

Company registration number: 0259661

Warner Bros. Entertainment UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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Warner Bros. Entertainment UK Limited

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Warner Bros. Entertainment UK Limited

Company Information

Directors	E C Browne R J Friend
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Banker	Barclays Bank PLC 8/9 Hanover Square London W1A 4ZW
Registered office	Warner House 98 Theobald's Road London WC1X 8WB

Warner Bros. Entertainment 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

Throughout the year, the company has engaged in the distribution of films and television content, the sale of home entertainment product and the selling of character merchandising licences.

Results

The profit for the year after taxation amounted to £34,314,000 (2020 - profit of £27,170,000).

Review of the business and KPIs

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

	Unit	2021	2020
Turnover	£'000	372,097	277,901
Gross Profit	£'000	41,742	44,107
Operating profit	£'000	35,624	26,787
Operating margin	%	10	10
Number of employees		484	513

The company's turnover increased year on year by 34%. This was due to the generally improved trading conditions driven by fewer restrictions related to COVID-19 during the year under review; most notably with the reopening of cinemas. Television revenues also increased as a result of timing differences.

There has been a decrease in administrative and distribution costs; coupled with an increase in other operating income leading to an increase in operating profit of 33%.

Warner Bros. Entertainment 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 in the following link:

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 feature films and other content depend primarily on widespread public acceptance of that content, which is difficult to predict and can change rapidly. The popularity of the company's content depends on many factors, only some of which are within the company's control.

The company's results could be adversely affected if the company's efforts to increase digital sales of its film and television content and make digital ownership of content more compelling to consumers are not successful. Several factors have contributed to an industry-wide decline in sales of home entertainment product in physical formats in recent years, including consumers shifting to SVOD and other OTT services and electronic purchases and rentals; consumers electing to rent films, which generates significantly less profit per transaction for the company than sale of physical formats; changing retailer strategies and initiatives (e.g. reduction in floor space devoted to home entertainment product in physical formats); retail store closures; weak economic conditions; increasing competition for consumer discretionary time and spending; and piracy.

Particular attention has been given to those areas that could cause an immediate impact to the company's business, such as the importation of physical products into the UK, distance sales that would become exports and possible staffing issues. Simplifications such as postponed VAT accounting on imports have been reviewed and, where necessary, EORI numbers and Transitional Simplified Procedure numbers have been applied for. Legal services have been engaged to assist staff who are known European Union nationals.

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. Entertainment UK Limited

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

Principal risks and uncertainties (continued)

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

Since the period close, production has resumed utilising appropriate safety measures. While the UK government removed all legal restrictions in relation to COVID-19 in July 2021, management continues to review the situation to assess discretionary safeguards as necessary. The directors have assessed the impact of COVID-19 on the company and, at present, they 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.

Section 172(1) Statement

Introduction

Each of the directors of the Company are aware of their obligation to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard (amongst other matters) to the matters set out in paragraphs (a) to (f) of Section 172(1) of the Companies Act 2006 ("Section 172(1)").

In promoting the success of the Company, the directors consider that having regard to the likely consequences of any decision in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, and the Company maintaining a reputation for high standards of business conduct (as set out in paragraphs (a) to (e) of Section 172(1)) are of particular importance. The directors note that the need to act fairly as between members (i.e., shareholders) of the company (as set out in paragraph (f) of Section 172(1)) requires less consideration in standard decision-making processes, given that the Company has only a single member.

Each of the policies and programmes as set out below have informed and guided the directors as to how the promotion of the success of the Company for the benefit of its members as a whole should be achieved with regard to the matters set out in paragraphs (a) to (e) of Section 172(1).

Warner Bros. Entertainment UK Limited

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

Section 172(1) Statement (continued)

Standards of business conduct

The directors consider that an important aspect of promoting the success of the Company is their commitment to running the Company's business according to high standards of ethics and integrity. That commitment begins with the Company's adoption of its group policy, the WarnerMedia Standards of Business Conduct ("SBC"), which applies to all Company officers and employees.

