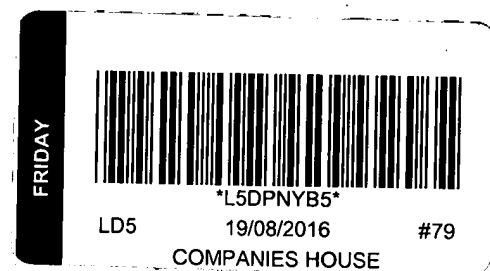


Company registration number: 0330764

Warner Bros. Studios Leavesden Limited

Report and Financial Statements

31 December 2015



Warner Bros. Studios Leavesden Limited

Company registration number: 0330764

Directors

D Bisoni
D C Dark
T H Creighton

Secretary

D Bisoni

Registered Office

Warner House
98 Theobald's Road
London
WC1X 8WB

Auditor

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

Banker

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

Warner Bros. Studios Leavesden Limited

Strategic report

The directors present their Strategic Report on the affairs of Warner Bros. Studios Leavesden Limited ("the company") for the year ended 31 December 2015. In preparing this Strategic Report, the directors have complied with section 414c of the Companies Act 2006.

Principal activity

Throughout the year, the company continued to operate in two principal areas of activity; studio tour and merchandise sales, and studio facilities, equipment rental and related services.

Results

The profit for the year after taxation amounted to £47,924,000 (2014 - £34,812,000).

Review of the business and KPIs

A summary of key performance indicators is as follows:

	2015 £'000	2014 £'000	Change %
Turnover	114,691	95,182	20%
Gross profit	80,831	65,439	24%
Operating profit	51,063	39,147	30%
Operating margin	45%	41%	
Number of employees	369	373	-1%

The company's turnover and gross profit has increased year on year by 20% and 24% respectively owing to an initial and ongoing programme of investment in the company's facilities at Leavesden.

The increase in turnover together with more effective cost control resulted in an increase in operating profit and operating margin of 30% and four percentage points respectively. The average number of employees remained consistent year on year.

Principal risks and uncertainties

An analysis of the risks and uncertainties of the Time Warner Inc. group are discussed in the group's Annual Report which is publicly available.

The principal risks and uncertainties facing the company are detailed below.

The media industry in the UK is subject to substantial competitive and economic pressures and rapid technological change which could result in loss of sales and increased costs for the company. The company manages this risk by continually investing in improving its film production facilities.

If the company fails to compete successfully against alternative entertainment and leisure activities, there may be an adverse effect on the company's results. The company competes with other providers of entertainment and leisure activities for consumers' leisure and entertainment time and discretionary spending. The increased number of media and entertainment choices available to consumers has made it much more difficult to attract and obtain their attention and time.

Service disruptions or failures in information systems and networks as a result of computer viruses or misappropriation of data may disrupt the company's business, damage its reputation or have a negative impact on its results or operations. Although the company develops and maintains information security practices and systems designed to prevent these events occurring, development and maintenance of these systems is costly and is likely to increase as the threats become more sophisticated.

Warner Bros. Studios Leavesden Limited

Strategic report (continued)

The company is subject to a variety of laws and regulations. The company could incur significant costs to comply with new laws or regulations or substantial penalties or other liabilities if it fails to comply with them. Compliance with new laws or regulations could also cause the company to change or limit its business practices in a manner that is adverse to its business.

On behalf of the Board



T H Creighton
Director

Date:

2 / 8 / 15

Warner Bros. Studios Leavesden Limited

Directors' report

Company registration number: 0330764

The directors present their annual report on the affairs of Warner Bros. Studios Leavesden Limited together with the financial statements for the year ended 31 December 2015.

Dividends

Interim dividends of £164,000,000 (2014 - £nil) were paid during the year. The directors do not recommend the payment of a final dividend (2014 - £nil).

Future developments

The directors will continue to exploit the activities from continuing operations having regards to the principal risks and uncertainties described in the Strategic Report.

