

Company registration number: 05834060

Renegade Pictures (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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Renegade Pictures (UK) Limited

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Renegade Pictures (UK) Limited

Company Information

Directors	W A Ogilvie A Y Cooke
Registered office	Warner House 98 Theobald's Road London United Kingdom WC1X 8WB
Auditor	Ernst & Young LLP 1 More London Place London United Kingdom SE1 2AF
Banker	Barclays Bank PLC 8/9 Hanover Square London United Kingdom W1A 4ZW

Renegade Pictures (UK) Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their Strategic Report for the year ended 31 December 2021. In preparing this Strategic Report, the directors have complied with section 414c of the Companies Act 2006.

Principal activity

The company's principal activity during the period continued to be that of production and exploitation of factual entertainment television programmes.

Results

Profit for the year after taxation amounted to £280,000 (6-month period ended December 2020 - £250,000).

Review of the business and KPIs

The company's key financial and other performance indicators during the year were as follows:

		Year ended December 2021	6 months ended December 2020
	Unit		
Turnover	£'000	11,329	4,279
Gross profit	£'000	2,538	910
Operating profit/(loss)	£'000	294	(180)
Gross margin	%	22	22
Number of employees		39	32

On an annualised basis, the company's turnover increased by 32% owing to more programmes being made by the company.

On an annualised basis, the company's gross profit increased by 39% due to the increase in programmes being made. Its gross margin has not changed from prior period.

The company made an operating profit in 2021 compared to an operating loss in the 6-month period ended December 2020 due to an increase in gross profit.

The average number of employees increased by 22% compared to the previous period, due to an increase in production staff arising from the increases in programmes being made by the company.

Renegade Pictures (UK) Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Principal risks and uncertainties

An analysis of the risks and uncertainties of the AT&T Inc. group, of which the company was a member are discussed in the group's Annual Report which is publicly available.

Subsequent to year end, on the 4th of August 2022, Warner Bros. Discovery, Inc.'s half year results were published outlining risks and uncertainties at the following web address:
https://s201.q4cdn.com/336605034/files/doc_financials/2022/q2/WBD-2022.6.30-10Q-Filed-copy.pdf

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

The popularity of content is difficult to predict and can change rapidly, and low public acceptance of the company's content will adversely affect its results. The revenues derived from the sale, distribution and licensing of television programming and other content depend primarily on widespread public acceptance of that content, which is difficult to predict and can change rapidly. The company must invest substantial amounts in the marketing of its content before it learns whether such content will reach anticipated levels of popularity with consumers. The popularity of the company's content depends on many factors, only some of which are within the company's control.

The company is reliant on major broadcasters for commissions. Although the production market is a competitive one the directors consider the relationship the company has with the broadcasters along with our brands and reputation enables the company to maintain an edge over our competitors.

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.

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.

The directors have assessed the impact of COVID-19 on the company, including a review of the customer base, customer contract terms and cash collection; upcoming production slate; staff working arrangements and capacity. At present, the directors believe that the company is well placed to continue without significant adverse operational or financial impact.

Management has also considered currency risks and opportunities due to ultimate parent company reporting in USD. Whilst revenue and profit reporting in USD would be harmed by a weaker GBP, this would be partially offset by GBP investment in infrastructure and UK film and television productions elsewhere in the Group.

On behalf of the Board



.....
W A Ogilvie
Director

Date: 8 September 2022

Renegade Pictures (UK) Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their annual report on the affairs of Renegade Pictures (UK) Limited ("the company") together with the financial statements for the year ended 31 December 2021.

Dividends

No dividends were paid during the year (6-month period ended December 2020 - £nil).

Going Concern

The directors have reviewed the current financial performance and position of the company and considered the impact of COVID-19 on the future trading of the company and are confident that it will not lead to the company no longer being a going concern. Although the company is in a net current liability position, the company remains profitable, and in the unlikely event that it is not possible for the company to meet its liabilities as they fall due and also due to the centralised cash pooling arrangements, the intermediate parent company Warner Media, LLC has agreed to provide continued financial support to the company for the foreseeable future, for 12 months from the date of approval of the financial statements, to meet its obligations as and when they fall due.

