

**Time Warner Finance Limited
Report and Financial Statements**

31 December 2011

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Time Warner Finance Limited

Registered No 02567577

Directors

P J Hosemann

B E S Jones

J M Stewart

Secretary

B E S Jones

Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF

Registered Office

Time Warner House

44 Great Marlborough Street

London W1F 7JL

Directors' report

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

Results and dividends

The profit for the year after taxation amounted to £2,373,666 (2010 – profit £751,004)

The dividend paid during the year was £nil (2010 – £ 6,500,000)

Principal activity and review of the business

The company acted as a group financier to undertakings within the Time Warner Holdings Limited group. The company's aim was to provide financing to the undertakings within the Time Warner Holdings Limited structure whilst achieving a profit for the financial year, this was successfully achieved in a difficult economic climate.

However, during the year the Directors decided that the financing activities for the group should be moved to another company within the group.

The risks faced by the company are integral to those of Time Warner Group and are not managed separately.

Future developments

Whilst the Directors are yet to formally document any such actions it is expected that the company will be wound up in the near future.

Directors

The directors who served during the year to 31 December 2011 are shown on page 1.

There are no directors' interests requiring disclosure under the Companies Act 2006.

Going concern

On the basis of their assessment of the company's financial position the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future, thus they consider it is appropriate to prepare the financial statements on a going concern basis.

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, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

The company has passed a resolution under section 485 of the Companies Act 2006 not to reappoint auditors annually. Ernst & Young LLP have expressed their willingness to continue in office for the forthcoming year.

By order of the Board

Secretary

B E S Jones

26 September 2012

Statement of directors' responsibilities

The directors are responsible for preparing 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 those 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, 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 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 to 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 Time Warner Finance Limited

We have audited the financial statements of Time Warner Finance Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 13. 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 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 profit 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.

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

27/9/2012

Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover		72,360	16,063
Administrative expenses		-	(60,957)
Operating profit/(loss)	2	72,360	(44,894)
Interest receivable	3	2,474,782	1,740,261
Interest payable	4	(442,264)	(629,909)
Other finance charges	5	(25,212)	(20,454)
Profit on ordinary activities before taxation		2,079,666	1,045,004
Tax on profit on ordinary activities	6	294,000	(294,000)
Profit for the financial year	11	2,373,666	751,004

Statement of total recognised gains and losses
For the year ended 31 December 2011

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £2,373,666 for the year to 31 December 2011 (2010 – profit £751,004)

Balance sheet
at 31 December 2011

	Notes	2011 £	2010 £
Current assets			
Debtors amounts falling due after more than one year	7	-	75,000,000
Debtors amounts falling due within one year	8	75,230	40,658,231
Cash at bank and in hand		3,233,017	34,499,858
		3,308,247	150,158,089
Creditors amounts falling due within one year	9	(173,420)	(149,396,928)
Net assets		3,134,827	761,161
Capital and reserves			
Called up share capital	10	100	100
Profit and loss account	11	3,134,727	761,061
Shareholders' funds		3,134,827	761,161

Paul Hosemann
Director
26 September 2012

Notes to the financial statements at 31 December 2011

1. Accounting policies

Basis of preparation

The financial statements of the company were approved for issue by the board of directors on 26 September 2012

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

On the basis of their assessment of the company's financial position the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future thus they consider it is appropriate to prepare the financial statements on a going concern basis

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

Related parties

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose related party transactions with fellow wholly owned group undertakings

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 group statement of cash flows (see note 13)

2. Operating profit/loss

This is stated after charging

	2011	2010
	£	£
Management fee payable to parent undertaking	-	89,971
Write off of previously accrued legal & professional fees	-	(29,014)

There were no employees, other than the directors, during the year (2010 – nil)

The directors of the company were also directors of other group undertakings. The directors' remuneration for the year was paid by other group undertakings. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the fellow subsidiary undertakings

In 2011 auditor's remuneration of £4,500 was borne by another group company (2010 – £4,500)

Notes to the financial statements
at 31 December 2011

3. Interest receivable

	2011 £	2010 £
Receivable from group undertakings	2,397,115	1,689,216
Bank interest receivable	77,667	51,045
	<u>2,474,782</u>	<u>1,740,261</u>

