

Turner Broadcasting System Europe Limited

Report and Financial Statements

31 December 2007

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COMPANIES HOUSE

Turner Broadcasting System Europe Limited

Registered No 1927955

Directors

I Fitje (resigned 31 January 2007)

J Kupsky

N Richards (resigned 30 March 2007)

Z Ratajova

L Sams

Secretary

C Groves

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Bankers

Barclays Bank PLC

PO Box 544

1st Floor

54 Lombard Street

London EC3V 9EX

Solicitors

C Groves

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16 Great Marlborough Street

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Registered Office

Turner House

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Directors' report

The directors present their report and the financial statements of the company for the year ended 31 December 2007

Business review and principal activities

Turner Broadcasting System Europe Ltd (TBSEL) is a wholly owned subsidiary of Turner Broadcasting System Holdings (Europe) Limited, a company registered in England and Wales. Time Warner Holdings Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which group financial statements are drawn up.

The company's principal activities are

- the licensing of the television networks of Turner Broadcasting System Inc, a 24 hour news programme and Turner Entertainment Networks International Limited, a cartoon, entertainment and classic movie network,
- the provision of advertising representative services to group undertakings, and
- the provision of management services to group undertakings

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Results and dividends

The company's profit for the year was €20,629,444 (2006 – €19,700,651 profit). A dividend of €nil was paid in the year to Turner Broadcasting System Holdings (Europe) Limited (2006 – €17,000,000).

The directors consider that key performance indicators are not necessary for an understanding of the development, performance or position of the business due to the fact that the success of the business is measured as part of Time Warner Holdings Ltd.

Principal risks and uncertainties

The media industry in the UK and Europe is subject to substantial competitive pressure and rapid technological change, and this is a continuing risk for the company, which could result in loss of sales and increased costs. The company manages this risk by monitoring market trends, and developing new methods of media distribution.

Sales and expenditures are made in many currencies other than the Euro and the company is therefore exposed to exchange rate movements. The group's treasury function takes out contracts to manage this risk at group level.

The risks and uncertainties of the company are integrated with the risks of the group and are not managed separately.

Directors' report

Directors and their interests

The directors who served during the year ended 31 December 2007 were as follows

I Fitje (resigned 31 January 2007)

J Kupsky

N Richards (resigned 30 March 2007)

Z Ratajova

L Sams

The directors do not have any interests, which are required to be disclosed under Schedule 7 of the Companies Act 1985

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 1985 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 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 auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234za of the Companies Act 1985

Auditors

Ernst & Young LLP will be reappointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 of the Companies Act 1985

By order of the Board



Secretary

10 April 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records that 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 1985. 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

So far as each Director is aware, there is no relevant audit information (as defined in S244ZA(3) of the Companies Act 1985) of which the company's auditors are unaware, and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of, and to establish that the auditors are aware of, any relevant audit information

Independent auditors' report

to the members of Turner Broadcasting System Europe Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors are responsible for the preparation of the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

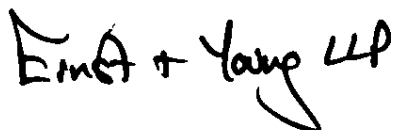
Independent auditors' report

to the members of Turner Broadcasting System Europe Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Ernst & Young LLP
Registered Auditor
London
10 April 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 €	2006 €
Turnover	2	228,494,092	213,442,521
Cost of sales		(149,954,193)	(139,764,532)
Gross Profit		<u>78,539,899</u>	<u>73,677,989</u>
Administrative expenses		(51,605,909)	(47,901,421)
Operating Profit	3	<u>26,933,990</u>	<u>25,776,568</u>
Interest receivable	6	1,785,686	1,825,459
Interest payable	7	(1,448)	(1,948)
Dividends receivable	8	127,461	1,109,572
Profit on ordinary activities before taxation		<u>28,845,689</u>	<u>28,709,651</u>
Tax on profit on ordinary activities	9	(8,216,245)	(9,009,000)
Profit for the financial year transferred to reserves		<u><u>20,629,444</u></u>	<u><u>19,700,651</u></u>

The notes on pages 10 to 21 form part of these accounts

Statement of total recognised gains and losses

for the year ended 31 December 2007

	2007 €	2006 €
Retained profit for the financial year	20,629,444	18,905,995
Total gains and losses recognised since last financial statements	<u>20,629,444</u>	<u>18,905,995</u>