Taking into account the position of the intermediate parent company, the directors are of the view that there are no events expected to have a material adverse impact on the company's ability to continue as a going concern, for a period of 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Directors of the company

The following were directors of the company who served throughout the year and were still directors at the date of this report:

W A Ogilvie
A Y Cooke

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. Warner Bros. Discovery, 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.

Post balance sheet event

On 8 April 2022, the then ultimate parent company, AT&T Inc. combined the Warner Media content unit with Discovery Inc. Under the agreement, this formed a new media company called Warner Bros. Discovery, Inc. which is separate from AT&T Inc.

Renegade Pictures (UK) Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Disclosure of information to the auditors

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/ she ought to have taken as a director in order to make himself/ herself 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

Ernst & Young LLP have confirmed their intention to resign upon completion of the audit for the financial year ending on 31 December 2021, due to the Company's alignment with the ultimate parent company, Warner Bros. Discovery, Inc. The Company will appoint a new external auditor accordingly.

On behalf of the Board



.....
W A Ogilvie
Director

Date: 8 September 2022

Renegade Pictures (UK) Limited

Statement of Directors' Responsibilities

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 apply them consistently;
- make judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Renegade Pictures (UK) Limited

Independent Auditor's Report to the Members of Renegade Pictures (UK) Limited

Opinion

We have audited the financial statements of Renegade Pictures (UK) Limited (the 'company') for the year ended 31 December 2021, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Renegade Pictures (UK) Limited

Independent Auditor's Report to the Members of Renegade Pictures (UK) Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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;

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Renegade Pictures (UK) Limited

Independent Auditor's Report to the Members of Renegade Pictures (UK) Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102, Companies Act 2006) and the UK tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relate to health and safety, data protection, bribery and corruption, employee and environment matters.
- We understood how Renegade Pictures (UK) Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We understood the potential incentive and ability to override the controls. We considered management's attitude and tone from the top to embed a culture of honesty and ethical behaviour whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of business processes and related internal controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
 - Enquiry of management as to any fraud risk framework within the entity, including whether a formal fraud risk assessment is completed,
 - Enquiry of management and the entity's in-house legal team around actual and potential litigation and claims,
 - Obtaining an understanding of goods and services detailed in the contracts and assessing management's revenue recognition policies,

Renegade Pictures (UK) Limited

Independent Auditor's Report to the Members of Renegade Pictures (UK) Limited (continued)

- Testing revenue recognised to contracts, including program production agreements and evidence of delivery, and vouching a sample of invoices through to cash receipt,
- Performing data analytics to highlight potentially anomalous transactions in areas of the audited business which are determined to have an elevated risks,
- Reviewing minutes of meetings of those charged with governance,
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations,
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness,
- Evaluating the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

.....
Stuart Darrington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
United Kingdom

9 September 2022

Date:.....

Renegade Pictures (UK) Limited

Income Statement
for the Year Ended 31 December 2021

		Year ended 31 December 2021 £ 000	6 months ended 31 December 2020 £ 000
Turnover		11,329	4,279
Cost of sales		<u>(8,791)</u>	<u>(3,369)</u>
Gross profit		2,538	910
Administrative expenses		(2,244)	(1,105)
Other income	3	<u>-</u>	<u>15</u>
Operating profit/(loss)	3	294	(180)
Income from shares in group undertakings	6	-	440
Interest payable and similar expenses	7	<u>(7)</u>	<u>(10)</u>
Profit on ordinary activities before taxation		287	250
Taxation on profit on ordinary activities	8	<u>(7)</u>	<u>-</u>
Profit for the financial year		<u><u>280</u></u>	<u><u>250</u></u>

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.