The underlying principles of the SBC are that the Company's officers and employees shall act with integrity; maintain a professional workplace; respect and protect intellectual property; protect the confidentiality, security and integrity of the Company's records, information and assets; avoid conflicts of interest and compete fairly and ethically in the global marketplace.

The interests of the Company's employees

The Company operates a framework for employee information and consultation. During the year, the policy of providing employees with information about the Company has been continued through various means, including direct 'Employee Communications' emails, emails from local management and through the intranet site, and through regular meetings held between local management and employees to allow a free flow of information and ideas, such as meetings where employees are encouraged to present their suggestions and views. The Company also provides employees with access to an Employee Assistance Programme, which provides a confidential support line and a range of support, including information on issues such as family care, education, finance and debt and counselling. Certain employees may share in the financial success of the group by being granted Warner Bros. Discovery Inc. stock options or restricted stock units.

On behalf of the Board



Amis Friend (For 15, 2022, 10:10 AM)

R J Friend
Director

Date: 16/09/2022

Warner Bros. Entertainment UK Limited

Directors' Report for the Year Ended 31 December 2021

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

Dividends

Dividends of £120,000,000 were paid during the year (2020 - £nil).

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.

Foreign branches

The financial statements include transactions relating to a branch based in the Republic of Ireland.

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. The operations of the company continue to be cash generative, 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

Except as noted below, the following were directors of the company who served throughout the year and were still directors at the date of this report:

J A Berger (resigned 13 January 2021)
T H Creighton (resigned 25 January 2021)
P C Cochrane (appointed 15 January 2021 and resigned 30 June 2022)
E C Browne (appointed 15 January 2021)
R J Friend (appointed 15 January 2021)

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 year and is in force as at the date of approving the Directors' Report.

Warner Bros. Entertainment UK Limited

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

Streamlined Energy and Carbon Reporting (SECR)

This section includes reporting of the company's greenhouse gas emissions and energy usage for the year ending 31 December 2021 in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The company's approach to reporting is based on the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.

Where applicable gas consumption was converted using Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017.

Emissions were calculated with the 2021 DEFRA emission factors.

In absence of exact fuel types UK Vehicle Licensing Statistics was used to determine fuel types. For the estimation we have used the 'Vehicles statistics' table VEH1103a_RoadUsing, issued by the Department for Transport. In absence of the exact engine sizes of the vehicles, average conversion factors from U.S. Energy Information Administration - British Thermal Unit were used to calculate emissions.

In some cases, we have extrapolated total emissions by using available information from part of a reporting period and extending it to apply to the full reporting year.

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent, Scope 3 emissions. It contains appropriate intensity metrics, the total energy use of electricity, gas and transport fuel, and a summary of energy efficiency actions taken during the financial year.

	31 December 2021	31 December 2020
Energy consumption used to calculate emissions (kWh)	4,029,355	2,834,162
Emissions from combustion of gas (Scope 1) tCO ₂ e	311	186
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) tCO ₂ e	3	4
Emissions from purchased electricity (Scope 2, location-based) tCO ₂ e	492	422
Total gross tCO₂e based on above	806	612
Intensity ratio (tCO ₂ e/ ft ² floor area)	<u>0.00712</u>	<u>0.00539</u>

Floor area for the company amounted to 113,266 square foot (2020 - 113,266 square foot).

Warner Bros. Entertainment UK Limited

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

Streamlined Energy and Carbon Reporting (SECR) (continued)

Energy efficiency actions taken

For much of 2021, the Company had to adapt its operations to account for the COVID-19 pandemic. In many respects, this accelerated progress towards our pre-existing pledges on sustainability. Warner Bros. Entertainment UK Limited continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including:

- Reducing office footprint and travel emissions by introducing flexible working practices.
- Travel emissions were reduced as staff attended meetings and conferences virtually.
- LED lighting controlled by occupancy sensors supported a further reduction in energy use.
- Temperature control was managed by state-of-the-art technology.
- New enterprise-level software provided quality assurance and data capture capability for energy and carbon management.
- Use of Bywaters Waste Management services - 60% of all waste has been recycled in 2021.

