

Warner Bros. Studios Leavesden Limited

Report and Financial Statements

31 December 2013

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COMPANIES HOUSE

Warner Bros. Studios Leavesden Limited

Company registration number: 0330764

Directors

D Bioni
M Emanuele
J C Gilbert
S W Mertz
S Ross
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

Results

The profit for the year after taxation amounted to £30,959,000 (2012 - £8,495,000).

Business review

The directors of Time Warner Inc. review the group's operations at a group level, rather than at an individual business unit level. For this reason, the directors believe that an analysis of the company's key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance and position of the business of Warner Bros. Studios Leavesden Limited. The development, performance and position of Time Warner Inc., which include those of the company, are discussed in the group's annual report, which does not form part of this report.

Principal risks and uncertainties

The media industry in the UK is subject to substantial competitive and economic pressures and rapid technological change, and this is a continuing risk for the company, and could result in loss of sales and increased costs. The company manages this risk by monitoring market trends, and developing new income streams.

Sales and expenditure are made in various different currencies and the company is therefore exposed to exchange rate movements. Time Warner's treasury function takes out contracts to manage this risk at group level.

Time Warner's risks are discussed in the group's Annual Report which does not form part of this report.

The risks and uncertainties of the company are integrated with the risks of the Time Warner Inc. group and are not managed separately.

On behalf of the Board



T H Creighton
Director

Date:

30/6/14.

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 ("the company") together with the financial statements for the year ended 31 December 2013.

Dividends

No dividends were paid during the year (2012 - nil) and the directors do not recommend the payment of a final dividend.

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

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. On the basis of their assessment of the company's financial position, 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 and their interests

The directors of the company who served during the period were as follows:

D Bisoni

M Emanuele

J C Gilbert

S W Mertz

S Ross

D C Dark (appointed 11 September 2013)

T H Creighton (appointed 11 September 2013)

R J Fox (resigned 14 August 2013)

Except as noted above, 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 period 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.

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 'The Loop'. 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:

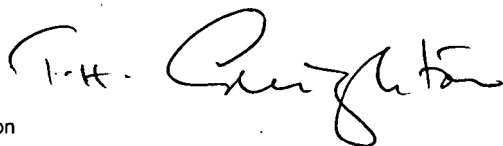
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's 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 auditors will be deemed to be reappointed and Ernst & Young LLP will continue in office.

On behalf of the Board



T H Creighton
Director

Date:

30/6/14

Warner Bros. Studios Leavesden Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2013 which comprise the Profit and Loss Account, the Balance Sheet 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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 record and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Neil Cullum (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

11/7/2014

Warner Bros. Studios Leavesden Limited

Profit and loss account for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Restated Year ended 31 December 2012 £'000
Turnover	2	83,366	49,641
Cost of sales		(25,975)	(19,727)
Gross profit		57,391	29,914
Administrative expenses		(25,674)	(18,660)
Operating profit	3	31,717	11,254
Interest receivable and similar income	6	193	137
Interest payable and similar charges	7	(67)	-
Profit on ordinary activities before taxation		31,843	11,391
Taxation on profit on ordinary activities	8	(884)	(2,896)
Profit for the financial year	18	30,959	8,495

All amounts relate to continuing operations.

There have been no recognised gains or losses since the last annual report other than those presented above, and accordingly no separate statement of recognised gains and losses has been presented.

All profits and losses have been accounted for on an historical cost basis.

Warner Bros. Studios Leavesden Limited

Balance sheet at 31 December 2013

	Notes	31 December 2013 £'000	31 December 2012 £'000
Fixed assets			
Intangible fixed assets	9	1,493	1,573
Tangible fixed assets	10	149,605	124,646
Investments	11	3,000	3,000
		<u>154,098</u>	<u>129,219</u>
Current assets			
Stock	12	1,539	1,807
Debtors	13	49,357	41,765
Cash at bank and in hand		3,278	2,823
		<u>54,174</u>	<u>46,395</u>
Creditors: amounts falling due within one year	14	<u>(23,433)</u>	<u>(24,675)</u>
Net current assets		<u>30,741</u>	<u>21,720</u>
Total assets less current liabilities		<u>184,839</u>	<u>150,939</u>
Provisions for liabilities	16	<u>(4,831)</u>	<u>(1,966)</u>
Net assets		<u>180,008</u>	<u>148,973</u>
Capital and reserves			
Called up share capital	17	50,005	50,005
Equity-settled share-based payments reserve	18	149	73
Profit and loss account	18	129,854	98,895
Total shareholder's funds		<u>180,008</u>	<u>148,973</u>

Approved by the Board and signed on its behalf by:

T H Creighton

Director

Date:

T.H. Creighton
30/6/14.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

1 Accounting policies

Basis of preparation

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

The 2012 profit and loss account has been restated to reflect the reclassification of advertising and publicity costs. These were included within administrative expenses in the 2012 financial statements and have been included within cost of sales in the 2013 financial statements.

