 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.

Independent auditor's report

to the members of Shed Media Limited

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



Neil Cullum (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 September 2012

Profit and loss account

for the year ended 31 December 2011

| | Notes | 2011 £'000 | 2010 £'000 |
|--|-------|---------------|---------------|
| Turnover | | - | 1,581 |
| Cost of sales | | - | (181) |
| Gross profit | | - | 1,400 |
| Administrative expenses | | (5) | (3,917) |
| Operating loss | 2 | (5) | (2,517) |
| Interest receivable and similar income | 4 | - | 5 |
| Interest payable and similar charges | 4 | (2,115) | (2,967) |
| Investment Income | 7 | 1,496 | 10,527 |
| Exceptional Items | 6 | - | (3,867) |
| (Loss)/ profit on ordinary activities before taxation | | (624) | 1,181 |
| Tax | 5 | 137 | 1,802 |
| (Loss)/ profit for the financial year | 16 | (487) | 2,983 |

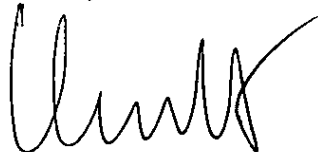
There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £487,000 in the year ended 31 December 2011 (2010 – profit of £2,983,000)

Balance sheet

at 31 December 2011

| | Notes | 2011 £'000 | 2010 £'000 |
|---|-------|---------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 8 | - | 701 |
| Investments | 9 | 76,413 | 76,413 |
| | | <u>76,413</u> | <u>77,114</u> |
| Current assets | | | |
| Debtors | 10 | 1,757 | 2,234 |
| Cash at bank and in hand | | 273 | 971 |
| | | <u>2,030</u> | <u>3,205</u> |
| Creditors: amounts falling due within one year | 11 | 20 | (26,494) |
| Net current assets/ (liabilities) | | <u>2,010</u> | <u>(23,289)</u> |
| Total assets less current liabilities | | <u>78,432</u> | <u>53,825</u> |
| Creditors: amounts falling due after one year | 12 | (27,006) | - |
| Provision for liabilities | 13 | - | (14) |
| Net assets | | <u>51,417</u> | <u>53,811</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | - | - |
| Share premium account | 15 | 34,647 | 34,647 |
| Capital contribution reserve | 16 | - | 1,907 |
| Profit and loss account | 16 | 16,770 | 17,257 |
| Shareholders' funds | 16 | <u>51,417</u> | <u>53,811</u> |

The financial statements were approved by the Board of Directors and signed on behalf of the Board by



Claire Hungate
Director
26 September 2012

Notes to the financial statements

at 31 December 2011

1. Accounting policies

The principal accounting policies, which have been consistently applied in the Company's financial statements throughout the period under review, are as follows

Basis of preparation

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

Exemption from filing group accounts

The company is a majority-owned subsidiary of Warner Bros International Television Production Limited and is included in the consolidated financial statements of Time Warner Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under section 400 of the Companies Act 2006, under the terms of FRS 2

Statement of cash flows

The company has taken advantage of the exemption within FRS1 – Cash Flow Statements, for subsidiaries with 90% or more of the voting rights controlled within the group and has not presented a consolidated statement of cash flows

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows -

| | |
|----------------------------------|-----------------------------|
| Fixtures, fittings and equipment | 25% straight line per annum |
| Computer equipment | 33% straight line per annum |

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

These assets are collectively shown as fixtures and fittings in note 8 to the Company's financial statements

Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

Notes to the financial statements

at 31 December 2011

1 Accounting policies (*continued*)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Deferred tax is recognised on timing differences arising when an asset is continuously revalued to fair value with changes in fair value being recognised in the profit and loss account

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. 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

Going concern

The Directors regularly review that the Company has adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements

Investments

Fixed asset investments are stated at cost less any provision for diminution in value

Notes to the financial statements

at 31 December 2011

2 Operating loss

This is stated after charging

| | 2011 £'000 | 2010 £'000 |
|---------------------------------|---------------|---------------|
| Auditors' remuneration | - | 30 |
| Depreciation – programme assets | - | 217 |
| Foreign exchange losses | - | 12 |

Auditors' remuneration is borne by the Company's immediate parent, Shed Media Group Limited

3. Directors' remuneration

| | 2011 £'000 | 2010 £'000 |
|----------------------|---------------|---------------|
| Aggregate emoluments | - | 1,363 |

The highest paid director received emoluments of £Nil (2010 – £1,019,259)

4. Interest

| | 2011 £'000 | 2010 £'000 |
|-------------------------------|---------------|---------------|
| Bank interest receivable | - | 5 |
| Intercompany interest payable | (2,115) | (2,967) |