The Company's intermediate parent company, Warner Media LLC, has committed to be carbon neutral across its entire global operations by 2035, through the reduction of greenhouse gas emissions.

Employee and business engagement

The Directors have chosen, in accordance with section 414C(11) of the Companies Act 2006 (the "Act"), to include in the Strategic Report matters relating to the Company's engagement with suppliers, customers and others in a business relationship with the Company (as would otherwise be required by regulations made under section 416(4) of the Act to be disclosed in the Directors' Report) on the basis that the Directors consider such matters to be of strategic importance to the Company.

Employment of disabled persons

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.

Warner Bros. Entertainment 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



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Jamie Friend (Sep 16, 2022 14:29 GMT+1)

R J Friend
Director

Date: 16/09/2022

Warner Bros. Entertainment 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;
- 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.

Warner Bros. Entertainment UK Limited

Independent Auditor's Report to the Members of Warner Bros. Entertainment UK Limited

Opinion

We have audited the financial statements of Warner Bros. Entertainment 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 24, 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 when the financial statements are authorised for issue.

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.

Warner Bros. Entertainment UK Limited

Independent Auditor's Report to the Members of Warner Bros. Entertainment 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 a 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;

Warner Bros. Entertainment UK Limited

Independent Auditor's Report to the Members of Warner Bros. Entertainment UK Limited (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, 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.

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:

- o 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 financial reporting framework (FRS 102 and the Companies Act 2006), UK tax legislation, anti-bribery regulations, employment laws and regulations, and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

- o We understood how Warner Bros. Entertainment UK Limited is complying with those frameworks by making enquiries of management and those charged with governance, including those responsible for legal and compliance procedures, to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries by reviewing supporting documentation such as the Code of Ethics, correspondence with local legal counsel, board meeting minutes, as well as consideration of the results of our audit procedures.

Warner Bros. Entertainment UK Limited

Independent Auditor's Report to the Members of Warner Bros. Entertainment UK Limited (continued)

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

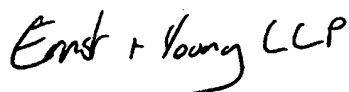
o We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of controls, incorrect revenue recognition relating to contract terms, and inappropriate cut-off of revenue. We performed audit procedures to address each identified fraud risk which were designed to provide reasonable assurance that the financial statements were free from material misstatement, whether due to fraud or error. We performed data analytics where applicable as well as analytical reviews, reasonableness of accruals, and tested specific transactions back to source documentation (i.e. contracts, invoices, third-party statements) as appropriate.

o Based on this understanding we designed our audit procedures to identify non-compliance with laws and regulations. Our procedures involved reviewing minutes from the Board of Directors, enquiries of management and legal, identification testing of entity level controls, and journal entry testing, with a focus on manual journals and journals indicating significant unusual transactions identified by specific risk criteria based on our understanding of the 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.



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

16 September 2022

Date:.....

Warner Bros. Entertainment UK Limited

**Income Statement
for the Year Ended 31 December 2021**

	Note	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Turnover	2	372,097	277,901
Cost of sales		<u>(330,355)</u>	<u>(233,794)</u>
Gross profit		41,742	44,107
Distribution and administrative expenses		<u>(98,712)</u>	<u>(98,504)</u>
		(56,970)	(54,397)
Other operating income	3	<u>92,594</u>	<u>81,184</u>
Operating profit	3	35,624	26,787
Income from investments	6	200	367
Interest receivable and similar income	7	24	49
Interest payable and similar expenses	8	(566)	(265)
Other costs	9	<u>-</u>	<u>(44)</u>
Profit before tax		35,282	26,894
Taxation	10	<u>(968)</u>	<u>276</u>
Profit for the financial year		<u><u>34,314</u></u>	<u><u>27,170</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 18 to 39 form an integral part of these financial statements.

