

Shed Productions (BG) Limited

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Report and Financial Statements

31 December 2010

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Directors

B Park
E Gallagher
A McManus
J Kemp
N Southgate

Secretary

J Kemp

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 2010

Results and dividends

The loss for the year after taxation amounted to £118,000 (2009 – £508,000) A dividend of £640,999 (£640 999 per share) was paid during the year (2009 – £NIL)

Principal activities and review of the business

The principal activity of the company during the year was the production and exploitation of television programmes

In the current year the company received receipts from international and DVD sales of Bad Girls Series 6, Bad Girls Series 7 and Bad Girls Series 8

On 13 October 2010 Time Warner Inc , through WB BidCo plc (which subsequently changed its name to Shed Media Group Limited), acquired a controlling interest in the company's then ultimate parent undertaking Shed Media plc, and the company became a subsidiary of Time Warner Inc at that date. Shed Media plc subsequently changed its name to Shed Media Limited

Key performance indicators

The principal performance measures used to monitor the business are

- i) Sales growth Sales reduced by 76.2% on an annualised basis

Future developments

In future years the company will continue to receive receipts from international and DVD sales and is likely to produce additional television programming

Principal risks and uncertainties

The company uses various financial instruments which including cash and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The main risk arising from the company's financial instruments is liquidity risk

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

The company's policy throughout the year has been to achieve this objective through regular cash flow forecasting and review

Directors

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

B Park
E Gallagher
A McManus
J Kemp
N Southgate

Directors' report

Disclosure of information to the auditors

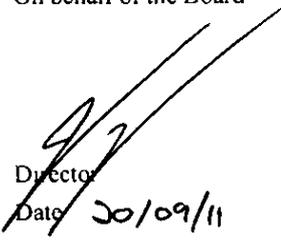
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's 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

Baker Tilly UK Audit LLP resigned as auditor on 13 October 2010 and Ernst & Young LLP was appointed in its place.

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board



Director

Date 20/09/11

Jonathon Kemp

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 proper 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 Productions (BG) Limited

We have audited the financial statements of Shed Productions (BG) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 15. 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 auditor

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 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 2010 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 Productions (BG) 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

Ernst & Young LLP

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

30/9/2011

Profit and loss account

for the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> £000	<i>2009</i> £000
Turnover	2	15	63
Cost of sales		(187)	(764)
		<hr/>	<hr/>
Gross loss		(172)	(701)
Administrative expenses		-	-
		<hr/>	<hr/>
Operating loss	3	(172)	(701)
Interest receivable and similar income	4	-	13
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(172)	(688)
Taxation	5	54	180
		<hr/>	<hr/>
Loss for the financial year	12	(118)	(508)
		<hr/> <hr/>	<hr/> <hr/>

Statement of total recognised gains and losses

for the year ended 31 December 2010

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £118,452 in the year ended 31 December 2010 (2009 – loss of £508,000)

Balance sheet

at 31 December 2010

	<i>Notes</i>	<i>2010</i> £000	<i>2009</i> £000
Fixed assets			
Tangible assets	6	1,401	1,574
Current assets			
Debtors	7	1	1,715
Cash at bank and in hand		8	8
		9	1,723
Creditors: amounts falling due within one year	8	(1)	(1,073)
Net current (liabilities)/assets		8	650
Total assets less current liabilities		1,409	2,224
Provisions for liabilities		(316)	(372)
Net assets		1,093	1,852
Capital and reserves			
Called up share capital	10	–	–
Profit and loss account	12	1,093	1,852
Shareholders' funds	12	1,093	1,852


Jonathon Kemp
Director

Date 20/09/11

Notes to the financial statements

at 31 December 2010

1 Accounting policies

Basis of preparation

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

Going concern

After making reasonable enquiries, the directors consider that the company has adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the financial statements are prepared on a going concern basis

Statement of cash flows

The company has taken advantage of the exemption within FRS 1 – Cash Flow Statements, for subsidiaries with 90% or more of the voting rights controlled within the group, and has not presented a statement of cash flows

Turnover

Turnover represents distribution income and amounts receivable for work carried out in producing television programmes

Production income is recognised over the period of the production or as per the contract where payment is dependent on delivery of materials. Gross profit on production activity is recognised over the period of the production or in accordance with the underlying contract and where there is certainty of this being realised, overages on productions are recognised as they arise and underages are recognised on completion of the productions

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses

Programme assets are stated at cost less depreciation. Depreciation is provided on the programme assets in accordance with the income forecast method whereby depreciation is taken to the profit and loss account on the same pro rata basis as the income received in the accounting period bears to the expected revenue over the life of the programme

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

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 at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

2. Turnover

The company's turnover and loss on ordinary activities before taxation were derived from its principal activity wholly undertaken in the United Kingdom