Going concern

On the basis of the on-going group funding arrangement, 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 period were as follows:

D Bioni
D C Dark
T H Creighton

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.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities adequately meet the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has been continued through direct 'Employee Communications' emails, emails from local management and through the intranet site 'Behind the Shield'. Regular meetings are held between local management and employees to allow a free flow of information and ideas, such as the Employee Liaison Group meetings, and employees are encouraged to present their suggestions and views on issues pertaining to them within the company. Regular questionnaires are also distributed to all employees and the results and action points are communicated back on a timely basis. Employees are encouraged to get involved with various Corporate Social Responsibility initiatives such as recycling and volunteering. Certain employees may share in the financial success of the group by being granted Time Warner stock options or restricted stock units.

Warner Bros. Studios Leavesden Limited

Directors' report (continued)

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

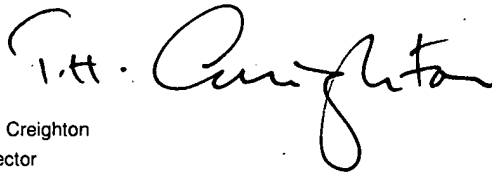
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will continue in office.

On behalf of the Board



T H Creighton
Director

Date:

2 / 8 / 15

Warner Bros. Studios Leavesden Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, Directors' 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 judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Warner Bros. Studios Leavesden Limited

Independent auditor's report to the members of Warner Bros. Studios Leavesden Limited

We have audited the financial statements of Warner Bros. Studios Leavesden Limited for the year ended 31 December 2015 which comprise the Income statement, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 23. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 6, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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 Strategic Report and 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.



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

4/8/2016

Warner Bros. Studios Leavesden Limited

Income statement for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Turnover	2	114,691	95,182
Cost of sales		(33,860)	(29,743)
Gross profit		80,831	65,439
Administrative expenses		(31,441)	(27,916)
		49,390	37,523
Other operating income	3	1,673	1,624
Operating profit	3	51,063	39,147
Interest receivable and similar income	6	298	218
Interest payable and similar charges	7	(17)	(17)
Profit on ordinary activities before taxation		51,344	39,348
Taxation on profit on ordinary activities	8	(3,420)	(4,536)
Profit for the financial year		47,924	34,812

All amounts relate to continuing operations.

There is no difference between profit for the financial year and total comprehensive income for the year, and accordingly no separate statement of comprehensive income has been presented.

Warner Bros. Studios Leavesden Limited

Statement of changes in equity for the year ended 31 December 2015

	Share capital £'000	Equity share based payments £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 1 January 2014	50,005	149	129,854	180,008
Profit for the financial year	-	-	34,812	34,812
Charge for equity share based payments	-	95	-	95
Stock options and RSU's exercised	-	(88)	-	(88)
At 31 December 2014	50,005	156	164,666	214,827
At 1 January 2015	50,005	156	164,666	214,827
Profit for the financial year	-	-	47,924	47,924
Dividends (see note 19)	-	-	(164,000)	(164,000)
Charge for equity share based payments	-	136	-	136
Stock options and RSU's exercised	-	(349)	-	(349)
At 31 December 2015	50,005	(57)	48,590	98,538

Equity share based payments

This reserve records all current and prior year employee related equity settled share based payment transactions.

Warner Bros. Studios Leavesden Limited

Statement of financial position at 31 December 2015

	Notes	31 December 2015 £'000	31 December 2014 £'000
Fixed assets			
Intangible assets	9	920	1,206
Tangible assets	10	173,188	170,404
Investments	11	3,000	3,000
		<u>177,108</u>	<u>174,610</u>
Current assets			
Stock	12	2,042	1,748
Debtors	13	8,752	64,495
Cash at bank and in hand		5,107	4,172
		<u>15,901</u>	<u>70,415</u>
Creditors: amounts falling due within one year	14	(29,052)	(24,522)
Net current (liabilities)/assets		<u>(13,151)</u>	<u>45,893</u>
Total assets less current liabilities		163,957	220,503
Creditors: amounts falling due after more than one year	15	(59,303)	
Provisions for liabilities	17	(6,116)	(5,676)
Net assets		<u>98,538</u>	<u>214,827</u>
Capital and reserves			
Called up share capital	18	50,005	50,005
Equity-settled share-based payments reserve		(57)	156
Profit and loss account		48,590	164,666
Total shareholder's funds		<u>98,538</u>	<u>214,827</u>

