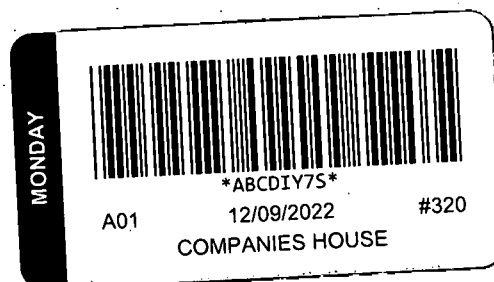


Company registration number: 0330764

# Warner Bros. Studios Leavesden Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



# **Warner Bros. Studios Leavesden Limited**

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# **Warner Bros. Studios Leavesden Limited**

## **Company Information**

|                          |   |
|--------------------------|---|
| <b>Directors</b>         | D Bisoni<br>S E Roots   |
| <b>Secretary</b>         | D Bisoni  |
| <b>Registered office</b> | Warner House<br>98 Theobald's Road<br>London<br>WC1X 8WB      |
| <b>Auditor</b>           | Ernst & Young LLP<br>1 More London Place<br>London<br>SE1 2AF |
| <b>Banker</b>            | Barclays Bank PLC<br>8/9 Hanover Square<br>London<br>W1A 4ZW  |

## Warner Bros. Studios Leavesden Limited

### Strategic Report for the Year Ended 31 December 2021

The directors present their Strategic Report on the affairs of Warner Bros. Studios Leavesden Limited ("the company") 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

During 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 £33,164,000 (2020 - profit of £10,635,000).

#### 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 | 176,515 | 103,273 |
| Gross profit        | £'000 | 113,246 | 59,769  |
| Operating profit    | £'000 | 46,407  | 6,356   |
| Operating margin    | %     | 26      | 6       |
| Number of employees |       | 627     | 699     |

The company's turnover and gross profit increased year on year by 71% and 89% respectively.

During 2020 and 2021, the UK government announced restrictions on the operations of the company as part of their response to the COVID-19 pandemic which was ongoing from March 2020 and throughout 2021. The impact of these restrictions was less severe in 2021 as more of our business lines were able to operate for longer periods of time than in 2020 as detailed below:

#### Studio Tour

The Studio tour was closed to visitors from March 2020 to August 2020 at which point it reopened at a much reduced capacity and with strict COVID-19 prevention measures in place. A second nationwide lockdown was announced in November 2020. The tour remained closed until May 2021 at which point it reopened at a lower capacity than pre-pandemic. The tour remained open for the rest of 2021 and in July 2021 "Harry Potter Photographic Exhibition" opened further increasing tour revenue.

#### Retail

The Platform 9 ¾ stores closed in March 2020 and reopened in July and August 2020 with reduced footfall compared to pre-pandemic levels. The second national lockdown was announced in November 2020 closing all non-essential retail. The stores reopened in April 2021 with the lifting of restrictions for non-essential retail, footfall has been recovering since then.

#### Studio Operations

The studio operations business was closed from March 2020 until June 2020 when productions began returning to the studios with very strict COVID-19 testing and operational measures in place that limited the size of crews and changed the way in which production activity is undertaken. The studio operations facilities remained opened since June 2020 and throughout 2021. During 2021 the studio operations business brought three new stages into use increasing revenue and profit generation.

The average number of employees decreased by 10% to 627 in 2021 following a group wide restructure.

## **Warner Bros. Studios Leavesden 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 are discussed in the group's Annual Report which is publicly available.

Subsequent to year end, on the 4th of August 2022, Warner Bros. Discovery, Inc.'s half year results were published outlining risks and uncertainties at the following web address:  
[https://s201.q4cdn.com/336605034/files/doc\\_financials/2022/q2/WBD-2022.6.30-10Q-Filed-copy.pdf](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 future impact of the COVID-19 pandemic remains uncertain as at the date of this report and therefore presents a continued risk. During 2021, further lockdowns and government restrictions have been required to control the spread of the virus which have continued to impact the results of the company.

The key commercial risk faced by the retail business, operating in a competitive market of discretionary spend, is the potential for reduced sales and margins, particularly in challenging economic conditions with low consumer confidence. This risk is mitigated by reviews of product lines, control of stock and a continued dedication to providing customers with the best quality products and service.