The notes on pages 14 to 24 form an integral part of these financial statements.

Renegade Pictures (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 July 2020	-	(974)	(974)
Profit for the period	-	250	250
Increase in equity related to equity settled share based payment transaction	-	58	58
At 31 December 2020	<u>-</u>	<u>(666)</u>	<u>(666)</u>

	Share capital £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2021	-	(666)	(666)
Profit for the year	-	280	280
Increase in equity related to equity settled share based payment transaction	-	113	113
At 31 December 2021	<u>-</u>	<u>(273)</u>	<u>(273)</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

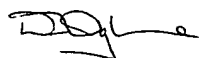
Renegade Pictures (UK) Limited

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Fixed assets			
Tangible assets		-	-
Investments	9	-	-
		-	-
Current assets			
Work in progress	10	1,213	692
Debtors	11	1,670	1,568
Cash at bank and in hand		256	-
		3,139	2,260
Creditors: amounts falling due within one year	12	(3,412)	(2,926)
Net current liabilities		(273)	(666)
Net liabilities		(273)	(666)
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		(273)	(666)
Total shareholder's deficit		(273)	(666)

Company registration number: 05834060

Approved by the Board and signed on its behalf by:



W A Ogilvie
Director

Date: 8 September 2022

The notes on pages 14 to 24 form an integral part of these financial statements.

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 Accounting policies

a) Statement of compliance

Renegade Pictures (UK) Limited is a limited liability company incorporated in England & Wales. The Registered Office is 98 Theobald's Road, London, United Kingdom, 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 2021.

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.

In the prior period, the company changed its accounting period from 30 June 2021 to 31 December 2020 to align with other companies within the group. Therefore the comparative period of these accounts is a 6-month period.

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 was at the year end, a wholly-owned subsidiary undertaking of AT&T Inc., a company incorporated in the United States of America, who prepared publicly available financial statements as at the year end (see note 15).

Going Concern

The directors have reviewed the current financial performance and position of the company and considered the impact of COVID-19 on the future trading of the company and are confident that it will not lead to the company no longer being a going concern. Although the company is in a net current liability position, the company remains profitable, and in the unlikely event that it is not possible for the company to meet its liabilities as they fall due and also due to the centralised cash pooling arrangements, the intermediate parent company Warner Media, LLC has agreed to provide continued financial support to the company for the foreseeable future, for 12 months from the date of approval of the financial statements, to meet its obligations as and when they fall due.

Taking into account the position of the intermediate parent company, the directors are of the view that there are no events expected to have a material adverse impact on the company's ability to continue as a going concern, for a period of 12 months from the date of approval of the financial statements.

Accordingly, they continue to adopt the going concern basis in preparing these 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 was a member of a group where the parent, AT&T Inc., prepared publicly available consolidated financial statements and the company was included in the consolidation (see note 15).

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1 Accounting policies (continued)

Share based payments

The company has taken advantage of the exemption in FRS 102.1.12(d) Reduced disclosures for subsidiaries. Certain share based payment transaction disclosures have not been presented as the company was a member of a group where the parent, AT&T Inc., prepared publicly available consolidated financial statements and the company was included in the consolidation (see note 15).

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 was a member of a group where the parent, AT&T Inc., prepared publicly available consolidated financial statements and the company was included in the consolidation (see note 15).

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 AT&T Inc., which prepared publicly available consolidated financial statements (see note 15).

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.

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 represents amounts receivable for work carried out in producing television programmes and distribution income on licensing formats and completed programmes available to third parties.

Production income is recognised on episodic delivery of programmes in the period.

Distribution income represents licence fees receivable from both WarnerMedia group companies and third parties. Amounts recognised in the statement of income and retained earnings include withholding tax but exclude Value Added Tax. Distribution income is recognised based on statements received from distributors.

