

# **Warner Bros. Studios Leavesden Limited**

## **Report and Financial Statements**

**31 December 2016**



# Warner Bros. Studios Leavesden Limited

Company registration number: 0330764

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## **Directors**

D Bioni

D C Dark

T H Creighton

## **Secretary**

D Bioni

## **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 2016. 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 £58,574,000 (2015 - £47,924,000).

### Review of the business and KPIs

A summary of key performance indicators is as follows:

	2016 £'000	2015 £'000	Change %
Turnover	126,625	114,691	10%
Gross profit	89,454	80,831	11%
Operating profit	56,048	51,063	10%
Operating margin	44%	45%	
Number of employees	413	369	12%

The company's turnover and gross profit has increased year on year by 10% and 11% respectively owing to an initial and ongoing programme of investment in the company's facilities at Leavesden.

The increase in turnover resulted in an equal increase in operating profit of 10%. However, a larger increase in administrative costs has led to a decrease in operating margin of one percentage point. The average number of employees increased by 12% to 413 in 2016.

### 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 publically 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)

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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:

T.H. Creighton  
16/11/2017

# 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 2016.

### Dividends

No dividends (2015 Interim dividend - £164,000,000) were paid during the year. The directors do not recommend the payment of a final dividend (2015 - £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)

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### 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:

16/11/2017

# Warner Bros. Studios Leavesden Limited

## Statement of directors' responsibilities in respect of the financial statements

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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

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We have audited the financial statements of Warner Bros. Studios Leavesden Limited for the year ended 31 December 2016 which comprise the Income statement, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 22. 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 2016 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, based on the work undertaken in the course of the audit:

- 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with the applicable legal requirements.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

17/11/2017



# Warner Bros. Studios Leavesden Limited

## Income statement for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Turnover	2	126,625	114,691
Cost of sales		(37,171)	(33,860)
<b>Gross profit</b>		<b>89,454</b>	<b>80,831</b>
Administrative expenses		(35,869)	(31,441)
		53,585	49,390
Other operating income	3	2,463	1,673
<b>Operating profit</b>	3	<b>56,048</b>	<b>51,063</b>
Interest receivable and similar income	6	20	298
Interest payable and similar charges	7	(923)	(17)
<b>Profit on ordinary activities before taxation</b>		<b>55,145</b>	<b>51,344</b>
Taxation on profit on ordinary activities	8	3,429	(3,420)
<b>Profit for the financial year</b>		<b>58,574</b>	<b>47,924</b>

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 2016

	Share capital £'000	Equity share based payments £'000	Profit and loss account £'000	Total shareholder's funds £'000
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
At 1 January 2016	50,005	(57)	48,590	98,538
Profit for the financial year	-	-	58,574	58,574
Charge for equity share based payments	-	226	-	226
Stock options and RSU's exercised	-	(308)	(35)	(343)
At 31 December 2016	50,005	(139)	107,129	156,995

### 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 2016

	Notes	31 December 2016 £'000	31 December 2015 £'000
<b>Fixed assets</b>			
Intangible assets	9	2,700	920
Tangible assets	10	184,977	173,188
Investments	11	3,000	3,000
		<u>190,677</u>	<u>177,108</u>
<b>Current assets</b>			
Stock	12	2,483	2,042
Debtors	13	9,501	8,752
Cash at bank and in hand		7,579	5,107
		<u>19,563</u>	<u>15,901</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(36,225)</u>	<u>(29,052)</u>
<b>Net current liabilities</b>		<u>(16,662)</u>	<u>(13,151)</u>
<b>Total assets less current liabilities</b>		<u>174,015</u>	<u>163,957</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(12,443)</u>	<u>(59,303)</u>
Provisions for liabilities	17	<u>(4,577)</u>	<u>(6,116)</u>
<b>Net assets</b>		<u><u>156,995</u></u>	<u><u>98,538</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	50,005	50,005
Equity-settled share-based payments reserve		(139)	(57)
Profit and loss account		107,129	48,590
<b>Total shareholder's funds</b>		<u><u>156,995</u></u>	<u><u>98,538</u></u>

Approved by the Board and signed on its behalf by:

T H Creighton  
Director

Date:

*T.H. Creighton*  
16 / 11 / 2017

# Warner Bros. Studios Leavesden Limited

## Notes to the financial statements at 31 December 2016

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### 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 2016.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014.

#### *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 2016

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### 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 and intangible assets**

The annual depreciation and amortisation charge for tangible and intangible 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 9 for the carrying value of the intangible assets, 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 2016

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### 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.

##### **Intangible assets**

In 2016 the company has invested in the stage play 'Harry Potter and the Cursed Child' and this has been capitalised, classified as an intangible asset on the statement of financial position and amortised on a straight line basis over its useful economic life, or 3 years if no reliable estimate can be made. It will be reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events of changes in circumstances indicate that the carrying value may not be recoverable.

The company amortises the intangible asset in equal instalments over a 36 month period.