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

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

Service disruptions or failures in information systems and networks as a result of computer viruses or misappropriation of data may disrupt the company's business, damage its reputation or have a negative impact on its results or operations. Although the company develops and maintains information security practices and systems designed to prevent these events occurring, development and maintenance of these systems is costly and is likely to increase as the threats become more sophisticated.

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.

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.

## **Warner Bros. Studios Leavesden Limited**

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

#### **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).

##### **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.

## **Warner Bros. Studios Leavesden Limited**

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

#### **Section 172(1) statement (continued)**

##### Fostering business relationships with suppliers, customers and others

One of the key principles of the SBC is that the company should compete fairly and ethically in the global marketplace. In addition, the SBC provides that officers and employees should deal fairly and ethically with our customers, service providers, suppliers, competitors, colleagues and government officials and agencies.

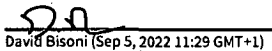
##### The impact of the company's operations on the community and the environment

Each of the directors engages with employees, suppliers and customers, and other business partners on a regular basis, via a variety of meetings as required in performing their roles as executives of the company.

The company supports Warner Bros. Creative Talent, a multi award-winning programme that develops diverse, emerging talent from all backgrounds. Established in 2013, it identifies and incubates a pipeline for the UK's creative industries, in film, TV, games and theatre, via scholarships, apprenticeships, work and training placements, mentoring and masterclasses.

Through corporate policy and company-wide participation, the company's environmental programs support the company's business objectives of efficiency, strategic growth and sustainability.

On behalf of the Board

  
David Bisoni (Sep 5, 2022 11:29 GMT+1)

.....  
D Bisoni  
Company secretary and director

Date: 09/05/2022

## **Warner Bros. Studios Leavesden Limited**

### **Directors' Report for the Year Ended 31 December 2021**

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 2021.

#### **Dividends**

No dividends 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.

#### **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**

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

D Bisoni - Company secretary and director  
S E Roots  
T H Creighton (resigned 19 February 2021)

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

#### **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.

#### **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. Studios Leavesden Limited**

### **Directors' Report for the Year Ended 31 December 2021 (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. Regular questionnaires are also distributed to all employees and the results and action points are communicated back on a timely basis. Employees are encouraged to get involved with various Corporate Social Responsibility initiatives such as recycling and volunteering. Certain employees may share in the financial success of the group by being granted Warner Bros. Discovery, Inc. stock options or restricted stock units.

#### **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 employees, and 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.

## Warner Bros. Studios Leavesden Limited

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

#### Streamlined Energy and Carbon Reporting (SECR) Disclosure

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.

|  | Year to 31<br>December<br>2021 | Restated<br>Year to 31<br>December<br>2020 |
|--|--------------------------------|--|
| Energy consumption used to calculate emissions (kWh)   | 38,088,966                     | 25,860,304                                 |
| Emissions from combustion of gas (Scope 1) tCO <sub>2</sub> e  | 2,815                          | 1,854                                      |
| Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) tCO <sub>2</sub> e | 2                              | 4  |
| Emissions from purchased electricity (Scope 2, location-based) tCO <sub>2</sub> e  | 4,822                          | 3,675                                      |
| Total gross tCO <sub>2</sub> e based on above  | 7,639                          | 5,532                                      |
| Intensity ratio (tCO <sub>2</sub> e/ ft <sup>2</sup> floor area)   | 0.00251                        | 0.00212                                    |

Floor area for the company amounted to 3,047,964 ft<sup>2</sup> (2020 - 2,613,929 ft<sup>2</sup>).

**\*Disclaimers:**

Please note that some figures for 2020 have changed due to recalculation. The energy consumption, the relevant emissions and the intensity ratios have been updated accordingly.

Where the exact kWh consumption was not practical to obtain, we estimated the electricity consumption based on the consumption per square footage of a similar site.

## Warner Bros. Studios Leavesden Limited

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

#### Energy efficiency action summary

The company has continued to make a concerted effort to reduce its carbon footprint. Examples of initiatives that have progressed through the financial year include:

- Reducing office footprint and travel emissions by introducing flexible working practices.
- Reducing air travel by utilizing technology for meetings and virtual conferences.
- Use of LED lighting controlled with occupancy sensors across offices.
- Ensuring chillers are all controlled with state-of-the-art Building Management Control Systems.
- Implemented a new enterprise-level software application which provides us quality assurance and data capture capabilities into one energy and carbon management solution.

