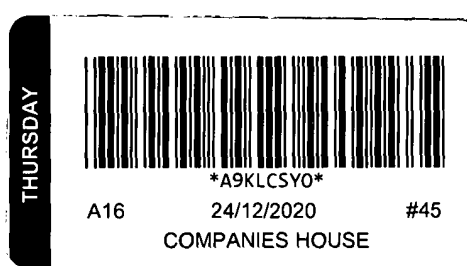


Turner Broadcasting System Europe Limited

Annual report and financial statements

For the year ended 31 December 2019



Turner Broadcasting System Europe Limited

Company Information

Directors	E Browne P Dogra R Friend
Company secretary	E Browne
Registered number	01927955
Registered office	160 Old Street London EC1V 9BW
Independent 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

Turner Broadcasting System Europe Limited

Contents

	Page
Strategic report	1 - 7
Directors' report	8 - 12
Independent auditors' report	13 - 15
Statement of comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18 - 19
Notes to the financial statements	20 - 41

Turner Broadcasting System Europe Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic report together with the audited financial statements of the company for the year ended 31 December 2019.

Turner Broadcasting System Europe Limited ("TBSEL") is a wholly owned subsidiary of Turner Broadcasting System Holdings (Europe) Limited ("TBSHEL"), a company registered in England and Wales. AT&T Inc. is the parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up.

The company's principal activities are:

- the operation of 24 hour entertainment television networks throughout the United Kingdom ("the UK"), Europe, Africa and Middle East;
- the licensing of a 24 hour news programme of Turner Broadcasting System Inc.;
- the provision of advertising representative services to group undertakings; and
- the provision of management services to group undertakings.

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.

The company licenses and creates programmes for sale to its customers. Changing consumer demands for entertainment content expose the company to the risk that programming inventory may become less popular with audiences. The company procures content targeted to key demographics and monitors trends around consumer habits.

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

The company principally uses foreign exchange contracts to hedge the risk related to unremitted or forecasted royalties and license fees for the sale or anticipated sale of US copyrighted products because such amounts may be adversely affected by changes in foreign currency exchange rates. Similarly, the company enters into foreign exchange contracts to hedge certain film production costs denominated in foreign currencies as well as other transactions, assets and liabilities denominated in foreign currencies. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, the company hedges a portion of its foreign currency exposures anticipated over a rolling twelve-month period. The hedging period for royalties and license fees covers revenues expected to be recognised during the calendar year; however, there is often a lag between the time that revenue is recognised and the transfer of foreign-denominated cash to Euros. To hedge this exposure, the company uses foreign exchange contracts that generally have maturities of three months to eighteen months and provide continuing coverage throughout the hedging period.

Hedging activities ceased during 2019 with all existing hedges being unwound and no new contracts entered into.

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

Turner Broadcasting System Europe Limited

Strategic report (continued) for the year ended 31 December 2019

Principal risks and uncertainties (continued)

The company currently assesses that the virus will not have a significant effect on the company's financial position, results of operations or cash flows in the future. The directors will however continue to monitor the possible impact of the Coronavirus on the activities of the company.

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

Section 172 (1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. The Regulations require Turner Broadcasting System Europe Limited (the "company") to report how the directors of the company (the "board") have considered their duties under section 172 ("Section 172") of the Companies Act 2006 (the "Act") during the reporting period.

The duty under Section 172 is owed by the directors to the company. In the context of a group of companies, being the Turner group of companies, which is wholly owned by AT&T Inc., the company's directors owe their primary duty to the company and not the parent company (though of course the parent company is considered as part of stakeholder engagement). The board recognises that the overall framework that Section 172 promotes is to drive the long-term success and economic viability of the company for the benefit of its sole shareholder and other key stakeholders.

For details of the issues, factors and stakeholders the directors consider relevant in complying with Section 172 of the Act, and the main methods the directors have used to engage with stakeholders and understand the issues to which they must have regard, refer to the Employee engagement statement on pages 9 to 10.