# Warner Bros. Studios Leavesden Limited

## Notes to the financial statements at 31 December 2016

### 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 2016 £'000	Year ended 31 December 2016 %	Year ended 31 December 2015 £'000	Year ended 31 December 2015 %
United Kingdom and Ireland	126,625	100.0%	114,691	100.0%

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

	Year ended 31 December 2016 £'000	Year ended 31 December 2016 %	Year ended 31 December 2015 £'000	Year ended 31 December 2015 %
Studio tour and merchandise sales	85,723	67.7%	77,210	67.3%
Studio facilities, equipment rental and related services	40,902	32.3%	37,481	32.7%
Total	126,625	100.0%	114,691	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 2016

### 3 Operating profit

This is stated after charging:

		Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Auditor's remuneration	- audit of the financial statements	70	80
Depreciation of tangible fixed assets		9,754	8,921
Amortisation of intangible fixed assets		620	286
Operating lease rentals	- land and buildings	1,338	984
Loss on disposal of tangible fixed assets		62	296
Foreign exchange loss		153	35
Operational restructuring costs		2	8

Included within operating profit is other operating income of £1,460,241 (2015 - £1,609,000) which is mainly rental income from third party tenants and £240,000 (2015 - nil) in relation to the Harry Potter and the Cursed Child play investment.

### 4 Directors' remuneration

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Aggregate remuneration in respect of qualifying services	736	655
Aggregate company contributions paid to defined contribution pension scheme	10	40
	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	411	352
Company contributions paid to defined contribution pension scheme	10	40

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 (2015 - 2).



# Warner Bros. Studios Leavesden Limited

## Notes to the financial statements at 31 December 2016

### 5 Staff costs

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	13,017	11,015
Equity-settled share based payments	264	170
Social security costs	1,276	1,043
Other pension costs (see note 20)	355	394
	<u>14,912</u>	<u>12,622</u>

The average monthly number of employees during the year was 413 (2015 - 369), all of whom were engaged in administration and sales.

### 6 Interest receivable and similar income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest receivable from group undertakings	<u>20</u>	<u>298</u>

### 7 Interest payable and similar charges

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Unwinding of the discount of the dilapidation provision	17	17
Interest payable to group undertakings	906	-
	<u>923</u>	<u>17</u>

# Warner Bros. Studios Leavesden Limited

## Notes to the financial statements at 31 December 2016

### 8 Taxation on profit on ordinary activities

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

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<i>Current tax:</i>		
UK corporation tax		
UK corporation tax at 20% (2015 - 20.5%)	-	5,140
Group relief payments	-	200
Over provision for prior years	(1,798)	(2,309)
<b>Total current tax (credit)/charge</b>	<b>(1,798)</b>	<b>3,031</b>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(1,586)	782
Credit due to change in tax rate	(53)	(581)
Under provision for prior years	8	188
<b>Total deferred tax (credit)/charge</b>	<b>(1,631)</b>	<b>389</b>
<b>Total tax (credit)/charge on profit on ordinary activities (see note 8(b) below)</b>	<b>(3,429)</b>	<b>3,420</b>

b) Factors affecting the total tax (credit)/charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (2015 - 20.25%).

The tax (credit)/charge for the year differs from the standard rate for the reasons in the reconciliation below:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Profit on ordinary activities before taxation	55,145	51,334
Taxation on profit on ordinary activities at standard rate	11,029	10,397
<i>Factors affecting the tax charge:</i>		
Disallowable expenses	205	140
Non qualifying depreciation	826	710
Group relief received for nil consideration	(13,626)	(5,049)
Tax over provided in previous years	(1,790)	(2,121)
Other differences	(20)	(66)
Impact of change of tax rate	(53)	(591)
<b>Total tax (credit)/charge (see note 8(a) above)</b>	<b>(3,429)</b>	<b>3,420</b>

# Warner Bros. Studios Leavesden Limited

## Notes to the financial statements at 31 December 2016

### 8 Taxation on profit on ordinary activities (continued)

#### c) Deferred tax

Deferred tax is provided at 17% (2015 - 18%) in the statement of financial position as follows:

	31 December 2016 £'000	31 December 2015 £'000
Included in provisions for liabilities (see note 17)	(3,598)	(5,229)
	<u>(3,598)</u>	<u>(5,229)</u>
Analysed as:		
Accelerated capital allowances	(3,869)	(5,481)
Pension costs	32	10
Share-based payment	73	82
Short term timing differences	166	160
	<u>(3,598)</u>	<u>(5,229)</u>
Deferred tax provision	(3,598)	(5,229)

#### Analysis of movement in deferred tax:

	Total £'000
At 31 December 2015	(5,229)
Credited to income statement (see note 8(a) above)	1,631
	<u>(3,598)</u>
At 31 December 2016	(3,598)

The net reversal of deferred tax expected to occur in the following year is £940k. 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 Finance Act 2016, enacted on 15 September 2016, included 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%. The effect of these changes on the deferred tax balance is reflected in these accounts.