The company's intermediary 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.


#### 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.

On behalf of the Board

  
David Bisoni (Sep 5, 2022 11:29 GMT+1)

.....  
D Bisoni  
Company secretary and director

## **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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Warner Bros. Studios Leavesden Limited**

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

#### **Opinion**

We have audited the financial statements of Warner Bros. Studios Leavesden 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 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

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

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

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

## **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, 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 there is 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;

#### **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.

## **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.

#### ***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. Studios Leavesden 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.

- 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.

## Warner Bros. Studios Leavesden Limited

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

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

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.

*Ernst & Young LLP*

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

7 September 2022

Date:.....



# Warner Bros. Studios Leavesden Limited

## Income Statement for the Year Ended 31 December 2021

|  | Note | Year ended<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2020<br>£ 000 |
|--|------|--|--|
| Turnover                               | 2    | 176,515                                    | 103,273                                    |
| Cost of sales                          |      | <u>(63,269)</u>                            | <u>(43,504)</u>                            |
| Gross profit                           |      | 113,246                                    | 59,769                                     |
| Administrative expenses                |      | (71,129)                                   | (59,525)                                   |
| Other operating income                 | 3    | <u>4,290</u>                               | <u>6,112</u>                               |
| Operating profit                       | 3    | 46,407                                     | 6,356                                      |
| Interest receivable and similar income | 6    | -  | 14   |
| Interest payable and similar expenses  | 7    | <u>(302)</u>                               | <u>(54)</u>                                |
| Profit before tax                      |      | 46,105                                     | 6,316                                      |
| Taxation                               | 8    | <u>(12,941)</u>                            | <u>4,319</u>                               |
| Profit for the financial year          |      | <u>33,164</u>                              | <u>10,635</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. Studios Leavesden Limited

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

|   | Share capital<br>£ 000 | Profit and<br>loss account<br>£ 000 | Total<br>shareholder's<br>funds<br>£ 000 |
|---|------------------------|-------------------------------------|--|
| At 1 January 2020   | 50,005                 | 218,466                             | 268,471                                  |
| Profit for the year   | -                      | 10,635                              | 10,635                                   |
| Increase in equity related to equity share based<br>payment transaction | -                      | 313                                 | 313                                      |
| At 31 December 2020   | <u>50,005</u>          | <u>229,414</u>                      | <u>279,419</u>                           |

|   | Share capital<br>£ 000 | Profit and<br>loss account<br>£ 000 | Total<br>shareholder's<br>funds<br>£ 000 |
|---|------------------------|-------------------------------------|--|
| At 1 January 2021   | 50,005                 | 229,414                             | 279,419                                  |
| Profit for the year   | -                      | 33,164                              | 33,164                                   |
| Increase in equity related to equity share based<br>payment transaction | -                      | 271                                 | 271                                      |
| At 31 December 2021   | <u>50,005</u>          | <u>262,849</u>                      | <u>312,854</u>                           |


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

# Warner Bros. Studios Leavesden Limited

## Statement of Financial Position as at 31 December 2021

|   | Note | 31 December<br>2021<br>£ 000 | 31 December<br>2020<br>£ 000 |
|---|------|------------------------------|------------------------------|
| <b>Fixed assets</b>                                   |      |                              |                              |
| Intangible assets                                     | 9    | 20,757                       | 26,891                       |
| Tangible assets                                       | 10   | 317,615                      | 299,297                      |
| Investments   | 11   | 7,072                        | 7,072                        |
|   |      | <u>345,444</u>               | <u>333,260</u>               |
| <b>Current assets</b>                                 |      |                              |                              |
| Stocks  | 12   | 48,619                       | 11,020                       |
| Debtors   | 13   | 30,499                       | 10,288                       |
| Cash at bank and in hand                              |      | 42,037                       | 16,101                       |
|   |      | <u>121,155</u>               | <u>37,409</u>                |
| <b>Creditors: Amounts falling due within one year</b> | 14   | <u>(140,343)</u>             | <u>(82,155)</u>              |
| <b>Net current liabilities</b>                        |      | <u>(19,188)</u>              | <u>(44,746)</u>              |
| <b>Total assets less current liabilities</b>          |      | 326,256                      | 288,514                      |
| Provisions for liabilities                            | 16   | <u>(13,402)</u>              | <u>(9,095)</u>               |
| <b>Net assets</b>                                     |      | <u>312,854</u>               | <u>279,419</u>               |
| <b>Capital and reserves</b>                           |      |                              |                              |
| Called up share capital                               | 17   | 50,005                       | 50,005                       |
| Profit and loss account                               |      | 262,849                      | 229,414                      |
| <b>Total shareholder's funds</b>                      |      | <u>312,854</u>               | <u>279,419</u>               |