The long-term

The company and the board strive to create value for its shareholders in the medium and long-term and to take into account interests of their wider stakeholder base and the impact of their decisions on these stakeholders and their interests. In order to achieve this objective the company implements and makes decisions which are aligned with the core values and the set strategy of the Turner group and the AT&T group as a whole. In line with its purpose, the company's aim is to maintain a successful and sustainable business for the benefit of its direct and ultimate shareholders and other stakeholders, with whom the directors and senior management formally consult. Throughout the reporting year, the company has made a number of strategic decisions as part of implementation of its business strategy. The principal decisions made by the board of directors included:

- the declaration of an interim dividend payable to the sole shareholder of the company,
- the company entering into an Uncommitted Receivables Purchase and Service Agreement as an affiliate of AT&T Inc.

Further detail of these strategic decisions can be found in the 'Principal decisions' section on page 4.

The board of directors of the company consider long-term consequences of their decisions during their decision-making process. When making decisions the directors do consider detailed financial information, the key risk reporting and whether the relevant approvals have been obtained. These supplementary informal discussions allow the directors to make informed decisions with the interests of the key stakeholders of the company in mind.

Turner Broadcasting System Europe Limited

Strategic report (continued) for the year ended 31 December 2019

Section 172 (1) Statement (continued)

Stakeholders

The board does not delegate its stakeholder engagement responsibilities to senior management and instead opts to make considerations for the company's impacts on stakeholders collectively when making decisions. The board considers its employees, subsidiaries, customers, its shareholders and the WarnerMedia group as a whole to be its key stakeholders. The company also operates within WarnerMedia's Standards of Business Conduct (SBC) which applies to all employees (including directors) and serves as a model for comparable codes of conduct. The SBC stresses the importance of abiding by the law, being truthful, being transparent in business dealings and putting the needs of shareholders and customers first. The board uses this as part of their guiding approach when making decisions.

The company engages with its employees to discuss employee-related matters and to provide information via various channels maintained by a dedicated internal team. This ongoing engagement and line of communication is enabled by use of employee surveys, group's intranet, business performance updates and presentations, among other things.

The impact of this engagement is detailed in the following section.

Decision making process

Board meetings are usually held on an ad hoc basis as and when there are significant decisions to be approved. The board meeting process consists of an initial discussion of agenda items with supporting board packs containing pertinent information to the items at hand. This ensures that decisions are made on the basis of high quality information being reviewed. The board considers their Section 172 duties during each board meeting and these considerations are documented in the relevant minutes. Board papers are prepared to provide the board with the right levels of information to consider all relevant issues before making a decision and ensure consistency in the way the required information is presented to the directors ahead of each meeting. The board also holds a number of annual board meetings to approve the annual accounts for the company and its annual Modern Slavery Declaration.

To support effective decision-making of the board, the directors take into account various group-wide governance policies and practices, including the existing delegations of authority and powers of attorney, Modern Slavery, WarnerMedia's SBC, WarnerMedia's Ethical Sourcing and Supply Chain Policy, and the company's Supplier Code of Conduct when making decisions on behalf of the company, together with established practices. These sources also feed into culture which is expanded on below.

Culture

The company follows the culture set by WarnerMedia LLC which applies to all of its subsidiaries on a global scale. This culture is composed of a series of group policies and procedures that have been devised to promote the long-term sustainable success of the group whilst ensuring that risk is mitigated and reputation strengthened - the standardisation of ways of conducting business and ways of behaving creates a culture set from the top down. The board of the company is conscious of the WarnerMedia culture and they aim to consider the policies within it whenever decisions are being made, both at board level and during the normal course of business.

The company and the board of directors ensure that the policies outlined above are implemented in the business as part of group-wide strategy and make all decisions with sustainable growth in mind by continuously seeking ways to enhance relationships with its direct and ultimate shareholders, customers, employees, and other stakeholders. Through adopting and following the key policies and procedures the company is able to set a clear course for its business and fulfill its purpose in the long-term. The company's culture and its values are further reinforced by training on how to adhere to the organisation's policies and procedures and maintain a continuously high standard of business ethics and making sure that the working environment is built on mutual respect and tolerance. Details of the key strategic decisions and developments taken by the company and its board can be found in the 'Principal decisions' section on page 4.

Turner Broadcasting System Europe Limited

Strategic report (continued) for the year ended 31 December 2019

Section 172 (1) Statement (continued)

Training

The current directors of the company have held their positions for a number of years and are fundamentally familiar with their statutory duties under the Companies Act 2006. At present, there is no formal induction process for new directors as there have been no plans to introduce new directors to the board of the company. The company is, however, considering implementing comprehensive Section 172 duties and wider regulatory requirements training to support the board with their obligations as regulations continue the trend of being tightened. This would include periodic refresher training as well as relevant informative material including new developments being provided. The directors also, as employees of the WarnerMedia group, are required to undergo annual training, including on the corporate culture and code of conduct.