Warner Bros. Entertainment UK Limited

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

	Share capital £ 000	Capital reserve £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2020	125,001	2,863	164,464	292,328
Profit for the financial year	-	-	27,170	27,170
Increase in equity related to equity settled share based payment transaction	-	-	3,383	3,383
At 31 December 2020	<u>125,001</u>	<u>2,863</u>	<u>195,017</u>	<u>322,881</u>
	Share capital £ 000	Capital reserve £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2021	125,001	2,863	195,017	322,881
Profit for the year	-	-	34,314	34,314
Dividends	-	-	(120,000)	(120,000)
Increase in equity related to equity settled share based payment transaction	-	-	2,192	2,192
At 31 December 2021	<u>125,001</u>	<u>2,863</u>	<u>111,523</u>	<u>239,387</u>

The notes on pages 18 to 39 form an integral part of these financial statements.


Warner Bros. Entertainment UK Limited

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Fixed assets			
Intangible assets	11	3,824	-
Tangible assets	12	24,201	27,936
Investments	13	6,706	6,706
Non current assets	14	1,145	-
		<u>35,876</u>	<u>34,642</u>
Current assets			
Stocks	16	12,265	8,164
Debtors: amounts falling due within one year	15	161,315	303,146
Debtors: amounts falling due after more than one year	15	52,136	44,378
Cash at bank and in hand		139,416	30,019
		<u>365,132</u>	<u>385,707</u>
Creditors: Amounts falling due within one year	17	<u>(136,293)</u>	<u>(77,547)</u>
Net current assets		<u>228,839</u>	<u>308,160</u>
Total assets less current liabilities		264,715	342,802
Creditors: Amounts falling due after more than one year	17	(20,497)	(15,221)
Provisions for liabilities	19	<u>(4,831)</u>	<u>(4,700)</u>
Net assets		<u>239,387</u>	<u>322,881</u>
Capital and reserves			
Called up share capital	20	125,001	125,001
Capital reserve		2,863	2,863
Profit and loss account		111,523	195,017
Total shareholder's funds		<u>239,387</u>	<u>322,881</u>

Company registration number: 0259661

Approved by the Board and signed on its behalf by:


 Jamia Friend (Sep 15, 2022 14:10 CMT+1)

 R J Friend
 Director
 Date: 16/09/2022

The notes on pages 18 to 39 form an integral part of these financial statements.

Warner Bros. Entertainment UK Limited

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

1 Accounting policies

a) Statement of compliance

Warner Bros. Entertainment UK Limited is a limited liability company incorporated in England & Wales. The Registered Office is Warner House, 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 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.

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 24).

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. The operations of the company continue to be cash generative, 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, up to 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 up to 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.

Warner Bros. Entertainment UK Limited

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

1 Accounting policies (continued)

b) Basis of preparation (continued)

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 24).

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 24).

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 24). All transactions were at arms length.

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 transactions have not been presented as the company was a member of a group where the ultimate parent, AT&T Inc., prepared publicly available consolidated financial statements and the company was included in the consolidation (see note 24).

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 judgement 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 21 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. Entertainment UK Limited

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

1 Accounting policies (continued)

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

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 10.

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.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property, plant and equipment, and below for the useful economic lives for each class of assets.

Inventory and sales provisions

The sale of home entertainment product is subject to changing consumer demands and rapid technological change. When calculating the various sales and inventory provisions, management considers the nature and condition of the inventory, market conditions and assumptions around anticipated sales of finished goods. See note 16 for the net carrying amount of the company's 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.

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 the fees and royalties earned for the granting of distribution rights outside of the UK and Ireland, gross film rental income earned, film licence income, television rights income, revenue receivable from the sale of pre-recorded digital versatile and blu-ray discs and from the sale of character merchandising licences.

Theatrical distribution income

Theatrical distribution revenue is recognised on an accruals basis from the theatrical release date.

Home entertainment product

Income related to the sale of home entertainment product is recognised when the product is delivered to the customer.

Warner Bros. Entertainment UK Limited

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

1 Accounting policies (continued)

d) Significant accounting policies (continued)

Television content

Income in respect of distribution of television content is recognised when the film becomes available for its first showing on television.

