Turner Broadcasting System Europe Limited

Report and Financial Statements

31 December 2008

Registered No. 1927955

Directors
J Kupsky
Z Ratajova
L Sams

Secretary
C Groves

Auditors
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Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008.

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 transferred to reserves was €22,089,902 (2007 – €20,629,444). The directors do not recommend the payment of a dividend (2007 – €nil).

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

The directors who have served during the year ended 31 December 2008 and thereafter are as follows:

L Sams
Z Ratajova
J Kupsky

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/she ought to have taken as a director in order to make him/herself 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

C Cross

Secretary

16 April 2009

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 2008 which comprise the Profit and Loss Account, 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' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2008 and of its profits 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

Ernst & Young LLP

Registered auditor

London

17 April 2009

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 €	2007 €
Turnover	2	222,108,937	228,494,092
Cost of sales		(154,965,201)	(149,954,193)
Gross Profit		67,143,736	78,539,899
Administrative expenses		(37,730,345)	(51,605,909)
Operating Profit	3	29,413,391	26,933,990
Interest receivable	6	1,995,012	1,785,686
Interest payable and similar charges	7	(1,549)	(1,448)
Dividends receivable	8	-	127,461
Profit on ordinary activities before taxation		31,406,854	28,845,689
Tax on profit on ordinary activities	9	(9,316,952)	(8,216,245)
Profit for the financial year transferred to reserves		22,089,902	20,629,444

Turnover is all attributable to continuing activities.

The company had no recognised gains or losses during the year other than those reflected in the profit and loss account.

The notes on pages 9 to 21 form part of these accounts.

Balance Sheet

at 31 December 2008

	Notes	2008 €	2007 €
Fixed assets			
Tangible assets	10	10,926,326	12,158,768
Investments	11	14,470,721	12,680,344
		25,397,047	24,839,112
Current assets			
Stock		37,624	108,826
Debtors:			
- amounts falling due within one year	12	86,464,167	78,361,601
- amounts due after more than one year	12	66,006,085	51,067,654
Cash at bank and in hand		7,154,968	7,078,361
		159,662,844	136,616,442
Creditors: amounts falling due within one year	13	(72,764,469)	(70,905,223)
Net current assets		86,898,375	65,711,219
Total assets less current liabilities		112,295,422	90,550,331
Creditors: amounts falling due after more than one year	14	(515,395)	(867,327)
Provision for liabilities and charges	15	(3,155,700)	(3,478,477)
Net Assets		108,624,327	86,204,527
Capital and reserves			
Called up share capital	17,18	126	126
Other reserves	18	1,942,176	1,612,278
Profit and loss account	18	106,682,025	84,592,123
Equity shareholders' funds	18	108,624,327	86,204,527

The notes on pages 9 to 21 form part of these accounts.

Director

16 April 2009

Notes to the financial statements

at 31 December 2008

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.

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.

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.

Notes to the financial statements

at 31 December 2008

Share based payment

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

The financial effect of awards by the Company of options over its equity shares to the employees of subsidiary undertakings are recognised by the Company in its individual financial statements. In particular the Company records an increase in its investment in subsidiaries with a credit to equity equivalent to the FRS 20 cost in the subsidiary undertakings.

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.

Certain employees of the company have been granted restricted stock units (RSUs). These are denominated in US$ and entitle the employee to shares, equal to the current value of the units, on satisfaction of a vesting requirement.

Notes to the financial statements

at 31 December 2008

2. Turnover

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

	2008	*2007*
	€	€
UK	42,344,309	54,719,462
Europe	151,776,470	141,766,917
Africa and Middle East	15,482,115	13,642,765
Rest of the world	12,506,043	18,364,948
	222,108,937	228,494,092

Turnover is all attributable to continuing activities.