Board composition

The current directors, in addition to their roles as statutory directors of the company, also occupy key positions within the wider organisation such as CEO, CFO and Senior Legal officer and ensure ongoing oversight of various segments of the business. The level of seniority, extensive business and industry experience and in-depth understanding of the company's and the wider organisation's affairs enable the directors to identify the key stakeholders of the company and to recognise the nature and extent of the likely consequences, including the long-term impact, of their decisions on these stakeholders.

Principal decisions

Principal decisions are defined as those which: (i) are linked to matters of strategic importance; (ii) are commercially material matters of financial or operational importance; and (iii) impact key stakeholders are reserved for the board and include:

- dividends;
- changes to key investments owned by the company;
- substantial reorganisation projects;
- business contracts above certain value;
- changes to the company's strategic objectives; and
- matters that will substantially affect the company's employees.

In making its decisions, the board is required to consider the outcome of any stakeholder impact assessment that has been undertaken to support it making that principal decision.

The principal decisions made during the year were:

The declaration of an interim dividend payable to the sole shareholder of the company

Taking into account the working capital needs of the company and future cash flow requirements the directors considered that there was sufficient distributable profit to declare an interim dividend for the benefit of its members as a whole in December 2019.

The company entering into an Uncommitted Receivables Purchase and Service Agreement as an affiliate of AT&T Inc.

This was considered in the context of the company's business and the interests of the company and its shareholders that entering in to this transaction would promote the success of the company for the benefit of its members as a whole.

Turner Broadcasting System Europe Limited

Strategic report (continued) for the year ended 31 December 2019

Stakeholder engagement statement

The company considers its employees, suppliers, customers and its direct and ultimate shareholder to be its key stakeholders. The company aims to build and maintain lasting relationships with its key stakeholders in the countries where it operates. The company engages with its key stakeholders and considers their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision-making.

The table below describes how the directors have had regard to the need to foster relationships with its key stakeholders, in a business relationship with the company, and the effect of that regard, including on the key decisions by the board of directors taken during the reporting period:

Stakeholder group	Importance	What engagement took place?	What influence did this have on the board's decisions?
Employees	For details on how the company has engaged with Turner Group's UK-based employees, how the directors had regard to those employees' interests, and the effect of that regard, including on the decisions taken during the reporting period, refer to the Employee engagement statement in the directors' report (details of which are set out on pages 9 to 10).		
Suppliers	<p>To receive a clearly stated set of requirements to understand the company's needs and expectations.</p> <p>To be part of a fair and respectful tender and supplier selection process.</p> <p>To be part of an ongoing supplier relationship based on mutual respect and treating each other as valued business partners.</p>	<p>The company, through the board, adopted and established a number of group-wide and company-specific policies to ensure fair and respectful treatment of its actual and potential suppliers for the company and its subsidiaries. The policies clearly set out the company's expectations in relation to the quality of supplier products and services delivered and requirements that need to be met to ensure smooth and mutually beneficial business relationships. The list of relevant policies includes:</p> <ul style="list-style-type: none">• Supplier Code of Conduct• WarnerMedia LLC's Standards of Business Conduct• Security Policy	<p>The board is provided with information and reports on significant transactions by relevant employees and the procurement team. The information received supports effective decision making by the board and considering long-term consequences on relationships with suppliers and their interests.</p>

Turner Broadcasting System Europe Limited

Strategic report (continued) for the year ended 31 December 2019

Stakeholder engagement statement (continued)

Stakeholder group	Importance	What engagement took place?	What influence did this have on the board's decisions?
Customers	<p>To provide the company's customers with top quality services.</p> <p>To demonstrate excellence in service delivery on a global scale and build trust between customers and the company.</p> <p>Ensuring that the products and services licensed by the company meet the needs and expectations of both consumers and customers.</p> <p>Ensuring that personal data is kept in a secure environment and only for the duration and purposes the data is collected for.</p>	<p>The company adopted and established a number of group-wide and company-specific policies aimed at ensuring ongoing security of personal data, and continued confidence and trust of our customers. The list of relevant policies includes:</p> <ul style="list-style-type: none"> • Supplier Code of Conduct • WarnerMedia LLC's Standards of Business Conduct • Security Policy • Data Protection Policy <p>Examples of ongoing engagement includes</p> <ul style="list-style-type: none"> • Approving budgets for product development and new service launches; • Discussion and approval of terms of engagement with customers including the rights granted to content and services. 	<p>The board is provided with regular reports on renewals of, and negotiations for new, supplier agreements by key employees and business unit heads. The information received supports effective decision making by the board and considering long-term consequences on customers well-being and satisfaction</p>