Group financial statements have not been prepared as the company is a wholly owned subsidiary undertaking of another company registered in England and Wales which itself prepares consolidated accounts (see note 22). Consequently, these financial statements present information about the company as an individual undertaking and not about its group.

Going concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. On the basis of their assessment of the company's financial position, 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 1 (Revised) "Cash Flow Statements". A statement of cash flows has not been prepared as the company is a wholly owned subsidiary undertaking of Time Warner Inc., a company incorporated in the United States of America, which prepares a statement of cash flows (see note 22).

Related parties

The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with fellow wholly owned subsidiary undertakings of Time Warner Inc., a company incorporated in the United States of America, which prepares publicly available consolidated financial statements (see note 22).

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Turnover

Turnover is stated net of value added tax.

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

Revenue from the provision of studio facilities is recognised on a monthly usage basis, split by relevant studio facilities.

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 the equipment rental is recognised on an accrual basis.

Interest receivable and payable

Interest income and expense is recognised on an accruals basis.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

1 Accounting policies (continued)

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. For the purpose of applying FRS 20 the fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. 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. For the purposes of applying FRS 20 the fair value of each RSU is the Time Warner Inc. share price on the date of grant. 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.

Intangible fixed assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition.

Intangible assets are amortised on a straight line basis over their estimated useful lives of between 6 and 20 years.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over 20 years. 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.

Tangible fixed 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 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.

Investments

Investments are stated at cost less impairments.

Foreign currencies

Transactions in foreign currencies are translated at the 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 balance sheet date. All differences are taken to the profit and loss account.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet dates. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Provisions

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 balance sheet date.

Pensions

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 profit and loss account 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, is available. Contributions to the defined contribution plan is recognised in the profit and loss account 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.

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.

2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2013 %	Year ended 31 December 2012 £'000	Year ended 31 December 2012 %
United Kingdom and Ireland	83,366	100%	49,641	100%
Total	83,366	100%	49,641	100%

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2013 %	Year ended 31 December 2012 £'000	Year ended 31 December 2012 %
Studio Tour	56,992	68%	40,658	82%
Studio Facilities	22,753	27%	8,482	17%
Other	3,621	5%	501	1%
Total	83,366	100%	49,641	100%

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

3 Operating profit

This is stated after charging:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Operating lease rentals - land and buildings	519	78
Auditor's remuneration - audit of the financial statements	53	52
Depreciation of tangible assets	6,513	4,271
Amortisation of intangible assets	80	24
Loss on disposal of tangible fixed assets	1	6

4 Directors' remuneration

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
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Emoluments	218	213
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Company contributions paid to defined contribution pension scheme	25	-
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	No.	No.
Members of defined contribution pension scheme	1	-

The amounts in respect of the highest paid director are as follows:

	£'000	£'000
Emoluments	131	213

Company contributions paid to defined contribution pension scheme	15	-
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No directors exercised share options during the year (2012 - nil).

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

5 Staff costs

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Wages and salaries	9,808	7,048
Share based payments	100	66
Social security costs	935	571
Other pension costs (see note 19)	295	218
	<u>11,138</u>	<u>7,903</u>

The average monthly number of employees during the year was 358 (2012 - 277), all of whom were engaged in administration and sales.

6 Interest receivable and similar income

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest receivable from group undertakings	193	137
	<u>193</u>	<u>137</u>

7 Interest payable and similar charges

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Unwinding of the discount of the dilapidation provision	65	-
Interest payable to group undertakings	2	-
	<u>67</u>	<u>-</u>

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

8 Taxation on profit on ordinary activities

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
<i>Current tax:</i>		
UK corporation tax		
Current tax at 23.25% (2012 - 24.5%)	-	371
Group relief payments	98	-
Tax (over)/under provided in previous years	(1,299)	718
Total current tax (credit)/charge	(1,201)	1,089
<i>Deferred tax:</i>		
Origination and reversal of timing differences	1,453	1,832
Credit due to change in tax rate	(606)	(169)
Under provision for prior years	1,238	144
Total deferred tax	2,085	1,807
Total tax charge on profit on ordinary activities	884	2,896

b) Circumstances affecting the current tax charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 23.25% (2012 - 24.5%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit on ordinary activities before tax	31,843	11,391
Tax on profit on ordinary activities at standard rate	7,404	2,791
Factors affecting the tax charge:-		
Disallowable expenses	441	140
Capital allowances in excess of depreciation	(1,267)	(2,036)
Group relief received for nil consideration	(6,488)	-
Tax (over)/underprovided in previous years	(1,299)	718
Utilisation of brought forward losses	-	(556)
Other timing differences	9	32
Total current tax (credit)/charge (see note 8(a) above)	(1,201)	1,089