5 Tax

(a) Tax on (loss) /profit on ordinary activities

The tax credit, based on the (loss)/profit for the year, is made up as follows

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| <i>Current tax</i> | | |
| Group relief receipts | - | (1,977) |
| Adjustment in respect of prior years | (95) | 27 |
| Total current tax (note 5(b)) | (95) | (1,950) |
| <i>Deferred tax</i> | | |
| Overprovision for prior years | (42) | 148 |
| Total deferred tax (note 13) | (42) | 148 |
| Total tax credit on (loss)/profit on ordinary activities | (137) | (1,802) |

Notes to the financial statements

at 31 December 2011

5. Tax (continued)

(b) Factors affecting the current tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26.5% (2010 – 28%). The differences are explained below

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| (Loss)/ profit on ordinary activities before tax | (624) | 1,181 |
| Tax on (loss)/ profit on ordinary activities at standard rate | (165) | 331 |
| <i>Effects of</i> | | |
| Capital allowances in excess of depreciation | - | 15 |
| Disposal of film assets | - | 55 |
| Transfer pricing adjustment | - | (65) |
| Expenses not deductible for tax purposes | - | 138 |
| Impairment of investment in subsidiary – Outright Distribution Limited | - | 864 |
| Non-taxable income – dividends receivable | (396) | (2,948) |
| Share options costs | - | 32 |
| Share options exercised | - | (399) |
| (Over)/ underprovision in prior years | (95) | 27 |
| Group relief surrendered for nil consideration | 561 | - |
| Current tax for the year (note 5(a)) | (95) | (1,950) |

(c) Deferred tax

Deferred tax is provided at 25% (2010 – 27%) in the balance sheet as follows

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Included in provisions for liabilities (note 13) | - | 14 |
| <i>Analysed as</i> | | |
| Accelerated film relief | - | (5) |
| Accelerated capital allowances | - | 19 |
| Deferred tax liability | - | 14 |

| | £'000 |
|---|-------|
| <i>Analysis of movement of deferred tax asset</i> | |
| At 1 January 2011 | 14 |
| Credited to profit and loss account (note 5(a)) | (42) |
| Movements on disposal of business | 28 |
| At 31 December 2011 | - |

Notes to the financial statements

at 31 December 2011

5. Tax (continued)

(d) Factors affecting future tax charges

A number of changes to the UK corporation tax system were announced in the June 2010, March 2011 and March 2012 Budget statements. The Finance Act 2011, enacted in July 2011, included legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012.

A further 1% reduction in the rate to 24% from 1 April 2012 was substantively enacted via Resolution in March 2012 and a reduction of a further 1% to a rate of 23%, effective from 1 April 2013, was substantively enacted in July 2012. As these changes were substantively enacted after the balance sheet date, they are not reflected in the figures within these financial statements. A further change to the rate is proposed to reduce the rate by a further 1% to 22% from 1 April 2014, but this change has not yet been substantively enacted and is not, therefore, included in the figures within these financial statements. It is not yet possible to quantify the impact of these rate changes upon current tax.

6. Exceptional Items

Exceptional items refer to amounts borne by Shed Media Limited regarding the following

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Impairment of investment in subsidiary (Outright Distribution Limited) | - | 3,086 |
| Fees (Acquisition) | - | 525 |
| National Insurance on Share Options | - | 256 |
| Restructuring Costs | - | - |
| | - | 3,867 |

7 Investment Income

| | 2011 £'000 | 2010 £'000 |
|--------------------------|---------------|---------------|
| Paid during the year | - | (1,069) |
| | | |
| Received during the year | 1,496 | 10,527 |

Notes to the financial statements

at 31 December 2011

8. Tangible fixed assets

| | <i>Fixtures and Fittings 31/12/2011 £'000</i> |
|------------------------------|---|
| Cost or valuation | |
| At 1 January 2011 | 1,341 |
| Additions | - |
| Disposals | (57) |
| Transfers to group companies | (1,284) |
| At 31 December 2011 | - |
| Depreciation | |
| At 1 January 2011 | 640 |
| Charge for year | - |
| Disposals | (14) |
| Transfers to group companies | (626) |
| At 31 December 2011 | - |
| Net book value | |
| At 31 December 2011 | - |
| At 1 January 2011 | 701 |

9 Fixed asset investments

| | <i>Subsidiary undertakings 31/12/11 £'000</i> |
|-------------------|---|
| Cost | |
| At 1 January 2011 | 76,413 |
| 31 December 2011 | 76,413 |
| Net book value | |
| At 1 January 2011 | 76,413 |
| 31 December 2011 | 76,413 |

