

Company registration number: 0330764

Warner Bros. Studios Leavesden Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Warner Bros. Studios Leavesden Limited

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Warner Bros. Studios Leavesden Limited

Company Information

Directors	D C Dark D Bisoni T H Creighton
Secretary	D Bisoni
Registered office	Warner House 98 Theobald's Road London WC1X 8WB
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Banker	Barclays Bank PLC 8/9 Hanover Square London W1A 4ZW

Warner Bros. Studios Leavesden Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their Strategic Report on the affairs of Warner Bros. Studios Leavesden Limited ("the company") for the year ended 31 December 2018. In preparing this Strategic Report, the directors have complied with section 414c of the Companies Act 2006.

Principal activity

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

Results

The profit for the year after taxation amounted to £66,267,000 (2017 - £59,696,000).

Review of the business and KPIs

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

	Unit	2018	2017
Turnover	£'000	158,056	145,055
Gross Profit	£'000	112,828	102,294
Operating profit	£'000	68,048	65,052
Operating margin	%	43	45
Number of employees		561	464

The company's turnover and gross profit increased year on year by 9% and 10% respectively owing to the ongoing programme of investment in the company's facilities at Leavesden.

The increase in turnover combined with an increase in cost of sales, increase in administrative and distribution costs and a decrease in other operating income contributed to an increase in operating profit of 5%. An increase in administrative costs of 15% combined with a decrease in other operating income of 42% has resulted in a decrease in operating margin of two percentage points. The average number of employees increased by 21% to 561 in 2018.

Principal risks and uncertainties

An analysis of the risks and uncertainties of the Warner Media, LLC (formerly Time Warner Inc.) group are discussed in the group's Annual Report which is publicly available.

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

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

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

Warner Bros. Studios Leavesden Limited

Strategic Report for the Year Ended 31 December 2018 (continued)

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.

At regular intervals since the referendum in 2016, the company has identified and assessed various business risks arising from the UK's potential exit from the European union. Based on what the company knows to date, and given the many continuing uncertainties surrounding Brexit, the company believes that it has mitigated the identified risks as best it can in the circumstances. Management has reviewed significant supply chains, likely staffing impacts, software requirements and tax reporting requirements used in the company's operations and, where possible and where relevant, similar operations of its key business partners.

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.

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


T H Creighton
Director

Date:

27 SEP 2019

Warner Bros. Studios Leavesden Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their annual report on the affairs of Warner Bros. Studios Leavesden Limited ("the company") together with the financial statements for the year ended 31 December 2018.

Dividends

Dividends of £nil were paid during the year (2017 - £70,000,000).

Ownership change

On 14 June 2018, AT&T Inc. acquired the previous ultimate parent undertaking Warner Media LLC, (formerly Time Warner Inc.) and became the ultimate parent undertaking.

Future developments

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

Going concern

On the basis of the on-going group funding arrangement, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors 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:

D C Dark

D Bioni

T H Creighton

The Articles of Association do not require directors to retire either by rotation or in the year of appointment.

Non adjusting events after the financial period

As part of an internal restructuring, specific trade and assets from each of the following wholly-owned subsidiaries were transferred to the company on 1 June 2019; Platform 9½ K1ngs Cross Ltd; Platform 9½ Retail Ltd; Entertainment Merchandise Ltd and London Film Museum (Covent Garden) Limited.

Entertainment Merchandise NY, Inc. was sold to a group entity, WB Studio Enterprises Inc. on 31 January 2019.

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. AT&T Inc. has purchased a directors and officers liability insurance policy for the benefit of the company and its directors and such policy was in force during the year and is in force as at the date of approving the Directors' Report.

Disabled employees

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

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

Warner Bros. Studios Leavesden Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has been continued through direct 'Employee Communications' emails, emails from local management and through the intranet site 'Behind the Shield'. Regular meetings are held between local management and employees to allow a free flow of information and ideas, such as the Employee Liaison Group meetings, and employees are encouraged to present their suggestions and views on issues pertaining to them within the company. Employees are encouraged to get involved with various Corporate Social Responsibility initiatives such as recycling and volunteering. Certain employees may share in the financial success of the group by being granted AT&T Inc. stock options or restricted stock units.