Film participation turnover and costs

The company earns income through participating in the distribution of filmed entertainment across several territories. The company's turnover includes revenue earned from its distribution of filmed entertainment in the UK and Ireland, together with the net fee it earns from distribution outside of the UK and Ireland.

The company's cost of sales includes the costs of distributing filmed entertainment in the UK and Ireland.

Pensions

The company is one of the sponsoring employers of the Time Warner UK Pension Plan ("the TWUK PP"), which is a defined benefit scheme. The assets of the TWUK PP 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 TWUK PP as if it were a defined contribution scheme. Contributions to the fund of the TWUK PP are charged to the income statement as they become payable. The entity is not held liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

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 ("the TWMP PP"), a defined contribution plan, was available. Contributions payable to the TWMP PP were charged to the income statement in the period in which they became payable. With effect from 1 April 2011, the Time Warner UK Pension Plan closed to future benefits accruals.

The Time Warner Money Purchase Pension Plan ("TWMP PP") was closed from 31 March 2021 from which time membership of the WarnerMedia Pension Plan ("WMPP"), a new defined contribution scheme, is available. Contributions payable to the WMPP are charged to the income statement in the period in which they become payable. With effect from 12 May 2022, the TWMP PP was wound up and terminated.

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.

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.

Warner Bros. Entertainment UK Limited

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

1 Accounting policies (continued)

d) Significant accounting policies (continued)

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.

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 share units that will be distributed in the form of Warner Bros. Discovery 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 shares. Future grants to eligible employees will be issued under Warner Bros. Discovery plans.

Investments

Investments are stated at cost less provision for impairments.

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:

Leasehold Improvements	- over the shorter of the lease term and 10 years
Furniture, fittings and equipment	- over 3 to 10 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.

Intangible fixed assets

Film rights acquired and film development costs

The net carrying value of each film title acquired or in development is reviewed for impairment at least annually in accordance with the accounting policy outlined below. In each case, the directors estimate the future cash flows and profitability for the title, with reference to the revenue generated by the film to date and the performance of other similar titles. Any change in expectations of future performance may impact upon the spread of amortisation of minimum guarantees and participation costs across the expected life of the film title.

Warner Bros. Entertainment UK Limited

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

1 Accounting policies (continued)

d) Significant accounting policies (continued)

Intangible fixed assets (continued)

Minimum guarantees

Minimum guarantee payments made to third parties and other costs of acquiring the rights to distribute films are stated in the statement of financial position at the lower of unamortised cost or estimated realisable value using the individual film forecast method.

Under the individual film forecast method, the cost of each film is allocated to the theatrical and various other markets in which the film is to be exhibited based on the proportion that the revenues expected to be earned from each market bear to management's estimate of the total revenues to be earned.

In each accounting period, the film cost is amortised based on the proportion that revenues earned in the accounting period bear to management's estimate of the total revenue to be earned. Such estimates are revised periodically and losses, if any, are provided in full.

Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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.

Warner Bros. Entertainment UK Limited

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

1 Accounting policies (continued)

d) Significant accounting policies (continued)

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.

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.

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

2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2021 %	Year ended 31 December 2020 £'000	Year ended 31 December 2020 %
United Kingdom and Ireland	371,525	100%	277,165	100%
United States of America and Canada	132	0%	213	0%
Rest of the World	440	0%	523	0%
	<u>372,097</u>	<u>100%</u>	<u>277,901</u>	<u>100%</u>

Warner Bros. Entertainment UK Limited

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

2 Turnover (continued)

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2021 %	Year ended 31 December 2020 £'000	Year ended 31 December 2020 %
Distribution of cinematography films	32,472	9%	19,159	7%
Sale of home entertainment product	70,238	19%	73,714	27%
Distribution of television content	245,839	66%	172,631	62%
Sale of character merchandising licences	23,548	6%	12,397	4%
	<u>372,097</u>	<u>100%</u>	<u>277,901</u>	<u>100%</u>