4. Interest payable

	2011 £	2010 £
Payable to group undertakings	442,264	626,937
Bank interest payable	-	2,972
	<u>442,264</u>	<u>629,909</u>

5. Other finance charges

	2011 £	2010 £
Exchange gain	(6,075)	(7,222)
Bank fees	31,287	27,676
	<u>25,212</u>	<u>20,454</u>

6. Tax

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

	2011 £	2010 £
Taxation based on the profit for the year		
Group relief payments	-	294,000
(Over) provision for prior years	(294,000)	-
Total current tax (credit)/charge	<u>(294,000)</u>	<u>294,000</u>
Total tax (credit)/charge on profit on ordinary activities	<u>(294,000)</u>	<u>294,000</u>

Notes to the financial statements at 31 December 2011

6. Tax (continued)

(b) Circumstances affecting current charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 26.5% (2010 – 28%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

	Note	2011 £	2010 £
Profit on ordinary activities before tax		2,079,666	1,045,004
Tax on profit on ordinary activities at standard rate		551,111	292,601
Factors affecting the tax charge			
Tax over provided in prior years		(294,000)	-
Group relief received for nil consideration		(551,111)	-
Other		-	1,399
Total current tax	6a	(294,000)	294,000

c) 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 accounts. 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 accounts. It is not yet possible to quantify the impact of these rate changes upon current tax.

7. Debtors: amounts falling due after more than one year

	2011 £	2010 £
Due from group undertakings	-	75,000,000

During 2011 the financing activities carried out by the company were transferred to another group company meaning the early repayment of the above loan.

Notes to the financial statements
at 31 December 2011

8. Debtors: amounts falling due within one year

	2011 £	2010 £
Other debtors	32,577	-
Due from group undertakings	42,653	40,658,231
	75,230	40,658,231

Amounts due from group undertakings include an unsecured loan of £nil (2010 – £29,500,000) to the immediate parent undertaking which attracts interest at a rate of 0.25% above Barclays Bank PLC base rate

Time Warner Finance Limited had two loans with Time Warner International Finance Limited, one being denominated in Euros and the other in US dollars. The Euro loan had a balance at 31 December 2011 of £nil (2010 – £3,395,447) and the dollar loan had a balance of £nil (2010 – £7,374,158). Both loans attracted interest at a rate of LIBOR minus 10 basis points. The loan note states that the basis point calculation can change at any time with agreement between both parties.

All of the loans mentioned are payable on demand and therefore classed as debtors' amounts falling due within one year.

9. Creditors: amounts falling due within one year

	2011 £	2010 £
Bank overdraft	138,942	46,722,409
Due to group undertakings	13,288	102,311,564
Other creditors	21,190	68,955
Group relief payable	-	294,000
	173,420	149,396,928

Amounts due to group undertakings included an unsecured short-term loan between Time Warner Finance Limited and IPC Media Ltd of £nil (2010 – £56,644,595) which attracted an interest rate at 0.25% below Barclays Bank PLC base rate.

In November 2010 a loan was established between Time Warner Finance Limited and Time Warner Entertainment Limited, attracting an interest rate of 0.25% below Barclays Bank PLC base rate. At 31 December 2011 the loan balance was £nil (2010 – £45,500,000).

All of the loans mentioned are payable on demand and therefore have been classed as creditors' amounts falling due within one year.

Notes to the financial statements
at 31 December 2011

10. Authorised and issued share capital

Authorised, allotted, called up and fully paid	2011	2010	2011	2010
	No	No	£	£
Ordinary shares of £1 each	100	100	100	100
	100	100	100	100

11. Reconciliation of shareholders' funds and movements in reserves

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 31 December 2009	100	6,510,057	6,510,157
Profit for the financial year	-	751,004	751,004
Dividend paid	-	(6,500,000)	(6,500,000)
At 31 December 2010	100	761,061	761,161
Profit for the financial year	-	2,373,666	2,373,666
At 31 December 2011	100	3,134,727	3,134,827

No dividend was paid during the year (2010 £6,500,000)

12. 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 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 £3,233,017 (2010 – £nil)

13. Ultimate parent undertaking and controlling party

Time Warner Holdings Limited is the parent 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 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.