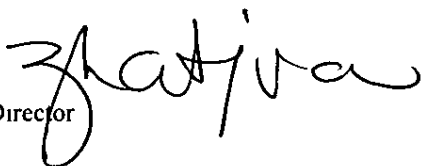
The notes on pages 10 to 21 form part of these accounts

Balance sheet

at 31 December 2007

	Notes	2007 €	2006 €
Fixed assets			
Tangible assets	10	12,158,768	15,276,993
Investments	11	12,680,344	7,792,466
		<u>24,839,112</u>	<u>23,069,459</u>
Current assets			
Stock		108,826	97,401
Debtors	12	129,429,255	112,487,140
Cash at bank and in hand		7,078,361	5,326,088
		<u>136,616,442</u>	<u>117,910,629</u>
Creditors: amounts falling due within one year	13	(70,905,223)	(70,981,071)
Net current assets		<u>65,711,219</u>	<u>46,929,558</u>
Total assets less current liabilities		<u>90,550,331</u>	<u>69,999,017</u>
Creditors: amounts falling due after more than one year	14	(867,327)	(1,203,096)
Provision for liabilities and charges	15	(3,478,477)	(3,455,994)
Net Assets		<u>86,204,527</u>	<u>65,339,927</u>
Capital and reserves			
Called up share capital	17,18	126	126
Other reserves	18	1,612,278	1,377,122
Profit and loss account	18	84,592,123	63,962,679
Equity shareholders' funds	18	<u>86,204,527</u>	<u>65,339,927</u>

The notes on pages 10 to 21 form part of these accounts


Director

10 April 2008

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The company's earning streams are predominately Euro denominated. It is therefore appropriate to treat the Euro as the company's functional currency.

Foreign currencies

Monetary assets and liabilities are remeasured into Euros at rates of exchange prevailing at the balance sheet date. Non-monetary items denominated in currencies other than Euros are converted into Euros using the exchange rate at the date of the transaction. Profit and loss accounts are converted into Euros using average rates of exchange. All exchange gains or losses on settlement or remeasurement at closing rates of exchange of monetary assets and liabilities are included in the determination of profit for the year.

Going Concern

The financial statements are prepared on a going concern basis.

Turnover

Turnover is primarily generated from the company's principal activities and represents the value of services provided during the year in the normal course of business net of value added tax. The unearned portion is recorded as deferred income. The company's activities are based primarily in the UK, Europe, Africa and the Middle East.

Depreciation

All tangible fixed assets are depreciated over their estimated useful economic life on a straight-line basis.

The annual rates of depreciation are:

Leasehold improvements	–	The shorter of 7 years or the remaining term of the lease
Computer equipment	–	3 years
Operating equipment	–	5 years
Furniture and fixtures	–	5 years

Investments

Investments are shown at historic cost. An associated undertaking (associate) is an entity in which the company has a long-term equity interest and over which it exercises significant influence. Associated undertakings are accounted for by the cost method as per FRS9. Investments in subsidiary undertakings are stated in the balance sheet at cost less provision for impairment.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax balances are not discounted.

Operating leases

The company enters into operating leases. Rentals under operating leases are charged to the profit and loss account, as incurred, over the terms of the leases.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition on a first-in, first-out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

at 31 December 2007

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Share based payment

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. For the purpose of applying FRS 20 the fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. 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.

Notes to the financial statements

at 31 December 2007

2. Turnover

The geographical source of the turnover of the company is as follows

	2007 €	2006 €
UK	54,719,462	57,221,307
Europe	141,766,917	124,462,417
Africa and Middle East	13,642,765	14,123,121
Rest of the world	18,364,948	17,635,676
	<u>228,494,092</u>	<u>213,442,521</u>

Turnover is all attributable to continuing activities

3. Operating Profit

Operating profit on ordinary activities before taxation is stated after charging

	2007 €	2006 €
Depreciation of owned fixed assets	6,092,863	7,197,977
Foreign exchange loss	1,659,279	1,312,946
Operating lease rentals – Plant and Machinery	342,401	215,908
Operating lease rentals – Other	5,055,358	5,374,444
Auditors remuneration	249,856	261,584
	<u>13,499,757</u>	<u>15,362,859</u>

The audit fee for the current period was €118,964 (2006 - €122,524) The total included in the table above includes audit fees paid on behalf of other group companies, for whom Turner Broadcasting System Europe Limited bears the cost There were no fees payable to the auditors for non-audit services in the current or prior year

