Turner Broadcasting System Europe Limited

Report and Financial Statements

31 December 2009

Registered No 1927955

Directors
J Kupsky
Z Ratajova
L Sams
C Groves (appointed 09/09/2009)

Secretary
C Groves (resigned 09/09/2009)
E Browne (appointed 09/09/2009)

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
E Browne
Turner House
16 Great Marlborough Street
London W1F 7HS

Registrars
E Browne
Turner House
16 Great Marlborough Street
London W1F 7HS

Registered Office
Turner House
16 Great Marlborough Street
London W1F 7HS

Directors' report

The dırectors present theır report and the audıted financıal statements of the company for the year ended 31 December 2009

Business review and principal activities

Turner Broadcastıng System Europe Ltd (TBSEL) ıs a wholly owned subsıdıary of Turner Broadcastıng System Holdıngs (Europe) Lımıted, a company regıstered ın England and Wales Tıme Warner Holdıngs Lımıted ıs the parent undertakıng of the smallest group of undertakıngs of whıch the company ıs a member and for whıch group financıal statements are drawn up

The company's prıncıpal actıvıtıes are

- the lıcensıng of the televısıon networks of Turner Broadcastıng System Inc, a 24 hour news programme and Turner Entertaınment Networks Internatıonal Lımıted, a cartoon, entertaınment and classıc movıe network,
- the provısıon of advertısıng representatıve servıces to group undertakıngs, and
- the provısıon of management servıces to group undertakıngs

There have not been any sıgnıficant changes ın the company's prıncıpal actıvıtıes ın the year under revıew The dırectors are not aware, at the date of thıs report, of any lıkely major changes ın the company's actıvıtıes ın the next year

Results and dividends

The company's profit for the year transferred to reserves was €16,423,132 (2008 – €22,089,902) A dıvıdend of €47,000,000 (2008 - €nıl) was paıd ın the year

The dırectors consıder that key performance ındıcators are not necessary for an understandıng of the development, performance or posıtıon of the busıness due to the fact that the success of the busıness ıs measured as part of Tıme Warner Holdıngs Ltd

Principal risks and uncertainties

The medıa ındustry ın the UK and Europe ıs subject to substantıal competıtıve pressure and rapıd technologıcal change, and thıs ıs a contınuıng rısk for the company, whıch could result ın loss of sales and ıncreased costs The company manages thıs rısk by monıtorıng market trends, and developıng new methods of medıa dıstrıbutıon

Sales and expendıtures are made ın many currencıes other than the Euro and the company ıs therefore exposed to exchange rate movements The group's treasury functıon takes out contracts to manage thıs rısk at group level

The rısks and uncertaıntıes of the company are ıntegrated wıth the rısks of the group and are not managed separately

Going concern

The company's busıness actıvıtıes together wıth factors lıkely to affect ıts future development, performance and posıtıon are set out ın the busıness revıew above

The company has consıderable financıal resources together wıth long standıng relatıonshıps wıth key clıents and supplıers As a consequence, the dırectors belıeve that the company ıs well placed to manage ıts busıness rısks successfully The dırectors have a reasonable expectatıon that the company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future Accordıngly, they contınue to adopt the goıng concern basıs ın preparıng the annual report and accounts

Directors' report

Directors

The directors who have served during the year ended 31 December 2009 and thereafter are as follows

L Sams
Z Ratajova
J Kupsky
C Groves (appointed 09/09/2009)

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 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 s418 of the Companies Act 2006

Auditors

Ernst & Young LLP will be reappointed as the company's auditor in accordance with the elective resolution passed by the company under section 485 of the Companies Act 2006

By order of the Board

C Groves

Director

6 July 2010

Statement of directors' responsibilities in respect of the financial statements

Statement of directors' responsibilities

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,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent auditors' report

to the members of Turner Broadcasting System Europe Limited

We have audited the financial statements of Turner Broadcasting System Europe Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 26 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)

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB'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