Approved by the Board and signed on its behalf by:

T H Creighton
Director
Date:

T. H. Creighton
21/8/15

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

1 Accounting policies

a) Statement of compliance

Warner Bros. Studios Leavesden Limited is a limited liability company incorporated in England. The Registered Office is 98 Theobald's Road, London, WC1X 8WB.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2015.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 23.

b) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and with applicable United Kingdom accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The company has taken advantage of the exemption from the requirement to prepare consolidated financial statements available under s401 of the Companies Act 2006, as it is a wholly-owned subsidiary undertaking of Time Warner Inc., a company incorporated in the United States of America, which prepares publicly available consolidated financial statements (see note 22).

Going concern

On the basis of the on-going group funding arrangement, 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.

Statement of cash flows

The company has taken advantage of the exemption in FRS 102.1.12(b) Reduced disclosures for subsidiaries. A statement of cashflows has not been prepared as the company is a member of a group where the parent, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 22).

Related parties

The company has taken advantage of the exemption in FRS 102.1.12(e) Reduced disclosures for subsidiaries. Key management remuneration has not been disclosed as the company is a member of a group where the parent, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 22).

The company has taken advantage of the exemption in FRS 102.33.1A not to disclose related party transactions with fellow wholly-owned subsidiary undertakings of Time Warner Inc., which prepares publicly available consolidated financial statements (see note 22).

Share based payment transactions

The company has taken advantage of the exemption in FRS 102.1.12(d) Reduced disclosures for subsidiaries. Certain share based payment transactions have not been presented as the company is a member of a group where the parent, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 22).

c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the region. In the judgment of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme. See note 20 for further details.

Operating lease commitments

The company has entered into leases as a lessee. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

1 Accounting policies (continued)

c) Judgements and key sources of estimation uncertainty (continued)

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and below for the useful economic lives for each class of assets.

Stock provisioning

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 12 for the net carrying amount of the inventory and current year charge.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

Taxation

The company recognises liabilities for anticipated uncertain corporation tax positions based on reasonable estimates of whether additional taxes will be due and the timing of those additional taxes. Further details are contained in Note 8.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

d) Significant accounting policies

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

Turnover represents income from film studio facilities and related services, equipment rental, post production services and ticket and related merchandising sales for the 'Making of Harry Potter' studio tour.

Revenue from the provision of studio facilities and post production services are recognised on a monthly usage basis.

Revenue from advanced ticket sales for the 'Making of Harry Potter' studio tour is deferred and only recognised on the scheduled date of the tour.

Revenue from equipment rental is recognised on an accrual basis based on the actual usage.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

1 Accounting policies (continued)

d) Significant accounting policies (continued)

Pensions

The company operates a defined contribution scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

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 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 income statement as they become payable.

The Time Warner UK Pension Plan was closed to new entrants with effect from 1 April 2010 from which time membership of The Time Warner Money Purchase Pension Plan, a defined contribution plan, has been available. Contributions to the defined contribution plan are recognised in the income statement in the period in which they become payable. With effect from 1 April 2011, the Time Warner UK Pension Plan closed to future benefits accruals.

Interest receivable and payable

Interest income and expense are recognised on an accruals basis.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Foreign currencies

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot rate of exchange 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 statement of financial position date. All differences are taken to the income statement.

Share based payments

Certain employees of the company have been granted options to purchase shares in the company's ultimate parent undertaking, Time Warner Inc. Such options have been granted with exercise prices equal to, or in excess of, the fair market value at the date of grant. The options are denominated in US\$ and vest evenly over a four year period and expire ten years from the date of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The cost of the option is measured by reference to this fair value and is recognised as an expense over the vesting period. Adjustments are made to the fair values to reflect the likelihood that options will not be exercised due to non-market conditions such as employees leaving the company. These estimates are reviewed annually and the original charge revised when appropriate.