3 Operating profit

This is stated after charging/(crediting):

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Auditors remuneration - audit of the financial statements	232	222
Auditors remuneration - other non-audit services	29	-
Depreciation expense	4,851	4,890
Operating lease rentals - building & property	3,122	5,575
Amortisation expense	68	-
Operational restructuring costs	10,475	2,259
Cost of inventory	19,479	22,310
Loss on write off of fixed assets	-	215
Foreign exchange gain	<u>(1,116)</u>	<u>(725)</u>

Included within operating profit is other operating income of £92,594,000 (2020 - £81,184,000) which is mainly service fee income generated from within the Warner Media LLC Group.

Warner Bros. Entertainment UK Limited

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

4 Directors' remuneration

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Aggregate remuneration in respect of qualifying services	2,843	4,537
Aggregate company contributions paid to defined contribution pension scheme	<u>-</u>	<u>4</u>
	No.	No.
Members of defined contribution pension scheme	<u>-</u>	<u>3</u>

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Remuneration in respect of qualifying services	<u>1,231</u>	<u>2,801</u>

Included in the directors emoluments above is the expense recognised during the year of compensation paid for the loss of office for 2 directors (2020: 1) of £1,400,409 (2020: £2,209,692).

1 director exercised share options during the year (2020 - 1).

3 directors exercised RSU's during the year (2020 - 3).

Warner Bros. Entertainment 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	Year ended 31 December 2020 £ 000
Wages and salaries	51,531	51,284
Social security costs	7,134	6,995
Other pension costs	3,403	3,251
Share-based payment expenses	2,192	3,383
Operational restructuring costs	10,475	2,259
	<u>74,735</u>	<u>67,172</u>

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

	2021 No.	2020 No.
Sales, marketing and distribution	174	186
Administration and support	310	327
	<u>484</u>	<u>513</u>

6 Income from Investments

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Dividends received from associated undertakings	200	367
	<u>200</u>	<u>367</u>

Warner Bros. Entertainment UK Limited

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

7 Interest receivable and similar income

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Interest receivable from group undertakings	9	49
Other interest receivable	15	-
	<u>24</u>	<u>49</u>

8 Interest payable and similar expenses

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Unwinding of the discount of the dilapidation provision	131	125
Interest payable to group undertakings	-	140
Other interest payable	435	-
	<u>566</u>	<u>265</u>

9 Other Costs

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Loss on realised foreign exchange hedged contracts	-	(44)
	<u>-</u>	<u>(44)</u>

Warner Bros. Entertainment UK Limited

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

10 Taxation on profit on ordinary activities

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
<i>Current tax:</i>		
UK corporation tax		
Current tax at 19% (2020 - 19%)	<u>1,379</u>	<u>-</u>
Total current tax	<u><u>1,379</u></u>	<u><u>-</u></u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(171)	(160)
Credit due to change in tax rate	(276)	(60)
Under/(over) provision for prior years	<u>36</u>	<u>(56)</u>
Total deferred tax	<u><u>(411)</u></u>	<u><u>(276)</u></u>
Total tax on profit on ordinary activities (note 10(b) below)	<u><u>968</u></u>	<u><u>(276)</u></u>

Warner Bros. Entertainment UK Limited

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

10 Taxation on profit on ordinary activities (continued)

b) Circumstances affecting 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	Year ended 31 December 2020 £ 000
Profit before tax	<u>35,282</u>	<u>26,894</u>
Corporation tax at standard rate	6,704	5,110
Factors affecting the tax charge:		
Disallowable expenses	(43)	97
Non qualifying depreciation	244	265
Share based payments	(139)	(102)
Tax under/(over) provided in previous years	36	(56)
Group relief received for nil consideration	(5,558)	(5,530)
Impact of change of rate of tax	<u>(276)</u>	<u>(60)</u>
Total tax charge/(credit) (see note 10(a) above)	<u>968</u>	<u>(276)</u>

Warner Bros. Entertainment UK Limited

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

10 Taxation on profit on ordinary activities (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 non current assets/debtors	<u>1,145</u>	<u>734</u>
Analysed as:		
Accelerated capital allowances	1,020	646
Pension costs	<u>125</u>	<u>88</u>
	<u>1,145</u>	<u>734</u>
Analysis of movement in deferred tax:		
Balance at start of period		734
Credited to income statement		<u>411</u>
At end of period		<u>1,145</u>

The net reversal of deferred tax expected to occur in the following year is £585,000.
This is due to capital allowances in excess of depreciation.