4. Directors' emoluments

Directors' emoluments (including pension contributions) were as follows

	2007 €	2006 €
Total emoluments		
Salaries and benefits	1,736,860	1,431,588
Pensions	42,944	67,157
	<u>1,779,804</u>	<u>1,498,745</u>

The total emoluments of the highest paid director were €1,055,499 (2006 - €505,895), of which €18,809 (2006 - €33,835) related to pension contributions During the year €nil (2006 - €nil) was paid to the directors in respect of a long term incentive plan, and the net value of assets received by directors in such schemes was €nil (2006 - €nil) Two directors were members of a money purchase pension scheme (2006 - two)

During the year, no directors exercised share options (2006 - two)

Notes to the financial statements

at 31 December 2007

5. Staff costs

	2007 €	2006 €
Wages and salaries	20,281,919	18,844,090
Social security costs	3,477,385	2,491,035
Other pension costs	650,658	556,609
Equity settled share options (note 19)	64,248	493,836
	<u>24,474,210</u>	<u>22,385,570</u>

The average number of employees during the year was 211 (2006 – 208) All employees are primarily based in the UK

6. Interest receivable

	2007 €	2006 €
Third party interest	584,486	1,089,420
Receivable from group undertaking	1,201,200	736,039
	<u>1,785,686</u>	<u>1,825,459</u>

7. Interest payable

There has been interest payable of €1,448 (2006 – €1,948) in respect of miscellaneous third party interest during the year

8. Dividends receivable

The company received a dividend of €127,461 in the year from Turner Broadcasting International Limited (2006 - €1,109,572)

Notes to the financial statements

at 31 December 2007

9. Tax on profit on ordinary activities

	2007 €	2006 €
a) The charge based on the results for the period is as follows		
<u>Taxation based on the profit for the period</u>		
Corporation tax payable at 30%	6,557,426	9,057,161
Double taxation relief	(5,715,428)	(5,807,695)
Group relief payments	2,523,000	666,000
Under /(over) provision for prior years	(354,311)	(347,161)
Overseas tax suffered	5,715,428	5,807,695
Total current tax charge	8,726,115	9,376,000
<u>Deferred tax</u>		
Timing differences, origination and reversal	(686,870)	(367,000)
Due to changes in tax rates	177,000	-
Total deferred tax	(509,870)	(367,000)
Total tax charge on profit on ordinary activities	8,216,245	9,009,000

b) Circumstances affecting current charge

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 30% (2006 - 30%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

	2007 €	2006 €
Profit on ordinary activities before tax	28,845,689	28,709,651
Tax on profit on ordinary activities at standard rate	8,653,707	8,612,895
Factors affecting charge -		
Disallowable expenses	163,619	143,666
Depreciation in excess of capital allowances	574,800	740,100
Non-taxable income	(38,100)	-
Other timing differences	243,600	252,000
Utilisation of brought forward losses	(517,200)	(25,500)
Tax over provided in previous years	(354,311)	(347,161)
Total current tax (note (a))	8,726,115	9,376,000

Notes to the financial statements

at 31 December 2007

10. Tangible fixed assets

	<i>Motor Vehicles</i>	<i>Leasehold improvement</i>	<i>Computer equipment</i>	<i>Fixtures fittings and equipment</i>	<i>Total</i>
	€	€	€	€	€
Cost					
At 31 December 2006	89,249	18,374,767	16,068,181	5,823,594	40,355,791
Additions	-	785,024	2,312,061	175,880	3,272,965
Disposals	(89,249)	(63,577)	(214,345)	-	(367,171)
At 31 December 2007	-	19,096,214	18,165,897	5,999,474	43,261,585
Accumulated depreciation					
At 31 December 2006	34,212	8,872,370	12,121,836	4,050,380	25,078,798
Provided during the year	10,412	3,077,952	2,479,293	525,206	6,092,863
Disposals	(44,624)	(24,220)	-	-	(68,844)
At 31 December 2007	-	11,926,102	14,601,129	4,575,586	31,102,817
Net book value					
At 31 December 2007	-	7,170,112	3,564,768	1,423,888	12,158,768
At 31 December 2006	55,037	9,502,397	3,946,345	1,773,214	15,276,993

There are no tangible fixed assets acquired under finance leases at the year end

11. Investments

	<i>Investments in subsidiary undertaking</i>	<i>Investments in associated undertaking</i>	<i>Other investments</i>	<i>Total</i>
	€	€	€	
Cost				
At 1 January 2007	2,645,898	5,146,568	-	7,792,466
Addition	7,970	4,900,000	848	4,908,818
Disposals	(20,940)	-	-	(20,940)
At 31 December 2007	2,632,928	10,046,568	848	12,680,344

