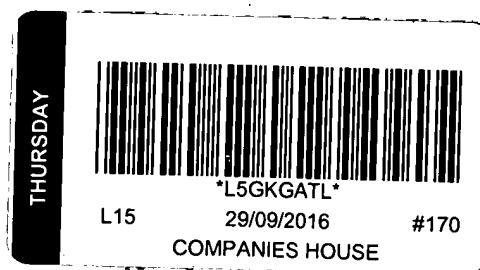


Warner Home Video (U.K.) Limited

Report and Financial Statements

31 December 2015



Warner Home Video (U.K.) Limited

Company registration number: 01907094

Directors

T H Creighton
P B de Crisnay

Registered Office

Warner House
98 Theobald's Road
London
WC1X 8WB

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Banker

Barclays Bank PLC
8/9 Hanover Square
London
W1A 4ZW

Warner Home Video (U.K.) Limited

Directors' report

Company registration number: 01907094

The directors present their annual report on the affairs of Warner Home Video (U.K.) Limited ("the company") together with the financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year after taxation amounted to £316,000 (2014 - £65,000).

No dividends were paid during the year (2014 - £nil).

Principal activity

The principal activity of the company is that of selling video game product and providing related services.

Going concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

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

T H Creighton

M Emanuele (resigned 31 March 2015)

S W Mertz (resigned 8 April 2015)

P B de Crisnay (appointed 8 April 2015)

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

Directors qualifying third party indemnity provisions

The company may indemnify one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 and the company may purchase insurance for this purpose. Time Warner Inc. has purchased a directors and officers liability insurance policy for the benefit of the company and its directors and such policy was in force during the year and is in force as at the date of approving the Directors' Report.

Disclosure of information to the auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

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

Small companies' exemption

In preparing the Directors' Report, the directors have taken advantage of the small companies' exemption under section 415(A) of the Companies Act 2006. The directors have also taken the exemption under section 414(B) not to prepare a Strategic Report.

On behalf of the Board



T H Creighton
Director

Date: 28/9/2016

Warner Home Video (U.K.) Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently; and
- make judgments and estimates that are reasonable and prudent.

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 Home Video (U.K.) Limited

Independent auditor's report to the members of Warner Home Video (U.K.) Limited

We have audited the financial statements of Warner Home Video (U.K.) Limited for the year ended 31 December 2015 which comprise the Income statement, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report and take advantage of the small companies' exemption in preparing the Directors' Report.



Neil Cullum (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

28/9/2016

Warner Home Video (U.K.) Limited

Income statement for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Administrative expenses		(3,518)	(3,737)
		(3,518)	(3,737)
Other operating income	2	3,836	3,805
Operating profit	2	318	68
Interest receivable and similar income	5	1	-
Interest payable and similar charges	6	-	(2)
Profit on ordinary activities before taxation		319	66
Taxation on profit on ordinary activities	7	(3)	(1)
Profit for the financial year		316	65

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.

Warner Home Video (U.K.) Limited

Statement of changes in equity for the year ended 31 December 2015

	Share capital €'000	Equity share based payments €'000	Profit and loss account €'000	Total shareholder's funds €'000
At 1 January 2014	7,000	26	1,086	8,112
Profit for the financial year	-	-	65	65
Stock options and RSU's exercised	-	(57)	-	(57)
At 31 December 2014	7,000	(31)	1,151	8,120
At 1 January 2015	7,000	(31)	1,151	8,120
Profit for the financial year	-	-	316	316
Stock options and RSU's exercised	-	(7)	-	(7)
At 31 December 2015	7,000	(38)	1,467	8,429

Equity-settled share-based payments reserve

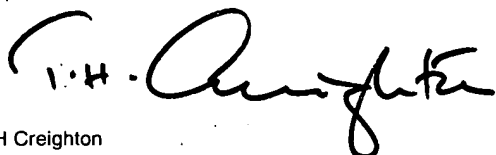
This reserve records all current and prior year employee related equity settled share based payment transactions.