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. The proposed rate rise, which is included in the numbers in these accounts, has increased the deferred tax asset by £276,000.

Warner Bros. Entertainment UK Limited

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

11 Intangible assets

	Film rights acquired and film development costs £ 000	Total £ 000
Cost or valuation		
At 31 December 2020	-	-
Additions	5,050	5,050
Impairments	<u>(1,158)</u>	<u>(1,158)</u>
At 31 December 2021	<u>3,892</u>	<u>3,892</u>
Amortisation		
Amortisation charged during the year	<u>68</u>	<u>68</u>
At 31 December 2021	<u>68</u>	<u>68</u>
Carrying amount		
At 31 December 2021	<u><u>3,824</u></u>	<u><u>3,824</u></u>
At 31 December 2020	<u><u>-</u></u>	<u><u>-</u></u>

Warner Bros. Entertainment UK Limited

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

12 Tangible fixed assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 31 December 2020	24,340	19,320	43,660
Additions	-	1,116	1,116
Asset reclassification	<u>940</u>	<u>(940)</u>	<u>-</u>
At 31 December 2021	<u>25,280</u>	<u>19,496</u>	<u>44,776</u>
Depreciation			
At 31 December 2020	5,675	10,049	15,724
Charged during the year	<u>2,379</u>	<u>2,472</u>	<u>4,851</u>
At 31 December 2021	<u>8,054</u>	<u>12,521</u>	<u>20,575</u>
Net book value			
At 31 December 2021	<u>17,226</u>	<u>6,975</u>	<u>24,201</u>
At 31 December 2020	<u>18,665</u>	<u>9,271</u>	<u>27,936</u>

Included within furniture, fittings and equipment is £2,299,000 (2020 - £3,041,000) 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. Entertainment UK Limited

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

13 Investments

Investments
in subsidiary
undertakings
£ 000

Net book value:

At 31 December 2021	<u>6,706</u>
At 31 December 2020	<u>6,706</u>

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
Thompson Place Productions Limited	England and Wales	Ordinary share capital	100%	100%
Filmbank Distributors Limited	England and Wales	Ordinary share capital	33%	33%

Subsidiary undertakings

Thompson Place Productions Limited

The principal activity of Thompson Place Productions Limited is that of theatrical production, but it has not traded in the current or prior year.

Filmbank Distributors Limited

The principal activity of Filmbank Distributors Limited is the distribution of filmed entertainment in non-theatrical markets..

*The registered office address is Warner House, 98 Theobald's Road, London, WC1X 8WB.

Warner Bros. Entertainment UK Limited

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

14 Non current assets

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Deferred tax asset	10	<u>1,145</u>	<u>-</u>

15 Debtors

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Trade debtors		30,731	48,745
Other debtors		-	2,050
Prepayments and accrued income		132,395	151,096
Amounts owed by group undertakings		47,773	143,343
Amounts owed by associated undertakings		2,552	1,556
Deferred tax assets	10	<u>-</u>	<u>734</u>
		<u>213,451</u>	<u>347,524</u>

Prepayments and accrued income includes £52,136,000 (2020 - £44,378,000) due after more than one year.

Included within amounts owed by group undertakings is an amount of £38,000,000 (2020 - £137,500,000) in respect of an intercompany deposit with Time Warner International Finance Limited ("TWIF Ltd"). The deposit was interest bearing at a market rate, being either three month LIBOR minus 0.10% or the actual rates achieved for deposits by TWIF Ltd, minus 0.02%. 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. Entertainment UK Limited

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

16 Stocks

	31 December 2021 £ 000	31 December 2020 £ 000
Finished goods held for resale	<u>12,265</u>	<u>8,164</u>

The cost of stocks recognised as an expense in the year amounted to £19,479,000 (2020 - £22,310,000).