Disclosure of information to the auditors

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

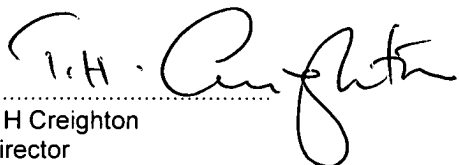
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/ she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that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

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

On behalf of the Board


.....
T H Creighton
Director

Date:

27 SEP 2019

Warner Bros. Studios Leavesden 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.

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

Warner Bros. Studios Leavesden Limited

Independent Auditor's Report to the Members of Warner Bros. Studios Leavesden Limited

Opinion

We have audited the financial statements of Warner Bros. Studios Leavesden Limited (the 'company') for the year ended 31 December 2018, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and notes 1 to 22, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK (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 2018 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Warner Bros. Studios Leavesden Limited

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

Other information

The other information comprises the information included in the annual report, (set out on pages 2 to 5), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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;
- 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.

Warner Bros. Studios Leavesden Limited

Independent Auditor's Report to the Members of Warner Bros. Studios Leavesden 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.

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

Date: 30/11/19

Warner Bros. Studios Leavesden Limited

**Income Statement
for the Year Ended 31 December 2018**

	Note	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Turnover	2	158,056	145,055
Cost of sales		<u>(45,228)</u>	<u>(42,761)</u>
Gross profit		112,828	102,294
Administrative expenses		(46,626)	(40,443)
Other operating income	3	<u>1,846</u>	<u>3,201</u>
Operating profit	3	68,048	65,052
Interest receivable and similar income	6	27	268
Interest payable and similar expenses	7	<u>(300)</u>	<u>(68)</u>
Profit before tax		67,775	65,252
Taxation	8	<u>(1,508)</u>	<u>(5,556)</u>
Profit for the financial year		<u><u>66,267</u></u>	<u><u>59,696</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 13 to 33 form an integral part of these financial statements.

Warner Bros. Studios Leavesden Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Equity share based payments £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2017	50,005	(139)	107,129	156,995
Profit for the year	-	-	59,696	59,696
Dividends	-	-	(70,000)	(70,000)
Transfers	-	366	(366)	-
Deferred tax on share based payments	-	(35)	-	(35)
At 31 December 2017	<u>50,005</u>	<u>192</u>	<u>96,459</u>	<u>146,656</u>

	Share capital £ 000	Equity share based payments £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2018	50,005	192	96,459	146,656
Profit for the year	-	-	66,267	66,267
Deferred tax on share based payments	-	35	-	35
Transfer between reserves	-	(227)	227	-
At 31 December 2018	<u>50,005</u>	<u>-</u>	<u>162,953</u>	<u>212,958</u>

Equity-settled share-based payments reserve

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

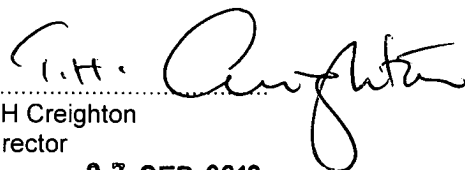
The notes on pages 13 to 33 form an integral part of these financial statements.

Warner Bros. Studios Leavesden Limited

**Statement of Financial Position
as at 31 December 2018**

	Note	31 December 2018 £ 000	31 December 2017 £ 000
Fixed assets			
Intangible assets	9	456	1,614
Tangible assets	10	248,580	214,427
Investments	11	50,671	3,000
		<u>299,707</u>	<u>219,041</u>
Current assets			
Stocks	12	5,524	4,790
Debtors	13	18,752	7,574
Cash at bank and in hand		9,132	7,643
		<u>33,408</u>	<u>20,007</u>
Creditors: Amounts falling due within one year	14	<u>(52,869)</u>	<u>(38,627)</u>
Net current liabilities		<u>(19,461)</u>	<u>(18,620)</u>
Total assets less current liabilities		280,246	200,421
Creditors: amounts falling due after more than one year	14	(60,895)	(48,389)
Provisions for liabilities	16	<u>(6,393)</u>	<u>(5,376)</u>
Net assets		<u>212,958</u>	<u>146,656</u>
Capital and reserves			
Called up share capital	17	50,005	50,005
Equity-settled share-based payments reserve		-	192
Profit and loss account		<u>162,953</u>	<u>96,459</u>
Total shareholder's funds		<u>212,958</u>	<u>146,656</u>

Approved by the Board and signed on its behalf by:


T H Creighton
Director

27 SEP 2019

Date:

Company registration number: 0330764

The notes on pages 13 to 33 form an integral part of these financial statements.