Warner Home Video (U.K.) Limited

Statement of financial position at 31 December 2015

	Notes	31 December 2015 €'000	31 December 2014 €'000
Current assets			
Debtors	8	6,597	5,967
Cash at bank and in hand		2,926	3,585
		<u>9,523</u>	<u>9,552</u>
Creditors: amounts falling due within one year	9	(1,093)	(1,426)
Net current assets		<u>8,430</u>	<u>8,126</u>
Total assets less current liabilities		8,430	8,126
Provisions for liabilities	10	(1)	(6)
Net assets		<u>8,429</u>	<u>8,120</u>
Capital and reserves			
Called up share capital	11	7,000	7,000
Equity-settled share-based payments reserve		(38)	(31)
Profit and loss account		1,467	1,151
Total shareholder's funds		<u>8,429</u>	<u>8,120</u>

Approved by the Board and signed on its behalf by:



T H Creighton
Director

Date: 28/9/2016

Warner Home Video (U.K.) Limited

Notes to the financial statements at 31 December 2015

1 Accounting policies

a) Statement of compliance

Warner Home Video (U.K.) Limited is a limited liability company incorporated in England. The Registered Office is 98 Theobald's Road, London, WC1X 8WB.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2015.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 15.

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 euro which is the functional currency of the company and rounded to the nearest €'000.

The company has taken advantage of the exemption from the requirement to prepare consolidated financial statements available under s401 of the Companies Act 2006, as it is a wholly-owned subsidiary undertaking of Time Warner Inc., a company incorporated in the United States of America, which prepares publicly available consolidated financial statements (see note 14).

Statement of cash flows

The company has taken advantage of the exemption in FRS 102.1.12(b) Reduced disclosures for subsidiaries. A statement of cashflows has not been prepared as the company is a member of a group where the parent, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 14).

Related parties

The company has taken advantage of the exemption in FRS 102.1.12(e) Reduced disclosures for subsidiaries. Key management remuneration has not been disclosed as the company is a member of a group where the parent, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 14).

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 Time Warner Inc., which prepares publicly available consolidated financial statements (see note 14).

Share based payments

The company has taken advantage of the exemption in FRS 102.1.12(d) Reduced disclosures for subsidiaries. Certain share based payment transactions have not been presented as the company is a member of a group where the parent, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 14).

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 judgment 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 12 for further details.

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 7.

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 Home Video (U.K.) Limited

Notes to the financial statements at 31 December 2015

1 Accounting policies (continued)

d) Significant accounting policies

Pensions

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

The company is one of the sponsoring employers of the Time Warner UK Pension Plan, which is a defined benefit scheme. The assets of the Plan are held in a separately administered fund.

The contribution rate for each employer does not reflect the individual experience of the company's members in isolation, as it is not possible to identify accurately or consistently from year to year the share of pension assets relating to the company. Consequently the company has accounted for its contributions to the plan as if it were a defined contribution scheme. Contributions to the fund of the defined benefit scheme are charged to the income statement as they become payable.

The Time Warner UK Pension Plan was closed to new entrants with effect from 1 April 2010 from which time membership of The Time Warner Money Purchase Pension Plan, a defined contribution plan, is available. Contributions to the defined contribution plan are recognised in the income statement in the period in which they become payable. With effect from 1 April 2011, the Time Warner UK Pension Plan closed to future benefits accruals.

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.

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.

Share based payments

Certain employees of the company have been granted options to purchase shares in the company's ultimate parent undertaking, Time Warner Inc. Such options have been granted with exercise prices equal to, or in excess of, the fair market value at the date of grant. The options are denominated in US\$ and vest evenly over a four year period and expire ten years from the date of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The cost of the option is measured by reference to this fair value and is recognised as an expense over the vesting period. Adjustments are made to the fair values to reflect the likelihood that options will not be exercised due to non-market conditions such as employees leaving the company. These estimates are reviewed annually and the original charge revised when appropriate.