Approved by the Board and signed on its behalf by:

  
David Bisoni (Sep 5, 2022 11:29 GMT+1)

.....  
D Bisoni  
Company secretary and director

Date: 09/05/2022

Company registration number: 0330764

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

## **Warner Bros. Studios Leavesden Limited**

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

#### **1 Accounting policies**

##### **a) Statement of compliance**

Warner Bros. Studios Leavesden Limited is a limited liability company incorporated in England & Wales. 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 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 21).

##### **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.

##### **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 21).

## **Warner Bros. Studios Leavesden Limited**

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

#### **1 Accounting policies (continued)**

##### ***b) Basis of preparation (continued)***

###### **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 21).

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 21). All transactions were at arms length.

###### **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 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 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 18 for further details.

## **Warner Bros. Studios Leavesden 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)***

###### **Leases**

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.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability. The asset is depreciated on a straight line basis over the term of the lease.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of this time of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the term of the lease.

###### **Goodwill and intangible assets**

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

###### **Useful economic lives of tangible and intangible assets**

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

## **Warner Bros. Studios Leavesden 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)***

###### **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.

###### **Impairment of goodwill**

The company makes an estimate of the recoverable value of its goodwill. When assessing impairment of its goodwill, management considers factors including the current performance and liquidity of the goodwill, future prospects for the goodwill, and market conditions. The useful life of goodwill is 8 years.

###### **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 2021 (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 and retail stores.

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 and the 'Harry Potter Photographic Exhibition' 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.

Revenue from the sale of merchandise and stock comprises the fair value of goods sold to customers net of VAT and discounts.

###### **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 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **d) Significant accounting policies (continued)**

###### **Pension**

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, 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.

###### **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 96 month period following transition to FRS 102 on 1 January 2014.

As part of an internal restructuring, the trade and assets of Platform 9 ¾ K1ngs Cross Ltd., Platform 9 ¾ Retail Ltd., Entertainment Merchandise Ltd., and London Film Museum (Covent Garden) Ltd were transferred to Warner Bros Studios Leavesden Limited on 1 June 2019. Goodwill was recognised on the transfer of trade and assets. The useful life of goodwill is 8 years.

## **Warner Bros. Studios Leavesden Limited**

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

#### **1 Accounting policies (continued)**

##### **d) Significant accounting policies (continued)**

###### **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 amortised the intangible asset in equal instalments over a 36 month period. The intangible asset has now been fully amortised.

###### **Share based payments**

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

###### **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.

###### **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. Studios Leavesden Limited**

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

#### **1 Accounting policies (continued)**

##### **d) Significant accounting policies (continued)**

###### **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.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability. The asset is depreciated on a straight line basis over the term of the lease.

###### **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.

###### **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.

###### **Investments**

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

# Warner Bros. Studios Leavesden Limited

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

### 1 Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

##### 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 | - 2 to 44 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.

### 2 Turnover

An analysis of turnover by geographical market is given below:

|                            | Year ended<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2021<br>% | Year ended<br>31 December<br>2020<br>£ 000 | Year ended<br>31 December<br>2020<br>% |
|----------------------------|--|--|--|--|
| United Kingdom and Ireland | <u>176,515</u>                             | <u>100%</u>                            | <u>103,273</u>                             | <u>100%</u>                            |

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

|  | Year ended<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2021<br>% | Year ended<br>31 December<br>2020<br>£ 000 | Year ended<br>31 December<br>2020<br>% |
|--|--|--|--|--|
| Studio tour and merchandise sales                        | 75,422                                     | 43%                                    | 47,467                                     | 46%                                    |
| Studio facilities, equipment rental and related services | <u>101,093</u>                             | <u>57%</u>                             | <u>55,806</u>                              | <u>54%</u>                             |
|  | <u>176,515</u>                             | <u>100%</u>                            | <u>103,273</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.