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Independent auditors' report

to the members of Turner Broadcasting System Europe Limited

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

Ernst + Young LLP

Paul Gordon (Senior statutory auditor)

for and on behalf of Ernst and Young LLP, Statutory Auditor

London

6 July 2010

Profit and loss account

for the year ended 31 December 2009

	Notes	2009 €	2008 €
Turnover	2	233,948,910	222,108,937
Cost of sales		(167,101,893)	(154,965,201)
Gross Profit		66,847,017	67,143,736
Administrative expenses		(47,097,434)	(37,730,345)
Operating Profit	3	19,749,583	29,413,391
Interest receivable	7	1,070,446	1,995,012
Interest payable and similar charges	8	-	(1,549)
Dividends receivable	9	3,969,959	-
Profit on ordinary activities before taxation		24,789,988	31,406,854
Tax charge on profit on ordinary activities	11	(8,366,856)	(9,316,952)
Profit for the financial year transferred to reserves		16,423,132	22,089,902

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 23 form part of these accounts

Balance Sheet
at 31 December 2009

	Notes	2009 €	2008 €
Fixed assets			
Tangible assets	12	8,971,682	10,926,326
Investments	13	14,500,576	14,470,721
		23,472,258	25,397,047
Current assets			
Stock		18,407	37,624
Debtors			
- amounts falling due within one year	14	80,694,619	86,464,167
- amounts due after more than one year	14	-	66,006,085
Cash at bank and in hand	24	40,808,580	7,154,968
		121,521,606	159,662,844
Creditors: amounts falling due within one year	15	(60,411,113)	(72,764,469)
Net current assets		61,110,493	86,898,375
Total assets less current liabilities		84,582,751	112,295,422
Creditors: amounts falling due after more than one year	16	-	(515,395)
Provision for liabilities and charges	17	(6,098,953)	(3,155,700)
Net Assets		78,483,798	108,624,327
Capital and reserves			
Called up share capital	19,20	126	126
Equity share-based payments	20	2,378,515	1,942,176
Profit and loss account	20	76,105,157	106,682,025
Equity shareholders' funds	20	78,483,798	108,624,327

The notes on pages 9 to 23 form part of these accounts

Director

6 July 2010

Notes to the financial statements

at 31 December 2009

1. Accounting policies

Basis of accounting

The financial statements of Turner Broadcasting System Europe Limited were approved for issue by the board of directors on 2 July 2010 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

Notes to the financial statements

at 31 December 2009

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

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

Notes to the financial statements

at 31 December 2009

2. Turnover

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

	2009	*2008*
	€	*€*
UK	38,011,060	42,344,309
Europe	164,519,293	151,776,470
Africa and Middle East	13,879,315	15,482,115
Rest of the world	17,539,242	12,506,043
	233,948,910	222,108,937

Turnover is all attributable to continuing activities

3. Operating profit

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

	2009	*2008*
	€	*€*
Depreciation of owned fixed assets	4,767,663	4,085,883
Foreign exchange loss/(gain)	7,161,316	(2,593,900)
Operating lease rentals – Plant and Machinery	174,282	284,302
Operating lease rentals – Other	4,412,145	5,055,229
Auditors remuneration	180,719	244,755

The audit fee for the current period was €86,431 (2008 - €111,880) 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 Fees payable to auditors for non-audit services was €10,928 (2008 €nil)

4. Directors' emoluments

Directors' emoluments (including pension contributions) were as follows

	2009	*2008*
	€	*€*
Total emoluments		
Salaries and benefits	542,487	490,039
Pensions	21,357	28,308
	563,844	518,347

The total emoluments of the highest paid director were €357,080 (2008- €387,891), of which €19,414 (2008 - €22,769) related to pension contributions During the year €nil (2008 - €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 (2008 - €nil) Two directors were members of a money purchase pension scheme (2008 - two)

During the year, no directors exercised share options (2008 - €nil)

Notes to the financial statements

at 31 December 2009

5. Staff costs

	2009	2008
	€	€
Wages and salaries	15,729,469	17,336,190
Social security costs	2,149,753	2,447,560
Other pension costs	504,530	444,439
Equity settled share options (note 21)	451,417	244,006
	18,835,169	20,472,195

The average number of employees during the year was 242 (2008 – 223) All employees are primarily based in the UK

6. Provision for loss of rent on property

A provision for €3,827,894 (2008 €nil) was made for CNN House The company is committed to a lease on the property which is currently vacant

7. Interest receivable

	2009	2008
	€	€
Third party interest	317,452	180,407
Receivable from group undertaking	752,994	1,814,605
	1,070,446	1,995,012