Certain employees of the company have been granted restricted stock units ("RSUs") in Time Warner Inc. The RSUs vest 50% 3 years after the date of grant and 50% 4 years after the date of grant. When the RSUs vest the employee receives shares in Time Warner Inc. at no cost to themselves. The fair value of each RSU is the Time Warner Inc. share price on the date of grant. The cost of the RSU is measured by reference to this fair value and is recognised as an expense over the vesting period. Adjustments are made to the fair values to reflect the likelihood that RSUs will not be exercised due to non-market conditions such as employees leaving the company. These estimates are reviewed annually and the original charge revised when appropriate.

2 Operating profit

This is stated after charging/(crediting):

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Auditor's remuneration - audit of the financial statements	30	19
Foreign exchange (gain)/loss	(112)	155

Included within operating profit is other operating income of €3,836,000 (2014 - €3,805,000) which is mainly management fee income generated from within the Time Warner Group.

Warner Home Video (U.K.) Limited

Notes to the financial statements at 31 December 2015

3 Directors' remuneration

The directors received no remuneration from the company for their services to the company during the current or prior year. The directors of the company were paid by fellow group undertakings in the current and prior year.

4 Staff costs

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Wages and salaries	1,964	1,836
Equity-settled share based payments	(5)	(3)
Social security costs	204	193
Other pension costs (see note 12)	178	179
	<u>2,341</u>	<u>2,205</u>

The average monthly number of employees during the year was 27 (2014 - 30), all of whom were engaged in administration and sales.

5 Interest receivable and similar income

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Interest receivable from group undertakings	1	-
	<u>1</u>	<u>-</u>

6 Interest payable and similar charges

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Interest payable to group undertakings	-	2
	<u>-</u>	<u>2</u>

Warner Home Video (U.K.) Limited

Notes to the financial statements at 31 December 2015

7 Taxation on profit on ordinary activities

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

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
<i>Current tax:</i>		
UK corporation tax		
Current tax at 20.25% (2014 - 21.5%)	-	-
Total current tax	-	-
<i>Deferred tax:</i>		
Origination and reversal of timing differences	3	1
Total deferred tax charge	3	1
Total tax charge on profit on ordinary activities	3	1

b) Factors affecting the total tax charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20.25% (2014 - 21.5%).

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

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Profit on ordinary activities before taxation	319	66
Taxation on profit on ordinary activities at standard rate	65	14
Factors affecting the tax charge:		
Disallowable expenses	(2)	4
Group relief received for nil consideration	(56)	(12)
Other differences	(4)	(5)
Total tax charge (see note 7(a) above)	3	1

Warner Home Video (U.K.) Limited

Notes to the financial statements at 31 December 2015

7 Taxation on profit on ordinary activities (continued)

c) Deferred tax

Deferred tax is provided at 18% (2014 - 20%) in the statement of financial position as follows:

	31 December 2015 €'000	31 December 2014 €'000
Included in debtors (see note 8)		3
Analysed as:		
Short term timing differences		3
Analysis of movement in deferred tax:		
		Total €'000
At 31 December 2014		3
Charged to income statement (see note 7(a) above)		(3)
At 31 December 2015		
d) Factors affecting future tax charges		

The Finance Act 2013 included legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015, enacted on 18 November 2015, included two changes to the future mainstream corporation tax rate. From 1 April 2017 the rate will reduce from 20% to 19% and from 1 April 2020 the rate will reduce further to 18%. The effect of these changes on the deferred tax balance is reflected in these accounts.

The Finance Act 2016, enacted on 15 September 2016, included a further rate change. The 18% rate enacted in the Finance (No. 2) Act 2015 will reduce by 1%, so that from 1 April 2020, the mainstream corporation tax rate will become 17%. As this change was not substantively enacted at the balance sheet date, it is not reflected in the figures in these accounts.