## Warner Bros. Studios Leavesden Limited

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

#### 3 Operating profit

Included within operating profit is other operating income of £1,144,594 (2020 - £1,544,810) which is mainly rental income from third party tenants, £nil (2020 - £204,000) in relation to the Harry Potter and the Cursed Child play investment and £1,417,715 (2020 - £4,362,819) in relation to government grant income. Government grant income relates to assistance received under UK government's Coronavirus Job Retention Scheme.

This is stated after charging:

|   | Year ended<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2020<br>£ 000 |
|---|--|--|
| Cost of inventory   | 10,563                                     | 6,344                                      |
| Operational restructuring costs                           | 549  | 351  |
| Auditors remuneration - audit of the financial statements | 187  | 154  |
| Auditors remuneration - audit of other group companies    | -  | 14   |
| Depreciation of tangible fixed assets                     | 19,468                                     | 16,154                                     |
| Amortisation of intangible fixed assets                   | 6,134                                      | 6,723                                      |
| Loss on disposal of tangible fixed assets                 | 188  | 5  |
| Operating lease rentals - land and buildings              | 4,917                                      | 2,404                                      |
| Foreign exchange loss                                     | 39   | 37   |

#### 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<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2020<br>£ 000 |
|---|--|--|
| Aggregate remuneration in respect of qualifying services                    | 861  | 665  |
| Aggregate company contributions paid to defined contribution pension scheme | 10   | 13   |

|  | No. | No. |
|--|-----|-----|
| Members of defined contribution pension scheme | 1   | 3   |

# Warner Bros. Studios Leavesden Limited

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

### 4 Directors' remuneration (continued)

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

|  | 2021<br>£ 000 | 2020<br>£ 000 |
|--|---------------|---------------|
| Remuneration in respect of qualifying services   | 463           | 383           |
| Company contributions to company pension schemes | -             | 3             |

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

2 directors exercised RSU's during the year (2020 - 2).

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

### 5 Staff costs

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

|                                     | Year ended<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2020<br>£ 000 |
|-------------------------------------|--|--|
| Wages and salaries                  | 23,562                                     | 22,778                                     |
| Equity-settled share based payments | 271  | 313  |
| Social security costs               | 2,921                                      | 2,679                                      |
| Other pension costs                 | 837  | 787  |
| Operational restructuring costs     | 549  | 351  |
|                                     | <u>28,140</u>                              | <u>26,908</u>                              |

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

|                                   | 2021<br>No. | 2020<br>No. |
|-----------------------------------|-------------|-------------|
| Administration and support        | 612         | 682         |
| Sales, marketing and distribution | 15          | 17          |
|                                   | <u>627</u>  | <u>699</u>  |

# Warner Bros. Studios Leavesden Limited

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

### 6 Interest receivable and similar income

|  | Year ended<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2020<br>£ 000 |
|--|--|--|
| Interest receivable and similar income | -  | 14   |

### 7 Interest payable and similar expenses

|                  | Year ended<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2020<br>£ 000 |
|------------------|--|--|
| Interest payable | 302  | 54   |

### 8 Taxation

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

|  | Year ended<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2020<br>£ 000 |
|--|--|--|
| <i>Current tax:</i>  |  |  |
| Current tax at 19% (2020 - 19%)                              | 8,865                                      | 1,529                                      |
| Tax (over) provided in previous years                        | (160)                                      | (439)                                      |
| Double taxation relief                                       | (14)                                       | -  |
| Overseas tax suffered  | 14   | -  |
| Total current tax charge                                     | 8,705                                      | 1,090                                      |
| <i>Deferred tax:</i>   |  |  |
| Origination and reversal of timing differences               | 1,413                                      | 894  |
| Charge due to change in tax rate                             | 3,012                                      | 782  |
| (Over) provision for prior years                             | (189)                                      | (7,085)                                    |
| Total deferred taxation                                      | 4,236                                      | (5,409)                                    |
| Total tax on profit on ordinary activities (note 8(b) below) | 12,941                                     | (4,319)                                    |