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies

a) Statement of compliance

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

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2018.

b) Basis of preparation

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

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

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

Going concern

On the basis of the on-going group funding arrangement, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of cash flows

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

Related parties

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

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

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Share based payment transactions

The company has taken advantage of the exemption in FRS 102.1.12(d) Reduced disclosures for subsidiaries. Certain share based payment transactions have not been presented as the company is a member of a group where the parent, AT&T Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 21).

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 19 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.

Goodwill and intangible assets

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

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Useful economic lives of tangible and intangible assets

The annual depreciation and amortisation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 9 for the carrying value of the intangible assets, Note 10 for the carrying amount of the property plant and equipment, and below for the useful economic lives for each class of assets.

Stock provisioning

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

Impairment of debtors

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

Impairment of non-financial assets

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

Taxation

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

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

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

d) Significant accounting policies

Turnover

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

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

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

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

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

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 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, is available. Contributions payable to the TWMP PP are charged to the income statement in the period in which they become payable. With effect from 1 April 2011, the Time Warner UK Pension Plan closed to future benefits accruals.

Interest receivable and payable

Interest income and expense are recognised on an accruals basis.

Dividend income

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

Foreign currencies

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Share based payments

Certain employees of the company received nonvested stock and stock units under historic Time Warner Inc. plans. Following the acquisition of Time Warner by AT&T, restricted stock units issued under Time Warner plans were converted to AT&T share units that will be distributed in the form of AT&T common stock and cash. The shares will vest over a period of one to four years in accordance with the terms of those plans. In addition, outstanding Time Warner stock options were converted to AT&T stock options that will vest within one year. No additional grants are intended to be issued under the Time Warner Inc. plans. Future grants to eligible employees will be issued under AT&T plans.

Under AT&T plans, restricted stock and stock units are granted and are valued at the market price of AT&T common stock at the date of grant and predominantly vest over a four- or five-year period. In accordance with FRS 102.26.16 the company recognises and measures the share based payment expense on the basis of the allocation of expense it receives from its ultimate parent undertaking. As a qualifying entity, the company avails itself of the exemption available under FRS 102.1.12 in relation to the disclosure requirements of section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23.

Investments

Investments and investments in joint ventures are stated at cost less provision for impairments.

Goodwill

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

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

Intangible assets

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

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

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Tangible fixed assets

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Leasehold Improvements	- shorter of the lease term and 10 years
Furniture, fittings and equipment	- 3 to 25 years
Motor vehicles	- 5 years
Buildings and building improvements	- 10 to 30 years

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

Stocks

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

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material the provisions are discounted to their present value at the statement of financial position date.

Leasing commitments

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

Deferred taxation

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

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2018 %	Year ended 31 December 2017 £'000	Year ended 31 December 2017 %
United Kingdom and Ireland	<u>158,056</u>	<u>100%</u>	<u>145,055</u>	<u>100%</u>

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2018 %	Year ended 31 December 2017 £'000	Year ended 31 December 2017 %
Studio tour and merchandise sales	106,989	68%	100,549	69%
Studio facilities, equipment rental and related services	<u>51,067</u>	<u>32%</u>	<u>44,506</u>	<u>31%</u>
	<u>158,056</u>	<u>100%</u>	<u>145,055</u>	<u>100%</u>

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

3 Operating profit

This is stated after charging/(crediting):

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Auditors remuneration - audit of the financial statements	93	89
Depreciation of tangible fixed assets	12,919	11,067
Amortisation of intangible fixed assets	1,158	1,086
Operating lease rentals - land and buildings	1,488	1,499
Loss on disposal of tangible fixed assets	133	237
Foreign exchange loss/(gain)	<u>73</u>	<u>(8)</u>

Included within operating profit is other operating income of £933,792 (2017 - £1,032,000) which is mainly rental income from third party tenants, and £877,929 (2017 - £2,160,000) in relation to the Harry Potter and the Cursed Child play investment which was fully reimbursed in the prior year.

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

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 2018 £ 000	Year ended 31 December 2017 £ 000
Aggregate remuneration in respect of qualifying services	943	790
Aggregate company contributions paid to defined contribution pension scheme	-	1
	<u>No.</u>	<u>No.</u>
Members of defined contribution pension scheme	<u>2</u>	<u>2</u>

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

	2018 £ 000	2017 £ 000
Remuneration in respect of qualifying services	<u>553</u>	<u>444</u>

The highest paid director received shares under the group's long term incentive scheme.