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

Warner Home Video (U.K.) Limited

Notes to the financial statements at 31 December 2015

8 Debtors

	31 December 2015 €'000	31 December 2014 €'000
Trade debtors	2,700	3,871
Prepayments and accrued income	1,999	265
Amounts owed by group undertakings	1,898	1,828
Deferred tax asset (see note 7(c))	-	3
	<u>6,597</u>	<u>5,967</u>

9 Creditors: amounts falling due within one year

	31 December 2015 €'000	31 December 2014 €'000
Trade creditors	129	250
Other creditors	32	9
Other taxes and social security costs	31	25
VAT payable	31	116
Accruals and deferred income	185	899
Amounts owed to group undertakings	685	127
	<u>1,093</u>	<u>1,426</u>

10 Provisions for liabilities

	National Insurance on share options €'000
At 31 December 2014	6
Arising during the year	(5)
At 31 December 2015	<u>1</u>

Provision has been made for National Insurance contributions on share options awarded under unapproved share option schemes, which are expected to be exercised. The provision has been calculated for share options based on the difference between the year end share price of \$64.67 and the weighted average exercise price of outstanding shares of \$39.77, is being allocated over the period from the date of award to the date the employee will become unconditionally entitled to the options.

Warner Home Video (U.K.) Limited

Notes to the financial statements at 31 December 2015

11 Called up share capital

	Issued, allotted, called up and fully paid			
	31 December 2015 Number	31 December 2015 €	31 December 2014 Number	31 December 2014 €
Ordinary shares of £1 each	100	103	100	103
Ordinary shares of €1 each	7,000,000	7,000,000	7,000,000	7,000,000
	<u>7,000,100</u>	<u>7,000,103</u>	<u>7,000,100</u>	<u>7,000,103</u>

There are no restrictions on the distribution of dividends and repayment of capital on both ordinary shares of £1 and €1 each.

12 Pensions

The Time Warner UK Pension Plan ("TWUK PP") is a multi-employer defined benefit plan. The total overall combined contribution rate from employers to TWUK PP will vary depending on the experience of the plan and hence any surplus or deficit in the plan will be revealed when actuarial valuations are completed from time to time. Following the actuarial valuation as at 5 April 2014, the contributions rate payable by the company has been set based on discussions among the participating companies, so that the total contributions from all employers equal the required funding rate.

The TWUK PP was closed to new entrants with effect from 1 April 2010 from which time membership of The Time Warner Money Purchase Pension Plan, a new defined contribution scheme, is available. With effect from 1 April 2011, TWUK PP was closed to future benefits accrual. The assets of TWUK PP are invested as a whole and are not segregated by the participating employer. Consequently information concerning that part of TWUK PP's assets attribution to the company is not available.

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

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 2014 and 31 December 2015, on a FRS 102 section 28 basis and before any related deferred tax, the scheme was in surplus.

Further information concerning both schemes can be found in the report and financial statements of Time Warner Limited, the sponsoring employer, which are available from the Company Secretary, 16 Great Marlborough Street, London W1F 7HS.

The total pension cost to the company in relation to both schemes for the year ended 31 December 2015 amounted to €178,000 (2014 – €179,000).

13 Contingent liability

The company has entered into a group composite accounting agreement with its bankers. The terms of the agreement permit the bankers, without notice, to draw down funds deposited into the system, and to offset borrowings drawn down from the system by other group members who are also parties to these arrangements. At the statement of financial position date, funds deposited by the company into the system, and potentially at risk to cover liabilities elsewhere in the group, amounted to €2,726,000 (2014 – €3,598,000).

14 Ultimate parent undertaking

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

At 31 December 2015, Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of Time Warner Inc.'s financial statements can be obtained from One Time Warner Center, New York, NY 10019, USA.

15 Transition to FRS 102

There have been no adjustments to the financial statements of the company as a result of the transition to FRS 102 and hence no reconciliations have been prepared.