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

8 Taxation on profit on ordinary activities (continued)

c) Deferred tax

Deferred tax is provided at 20% (2012 - 23%) in the balance sheet as follows:

	31 December 2013 £'000	31 December 2012 £'000
Included in provision for liabilities	(4,037)	(1,952)
Analysed as:		
Accelerated capital allowances	4,099	2,010
Short term timing differences	(62)	(58)
Deferred tax liability	4,037	1,952

Analysis of movement in deferred tax:

	Total £'000
At 31 December 2012	(1,952)
Charged to the profit and loss account (see note 8(a) above)	(2,085)
At 31 December 2013	(4,037)

d) Factors affecting future tax charges

The Finance Act 2013, enacted in July 2013, included legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. The effect of this change on the deferred tax balances has been included in the figures within 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 2013

9 Intangible fixed assets

Goodwill £'000

Cost:	
At 31 December 2012 and 31 December 2013	1,597
Amortisation:	
At 31 December 2012	24
Amortised during the year	80
At 31 December 2013	104
Net book value:	
At 31 December 2013	1,493
At 31 December 2012	1,573

10 Tangible fixed assets

	Land and buildings £'000	Furniture fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation:				
At 31 December 2012	95,483	33,623	216	129,322
Additions	26,478	5,009	-	31,487
Asset reclassification	334	(370)	36	-
Disposals	(16)	(40)	-	(56)
At 31 December 2013	122,279	38,222	252	160,753
Depreciation:				
At 31 December 2012	1,962	2,670	44	4,676
Charged during the year	3,075	3,380	58	6,513
Asset reclassification	(29)	29	-	-
Disposals	-	(40)	-	(40)
At 31 December 2013	5,008	6,038	102	11,148
Net book value:				
At 31 December 2013	117,271	32,184	150	149,605
At 31 December 2012	93,521	30,953	172	124,646

Included within furniture, fittings and equipment is £260,562 (2012 - £1,958,614) and included within land and buildings is £5,522,772 (2012 - £1,921,758) of costs relating to assets in the course of construction. These will be depreciated once the assets are complete and ready for use.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

11 Investments

Investments in subsidiary undertakings £'000

Cost:

At 31 December 2012 and 31 December 2013

3,000

Amounts provided:

At 31 December 2012 and 31 December 2013

Net book value:

At 31 December 2012 and 31 December 2013

3,000

The investments in subsidiary undertakings at 31 December 2013 comprise 100% of the ordinary share capital of Warner Bros. Theatres (UK) Limited, a company registered in England and Wales.

12 Stocks

31 December 2013 £'000	31 December 2012 £'000
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Finished goods held for resale

1,539	1,807
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13 Debtors

31 December 2013 £'000	31 December 2012 £'000
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Trade debtors

4,426	4,163
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Other debtors

-	1,844
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Prepayments and accrued income

671	422
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Amounts owed by group undertakings

43,059	35,336
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Corporation tax recoverable

194	-
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Group relief receivable

1,007	-
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49,357	41,765
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Included within amounts owed by group undertakings is an amount of £40,345,098 in respect of an intercompany loan with Time Warner London Limited (2012: £35,330,143). The loans are interest bearing, 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 2013

14 Creditors: amounts falling due within one year

	31 December 2013 £'000	31 December 2012 £'000 (restated)
Trade creditors	4,292	3,220
Other creditors	502	62
Other taxes and social security costs	2,194	3,416
Corporation tax payable	-	371
Group relief payable	-	718
Accruals and deferred income	14,095	11,866
Amounts owed to group undertakings	2,350	5,022
	<u>23,433</u>	<u>24,675</u>

15 Obligations under leases and hire purchase contracts

The company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013 £'000	2012 £'000
Operating leases which expire:		
In the second to fifth years inclusive	55	55
In over five years	464	464
	<u>519</u>	<u>519</u>

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

16 Provisions for liabilities

	Deferred tax provision £'000	Dilapidation provision £'000	National Insurance on share options £'000	Total £'000
At 31 December 2012	1,952	-	14	1,966
Transfer in	-	54	-	54
Unwinding of discount (see note 7)	-	65	-	65
Arising during the year	2,085	636	25	2,746
At 31 December 2013	4,037	755	39	4,831

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 based on the difference between the year end share price of \$69.72 and the weighted average exercise price of outstanding shares of \$35.88, and for restricted stock units based on the year end share price of \$69.72 and is being allocated over the period from the date of award to the date the employee will become unconditionally entitled to the options.