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1 Accounting policies (continued)

d) Significant accounting policies (continued)

Share based payments

Certain employees of the company received nonvested stock and stock units under historic AT&T Inc. plans. Following the combination of the Warner Media content unit with Discovery, Inc. restricted stock units issued under AT&T plans were converted to Warner Bros. Discovery, Inc. share units that will be distributed in the form of Warner Bros. Discovery, Inc. common stock. The shares will vest over a period of one to four years in accordance with the terms of those plans. Outstanding AT&T stock options were unchanged, with holders retaining AT&T stock and receiving additional Warner Bros. Discovery, Inc. shares. Future grants to eligible employees will be issued under Warner Bros. Discovery, Inc. plans.

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.

Pensions

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

Foreign currencies

Transactions in foreign currencies are initially recorded in the entities 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.

Investments

Investments are stated at cost less provision for impairments.

Interest receivable and payable

Interest income and expense are recognised on an accruals basis.

Development assets

Development expenditure represents costs incurred in developing new programmes, including writing scripts and producing initial formats for presentation to broadcasters. Expenditure is written off as incurred, except in cases where there is reasonable certainty that the project is technically feasible, commercially viable and adequate resources exist, or are reasonably expected to be available, to enable the project to be completed.

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1 Accounting policies (continued)

d) Significant accounting policies (continued)

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 down to their estimated residual value, at the following rates:

Plant and machinery	- 30% straight line
Equipment	- 30% straight line

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.

Work in progress

Work in progress represents production costs associated with undelivered episodes and is stated at the lower of cost and net realisable value.

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments. The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Basic financial liabilities including trade and other payables and interest bearing loans and borrowing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the liability is measured at present value of the future payments discounted at a market rate of interest. Basic financial liabilities, other than short term payables, are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in interest payable and similar expenses in the income statement. Short term trade and other payables with no stated interest rate which are payable within one year are recorded at transaction price.

Basic financial assets including trade and other receivables and investments in loan notes are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. These basic financial assets, other than short term receivables, are subsequently carried at amortised cost using the effective interest method. Short term trade and other receivables with no stated interest rate which are receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

Operational restructuring costs

Operational restructuring costs are expensed at the earlier of when the company can no longer withdraw the offer of those benefits and when the company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Turnover

The company's turnover was derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit/(loss)

This is stated after charging/(crediting):

	Year ended 31 December 2021 £ 000	6 months ended 31 December 2020 £ 000
Foreign exchange losses	2	28
Government Grant Income	-	(15)
Operational restructuring costs	<u>2</u>	<u>-</u>

Audit fees of £70,000 (2020 - £64,000) were borne by a fellow group undertaking.

4 Directors' remuneration

Certain directors of the company were paid by the company. The other directors of the company were paid by fellow group undertakings; they have minimal qualifying services to the company and receive no remuneration in respect of the company.

	Year ended 31 December 2021 £ 000	6 months ended 31 December 2020 £ 000
Aggregate remuneration in respect of qualifying services	<u>225</u>	<u>115</u>
Aggregate company contributions paid to defined contribution pension scheme	<u>1</u>	<u>1</u>
	2021 No.	2020 No.
Members of defined contribution pension scheme	1	1
Number of directors exercising RSU's in the year	<u>1</u>	<u>1</u>

The emolument of the highest paid director were the same as the total directors' emoluments as shown above.

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 31 December 2021 £ 000	6 months ended 31 December 2020 £ 000
Wages and salaries	2,602	1,058
Equity-settled share based payments	113	58
Social security costs	318	122
Other pension costs	82	39
Operational restructuring costs	2	-
	<u>3,117</u>	<u>1,277</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Management and administration	19	18
Production	20	14
	<u>39</u>	<u>32</u>

6 Income from shares in group undertakings

	Year ended 31 December 2021 £ 000	6 months ended 31 December 2020 £ 000
Dividend income	-	440

7 Interest payable and similar expenses

	Year ended 31 December 2021 £ 000	6 months ended 31 December 2020 £ 000
Interest on bank overdrafts and borrowings	7	10

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Taxation

a) The charge is made up as follows:

	Year ended 31 December 2021 £ 000	6 months ended 31 December 2020 £ 000
Current tax:		
Overseas tax suffered	7	-
Total current tax	7	-
Deferred tax:		
Origination and reversal of timing differences	1	-
Charge due to change in tax rate	(1)	-
Total deferred tax	-	-
Total tax on profit on ordinary activities (see note (b) below)	7	-

b) Circumstances affecting the total tax charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2020 - 19%).