Certain employees of the company have been granted restricted stock units ("RSUs") in Time Warner Inc. The RSUs vest 50% 3 years after the date of grant and 50% 4 years after the date of grant. When the RSUs vest the employee receives shares in Time Warner Inc. at no cost to themselves. The fair value of each RSU is the Time Warner Inc. share price on the date of grant. The cost of the RSU is measured by reference to this fair value and is recognised as an expense over the vesting period. Adjustments are made to the fair values to reflect the likelihood that RSUs will not be exercised due to non-market conditions such as employees leaving the company. These estimates are reviewed annually and the original charge revised when appropriate.

Investments

Investments are stated at cost less provision for impairments.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful economic life, or 10 years if no reliable estimate can be made. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The company amortises the goodwill in equal instalments over a 63 month period following transition to FRS 102 on 1 January 2014.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

1 Accounting policies (continued)

d) Significant accounting policies (continued)

Tangible assets

Tangible fixed assets are recorded at cost, less accumulated depreciation and provision for impairment.

The company provides depreciation in equal annual instalments over the estimated lives of the assets down to their estimated residual value, at the following rates:

Leasehold improvements	- over the shorter of the lease term and 10 years
Furniture, fittings and equipment	- over 3 to 10 years
Motor vehicles	- over 5 years
Buildings and building improvements	- over 30 years

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

Stocks

Stocks are stated at the lower of cost, being invoiced purchase price, and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Provisions 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. Where the effect of the time value of money is material the provisions are discounted to their present value at the statement of financial position date.

Leasing commitments

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2015 £'000	Year ended 31 December 2015 %	Year ended 31 December 2014 £'000	Year ended 31 December 2014 %
United Kingdom and Ireland	114,691	100.0%	95,182	100.0%

An analysis of turnover by class of business is given below:

	Year ended 31 December 2015 £'000	Year ended 31 December 2015 %	Year ended 31 December 2014 £'000	Year ended 31 December 2014 %
Studio tour and merchandise sales	77,210	67.3%	62,784	66.0%
Studio facilities, equipment rental and related services	37,481	32.7%	32,398	34.0%
Total	114,691	100.0%	95,182	100.0%

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

3 Operating profit

This is stated after charging:

		Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Auditor's remuneration	- audit of the financial statements	80	62
Depreciation of tangible fixed assets		8,921	7,587
Amortisation of intangible fixed assets		286	286
Operating lease rentals	- land and buildings	984	969
Loss on disposal of tangible fixed assets		296	51
Foreign exchange loss		35	74
Operational restructuring costs		8	219

Included within operating profit is other operating income of £1,609,000 (2014 - £1,624,000) which is mainly rental income from third party tenants.

4 Directors' remuneration

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Aggregate remuneration in respect of qualifying services	655	491
Aggregate company contributions paid to defined contribution pension scheme	40	47
	No.	No.
Members of defined contribution pension scheme	2	2
<i>The amounts in respect of the highest paid director are as follows:</i>	£'000	£'000
Remuneration in respect of qualifying services	352	310
Company contributions paid to defined contribution pension scheme	40	34

The highest paid director exercised share options during the year and also received shares under the group's long term incentive scheme.

2 directors exercised share options during the year (2014 - 2).

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

5 Staff costs

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Wages and salaries	11,015	10,586
Equity-settled share based payments	170	120
Social security costs	1,043	937
Other pension costs (see note 20)	394	422
	<u>12,622</u>	<u>12,065</u>

The average monthly number of employees during the year was 369 (2014 - 373), all of whom were engaged in administration and sales.

6 Interest receivable and similar income

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest receivable from group undertakings	<u>298</u>	<u>218</u>

7 Interest payable and similar charges

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Unwinding of the discount of the dilapidation provision	<u>17</u>	<u>17</u>

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

8 Taxation on profit on ordinary activities

a) The charge based on the profit for the year is as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<i>Current tax:</i>		
UK corporation tax		
UK corporation tax at 20.25% (2014 - 21.5%)	5,140	-
Group relief payments	200	3,409
(Over)/Under provision for prior years	(2,309)	324
Total current tax charge	3,031	3,733
<i>Deferred tax:</i>		
Origination and reversal of timing differences	782	1,099
Credit due to change in tax rate	(581)	-
Under/(Over) provision for prior years	188	(296)
Total deferred tax charge	389	803
Total tax charge on profit on ordinary activities (see note 8(b) below)	3,420	4,536

b) Factors affecting the total tax charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20.25% (2014 - 21.5%).

The tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit on ordinary activities before taxation	51,344	39,348
Taxation on profit on ordinary activities at standard rate	10,397	8,460
<i>Factors affecting the tax charge:</i>		
Disallowable expenses	140	352
Non qualifying depreciation	710	674
Group relief received for nil consideration	(5,049)	(4,599)
Tax (over)/under provided in previous years	(2,121)	28
Other differences	(66)	(297)
Impact of change of tax rate	(591)	(82)
Total tax charge (see note 8(a) above)	3,420	4,536

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

8 Taxation on profit on ordinary activities (continued)

c) Deferred tax

Deferred tax is provided at 18% (2014 - 20%) in the statement of financial position as follows:

	31 December 2015 £'000	31 December 2014 £'000
Included in provisions for liabilities (see note 17)	(5,229)	(4,840)
	<u>(5,229)</u>	<u>(4,840)</u>
Analysed as:		
Accelerated capital allowances	(5,481)	(5,077)
Pension costs	10	1
Share-based payment	82	69
Short term timing differences	160	167
	<u>(5,229)</u>	<u>(4,840)</u>
Deferred tax provision	(5,229)	(4,840)

Analysis of movement in deferred tax:

	Total £'000
At 31 December 2014	(4,840)
Charged to income statement (see note 8(a) above)	(389)
	<u>(5,229)</u>
At 31 December 2015	(5,229)

The net reversal of deferred tax expected to occur in the following year is £0.8m. This is due to capital allowances in excess of depreciation.

d) Factors affecting future tax charges

The Finance Act 2013 included legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015, enacted on 18 November 2015, included two changes to the future mainstream corporation tax rate. From 1 April 2017 the rate will reduce from 20% to 19% and from 1 April 2020 the rate will reduce further to 18%. The effect of these changes on the deferred tax balance is reflected in these accounts:

The Finance Bill 2016 proposed a further rate change. The 18% rate enacted in the Finance (No. 2) Act 2015 will reduce by 1%, so that from 1 April 2020, the mainstream corporation tax will become 17%. As this change has not yet been substantively enacted, it is not reflected in the figures in these accounts. It is estimated that the impact of the rate change on deferred tax is a reduction in the balance of approximately £0.3m.

It is not yet possible to quantify the impact of this rate change upon current tax.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

9 Intangible fixed assets

	Goodwill £'000
Cost:	
At 31 December 2014 and 31 December 2015	1,597
Amortisation:	
At 31 December 2014	391
Amortised during the year	286
At 31 December 2015	677
Net book value:	
At 31 December 2015	920
At 31 December 2014	1,206

10 Tangible fixed assets

	Land and buildings £'000	Furniture fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 31 December 2014	147,168	41,147	804	189,119
Additions	7,677	4,275	49	12,001
Asset reclassification *	(6,580)	6,580	-	-
Disposals	(8)	(333)	-	(341)
At 31 December 2015	148,257	51,669	853	200,779
Depreciation:				
At 31 December 2014	8,924	9,583	208	18,715
Charged during the year	4,627	4,152	141	8,920
Disposals	(1)	(43)	-	(44)
At 31 December 2015	13,550	13,692	349	27,591
Net book value:				
At 31 December 2015	134,707	37,977	504	173,188
At 31 December 2014	138,244	31,564	596	170,404

Included within furniture, fittings and equipment is £846,000 (2014 - £980,000) and included within land and buildings is £849,000 (2014 - £21,830,000) of costs relating to assets in the course of construction. These will be depreciated once the assets are complete and ready for use.