# Warner Bros. Studios Leavesden Limited

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

### 8 Taxation (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<br>31 December<br>2021<br>£ 000 | Year ended<br>31 December<br>2020<br>£ 000 |
|---|--|--|
| Profit before tax                               | 46,105                                     | 6,316                                      |
| Corporation tax at standard rate                | 8,760                                      | 1,200                                      |
| Factors affecting charge:                       |  |  |
| Disallowable expenses                           | 1,192                                      | 1,419                                      |
| Non qualifying depreciation                     | 1,700                                      | 1,333                                      |
| Tax (over) provided in previous years           | (350)                                      | (7,524)                                    |
| Group relief received for nil consideration     | (1,373)                                    | (1,529)                                    |
| Impact of change of rate of tax                 | 3,012                                      | 782  |
| Total tax charge/(credit) (see note 8(a) above) | 12,941                                     | (4,319)                                    |

#### c) Deferred tax:

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

|  | 31 December<br>2021<br>£ 000 | 31 December<br>2020<br>£ 000 |
|--|------------------------------|------------------------------|
| Included in provisions for liabilities | (12,550)                     | (8,314)                      |
| Analysed as:                           |                              |                              |
| Accelerated capital allowances         | (12,805)                     | (8,491)                      |
| Short term timing differences          | 213                          | 148                          |
| Pension costs                          | 42                           | 29                           |
|  | (12,550)                     | (8,314)                      |



# Warner Bros. Studios Leavesden Limited

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

### 8 Taxation (continued)

Analysis of movement in deferred tax:

|                                    |                 |
|------------------------------------|-----------------|
| Balance at start of period         | (8,314)         |
| Charged to profit and loss account | (4,236)         |
| At end of period                   | <u>(12,550)</u> |

The net reversal of deferred tax expected to occur in the following year is an increase of £868,000. 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 effect of this rate rise on the deferred tax balance is reflected in these accounts.

### 9 Intangible assets

|                           | Intangible<br>Investment<br>£ 000 | Goodwill<br>£ 000 | Total<br>£ 000 |
|---------------------------|-----------------------------------|-------------------|----------------|
| <b>Cost or valuation</b>  |                                   |                   |                |
| At 31 December 2020       | <u>2,400</u>                      | <u>41,934</u>     | <u>44,334</u>  |
| At 31 December 2021       | <u>2,400</u>                      | <u>41,934</u>     | <u>44,334</u>  |
| <b>Amortisation</b>       |                                   |                   |                |
| At 31 December 2020       | <u>2,400</u>                      | <u>15,043</u>     | <u>17,443</u>  |
| Amortised during the year | <u>-</u>                          | <u>6,134</u>      | <u>6,134</u>   |
| At 31 December 2021       | <u>2,400</u>                      | <u>21,177</u>     | <u>23,577</u>  |
| <b>Carrying amount</b>    |                                   |                   |                |
| At 31 December 2021       | <u>-</u>                          | <u>20,757</u>     | <u>20,757</u>  |
| At 31 December 2020       | <u>-</u>                          | <u>26,891</u>     | <u>26,891</u>  |

# Warner Bros. Studios Leavesden Limited

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

### 10 Tangible fixed assets

|                          | Land and<br>buildings<br>£ 000 | Furniture,<br>fittings and<br>equipment<br>£ 000 | Motor<br>vehicles<br>£ 000 | Total<br>£ 000 |
|--------------------------|--------------------------------|--|----------------------------|----------------|
| <b>Cost or valuation</b> |                                |  |                            |                |
| At 31 December 2020      | 311,354                        | 73,937   | 1,470                      | 386,761        |
| Additions                | 12,859                         | 25,115   | -                          | 37,974         |
| Disposals                | (267)                          | (159)  | (41)                       | (467)          |
| At 31 December 2021      | 323,946                        | 98,893   | 1,429                      | 424,268        |
| <b>Depreciation</b>      |                                |  |                            |                |
| At 31 December 2020      | 48,254                         | 38,087   | 1,123                      | 87,464         |
| Charged during the year  | 10,424                         | 8,924  | 120                        | 19,468         |
| Disposals                | (89)                           | (150)  | (40)                       | (279)          |
| At 31 December 2021      | 58,589                         | 46,861   | 1,203                      | 106,653        |
| <b>Carrying amount</b>   |                                |  |                            |                |
| At 31 December 2021      | 265,357                        | 52,032   | 226                        | 317,615        |
| At 31 December 2020      | 263,100                        | 35,850   | 347                        | 299,297        |

Included within furniture, fittings and equipment is £9,582,435 (2020 - £3,760,224) and included within land and buildings is £3,286,459 (2020 - £33,619,732) of costs relating to assets in the course of construction. These will be depreciated once the assets are complete and ready for use.

### Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

|                                | 2021<br>£ 000 | 2020<br>£ 000 |
|--------------------------------|---------------|---------------|
| Fixtures, Fittings & Equipment | 8,851         | -             |

# Warner Bros. Studios Leavesden Limited

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

### 11 Investments

|                        | Investments<br>in subsidiary<br>undertakings/joint<br>venture<br>£ 000 |
|------------------------|--|
| <b>Cost</b>            |  |
| At 31 December 2020    | 7,072  |
| At 31 December 2021    | 7,072  |
| <b>Net book value:</b> |  |
| At 31 December 2021    | 7,072  |
| At 31 December 2020    | 7,072  |

### 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<br>rights and shares held |      |
|---|-------------------------|-----------------|--|------|
|   |                         |                 | 2021   | 2020 |
| Platform 9 ¾ K1ngs Cross Ltd              | England & Wales         | Ordinary shares | 100%   | 100% |
| Platform 9 ¾ Retail Ltd                   | England & Wales         | Ordinary Shares | 100%   | 100% |
| Entertainment Merchandise Ltd             | England & Wales         | Ordinary Shares | 100%   | 100% |
| London Film Experience (Baker Street) Ltd | England & Wales         | Ordinary shares | 100%   | 100% |
| London Film Museum (Covent Garden) Ltd    | England & Wales         | Ordinary shares | 100%   | 100% |
| Warner Bros. Theatres (UK) Limited        | England & Wales         | Ordinary Shares | 100%   | 100% |

# Warner Bros. Studios Leavesden Limited

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

### 11 Investments (continued)

#### Joint ventures

|                                       |                 |                               |       |       |
|---------------------------------------|-----------------|-------------------------------|-------|-------|
| Mike's Mobile Revue<br>London Limited | England & Wales | Class A<br>Ordinary<br>Shares | 29.6% | 29.6% |
|---------------------------------------|-----------------|-------------------------------|-------|-------|

#### Subsidiary undertakings

Platform 9 ¾ K1ngs Cross Ltd is not currently trading.  
Platform 9 ¾ Retail Ltd is not currently trading.  
Entertainment Merchandise Ltd is not currently trading.  
London Film Experience (Baker Street) Ltd is not currently trading.  
London Film Museum (Covent Garden) Ltd is not currently trading.

#### Joint ventures

##### *Mike's Mobile Revue London Limited*

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

### 12 Stocks

|                                     | 31 December<br>2021<br>£ 000 | 31 December<br>2020<br>£ 000 |
|-------------------------------------|------------------------------|------------------------------|
| Work in progress                    | 40,516                       |                              |
| Finished goods and goods for resale | 8,103                        | 11,020                       |
|                                     | <u>48,619</u>                | <u>11,020</u>                |

Included in the above balance is £39,291,689 (2020 - £nil) of costs relating to the construction of WBST Toyko - The Making of Harry Potter.

Included in the above balance is a provision for slow-moving and obsolete stock of £1,330,618 (2020 - £81,859) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The cost of stocks recognised as an expense in the year amounted to £10,563,000 (2020 - £6,344,000).

# Warner Bros. Studios Leavesden Limited

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

### 13 Debtors

|                                    | 31 December<br>2021<br>£ 000 | 31 December<br>2020<br>£ 000 |
|------------------------------------|------------------------------|------------------------------|
| <b>Due within one year</b>         |                              |                              |
| Trade debtors                      | 1,733                        | 859                          |
| Other debtors                      | 655                          | 655                          |
| Prepayments and accrued income     | 6,063                        | 8,079                        |
| Amounts owed by group undertakings | 22,048                       | 695                          |
|                                    | <u>30,499</u>                | <u>10,288</u>                |

Included within amounts owed by group undertakings is an amount of £2,300,000 in respect of an intercompany deposit with Time Warner London Limited (2020 - £nil). The deposit was interest bearing at market rate, being Barclays base rate minus 0.1%. The deposit was unsecured and repayable on demand.