8. Interest payable

There has been interest payable of €nil (2008 – €1,549) in respect of miscellaneous third party interest during the year

9. Dividends receivable

The company received a dividend of €3,969,959 during the year (2008 - €nil)

10. Dividends payable

The company paid a dividend of €47,000,000 during the year (2008 - €nil)

Notes to the financial statements

at 31 December 2009

11. Tax on profit on ordinary activities

	2009	2008
	€	€
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% (2008- 28 5%)	7,790,704	5,096,850
Double taxation relief	(6,211,705)	(5,096,848)
Group relief payments	-	4,126,000
Under provision for prior years	915,152	101,102
Overseas tax suffered	6,211,705	5,096,848
Total current tax charge	8,705,856	9,323,952
Deferred tax		
Timing differences, origination and reversal	(339,000)	(7,000)
Total deferred tax	(339,000)	(7,000)
Total tax charge on profit on ordinary activities	8,366,856	9,316,952

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% (2008- 28 5%) The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

	2009	2008
	€	€
Profit on ordinary activities before tax	24,789,988	31,406,854
Tax on profit on ordinary activities at standard rate	6,941,197	8,950,953
Factors affecting charge -		
Disallowable expenses	1,216,096	103,177
Depreciation in excess of capital allowances	482,000	216,030
Non-taxable income	(1,111,589)	-
Other timing differences	263,000	(47,310)
Tax under provided in previous years	915,152	101,102
Total current tax (note (a))	8,705,856	9,323,952

Notes to the financial statements

at 31 December 2009

11. Tax on profit on ordinary activities (continued)

c) Factors affecting future tax charges

The following changes were announced in the UK Budget on 22 June 2010 (i) the full rate of corporation tax will reduce to 27% with effect from 1 April 2011, and will decrease by a further 1% each 1 April thereafter until reaching 24% with effect from 1 April 2014, (ii) the rate of annual writing down allowances on qualifying plant and machinery will reduce by 2%, to 18% for the general capital allowance pool and to 8% for the integral features pool, with effect from 1 April 2012 As this legislation was not substantively enacted by the balance sheet date, the figures within these accounts are calculated in accordance with existing rates

12. Tangible fixed assets

	Leasehold improvement	*Computer equipment*	*Fixtures fittings and equipment*	*Total*
	€	*€*	*€*	*€*
Cost				
At 1 January 2009	19,746,244	20,262,080	6,022,259	46,030,583
Additions	298,940	2,265,495	42,397	2,606,832
Disposals	-	(4,758,956)	-	(4,758,956)
Transfers from group companies	-	209,379	-	209,379
At 31 December 2009	20,045,184	17,977,998	6,064,656	44,087,838
Accumulated depreciation				
At 1 January 2009	13,033,361	16,920,845	5,150,051	35,104,257
Provided during the year	1,967,569	2,312,979	487,115	4,767,663
Disposals	-	(4,755,764)	-	(4,755,764)
At 31 December 2009	15,000,930	14,478,060	5,637,166	35,116,156
Net book value				
At 31 December 2009	5,044,254	3,499,938	427,490	8,971,682
At 1 January 2009	6,712,883	3,341,235	872,208	10,926,326

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

Notes to the financial statements
at 31 December 2009

13. Investments

	Investments in subsidiary undertaking €	*Investments in associated undertaking* €	*Total* €
Cost			
At 1 January 2009	4,410,000	10,060,721	14,470,721
Additions	29,855	-	29,855
At 31 December 2009	4,439,855	10,060,721	14,500,576

Subsidiary undertakings

Details of the principal investments in which the group and the company holds 20% or more of the nominal value of any class of share capital are as follows

Company	*Incorporated in*
Turner Broadcasting System Italia Srl	Italy
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	The Netherlands
Turner Broadcasting System Denmark ApS	Denmark
Turner Broadcasting System Hungary Limited Liability Company	Hungary
Turner Broadcasting System Limited Liability Company	Russia ^
TNT Televizyon Produksiyon Ltd Sti	Turkey ~
Turner Broadcasting System Romania Srl	Romania +
Turner Broadcasting System Poland SP Z O O	Poland ~
Shoppings Limited	United Kingdom