Provision has been made for dilapidation which 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 balance sheet date, and the movement in the year is the unwinding of that discount. During the year, £54,000 relating to dilapidation provision was reclassified from other creditors to provision for liabilities.

17 Called up share capital

	Issued, allotted, called up and fully paid			
	31 December 2013 Number	31 December 2013 £	31 December 2012 Number	31 December 2012 £
Ordinary shares of £1 each	50,005,002	50,005,002	50,005,002	50,005,002
	50,005,002	50,005,002	50,005,002	50,005,002

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Notes to the financial statements at 31 December 2013

18 Reconciliation of shareholder's funds and movement in reserves

	Share capital £'000	Equity share based payments £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 31 December 2012	50,005	73	98,895	148,973
Profit for the financial year	-	-	30,959	30,959
Charge for equity share based payments (see note 20)	-	76	-	76
At 31 December 2013	50,005	149	129,854	180,008

19 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 2011, 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, 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 17 has taken their advice that the company treat its participation in TWUK PP as if it were a defined contribution scheme. At 31 December 2012 and 31 December 2013, on a FRS 17 basis and before any related deferred tax, the scheme was in surplus.

Further information concerning both schemes can be found in the report and financial statements of Time Warner Holdings Limited, which are available from the Company Secretary, Time Warner House, 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 2013 amounted to £295,000 (2012 – £218,000).

20 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 over a four-year period.

In addition certain employees have been awarded restricted stock units in Time Warner Inc. denominated in US\$ which vest over a four-year period. Holders of awards are generally entitled to receive cash dividends or dividend equivalents during the period of time that the awards are unvested.

Warner Bros. Studios Leavesden Limited

Notes to the financial statements at 31 December 2013

20 Share-based payments (continued)

The number and weighted average exercise prices for the options granted over Time Warner Inc. shares, are as follows:

	2013	2013	2012	2012
	Number of options	Weighted average exercise price US \$	Number of options	Weighted average exercise price US \$
Share options				
Outstanding at 1 January	3,450	35.88	3,450	35.88
Transferred in	-		377	33.74
Exercised	-		(328)	30.51
Expired	-		(49)	55.36
Outstanding at 31 December	3,450	35.88	3,450	35.88
Exercisable at 31 December	1,724	35.88	862	35.88

Weighted average share price for options exercised in the year:

2013	2012
US\$	US\$
N/A	37.60

	2013 Number of RSUs	2012 Number of RSUs
Restricted stock (RSUs)		
Outstanding at 1 January	6,965	2,915
Granted	2,896	4,050
Outstanding at 31 December	9,861	6,965

Details of the outstanding options at 31 December 2013 is as follows:

Year of Grant	Number of options	Weighted average exercise price US \$	Exercise Period	
			From	To
2011	3,450	35.88	15/02/2012	14/06/2021

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Notes to the financial statements at 31 December 2013

20 Share-based payments (continued)

Details of the outstanding restricted stock units at 31 December 2013 are as follows:

Year of grant	Number of RSUs
2011	2,915
2012	4,050
2013	2,896

The restricted stock units vest 50% 3 years after the grant date and 50% 4 years after the grant date.

For the purpose of applying FRS 20, the fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions used:

Year of grant	Dividend yield %	Expected volatility %	Risk free interest rates %	Expected term (years)
2011	2.6	29.5	2.8	6.31
2012	2.8	31.2	1.3	6.5
2013	2.1	29.6	1.3	6.27

No stock options were granted in 2012 and 2013. The expected volatility has been calculated using implied volatilities based primarily on traded Time Inc. Options.

The weighted average fair value of those restricted stock units granted in 2013 was \$53.52 (2012 - \$36.60).

The total charge to the profit and loss account in respect of share-based payments included within wages and salaries (see note 5) is:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Equity settled share options	3	6
Restricted stock units	72	46
	<u>75</u>	<u>52</u>

21 Contingent liability

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 balance sheet date, funds deposited by the company into the system, and potentially at risk to cover liabilities elsewhere in the group, amounted to £3,280,000 (2012 - £2,899,000).

22 Ultimate parent undertaking

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

Time Warner Holdings Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which group financial statements are drawn up. Time Warner Holdings Limited is registered in England and Wales and copies of its financial statements can be obtained from the Registrar of Companies in Cardiff.

At 31 December 2013, Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of Time Warner Inc.'s financial statements can be obtained from One Time Warner Center, New York, NY 10019, USA.