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

### 14 Creditors

|                                       | 31 December<br>2021<br>£ 000 | 31 December<br>2020<br>£ 000 |
|---------------------------------------|------------------------------|------------------------------|
| <b>Due within one year</b>            |                              |                              |
| Trade creditors                       | 19,378                       | 14,942                       |
| Other creditors                       | 10,245                       | 1,294                        |
| Other taxes and social security costs | 1,091                        | 840                          |
| VAT payable                           | 4,392                        | 7,675                        |
| Corporation tax payable               | 10,166                       | 8,585                        |
| Accruals and deferred income          | 51,826                       | 38,143                       |
| Due to group undertakings             | 43,245                       | 10,676                       |
|                                       | <u>140,343</u>               | <u>82,155</u>                |

# Warner Bros. Studios Leavesden Limited

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

### 14 Creditors (continued)

Included within amounts owed to group undertakings is an amount of £nil in respect of an intercompany facility with Time Warner London Limited (2020 - £9,200,000). The facility is interest bearing at market rate, being Time Warner London's cost of funds plus an applicable margin, the margin being plus 1.25%. The facility is unsecured and has a maturity date of 31 December 2025.

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

### 15 Obligations under leases and hire purchase contracts

#### Finance leases

The company has entered a finance lease arrangement with a 3rd party for studio equipment. The lease term is for 36 months.

The total of future minimum lease payments is as follows:

|   | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---------------|---------------|
| Not later than one year                           | 3,255         | -             |
| Later than one year and not later than five years | 5,468         | -             |
|   | <u>8,723</u>  | <u>-</u>      |

#### Operating lease agreements where the company is lessee

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

|   | Land and buildings |               |
|---|--------------------|---------------|
|   | 2021<br>£ 000      | 2020<br>£ 000 |
| <b>Payments due:</b>                              |                    |               |
| Not later than one year                           | 4,761              | 3,586         |
| Later than one year and not later than five years | 11,635             | 8,112         |
| Later than five years                             | 20,385             | 11,706        |
|   | <u>36,781</u>      | <u>23,404</u> |

#### 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:

# Warner Bros. Studios Leavesden Limited

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

### 15 Obligations under leases and hire purchase contracts (continued)

|   | Land and buildings |              |
|---|--------------------|--------------|
|   | 2021               | 2020         |
|   | £ 000              | £ 000        |
| <b>Receipts due:</b>                              |                    |              |
| Not later than one year                           | 3,948              | 3,298        |
| Later than one year and not later than five years | 4,399              | 5,387        |
| Later than five years                             | 344                | 549          |
|   | <u>8,691</u>       | <u>9,234</u> |

### 16 Provisions for liabilities

|  | Dilapidation provision<br>£ 000 | Deferred tax provision<br>£ 000 | Total<br>£ 000 |
|--|---------------------------------|---------------------------------|----------------|
| At 31 December 2020                          | 781                             | 8,314                           | 9,095          |
| Arising during the year                      | -                               | 4,236                           | 4,236          |
| Asset Retirement Obligation (ARO) adjustment | <u>71</u>                       | <u>-</u>                        | <u>71</u>      |
| At 31 December 2021                          | <u>852</u>                      | <u>12,550</u>                   | <u>13,402</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 adjusted to its present value at the statement of financial position date. There was no unwinding of discount in current year due to the provision being re-assessed at its current estimate. There was an Asset Retirement Obligation (ARO) adjustment on a building.

### 17 Share capital

#### Issued, allotted, called up and fully paid

|                            | 31 December 2021  |                   | 31 December 2020  |                   |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
|                            | 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 2021 (continued)**

#### **18 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 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 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 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.

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

The total pension cost to the company in relation to both schemes for the year ended 31 December 2021 amounted to £837,000 (2020 - £787,000).

#### **19 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 £42,015,000 (2020 - £16,028,000).



## **Warner Bros. Studios Leavesden Limited**

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

#### **20 Related party transactions**

During the year income of £133,189 (2020 - £217,000) was invoiced to Wizarding World Digital Ltd a joint venture entity which is 50% owned by a fellow group undertaking. The year end debtor balance is £54,591 (2020 - £188,000). Transactions with the fellow group undertaking were carried out in the normal course of business.

#### **21 Ultimate parent undertaking**

The company's immediate parent undertaking is Time Warner Entertainment Limited, a company registered in England and Wales. Copies of Time Warner Entertainment Limited's financial statements can be obtained from 160 Old Street, London, England, EC1V 9BW.

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.