Notes to the financial statements

at 31 December 2011

9. Fixed asset investments (*continued*)

At 31 December 2011 the Company held a share of the equity of the following companies

| <i>Name of company</i> | <i>% held</i> | <i>Class of shares</i> | <i>Principal activity</i> | <i>Country of incorporation</i> |
|-------------------------------|---------------|------------------------|---------------------------|---------------------------------|
| Shed Productions Ltd | 100% | Ordinary £1 shares | TV production | England and Wales |
| Ricochet Ltd | 100% | Ordinary £1 shares | TV production | England and Wales |
| Twenty Twenty Productions Ltd | 100% | Ordinary £1 shares | TV production | England and Wales |
| Wall to Wall Holdings Ltd | 100% | Ordinary £1 shares | TV production | England and Wales |
| Shed Media Scotland Limited | 100% | Ordinary £1 shares | TV production | England and Wales |
| Watershed Television Limited | 100% | Ordinary £1 shares | TV production | England and Wales |
| Koco Drama Limited | 100% | Ordinary £1 shares | TV production | England and Wales |
| Outright Distribution | 100% | Ordinary £1 shares | TV production | England and Wales |
| Shed Media US Inc | 100% | Ordinary £1 shares | TV production | United States of America |

10. Debtors

| | 31/12/2011 £'000 | 31/12/2010 £'000 |
|------------------------------------|---------------------|---------------------|
| Trade debtors | 26 | 372 |
| Amounts owed by Group undertakings | 1,533 | 1,485 |
| Other debtors | 36 | 65 |
| Prepayments and accrued income | 162 | 312 |
| | <u>1,757</u> | <u>2,234</u> |

11. Creditors: amounts falling due within one year

| | 31/12/2011 £'000 | 31/12/2010 £'000 |
|-----------------------------------|---------------------|---------------------|
| Trade creditors | - | 76 |
| Group relief payable | 20 | - |
| Amounts due to group undertakings | - | 25,530 |
| Corporation tax | - | 280 |
| Other taxes and social security | - | 14 |
| Accruals | - | 594 |
| | <u>20</u> | <u>26,494</u> |

12. Creditors: amount falling due after one year

| | 31/12/2011 £'000 | 31/12/2010 £'000 |
|---------------------------------------|---------------------|---------------------|
| Payable within 8 years | | |
| 7% loan from Shed Media Group Limited | 27,006 | - |
| | <u>27,006</u> | <u>-</u> |

Notes to the financial statements

at 31 December 2011

13. Provisions for liabilities

Deferred tax (asset)/liability

| | 31/12/2011 £'000 | 31/12/2010 £'000 |
|--|---------------------|---------------------|
| Provision/ (asset) at start of period | 14 | (134) |
| Net deferred tax (credit)/charge in profit and loss account for the period | (42) | 148 |
| Movement on disposal of business | 28 | - |
| Provision at end of period | - | 14 |

14. Share capital

The share capital of Shed Media Limited consists of ordinary shares with a par value of 0 1p each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

| | 31/12/2011 £'000 | 31/12/2010 £'000 |
|---|---------------------|---------------------|
| <i>Allotted, called up and fully paid</i> | | |
| 1 ordinary share of 0 1p | - | - |
| (2010 1 ordinary share of 0 1p) | - | - |

15. Share premium

| | 31/12/2011 £'000 | 31/12/2010 £'000 |
|----------------------------------|---------------------|---------------------|
| Opening balance | 34,647 | 33,880 |
| On shares issued during the year | - | 678 |
| Share reduction | - | 89 |
| | 34,647 | 34,647 |

Notes to the financial statements

at 31 December 2011

16. Reconciliation of movements in shareholders' funds

| | <i>Share premium account £'000</i> | <i>Capital contribution reserve £'000</i> | <i>Profit and loss account £'000</i> | <i>Total £'000</i> |
|---|--|---|--|------------------------|
| Shareholders' funds at 1 January 2011 | 34,647 | 1,907 | 17,257 | 53,811 |
| Adjustment to Capital Contribution | - | (1,907) | - | (1,907) |
| Investment Income | - | - | 1,496 | 1,496 |
| Loss for the financial year | - | - | (1,983) | (1,983) |
| Shareholders' funds at 31 December 2011 | 34,647 | - | 16,770 | 51,417 |

17 Related party transactions

The Company has taken advantage of the exemption in FRS 8 – Related Party Transactions not to disclose transactions between Group companies

18. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Shed Media Group Limited, a company incorporated in England and Wales

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 Wales and copies of its financial statements can be obtained from the Registrar of Companies in Cardiff

At 31 December 2011, Time Warner Inc, a company incorporated in the United States of America, was the ultimate parent undertaking, controlling party 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