3. Operating profit

Operating profit on ordinary activities before taxation is stated after charging/(crediting):

	2008	*2007*
	€	€
Depreciation of owned fixed assets	4,085,883	6,092,863
Foreign exchange (gain)/loss	(2,593,900)	1,659,279
Operating lease rentals – Plant and Machinery	284,302	342,401
Operating lease rentals – Other	5,055,229	5,055,358
Auditors remuneration	244,755	249,856

The audit fee for the current period was €111,880 (2007 - €118,964). 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:

	2008	*2007*
	€	€
Total emoluments:		
Salaries and benefits	490,039	1,736,860
Pensions	28,308	42,944
	518,347	1,779,804

The total emoluments of the highest paid director were €387,891 (2007- €1,055,499), of which €22,769 (2007 - €18,809) related to pension contributions. During the year €nil (2007 - €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 (2007 - €nil). Two directors were members of a money purchase pension scheme (2007 - two).

During the year, no directors exercised share options (2007 - nil).

Notes to the financial statements

at 31 December 2008

5. Staff costs

	2008	*2007*
	€	€
Wages and salaries	17,336,190	20,281,919
Social security costs	2,447,560	3,477,385
Other pension costs	444,439	650,658
Equity settled share options (note 19)	244,006	64,248
	20,472,195	24,474,210

The average number of employees during the year was 223 (2007 – 211). All employees are primarily based in the UK.

6. Interest receivable

	2008	*2007*
	€	€
Third party interest	180,407	584,486
Receivable from group undertaking	1,814,605	1,201,200
	1,995,012	1,785,686

7. Interest payable

There has been interest payable of €1,549 (2007 – €1,448) in respect of miscellaneous third party interest during the year.

8. Dividends receivable

The company received a dividend of €nil in the year (2007 - €127,461).

Notes to the financial statements

at 31 December 2008

9. Tax on profit on ordinary activities

	2008	2007
	€	€
a) The charge based on the profit for the period is as follows:		
Taxation based on the profit for the period		
Corporation tax payable at 28.5% (2007- 30%)	5,096,850	6,557,426
Double taxation relief	(5,096,848)	(5,715,428)
Group relief payments	4,126,000	2,523,000
Under /(over) provision for prior years	101,102	(354,311)
Overseas tax suffered	5,096,848	5,715,428
Total current tax charge	9,323,952	8,726,115
Deferred tax		
Timing differences, origination and reversal	(7,000)	(686,870)
Due to changes in tax rates	-	177,000
Total deferred tax	(7,000)	(509,870)
Total tax charge on profit on ordinary activities	9,316,952	8,216,245

b) Circumstances affecting current charge

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 28.5% (2007- 30%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below.

	2008	2007
	€	€
Profit on ordinary activities before tax	31,406,854	28,845,689
Tax on profit on ordinary activities at standard rate	8,950,953	8,653,707
Factors affecting charge: -		
Disallowable expenses	103,177	163,619
Depreciation in excess of capital allowances	216,030	574,800
Non-taxable income	-	(38,100)
Other timing differences	(47,310)	243,600
Utilisation of brought forward losses	-	(517,200)
Tax under/ (over) provided in previous years	101,102	(354,311)
Total current tax (note (a))	9,323,952	8,726,115

Notes to the financial statements

at 31 December 2008

10. Tangible fixed assets

	Leasehold improvement €	*Computer equipment* €	*Fixtures fittings and equipment* €	*Total* €
Cost:				
At 1 January 2008	19,096,214	18,165,897	5,999,474	43,261,585
Additions	764,357	2,185,215	22,785	2,972,357
Disposals	(114,327)	(89,032)	-	(203,359)
At 31 December 2008	19,746,244	20,262,080	6,022,259	46,030,583
Accumulated depreciation:				
At 1 January 2008	11,926,102	14,601,129	4,575,586	31,102,817
Provided during the year	1,161,416	2,350,002	574,465	4,085,883
Disposals	(54,157)	(30,286)	-	(84,443)
At 31 December 2008	13,033,361	16,920,845	5,150,051	35,104,257
Net book value:				
At 31 December 2008	6,712,883	3,341,235	872,208	10,926,326
At 1 January 2008	7,170,112	3,564,768	1,423,888	12,158,768