Impairment of stocks

The amount of impairment loss included in profit or loss is £670,000 (2020 - impairment reversal of £129,000).

17 Creditors

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Due within one year			
Trade creditors		31,742	19,990
Other creditors		148	-
Other taxes and social security costs		2,994	2,557
VAT payable		9,728	10,195
Corporation tax payable	10	1,379	-
Accruals and deferred income		35,386	23,851
Due to group undertakings		<u>54,916</u>	<u>20,954</u>
		<u>136,293</u>	<u>77,547</u>
Due after one year			
Deferred rent liability		20,332	15,071
Other non-current liabilities		<u>165</u>	<u>150</u>
		<u>20,497</u>	<u>15,221</u>

All amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

Warner Bros. Entertainment UK Limited

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

18 Obligations under leases and hire purchase contracts

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

	2021 £ 000	2020 £ 000
Not later than one year	7,445	2,655
Later than one year and not later than five years	41,472	36,814
Later than five years	65,366	79,027
	<u>114,283</u>	<u>118,496</u>

19 Provisions for liabilities

	Dilapidation provision £ 000
At 31 December 2020	4,700
Arising during the year	131
At 31 December 2021	<u>4,831</u>

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 statement of financial position date, and the movement in the year is the unwinding of that discount.

20 Share capital

Issued, allotted, called up and fully paid

	31 December 2021 No.	£	31 December 2020 No.	£
Ordinary shares of £1 each	<u>125,001,100</u>	<u>125,001,100</u>	<u>125,001,100</u>	<u>125,001,100</u>

Warner Bros. Entertainment UK Limited

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

21 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 the 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 entity is not held liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

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 defined contribution scheme, was available. With effect from 1 April 2011, the TWUK PP was closed to future benefits accrual. The assets of the TWUK PP are invested as a whole and are not segregated by the participating employer. Consequently information concerning that part of the TWUK PP's assets attributable 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 2020 and 31 December 2021, on a FRS 102 section 28 basis and before any related deferred tax, the scheme was in surplus.

The Time Warner Money Purchase Pension Plan ("TWMP PP") was closed from 31 March 2021, from which time membership of the WarnerMedia Pension Plan ("WMPP"), a new defined contribution scheme, is available. With effect from 1 April 2021, pension contributions are paid into the WMPP. With effect from 12 May 2022, the TWMP PP was wound up and terminated.

Further information concerning the schemes (i.e. TWUK PP, WMPP and TWMP PP) can be found in the report and financial statements of Time Warner London Limited, which are available from the Company Secretary, 160 Old Street, EC1V 9BP, London.

The total pension cost to the company in relation to all schemes for the year ended 31 December 2021 amounted to £3,403,000 (2020 - £3,251,000).

22 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 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 £139,429,000 (2020 - £30,019,000).

Warner Bros. Entertainment UK Limited

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

23 Related parties

During the year, turnover of £1,735,000 (2020 - £2,088,000) was invoiced to Filmbank Distributors Limited, which is 33.3% owned by the company. During the year, £285,000 (2020 - £685,000) of expenses were invoiced to Filmbank Distributors Limited. The year-end debtor balance is £375,000 (2020 - £528,000). The year-end creditor balance is £27,000 (2020 - £6,000).

During the year, £2,646,000 (2020- £2,348,000) of recharges were invoiced to Wizarding World Digital Limited (formerly WWDFE Limited), a company which is under common control. During the year, £4,000 (2020 - £19,000) of expenses were invoiced from Wizarding World Digital Limited (formerly WWDFE Limited). The year-end debtor balance is £2,204,000 (2020 - £1,034,000).

24 Ultimate parent undertaking

The company's immediate parent undertaking is Warner Bros. Entertainment Nederland B.V.

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.