^ 99% owned by Turner Broadcasting System Europe Limited, 1% owned by another company in the group

+ 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

Notes to the financial statements

at 31 December 2009

13. Investments (continued)

Turner Broadcasting System Nederland BV and Shoppings Limited are non-operating companies All other above listed companies carry out marketing services and consultancy in relation to distribution licensing An ad sales function is also performed by Turner Broadcasting System Italia Srl, Turner Broadcasting System Deutschland GmbH, Turner Broadcasting System France SAS, Turner Broadcasting System Denmark ApS and TNT Televizyon Produksiyon Ltd Sti

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 400 of the Companies Act 2006 to wholly owned subsidiary undertakings where group financial statements have been prepared by a European Union parent (note 26)

The investment addition during the year represents and increase in share capital for Turner Broadcasting System Limited Liability Company in Russia

Associated undertakings

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

Turner Broadcasting System Europe Limited holds a 50% interest in Turner Dogan Produksiyon ve Satis AS, a company incorporated in Turkey The company operates Turkish television channels for children, entertainment and news

14. Debtors

	2009	*2008*
	€	*€*
Amounts falling due within one year		
Trade debtors	53,544,930	57,717,680
Amounts owed by group undertakings	20,808,214	22,322,045
Other debtors	968,868	1,156,343
Prepayments	2,524,892	2,798,099
Corporation tax receivable	38,715	-
Deferred tax (see note 18)	2,809,000	2,470,000
	80,694,619	86,464,167

	2009	*2008*
Amounts falling due after more than one year	*€*	*€*
Amounts owed by group undertakings	-	66,006,085

Amounts owed by group undertakings after one year are drawn from a loan facility of €70,000,000 established 1 January 2008 The balance was settled during the year

Notes to the financial statements

at 31 December 2009

15. Creditors: amounts fallıng due withın one year

	2009	*2008*
	€	*€*
Trade credıtors	2,986,043	7,496,983
Amounts owed to group undertakıngs	37,508,913	43,786,102
Other credıtors ıncludıng taxatıon and socıal securıty	8,158,044	8,143,260
Accruals and deferred ıncome	10,179,113	8,426,230
Group relıef payable	-	4,126,000
Corporatıon tax payable	1,579,000	785,894
	60,411,113	72,764,469

16. Creditors: amounts fallıng due after more than one year

Included ın credıtors amounts fallıng due after more than one year ıs €nıl (2008 – €515,395) relatıng to a rent-free perıod This has been released to the profit and loss account over the term of the lease

17. Provısıon for liabılıties and charges

	CNN house	*Natıonal Insurance On Share Optıons*	*Property*	*Total*
	€	*€*	*€*	*€*
At 1 January 2009	-	10,066	3,145,634	3,155,700
Addıtıons durıng the year	3,827,894	10,646	725,475	4,564,015
Released durıng the year	(1,271,422)	-	(349,340)	(1,620,762)
At 31 December 2009	2,556,472	20,712	3,521,769	6,098,953

The provısıon for CNN House ıs due to the company beıng commıtted to rental payments and other expenses on a buıldıng whıch ıt had prevıously sublet to an outsıde party whıch ıs now vacant The property provısıon ıs for dılapıdatıons Followıng a revıew, the dılapıdatıons provısıon was ıncreased ın the year

Provısıon has been made for Natıonal Insurance contrıbutıons on share optıons awarded under unapproved share optıon schemes, whıch are expected to be exercısed The provısıon has been calculated based on the excess between the year end share prıce of €29 14 and the weıghted average exercıse prıce of outstandıng shares of €21 77 and ıs beıng allocated over the perıod from the date of award to the date the employee wıll become uncondıtıonally entıtled to the optıons

Provısıon has also been made for Natıonal Insurance contrıbutıons on restrıcted stock unıts (RSUs) The provısıon has been calculated based on the year end share prıce of €19 44

Notes to the financial statements

at 31 December 2009

18. Deferred taxation

The deferred tax ıncluded ın the balance sheet ıs as follows

	2009 €	*2008* €
Included ın debtors	2,809,000	2,470,000
Accelerated capıtal allowances	1,276,000	953,000
Short term tımıng dıfference	1,533,000	1,517,000
	2,809,000	2,470,000