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

11. Investments

	Investments in subsidiary undertaking €	*Investments in associated undertaking* €	*Total* €
Cost:			
At 1 January 2008	2,633,776	10,046,568	12,680,344
Additions	1,776,224	14,153	1,790,377
At 31 December 2008	4,410,000	10,060,721	14,470,721

Notes to the financial statements

at 31 December 2008

11. Investments (continued)

Subsidiary undertakings

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

Company	*Incorporated in*
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 *
Turner Broadcasting System Romania Srl	Romania+
Turner Broadcasting System Poland Sp Z.O.O	Poland*
Turner Broadcasting System Limited Liability Company	Russia^
Turner Broadcasting System Hungary Limited Liability Company	Hungary
Shoppings Limited	United Kingdom

+95% owned by Turner Broadcasting System Europe Limited and 5% by its immediate parent company
*99% owned by Turner Broadcasting System Europe Limited and 1% by its immediate parent company
^ 99% owned by Turner Broadcasting System Europe Limited and 1% owned by another company in the group.

Turner Broadcasting System Nederland BV is a non-operating company. Shoppings Limited holds a licence for broadcasting. All other companies listed above carry out marketing services and consultancy in relation to distribution licensing. An ad sales function is also carried on by Turner Broadcasting System Italia Srl, Turner Broadcasting System Deutschland GmbH, Turner Broadcasting System France SAS and Turner Broadcasting System Denmark ApS.

In 2008, Turner Broadcasting System Romania Srl, Turner Broadcasting System Poland Sp Z.O.O, Turner Broadcasting System Limited Liability Company and Turner Broadcasting System Hungary Limited Liability Company were set up. They carry out marketing services and consultancy in relation to distribution licensing.

All the above undertakings are wholly owned unless noted otherwise. The principal area of operations is the UK and Europe. Group financial statements have not been prepared as the company has taken advantage of the dispensation available under Section 228 of the Companies Act to wholly owned subsidiary undertakings where group financial statements have been prepared by a European Union parent (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 2008 Turner Broadcasting System Europe Limited acquired a 50% interest in Turner Dogan Produksiyon ve Satis AS, a company incorporated in Turkey. The company operates Turkish television channels for children's entertainment and news.

Notes to the financial statements

at 31 December 2008

12. Debtors

	2008	2007
	€	€
Amounts falling due within one year:		
Trade debtors	57,717,680	44,839,792
Amounts owed by group undertakings	22,322,045	26,963,490
Other debtors	1,156,343	677,735
Prepayments	2,798,099	2,623,406
Corporation tax receivable	-	462,532
Group relief receivable	-	331,646
Deferred tax (see note 16)	2,470,000	2,463,000
	86,464,167	78,361,601

	2008	2007
Amounts falling due after more than one year:	€	€
Amounts owed by group undertakings	66,006,085	51,067,654

Amounts owed by group undertakings are drawn from a loan facility of €70m established I January 2008.

13. Creditors: amounts falling due within one year

	2008	2007
	€	€
Trade creditors	7,496,983	5,219,901
Amounts owed to group undertakings	43,786,102	42,889,943
Other creditors including taxation and social security	8,143,260	8,505,875
Accruals and deferred income	8,426,230	10,337,097
Group relief payable	4,126,000	3,110,407
Corporation tax payable	785,894	842,000
	72,764,469	70,905,223

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

Included in creditors amounts falling due after more than one year is €515,395 (2007 – €867,327) 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 2008

15. Provision for liabilities and charges

	National Insurance On Share Options €	*Property* €	*Total* €
At 1 January 2008	48,083	3,430,394	3,478,477
Released during the year	(38,017)	(284,760)	(322,777)
At 31 December 2008	10,066	3,145,634	3,155,700

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 excess between the year end share price of €7.92 and the weighted average exercise price of outstanding shares of €12.10 and is being allocated over the period from the date of award to the date the employee will become unconditionally entitled to the options.