Notes to the financial statements

at 31 December 2010

3. Operating profit

This is stated after charging/(crediting)

	2010	2009
	£000	£000
Auditors' remuneration	-	-
Depreciation – programme assets	173	599

The auditors' remuneration in the current year was borne by Shed Productions Limited

4 Interest receivable and similar income

	2010	2009
	£000	£000
Other interest receivable	-	13

5. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2010	2009
	£000	£000
<i>Current tax</i>		
UK corporation tax on the loss for the year	1	-
Group relief	-	(13)
Total current tax (note 5(b))	1	(13)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(55)	(167)
Total deferred tax (note 9)	(55)	(167)
Tax on loss on ordinary activities	(54)	(180)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010	2009
	£000	£000
Loss on ordinary activities before tax	(172)	(688)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(48)	(193)

Notes to the financial statements

at 31 December 2010

5. Tax (continued)

Effects of

Accelerated film relief	43	167
Adjustments to tax charge in respect of previous years	-	-
Transfer pricing adjustment	6	13
	<u>1</u>	<u>(13)</u>
Current tax for the year (note 5(a))	<u>1</u>	<u>(13)</u>

Corporation tax is credited through the intercompany account and settled on a group basis. The overall group corporation tax liability is held within the parent undertaking, Shed Media Ltd

(c) Deferred tax

	2010	2009
	£000	£000
At 1 January	371	539
Transfer to profit and loss account	(55)	(168)
At 31 December	<u>316</u>	<u>371</u>
Deferred tax		
The deferred tax balance is made up as follows		
Accelerated film relief	316	371
Total deferred tax	<u>316</u>	<u>371</u>

Factors affecting future tax charges

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. The effect of this change on the deferred tax balances has been included in the figures within these accounts.

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 these changes were substantively enacted after the balance sheet date, they are not reflected in the figures within these accounts. 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 accounts. We estimate the impact upon deferred tax as a result of these changes to be a reduction in the balance of approximately £32,260 over the forthcoming three years. It is not yet possible to quantify the impact of these rate changes upon current tax.

Reductions to the rate of writing down allowances on qualifying plant and machinery and integral fixtures are also proposed, with effect from 1 April 2012. These changes were substantively enacted in July 2011, after the balance sheet date, and are not therefore included in the figures within these accounts.

Notes to the financial statements

at 31 December 2010

6. Tangible fixed assets

	<i>Programme assets £000</i>
Cost or valuation At 1 January 2010 and 31 December 2010	3,134
Depreciation At 1 January 2010	1,560
Charge for the year	173
At 31 December 2010	1,733
Net book value At 31 December 2010	1,401
At 1 January 2010	1,574

The programme assets represent rights, titles and interests to the programmes Bad Girls (Series 6), Bad Girls (Series 7), Bad Girls (Series 8) and Hope Springs

7. Debtors

	<i>2010 £000</i>	<i>2009 £000</i>
Amounts due from group undertakings	1	1,715
	1	1,715

8. Creditors: amounts falling due within one year

	<i>2010 £000</i>	<i>2009 £000</i>
Amounts owed to group undertakings	1	1,042
Other taxes and social security costs	-	10
Other creditors	-	21
	1	1,073

Notes to the financial statements

at 31 December 2010

9. Provision for liabilities

Deferred tax

	2010	2009
	£000	£000
At 1 January	371	539
Transfer to profit and loss account	(55)	(167)
At 31 December	<u>316</u>	<u>371</u>
Deferred tax		
The deferred tax balance is made up as follows		
Accelerated film relief	<u>316</u>	<u>371</u>
Total deferred tax	<u><u>316</u></u>	<u><u>371</u></u>

10. Issued share capital

	No	2010	No	2009
		£000		£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1	-	1	-

11. Movement on reserves

	£000
At 1 January 2010	1,852
Retained loss for the financial year	(118)
Dividend paid for financial year	(641)
At 31 December 2010	<u><u>1,093</u></u>

12. Reconciliation of shareholders' funds

	2010	2009
	£000	£000
Loss for the financial year	(118)	(508)
Dividend paid in the financial year	(641)	-
Net Loss to shareholders' funds	<u>(759)</u>	<u>(508)</u>
Opening shareholders' funds	1,852	2,360
Closing shareholders' funds	<u><u>1,093</u></u>	<u><u>1,852</u></u>

13. Contingent liabilities

The company has given guarantees in respect of bank borrowings of other group companies which amounts to £NIL at 31 December 2010 (2009 – £26,191,175)

Notes to the financial statements

at 31 December 2010

14. Related party transactions

The company has taken advantage of the exemption conferred by FRS 8 from the requirements to disclose details of transactions with group companies

Other than transactions with group companies, there were no related party transactions during the year

15. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Shed Media 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 2010, 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