Notes to the financial statements

at 31 December 2007

Subsidiary undertakings

Turner Broadcasting System Europe Limited holds 100% interest in the following incorporated companies, except where indicated

<i>Company</i>	<i>Incorporated in</i>
Turner Broadcasting System Deutschland GmbH	Germany
Turner Broadcasting System Sweden AB	Sweden
Turner Broadcasting System France SAS	France
Turner Broadcasting System Espagna SA	Spain
Turner Broadcasting System Nederland BV	Netherlands
Turner Broadcasting System Denmark ApS	Denmark
Turner Broadcasting System Italia Srl	Italy
TNT Televizyon Produksiyon Ltd Sti	Turkey *

* Holds 99% interest

In 2007, the investment in Turner Broadcasting System Italia Srl was transferred to the company from Turner Broadcasting International Limited and the company's 99% interest in Turner Broadcasting International Limited was written off. Turner Broadcasting System Europe Limited also acquired a 99% interest in TNT Televizyon Produksiyon Ltd Sti.

The companies listed above carry out marketing services and consultancy in relation to distribution licensing and an ad sales function is carried on by Turner Broadcasting System Italia Srl, Turner Broadcasting System Deutschland GmbH, Turner Broadcasting System France SAS and Turner Broadcasting System Denmark ApS. Turner Broadcasting System Nederland BV is a non-operating company.

Group financial statements have not been prepared as the company has taken advantage of the dispensation available to wholly owned subsidiary undertakings where group financial statements have been prepared by a European Union parent undertaking (note 23).

Associated undertaking

Turner Broadcasting System Europe Limited holds 49% interest in BOING SpA, a company incorporated in Italy. The company operates an Italian television channel for children. During the year the company made a further capital contribution into BOING SpA of €4.9 million.

Other investments

In 2007, Turner Broadcasting System Europe Limited acquired a 100% interest in Shoppings Ltd, a non-operating company incorporated in the United Kingdom.

Notes to the financial statements

at 31 December 2007

12. Debtors

	2007 €	2006 €
Trade debtors	44,839,792	45,408,300
Amounts owed by group undertakings	78,031,144	61,332,769
Other debtors	677,735	327,819
Prepayments	2,623,406	2,787,120
Corporation tax receivable	462,532	482,564
Group relief receivable	331,646	-
Deferred tax (see note 16)	2,463,000	2,148,568
	<u>129,429,255</u>	<u>112,487,140</u>

There are no amounts receivable after more than one year included in amounts owed by group undertakings (2006 – €nil) Included in amounts owed by group undertakings above is €51,067,654 (2006 - €32,382,781) owed by a fellow group undertaking, drawn from a loan facility of €59,711,678 (US\$70,000,000) established 19 November 2003 Amounts receivable under this facility are receivable immediately upon notice from either party

13. Creditors: amounts falling due within one year

	2007 €	2006 €
Trade creditors	5,219,901	2,688,786
Amounts owed to group undertakings	42,889,943	48,282,571
Other creditors including taxation and social security	8,505,875	8,099,897
Accruals and deferred income	10,337,097	9,212,121
Group relief payable	3,110,407	666,000
Corporation tax payable	842,000	2,031,696
	<u>70,905,223</u>	<u>70,981,071</u>

14. Creditors: amounts falling due after more than one year

Included in creditors amounts falling due greater than one year is €867,327 (2006 – €1,203,096) relating to a rent-free period This is being released to the profit and loss account over the term of the lease

Notes to the financial statements

at 31 December 2007

15. Provision for liabilities and charges

	<i>National Insurance On Share Options</i>	<i>Property</i>	<i>Total</i>
	€	€	€
At 31 December 2006	251,938	3,204,056	3,455,994
Provided for during the year	(203,855)	226,338	22,483
At 31 December 2007	<u>48,083</u>	<u>3,430,394</u>	<u>3,478,477</u>

The property provision is for building dilapidations

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 based on the difference between the year end share price of €11.28 and the weighted average exercise price of outstanding shares of €14.90 and is being allocated over the period from the date of award to the date the employee will become unconditionally entitled to the options.