No directors exercised share options during the year (2017 - 2).

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

5 Staff costs

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

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Wages and salaries	16,485	14,194
Equity-settled share based payments	-	291
Social security costs	1,749	1,479
Other pension costs	413	396
	<u>18,647</u>	<u>16,360</u>

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

	2018 No.	2017 No.
Administration and support	546	450
Sales, marketing and distribution	15	14
	<u>561</u>	<u>464</u>

6 Interest receivable and similar income

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Interest receivable and similar income	<u>27</u>	<u>268</u>

7 Interest payable and similar expenses

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Unwinding of the discount of the dilapidation provision	18	18
Interest payable	<u>282</u>	<u>50</u>
	<u>300</u>	<u>68</u>

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

8 Taxation

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

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
<i>Current tax:</i>		
Current tax at 19% (2017 - 19.25%)	3,984	4,363
Tax (over) / under provided in previous years	(3,634)	398
Total current tax charge/(credit)	350	4,761
<i>Deferred tax:</i>		
Origination and reversal of timing differences	1,191	1,067
Credit due to change in tax rate	(126)	(125)
Under/(over) provision for prior years	93	(147)
Total deferred taxation	1,158	795
Total tax on profit on ordinary activities (note 8(c) below)	1,508	5,556

b) Tax included in group Statement of changes in Equity

The tax charge/(credit) is made up as follows:

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
<i>Deferred tax:</i>		
Deferred tax on share based payments reserve	(35)	35
Total tax in Statement of changes in Equity	(35)	35

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

8 Taxation (continued)

c) 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% (2017 - 19.25%). The tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Profit before tax	67,775	65,252
Corporation tax at standard rate	12,877	12,561
Factors affecting charge:		
Disallowable expenses	51	57
Non qualifying depreciation	1,206	1,048
Tax (over) / under provided in previous years	(3,541)	251
Group relief received for nil consideration	(8,959)	(8,236)
Impact of change of rate of tax	(126)	(125)
Total tax charge (see note 8(a) above)	1,508	5,556

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

8 Taxation (continued)

d) Deferred tax

Deferred tax is provided at 17% (2017 - 17%) in the statement of financial position as follows:

	31 December 2018 £ 000	31 December 2017 £ 000
Included in debtors	-	-
Included in provisions for liabilities	(5,551)	(4,428)
	<u>(5,551)</u>	<u>(4,428)</u>
Analysed as:		
Accelerated capital allowances	(5,694)	(4,661)
Short term timing differences	143	161
Pension costs	-	33
Share-based payment	-	39
	<u>(5,551)</u>	<u>(4,428)</u>
Analysis of movement in deferred tax:		
Balance at start of period		(4,428)
Charged to income statement		(1,158)
Charged to Statement of changes in Equity		35
At end of period		<u>(5,551)</u>

The net reversal of deferred tax expected to occur in the following year is £940,000. This is due to capital allowances in excess of depreciation.

e) Factors affecting future tax charges

The Finance Act 2016 included legislation to reduce the main rate of corporation tax rate from 19% to 17% from 1 April 2020. The effect of these changes on the deferred tax balance is reflected in these accounts.

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

Warner Bros. Studios Leavesden Limited

**Notes to the Financial Statements for the Year Ended 31 December 2018
(continued)**

9 Intangible assets

	Intangible Investment £ 000	Goodwill £ 000	Total £ 000
Cost or valuation			
At 31 December 2017	2,400	1,597	3,997
At 31 December 2018	2,400	1,673	4,073
Amortisation			
At 31 December 2017	1,134	1,249	2,383
Amortised during the year	810	348	1,158
At 31 December 2018	1,944	1,597	3,541
Carrying amount			
At 31 December 2018	456	-	456
At 31 December 2017	1,266	348	1,614