Analysıs of movement ın deferred tax asset

	€
At start of year	2,470,000
Credıted to profit and loss account	339,000
At end of year	2,809,000

The asset ıs not dısclosed separately on the balance sheet It appears ın Note 14

19. Share capıtal

	2009 *No*	*2009* *€*	*2008* *No*	*2008* *€*
Authorısed				
Ordınary shares of £1 each	100	126	100	126
Allotted, called up and fully paıd				
Ordınary shares of £1 each	100	126	100	126

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

	Share Capıtal *€*	*Equıty Share Based Payment* *€*	*Profit and Loss Account* *€*	*Total Share-holders funds* *€*
At 1 January 2009	126	1,942,176	106,682,025	108,624,327
Profit for the year	-	-	16,423,132	16,423,132
Dıvıdends paıd	-	-	(47,000,000)	(47,000,000)
Reserve credıt for share-based payment	-	436,339	-	436,339
At 31 December 2009	126	2,378,515	76,105,157	78,483,798

Notes to the financial statements

at 31 December 2009

21. Share based payments

On March 12, 2009, Time Warner Inc completed the separation of Time Warner Cable Inc through a spin-off (the "TWC Separation") On December 9, 2009, Time Warner Inc completed the spin-off of AOL Inc (the "AOL Separation")

In connection with the TWC Separation and the AOL Separation (collectively, the "Separations"), and as provided for in the Company's equity plans, the number of stock options, RSUs and target PSUs outstanding at each of the Distribution Date and Distribution Record Date, respectively, and the exercise prices of such stock options were adjusted to maintain the fair value of those awards (collectively, the "Adjustments") The Adjustments were determined by comparing the fair value of such awards immediately prior to each of the Separations ("pre-Separation") to the fair value of such awards immediately after each of the Separations In performing these analyses, the only assumptions that changed were related to the Time Warner stock price and the stock option's exercise price

Accordingly, each equity award outstanding as of the Distribution Date relating to the TWC Separation was increased by multiplying the size of such award by 1 35, while the per share exercise price of each stock option was decreased by dividing by 1 35 Each equity award outstanding as of the Distribution Record Date relating to the AOL Separation was increased by multiplying the size of such award by 1 07, while the per share exercise price of each stock option was decreased by dividing by 1 07 The modifications to the outstanding equity awards were made pursuant to existing antidilution provisions in the Company's equity plans and did not result in any additional compensation expense

In addition, in connection with the 1-for-3 reverse stock split the Company implemented on March 27, 2009, the number of outstanding equity awards was proportionately adjusted to reflect the reverse stock split As a result, and after giving effect to the adjustment for the TWC Separation, the number of outstanding equity awards was determined by dividing the number of outstanding equity awards by three The per share exercise price of stock options, after giving effect to the adjustment for the TWC Separation, was determined by multiplying the exercise price by three

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

a) Stock options

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

Notes to the financial statements

at 31 December 2009

21. Share based payments (continued)

	2009 Number of Options	*2009 Weighted average exercise price €*	*2008 Number of Options*	*2008 Weighted Average Exercise Price €*
At 1 January	604,187	12 71	474,295	14 03
Decrease due to TWC and AOL separations	(314,243)		-	
Revised at 1 January	289,944	26 49	474,295	14 03
Granted	155,706	21 23	140,500	11 71
Transferred	-	-	(57)	13 61
Forfeited	(19,507)	26 49	-	-
Exercised	(648)	14 30	(2,550)	8 26
Expired	(793)	19 76	(8,001)	13 22
At 31 December	424,701	21 77	604,187	12 71
Exercisable at 31 December	351,763	21 77	351,763	12 10

	2009 €	*2008 €*
Weighted average share price for options exercised in the year	17 64	12 00

Details of the outstanding options at 31 December 2009 are as follows

Year of Grant	**Number of options**	**Weighted average exercise price €**	**Exercise Period From**	**To**
2002	3,359	18 41	15/02/03	19/12/12
2003	53,706	15 12	14/02/04	15/12/13
2004	48,745	24 02	13/02/05	01/04/14
2005	27,990	24 99	18/02/06	18/02/15
2006	33,181	24 19	03/03/07	03/03/16
2007	40,397	27 72	02/03/08	15/10/17
2008	61,618	20 67	08/03/09	17/11/18
2009	155,706	21 23	20/02/10	20/02/19