16. Deferred taxation

	2007 €	2006 €
The deferred tax included in the balance sheet is as follows		
Included in debtors	2,463,000	2,148,568
Accelerated capital allowances	870,000	619,000
Short term timing difference	1,593,000	1,529,568
Deferred tax asset	<u>2,463,000</u>	<u>2,148,568</u>
<u>Analysis of movement in deferred tax asset</u>	€	
At start of year	2,148,568	
Credited to profit and loss account	509,870	
Movement of foreign exchange on Sterling tax attributes	(195,438)	
At end of year	<u>2,463,000</u>	

The asset is not disclosed separately on the balance sheet. It appears in Note 12.

Notes to the financial statements

at 31 December 2007

17. Share capital

	2007 Number	2007 €	2006 Number	2006 €
Authorised Ordinary shares of £1 each	100	126	100	126
Alotted, called up and fully paid Ordinary shares of £1 each	100	126	100	126

18. Reconciliation of movements in shareholders' funds

	Share Capital	Equity Share Based Payment	Profit and Loss Account	Total Share- holders funds
	€	€	€	€
At 31 December 2006	126	1,377,122	63,962,679	65,339,927
Total recognised gains and losses	-	-	20,629,444	20,629,444
Reserve credit for share-based payment	-	235,156	-	235,156
At 31 December 2007	126	1,612,278	84,592,123	86,204,527

19. Share based payments

The number and weighted average exercise prices for the options granted over Time Warner Inc shares, including grants of options prior to 7 November 2002, are as follows

	2007 Number of Options	2007 Weighted average exercise price €	2006 Number of Options	2006 Weighted Average Exercise Price €
At 1 January	908,696	17 00	951,944	21 53
Granted	97,280	13 61	162,730	13 94
Forfeited	(18,578)	12 36	(119,778)	13 50
Exercised	(25,707)	9 85	(71,003)	10 44
Expired	(487,396)	27 26	(15,197)	22 50
At 31 December	474,295	14 03	908,696	18 98
Exercisable at 31 December	289,335	14 90	619,113	23 02

Notes to the financial statements

at 31 December 2007

19. Share based payments (continued)

	2007 €	2006 €
Weighted average share price for options exercised in the year	14 21	15 40

Details of the outstanding options at 31 December 2007 are as follows

Year of Grant	Number of options	Weighted average exercise price €	Exercise Period	
			From	To
2002	7,150	23 49	04/02/03	19/12/12
2003	121,350	17 78	14/02/04	15/12/13
2004	109,334	13 95	13/02/05	01/04/14
2005	65,762	14 36	18/02/06	18/02/15
2006	77,919	13 94	03/03/07	03/03/16
2007	92,780	13 61	02/03/08	15/10/17

For the purpose of applying FRS 20, the fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used

Year of Grant	Dividend yield %	Expected volatility %	Risk free interest rates %	Expected term (years)
2002	0 00	52 80	4 15	2 97
2003	0 00	54 30	2 54	3 12
2004	0 00	35 50	3 02	3 52
2005	0 10	24 40	3 90	4 79
2006	1 10	22 20	4 61	4 92
2007	1 10	22 10	4 39	5 24

The weighted average fair value of those options granted in 2007 was €3 75 (2006 €3 52) and the weighted average share price during the year was €13,87 (2006 €14 48). The expected volatility has been calculated using the implied volatilities based primarily on traded Time Warner Inc. options.

Notes to the financial statements

at 31 December 2007

19. Share based payments (continued)

The total charge to the profit and loss account in respect of share-based payments included within wages and salaries (see note 5) is

	2007 €	2006 €
Equity settled share options	64,147	493,836

20. Operating lease commitments

The company was committed to making the following annual payments in respect of operating leases

	Land and buildings €	Total 2007 €	Total 2006 €
Leases which expire			
Within one year	-	-	39,869
Between two to five years	-	-	-
After 5 years	5,783,976	5,783,976	5,736,842

21. Statement of cash flows

A statement of cash flows has been omitted as the company has taken advantage of the dispensation available under FRS 1 (Revised) to wholly owned subsidiary undertakings where a consolidated statement of cash flows has been prepared by the ultimate UK parent undertaking (note 23)

22. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose related party transactions with fellow subsidiary undertakings

23. Ultimate parent undertaking

The company's ultimate parent undertaking is Time Warner Inc, which is incorporated in the United States of America. Copies of its group financial statements, which include the company, are available from One Time Warner Center, New York, NY 10019

Time Warner Holdings Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which group financial statements are drawn up. Time Warner Holdings Limited is registered in England and Wales and copies of its financial statements may be obtained from the Registrar of Companies in Cardiff

The company's immediate parent undertaking is Turner Broadcasting System Holdings (Europe) Limited, a company incorporated in England and Wales