Warner Bros. Studios Leavesden Limited

**Notes to the Financial Statements for the Year Ended 31 December 2018
(continued)**

10 Tangible fixed assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation				
At 31 December 2017	205,859	55,357	1,103	262,319
Additions	42,400	4,716	-	47,116
Asset reclassification *	(1,309)	1,398	-	89
Disposals	(80)	(211)	-	(291)
At 31 December 2018	<u>246,870</u>	<u>61,260</u>	<u>1,103</u>	<u>309,233</u>
Depreciation				
At 31 December 2017	24,731	22,491	670	47,892
Charged during the year	7,615	5,122	182	12,919
Disposals	(21)	(137)	-	(158)
At 31 December 2018	<u>32,325</u>	<u>27,476</u>	<u>852</u>	<u>60,653</u>
Carrying amount				
At 31 December 2018	<u>214,545</u>	<u>33,784</u>	<u>251</u>	<u>248,580</u>
At 31 December 2017	<u>181,128</u>	<u>32,866</u>	<u>433</u>	<u>214,427</u>

Included within furniture, fittings and equipment is £1,417,095 (2017 - £2,365,000) and included within land and buildings is £45,937,392 (2017 - £37,167,000) of costs relating to assets in the course of construction. These will be depreciated once the assets are complete and ready for use.

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

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Investments

	Investments in subsidiary undertakings £ 000
Cost	
At 31 December 2017	3,000
Additions	<u>47,671</u>
At 31 December 2018	<u>50,671</u>
Amounts provided:	
At 31 December 2017 and 31 December 2018	<u>-</u>
Net book value:	
At 31 December 2018	<u>50,671</u>
At 31 December 2017	<u>3,000</u>

On 5 October 2018 the company acquired 29.6% of the share capital of Mike's Mobile Revue London Limited for cash consideration of £1,400,000.

On 17 December 2018 the company acquired 100% of the share capital of Platform 9 ¾ K1ngs Cross Ltd., Platform 9 ¾ Retail Ltd., Entertainment Merchandise Ltd., London Film Experience (Baker Street) Ltd., London Film Museum (Covent Garden) Ltd. and Entertainment Merchandise NY, Inc. ("EMNY") for cash consideration of £46,270,687 (including costs).

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Investments (continued)

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:

of share capital are as follows:

Undertaking	Country of registration	Holding	Proportion of voting rights and shares held	
			2018	2017
Warner Bros. Theatres (UK) Limited	England & Wales	Ordinary Shares	100%	100%
Platform 9 ¾ K1ngs Cross Ltd.		Ordinary shares	100%	0%
Platform 9 ¾ Retail Ltd.	England & Wales	Ordinary Shares	100%	0%
	England & Wales			
Entertainment Merchandise Ltd.	England & Wales	Ordinary Shares	100%	0%
London Film Experience (Baker Street) Ltd.	England & Wales		100%	0%
London Film Museum (Covent Garden) Ltd.	England & Wales	Ordinary shares	100%	0%
Entertainment Merchandise NY, Inc.	United States of America	Par Value	100%	0%
Joint ventures				
Mike's Mobile Revue London Limited	England & Wales	Class A Ordinary Shares	29.6%	0%

The principal activity of Warner Bros. Theatres (UK) Limited is an investment company that did not trade in the current or previous year.

The principal activity of Platform 9 ¾ K1ngs Cross Ltd. is retailing of Harry Potter merchandise. Its financial period end is 28 February.

The principal activity of Platform 9 ¾ Retail Ltd. is retailing of Harry Potter merchandise. Its financial period end is 31 January.

The principal activity of Entertainment Merchandise Ltd. is retailing of Harry Potter merchandise. Its financial period end is 28 February.

The principal activity of London Film Experience (Baker Street) Ltd. is holding the lease at shops 3 and 4 Station Approach at Baker Street Station, London

The principal activity of London Film Museum (Covent Garden) Ltd. is providing a museum attraction. Its financial period end is 28 February.

The principal activity of Entertainment Merchandise NY, Inc. is retailing of Harry Potter merchandise

The principal activity of Mike's Mobile Revue London Limited is theatre production

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

12 Stocks

	31 December 2018 £ 000	31 December 2017 £ 000
Finished goods and goods for resale	<u>5,524</u>	<u>4,790</u>

Stock recognised in cost of sales during the year as an expense was £9,992,000 (2017 - £10,014,000).