Notes to the financial statements

at 31 December 2009

21. Share based payments (continued)

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	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
	2009	4 50	35 40	2 50	5 89

The weighted average fair value of those options granted in 2009 was €5 34 (2008 €5 74 revised) and the weighted average share price during the year was €22 99 (2008 €20 88 revised) The expected volatility has been calculated using the implied volatilities based primarily on traded Time Warner Inc options

b) Restricted stock units

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

	2009 Number of Options	*2009 Weighted average exercise price* €	*2008 Number of Options*	*2008 Weighted Average Exercise Price* €
At 1 January	9,926	11 10	9,926	11 10
Decrease due to TWC and AOL separations	(4,795)		-	
Revised at 1 January	5,131	23 52	9,926	11 10
Granted	3,096	23 05		
At 31 December	8,227	23 28	9,926	11 10

Notes to the financial statements

at 31 December 2009

21. 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

	2009 €	2008 €
Equity settled share options	381,511	194,482
Restricted stock units	69,906	49,524
	451,417	244,006

22. Operating lease commitments

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

	Land and buildings Total 2009 €	Land and buildings Total 2008 €
Operating leases which expire		
Within 2 – 5 years	7,565,598	-
After five years	1,280,735	5,099,108
Total	8,846,333	5,099,108

23. 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 26)

24. Contingent liabilities

The company has a composite accounting agreement with its bankers The terms of the agreement permit the bankers, without notice, to draw down funds deposited into the system, to offset borrowings drawn down from the system by other group members who are also parties to these arrangements At the balance sheet date, funds deposited by the company into the system, and potentially at risk to cover liabilities elsewhere in the group, amounted to €40,808,580 (2008 €7,154,968)

Notes to the financial statements

at 31 December 2009

25 Related party transactıons

The company has taken advantage of the exemptıon avaılable under FRS 8 not to dısclose related party transactıons wıth fellow subsıdıary undertakıngs ın whıch they have a 100% shareholdıng

Durıng the year the company entered ınto transactıons, ın the ordınary course of busıness, wıth other related partıes Transactıons entered ınto, and tradıng balances outstandıng at 31 December, are as follows

	Sales to related party	*Purchases from related party*	*Amounts owed from related party*	*Amounts owed to related party*
	€	*€*	*€*	*€*
Related party				
BOING SpA				
2009	5,416,000	-	1,354,000	-
2008	4,861,000	-	1,463,500	-
Turner Dogan Produksıyon ve Satıs AS				
2009	317,893	-	110,030	-
2008	1,433,071	-	332,744	-
Eko TV Televızyon ve Yayıncılık A S				
2009	7,281,611	-	2,939,731	-
2008	4,096,963	-	3,028,639	-
Companıa Independıente de Notıcıas de Televısıon S L				
2009	362,277	-	583,878	-
2008	339,049	-	196,881	-

BOING SpA Turner Broadcastıng System Europe Lımıted holds 49% of the ordınary share capıtal

Turner Dogan Produksıyon ve Satıs AS Turner Broadcastıng System Europe Lımıted holds 50% of the ordınary share capıtal

Eko TV Televızyon ve Yayıncılık A S Turner Broadcastıng System Inc holds 24 96% of the ordınary share capıtal

Companıa Independıente de Notıcıas de Televısıon S L Turner Broadcastıng System Inc holds 50% of the ordınary share capıtal

26 Ultimate parent undertakıng

The company's ultımate parent undertakıng ıs Tıme Warner Inc , whıch ıs ıncorporated ın the Unıted States of Amerıca Copıes of ıts group fınancıal statements, whıch ınclude the company, are avaılable from One Tıme Warner Center, New York, NY 10019

Tıme Warner Holdıngs Lımıted ıs the parent undertakıng of the smallest group of undertakıngs of whıch the company ıs a member and for whıch group fınancıal statements are drawn up Tıme Warner Holdıngs Lımıted ıs regıstered ın England and Wales and copıes of ıts fınancıal statements may be obtaıned from the Regıstrar of Companıes ın Cardıff

The company's ımmedıate parent undertakıng ıs Turner Broadcastıng System Holdıngs (Europe) Lımıted, a company ıncorporated ın England and Wales