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 2016

### 9 Intangible fixed assets

	Intangible investment £'000	Goodwill £'000	Total £'000
Cost:			
At 31 December 2015		1,597	1,597
Additions	2,400		2,400
At 31 December 2016	2,400	1,597	3,997
Amortisation:			
At 31 December 2015		677	677
Amortised during the year	334	286	620
At 31 December 2016	334	963	1,297
Net book value:			
At 31 December 2016	2,066	634	2,700
At 31 December 2015		920	920

### 10 Tangible fixed assets

	Land and buildings £'000	Furniture fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 31 December 2015	148,257	51,669	853	200,779
Additions	20,472	1,129	4	21,605
Asset reclassification *	(338)	249	89	
Disposals	(284)	(113)	-	(397)
At 31 December 2016	168,107	52,934	946	221,987
Depreciation:				
At 31 December 2015	13,550	13,692	349	27,591
Charged during the year	5,110	4,496	148	9,754
Disposals	(284)	(51)	-	(335)
At 31 December 2016	18,376	18,137	497	37,010
Net book value:				
At 31 December 2016	149,731	34,797	449	184,977
At 31 December 2015	134,707	37,977	504	173,188

Included within furniture, fittings and equipment is £1,025,000 (2015 - £846,000) and included within land and buildings is £20,134,000 (2015 - £849,000) 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 2016

### 11 Investments

	Investments in subsidiary undertakings £'000
Cost:	
At 31 December 2015 and 31 December 2016	3,000
Amounts provided:	
At 31 December 2015 and 31 December 2016	
Net book value:	
At 31 December 2016	3,000
At 31 December 2015	3,000

The investments in subsidiary undertakings at 31 December 2016 comprise 100% of the ordinary share capital of Warner Bros. Theatres (UK) Limited, a company registered in England and Wales.

### 12 Stocks

	31 December 2016 £'000	31 December 2015 £'000
Finished goods held for resale	2,483	2,042

Stock recognised in cost of sales during the year as an expense was £8,668,000 (2015 - £7,910,000).

An impairment loss of £121,000 (2015 - £135,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

### 13 Debtors

	31 December 2016 £'000	31 December 2015 £'000
Trade debtors	6,784	5,103
Other debtors	8	9
Prepayments and accrued income	562	444
Amounts owed by group undertakings	2,147	3,196
	9,501	8,752

Included within amounts owed by group undertakings is an amount of £28,000 in respect of an intercompany deposit with Time Warner London Limited (2015 - £nil). 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 2016

### 14 Creditors: amounts falling due within one year

	31 December 2016 £'000	31 December 2015 £'000
Trade creditors	6,467	3,722
Other creditors	1,596	3,205
Other taxes and social security costs	343	145
Corporation tax payable	3,537	6,434
Accruals and deferred income	22,078	12,907
Amounts owed to group undertakings	2,204	2,639
	<b>36,225</b>	<b>29,052</b>

### 15 Creditors: amounts falling due after more than one year

	31 December 2016 £'000	31 December 2015 £'000
Amounts owed to group undertakings	12,443	59,303

Included within amounts owed to group undertakings is an amount of £12,443,000 in respect of an intercompany loan with Time Warner London Limited (2015 - £59,303,000). 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 but was repaid early in 2017.

### 16 Obligations under leases and hire purchase contracts

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

	Land and buildings	
	2016 £'000	2015 £'000
Payments due:		
Not later than one year	1,358	909
Later than one year and not later than five years	2,934	2,635
Later than five years	955	2,198
	<b>5,247</b>	<b>5,742</b>

# Warner Bros. Studios Leavesden Limited

## Notes to the financial statements at 31 December 2016

### 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	
	2016 £'000	2015 £'000
Receipts due:		
Not later than one year	988	1,573
Later than one year and not later than five years	1,767	2,652
Later than five years		115
	<u>2,755</u>	<u>4,340</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 2015	5,229	789	98	6,116
Unwinding of discount (see note 7)		17		17
Arising during the year	(1,631)	-	75	(1,556)
At 31 December 2016	<u>3,598</u>	<u>806</u>	<u>173</u>	<u>4,577</u>

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 \$96.53 and the weighted average exercise price of outstanding shares of \$24.98, and for restricted stock units based on the difference between the year end share price of \$96.53 and the weighted average exercise price of outstanding restricted stock units of \$74.02 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 2016 Number	31 December 2016 £	31 December 2015 Number	31 December 2015 £
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 2016

### 19 Dividends

Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
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Ordinary dividends paid

164,000

There was no dividend paid in the year (2015 - £3.28 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 2015 and 31 December 2016, 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 2016 amounted to £355,000 (2015 – £394,000).

### 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 £4,924,000 (2015 - £4,927,000).

### 22 Ultimate parent undertaking

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

At 31 December 2016, 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.