* The asset reclassification is a result of prior year assets under construction being capitalised during the year under a different tangible fixed asset category.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

11 Investments

	Investments in subsidiary undertakings £'000
Cost:	
At 31 December 2014 and 31 December 2015	3,000
Amounts provided:	
At 31 December 2014 and 31 December 2015	
Net book value:	
At 31 December 2015	3,000
At 31 December 2014	3,000

The investments in subsidiary undertakings at 31 December 2015 comprise 100% of the ordinary share capital of Warner Bros. Theatres (UK) Limited, a company registered in England and Wales.

12 Stocks

	31 December 2015 £'000	31 December 2014 £'000
Finished goods held for resale	2,042	1,748

Stock recognised in cost of sales during the year as an expense was £7,910,000 (2014 - £6,714,000).

An impairment loss of £135,000 (2014 - £142,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

13 Debtors

	31 December 2015 £'000	31 December 2014 £'000
Trade debtors	5,103	2,640
Other debtors	9	-
Prepayments and accrued income	444	571
Amounts owed by group undertakings	3,196	61,284
	8,752	64,495

Included within amounts owed by group undertakings is an amount of £nil in respect of an intercompany deposit with Time Warner London Limited (2014 - £60,410,000). The deposit was interest bearing at market rate, being Barclays base rate minus 0.1%. The deposit was unsecured and repayable on demand. All other amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

14 Creditors: amounts falling due within one year

	31 December 2015 £'000	31 December 2014 £'000
Trade creditors	3,722	2,445
Other creditors	3,205	491
Other taxes and social security costs	145	940
Corporation tax payable	6,434	3,625
Accruals and deferred income	12,907	15,444
Amounts owed to group undertakings	2,639	1,577
	<u>29,052</u>	<u>24,522</u>

15 Creditors: amounts falling due after more than one year

	31 December 2015 £'000	31 December 2014 £'000
Amounts owed to group undertakings	<u>59,303</u>	

Included within amounts owed to group undertakings is an amount of £59,303,000 in respect of an intercompany loan with Time Warner London Limited (2014 - £nil). The loan is interest bearing at market rate, being Time Warner's cost of funds plus an applicable margin, the margin being plus 1.25%. The loan is also unsecured and has a maturity date of 31 December 2025.

16 Obligations under leases and hire purchase contracts

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings	
	2015 £'000	2014 £'000
Payments due:		
Not later than one year	909	909
Later than one year and not later than five years	2,635	3,155
Later than five years	2,198	763
	<u>5,742</u>	<u>4,827</u>

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

16 Obligations under leases and hire purchase contracts (continued)

Operating lease agreements where the company is lessor

The company holds surplus office buildings which are let to third parties.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Land and buildings	
	2015 £'000	2014 £'000
Receipts due:		
Not later than one year	1,573	1,430
Later than one year and not later than five years	2,652	3,257
Later than five years	115	632
	<u>4,340</u>	<u>5,319</u>

17 Provisions for liabilities

	Deferred tax provision (note 8(c)) £'000	Dilapidation provision £'000	National Insurance on share options £'000	Total £'000
At 31 December 2014	4,840	772	64	5,676
Unwinding of discount (see note 7)	-	17	-	17
Arising during the year	389	-	34	423
	<u>5,229</u>	<u>789</u>	<u>98</u>	<u>6,116</u>
At 31 December 2015	5,229	789	98	6,116

Provision has been made for National Insurance contributions on share options awarded under unapproved share option schemes, which are expected to be exercised. The provision has been calculated for share options based on the difference between the year end share price of \$64.67 and the weighted average exercise price of outstanding shares of \$25.90, and for restricted stock units based on the difference between the year end share price of \$64.67 and the weighted average exercise price of outstanding restricted stock units of \$57.61 and is being allocated over the period from the date of award to the date the employee will become unconditionally entitled to the options.

The dilapidation provision relates to costs associated with the company's obligation to reinstate leased buildings to their original state. The provision has been discounted to its present value at the statement of financial position date, and the movement in the year is the unwinding of that discount.