An impairment loss of £188,000 (2017 - £97,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

13 Debtors

	31 December 2018 £ 000	31 December 2017 £ 000
Trade debtors	6,816	4,770
Other debtors	4,000	694
Prepayments and accrued income	1,134	7
VAT receivable	489	272
Amounts owed by group undertakings	<u>6,313</u>	<u>1,831</u>
	<u>18,752</u>	<u>7,574</u>

Included within amounts owed by group undertakings is an amount of £2,000 in respect of an intercompany deposit with Time Warner London Limited (2017 - £2,000). The deposit was interest bearing at market rate, being Barclays base rate minus 0.1%. The deposit was unsecured and repayable on demand. All other amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand.

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

14 Creditors

	Note	31 December 2018 £ 000	31 December 2017 £ 000
Due within one year			
Trade creditors		9,245	5,352
Other creditors		692	842
Other taxes and social security costs		250	221
Corporation tax payable	8	5,110	4,761
Accruals and deferred income		34,148	25,113
Due to group undertakings		3,424	2,338
		<u>52,869</u>	<u>38,627</u>
Due after one year			
Amounts owed to group undertakings		<u>60,895</u>	<u>48,389</u>

Included within amounts owed to group undertakings is an amount of £60,895,000 in respect of an intercompany loan with Time Warner London Limited (2017 - £48,389,000). The loan is interest bearing at market rate, being Time Warner's cost of funds plus an applicable margin, the margin being plus 1.25%. The loan is unsecured and has a maturity date of 31 December 2025.

15 Obligations under leases and hire purchase contracts

Operating lease agreements where the company is lessee

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

	Land and buildings	
	2018 £ 000	2017 £ 000
Payments due:		
Not later than one year	1,832	1,401
Later than one year and not later than five years	12,796	2,097
Later than five years	31,173	594
	<u>45,801</u>	<u>4,092</u>

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

15 Obligations under leases and hire purchase contracts (continued)

Operating lease agreements where the company is lessor

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

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

	Land and buildings	
	2018	2017
	£ 000	£ 000
Receipts due:		
Not later than one year	1,122	726
Later than one year and not later than five years	2,368	1,552
Later than five years	43	142
	<u>3,533</u>	<u>2,420</u>

16 Provisions for liabilities

	Dilapidation provision £ 000	Deferred tax provision £ 000	National insurance on share options £ 000	Total £ 000
At 31 December 2017	920	4,428	28	5,376
Unwinding of discount	18	-	-	18
Arising during the year	<u>(96)</u>	<u>1,123</u>	<u>(28)</u>	<u>999</u>
At 31 December 2018	<u>842</u>	<u>5,551</u>	<u>-</u>	<u>6,393</u>

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

17 Share capital

Issued, allotted, called up and fully paid

	31 December 2018		31 December 2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>50,005,002</u>	<u>50,005,002</u>	<u>50,005,002</u>	<u>50,005,002</u>

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

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

18 Dividends

	31 December 2018 £ 000	31 December 2017 £ 000
Ordinary dividends paid	-	70,000
	<u>-</u>	<u>70,000</u>

No dividend was paid during the year (2017 - An interim dividend of £1.40 per ordinary share was paid).

19 Pension

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 TWUK PP was closed to new entrants with effect from 1 April 2010 from which time membership of The Time Warner Money Purchase Pension Plan ("TWMP PP"), a new defined contribution scheme, is available. With effect from 1 April 2011, 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 2017 and 31 December 2018, on a FRS 102 section 28 basis and before any related deferred tax, the scheme was in surplus.

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

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

The total pension cost to the company in relation to both schemes for the year ended 31 December 2018 amounted to £413,000 (2017 - £396,000).

Warner Bros. Studios Leavesden Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

20 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 £8,446,000 (2017 - £7,512,000).

21 Non adjusting events after the financial period

As part of an internal restructuring, specific trade and assets from each of the following wholly-owned subsidiaries were transferred to the company on 1 June 2019; Platform 9¾ K1ngs Cross Ltd; Platform 9¾ Retail Ltd; Entertainment Merchandise Ltd and London Film Museum (Covent Garden) Limited.

Entertainment Merchandise NY, Inc. was sold to a group entity, WB Studio Enterprises Inc. on 31 January 2019.

22 Ultimate parent undertaking

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

Until 14 June 2018 Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up.

On 14 June 2018, AT&T Inc., a company incorporated in the United States of America, acquired Time Warner Inc., which was renamed Warner Media, LLC, in a merger transaction that resulted in Warner Media, LLC becoming a direct subsidiary of AT&T Inc., and AT&T Inc. became the ultimate parent undertaking.