Provision has also been made for National Insurance contributions on restricted stock units (RSUs). The provision has been calculated based on the year end share price of €7.92.

16. Deferred taxation

	2008 €	*2007* €
The deferred tax included in the balance sheet is as follows:		
Included in debtors	2,470,000	2,463,000
Accelerated capital allowances	953,000	870,000
Short term timing difference	1,517,000	1,593,000
	2,470,000	2,463,000

Analysis of movement in deferred tax liability

	€
At start of year	2,463,000
Credited to profit and loss account	7,000
At end of year	2,470,000

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

Notes to the financial statements

at 31 December 2008

17. Share capital

	2008 Number	2008 €	2007 Number	2007 €
Authorised:				
Ordinary shares of £1 each	100	126	100	126
Allotted, called up and fully paid:				
Ordinary shares of £1 each	100	126	100	126

18. Reconciliation of movements in shareholders' funds and movement in reserves

	Share Capital €	*Equity Share Based Payment* €	*Profit and Loss Account* €	*Total Share-holders funds* €
At 1 January 2008	126	1,612,278	84,592,123	86,204,527
Profit for the year	-	-	22,089,902	22,089,902
Reserve credit for share-based payment	-	329,898	-	329,898
At 31 December 2008	126	1,942,176	106,682,025	108,624,327

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:

	2008 Number of Options	*2008 Weighted average exercise price* €	*2007 Number of Options*	*2007 Weighted Average Exercise Price* €
At 1 January	474,295	14.03	908,696	17.00
Granted	140,500	11.71	97,280	13.61
Forfeited	(57)	13.61	(18,578)	12.36
Exercised	(2,550)	8.26	(25,707)	9.85
Expired	(8,001)	13.22	(487,396)	27.26
At 31 December	604,187	12.71	474,295	14.03
Exercisable at 31 December	351,763	12.10	289,335	14.90

Notes to the financial statements

at 31 December 2008

19. Share based payments (continued)

	2008	*2007*
	€	*€*
Weighted average share price for options exercised in the year	12.00	14.21

Details of the outstanding options at 31 December 2008 are as follows:

Year of Grant	Number of options	Weighted average exercise price €	Exercise Period From	To
2002	7,000	10.43	15/02/03	19/12/12
2003	117,937	8.61	14/02/04	15/12/13
2004	106,001	13.60	13/02/05	01/04/14
2005	63,325	14.15	18/02/06	18/02/15
2006	76,644	13.70	03/03/07	03/03/16
2007	92,780	15.70	02/03/08	15/10/17
2008	140,500	11.71	08/03/09	17/11/18

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:

Details of the outstanding restricted stock units at 31 December 2008 are as follows:

	2008 Number of Options	*2007 Number of Options*
At 1 January	-	-
Granted	9,926	-
At 31 December	9,926	-

Notes to the financial statements

at 31 December 2008

19. Share based payments (continued)

Year of Dividend Grant	Expected yield %	Risk free volatility %	Expected interest rates %	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
2008	1.70	28.80	3.13	5.86

The weighted average fair value of those options granted in 2008 was €2.76 (2007: €3.75) and the weighted average share price during the year was €10.04 (2007: €13.87). The expected volatility has been calculated using the implied volatilities based primarily on traded Time Warner Inc. options.

The weighted average fair value of those restricted stock units granted in 2008 was €11.42.

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

	2008 €	*2007* €
Equity settled share options	194,482	64,147
Restricted stock units	49,524	-
	244,006	64,147

20. Operating lease commitments

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

	Land and buildings €	*Total 2008* €	*Total 2007* €
Operating leases which expire:			
After five years	5,099,108	5,099,108	5,783,976
Total	5,099,108	5,099,108	5,783,976

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at 31 December 2008

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 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.