18 Called up share capital

	Issued, allotted, called up and fully paid			
	31 December 2015 Number	31 December 2015 £	31 December 2014 Number	31 December 2014 £
Ordinary shares of £1 each	50,005,002	50,005,002	50,005,002	50,005,002

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

19 Dividends

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Ordinary dividends paid	164,000	-

An interim dividend of £3.28 per ordinary share was paid during the year (2014 - £nil per ordinary share).

20 Pensions

The Time Warner UK Pension Plan ("TWUK PP") is a multi-employer defined benefit plan. The total overall combined contribution rate from employers to TWUK PP 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 2014, the contributions 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 TWUK PP was closed to new entrants with effect from 1 April 2010 from which time membership of The Time Warner Money Purchase Pension Plan ("TWMP PP"), a new defined contribution scheme, is available. With effect from 1 April 2011, TWUK PP was closed to future benefits accrual. The assets of TWUK PP are invested as a whole and are not segregated by the participating employer. Consequently information concerning that part of TWUK PP's assets attribution to the company is not available.

The company has discussed the position with the TWUK PP's actuaries and, in accordance with FRS 102 section 28 Employee Benefits has taken their advice that the company treat its participation in TWUK PP as if it were a defined contribution scheme. At 31 December 2014 and 31 December 2015, on a FRS 102 section 28 basis and before any related deferred tax, the scheme was in surplus.

The company and other fellow sponsors are jointly and severably liable for any scheme deficit.

Further information concerning both schemes (i.e. TWUK PP and TWMP PP) can be found in the report and financial statements of Time Warner Limited, the sponsoring employer, which are available from the Company Secretary, 16 Great Marlborough Street, London W1F 7HS.

The total pension cost to the company in relation to both schemes for the year ended 31 December 2015 amounted to £394,000 (2014 - £422,000).

21 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, and to offset borrowings drawn down from the system by other group members who are also parties to these arrangements. At the statement of financial position date, funds deposited by the company into the system, and potentially at risk to cover liabilities elsewhere in the group, amounted to £4,927,000 (2014 - £3,876,000).

22 Ultimate parent undertaking

The company's immediate parent undertaking is Time Warner Entertainment Limited.

At 31 December 2015, Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the smallest and 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.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2015

23 Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The impact from the transition to FRS 102 is as follows:

Reconciliation of equity at 1 January 2014

	£'000
Equity shareholders funds at 1 January 2014 under previous UK GAAP	180,008
Equity shareholders funds at 1 January 2014 under FRS102	180,008

Reconciliation of equity at 31 December 2014

	£'000
Equity shareholders funds at 31 December 2014 under previous UK GAAP	215,034
Goodwill	(207)
Equity shareholders funds at 31 December 2014 under FRS102	214,827

Reconciliation of profit and loss for the year ended 31 December 2014

	£'000
Profit for the year ended 31 December 2014 under previous UK GAAP	35,019
Increase in charge on goodwill amortisation	(207)
Profit for the year ended 31 December 2014 under FRS 102	34,812

The following were changes in accounting policies arising from the transition to FRS 102:

Goodwill

Under previous UK GAAP the useful economic life of goodwill was 20 years. Under FRS 102, the useful economic life has been reassessed as 63 months from transition. The adjustment shows the difference between amortising over 20 years and amortising over 63 months. There is an additional charge of £207,000 to the income statement for the year ended 31 December 2014 and a corresponding reduction in net book value of intangible assets by the same amount as at 31 December 2014.

On transition to FRS 102 from previous UK GAAP, the company has taken advantage of transitional relief as follows:

Lease incentives

The company has taken advantage of the transition exemption relating to lease incentives (see paragraph 35.10(p)). As a first-time adopter the company is not required to apply paragraphs 20.15A and 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives over the term of the lease i.e. on the same basis that applied prior to the transition to FRS 102.

Share based payment transactions

The company has elected not to apply Section 26 Share-based Payment to equity instruments granted before the date of transition to FRS 102. FRS 20 has been applied to instruments granted prior to the date of transition.

Business combinations

The group has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

Investments in subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

Goodwill

The company has elected to treat the carrying amount of goodwill under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.