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

	Year ended 31 December 2021 £ 000	6 months ended 31 December 2020 £ 000
Profit on ordinary activities before tax	287	250
Tax on profit on ordinary activities at standard rate	55	48
Factors affecting charge:		
Disallowable expenses	-	11
Non-taxable dividends	-	(84)
Overseas tax suffered in excess of double taxation relief	7	-
Group relief (claimed)/surrendered for nil consideration	(55)	25
Total tax (see note (a) above)	7	-

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Taxation (continued)

c) Deferred tax:

Deferred tax is provided at 25% (2020 - 19%) in the statement of financial position as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Included in debtors	<u>8</u>	<u>8</u>
Analysed as:		
Accelerated capital allowances	<u>8</u>	<u>8</u>
	<u>8</u>	<u>8</u>
Analysis of movement in deferred tax:		
		£ 000
As at start of period		8
Debited to profit and loss account		<u>-</u>
At end of period		<u>8</u>

The net reversal of deferred tax expected to occur in the following year is £1,000. This is due to capital allowances.

d) Factors affecting future tax charges:

The Finance Act 2021, enacted on 10 June 2021, included legislation to increase the rate of Corporation tax to 25% as of 1 April 2023.

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Investments

Investment in
subsidiary
undertakings
£ 000

Cost and net book value:

At 31 December 2020 and 31 December 2021

-

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of registration	Holding	Proportion of voting rights and shares held	
			2021	2020
Renegade South Limited	England and Wales	Ordinary £1 shares	100%	100%

Renegade South Limited has not traded during the current year or prior period.

The registered office of Renegade South Limited is Warner House, 98 Theobald's Road, London, England, WC1X 8WB.

10 Work in progress

	31 December 2021 £ 000	31 December 2020 £ 000
Work in progress	1,213	692

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Debtors

	31 December 2021 £ 000	31 December 2020 £ 000
Trade debtors	595	456
Other debtors	5	9
Prepayments and accrued income	622	855
Amounts owed by group undertakings	380	90
Deferred tax asset (see note 8)	8	8
VAT receivable	60	150
	<u>1,670</u>	<u>1,568</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

12 Creditors

	31 December 2021 £ 000	31 December 2020 £ 000
Due within one year		
Bank overdrafts	-	88
Trade creditors	160	231
Accruals and deferred income	2,520	1,968
Other taxes and social security costs	21	12
Due to group undertakings	711	627
	<u>3,412</u>	<u>2,926</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

13 Called up share capital

	Issued, allotted, called up and fully paid		Issued, allotted, called up and fully paid	
	31 December 2021		31 December 2020	
	Number	£ 000	Number	£ 000
Ordinary shares of £1 each	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

Renegade Pictures (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 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 £4,520,000 (2020 - £1,570,681).

15 Ultimate parent undertaking

The company's immediate parent undertaking is Warner Bros. Television Production UK Limited.

Up until 8 April 2022, the company's ultimate parent undertaking was, AT&T Inc., a company incorporated in the United States of America. Copies of AT&T Inc.'s financial statements can be obtained from 208 S. Akard St, Dallas, TX 75202, USA.

From 8 April 2022, the ultimate parent company is Warner Bros. Discovery, Inc. Copies of Warner Bros. Discovery, Inc.'s financial statements can be obtained from 230 Park Avenue South, New York City, New York, USA.