Turner Broadcasting System Europe Limited

Strategic report (continued) for the year ended 31 December 2019

Stakeholder engagement statement (continued)


Shareholder group	Importance	What engagement took place?	What influence did this have on the board's decisions?
Direct and ultimate shareholder	The company is 100% owned by Turner Broadcasting System Europe Holdings Limited and is a subsidiary of WarnerMedia LLC, which is in turn wholly owned by AT&T Inc.	<p>The board of directors of the company, in conjunction with senior management, make recommendations to declare dividends, coordinate and evaluate the amount of dividend and impact at local level, which is then approved by the board.</p> <p>The company reports to its direct shareholder and WarnerMedia LLC on a regular basis in the form of its financial performance, operational issues, business reviews, business plans and strategic plans as well as risk reporting.</p>	<p>The company's strategy is to pursue strategic growth to create long term value for its shareholder and the group as a whole.</p> <p>The receipt of this information, and the coordination with group functions, aids the board when considering whether to declare dividends, the amount of dividend and impact at local level and supports the board's delivery of the company's purpose and strategy and assists with the implementation of the board's business plan.</p> <p>Dividends, which are categorised as a principal decision, were considered and were approved for this financial period.</p>

Key performance indicators

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 Warner Media LLC, a direct subsidiary of AT&T Inc..

This report was approved by the board on

and signed on its behalf by:


Ellie Browne (Dec 18, 2020 19:12 GMT)

E Browne
Director

Turner Broadcasting System Europe Limited

Directors' report for the year ended 31 December 2019

The directors present their Directors' report together with the audited financial statements of the company for the year ended 31 December 2019.

Results and dividends

The profit for the financial year, after taxation, was €47,848,942 (2018: €57,539,559).

Dividends of €55,000,000 have been paid in respect of the year ended 31 December 2019 (2018: €161,000,000).

Future developments

The directors aim to maintain the management policies which have resulted in the group's substantial growth in recent years. They consider that the next year will show a further growth in sales from continuing operations.

Going concern

The financial statements are prepared on the going concern basis. The directors have considered the company's future cashflow forecasts, as well as its obligations and commitments, for the going concern period to 31 December 2021.

The company is reliant on internal funding from the AT&T group. Whilst the company expects to be cash generative in the next 12 months, the directors of the company have also obtained assurance from AT&T Inc. that the company will have sufficient financial resources to meet its liabilities as they fall due until 31 December 2021. The directors consider that AT&T Inc. will be able to provide financial support to the company, for the going concern period to 31 December 2021. On this basis, the directors consider it appropriate to adopt the going concern basis when preparing these financial statements.

Post balance sheet events

As described in the principal risks and uncertainties section of the strategic report on pages 1 and 2 in relation to COVID-19, for the company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered no-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities.

On 10 April 2020, the company purchased a 100% share of an entity called The Widget Company B.V., an entity registered in the Netherlands. The consideration for the acquisition was €4,300,000. The acquiree specialises in the front end software development activities including solutions architecture, testing and deployment.

Financial instruments

The company periodically enters into foreign currency hedges to limit exposure to fluctuations in cash inflows and outflows denominated in currencies other than the company's functional currency. These cash flow hedges are administered at a group level by AT&T Inc..

Hedging activities ceased during 2019 with all existing hedges being unwound and no new contracts entered into.

Turner Broadcasting System Europe Limited

Directors' report (continued) for the year ended 31 December 2019

Employee engagement statement

The company identifies its employees as its key stakeholders and recognises their importance to the long-term success of the company. Throughout the year, the directors engaged with the company's employees in various ways to provide information on matters of concern to them as employees, to take into account their views in making decisions likely to affect their interests, to encourage involvement in the company's performance and to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Table below sets out the detail of how the company engaged with its employees and how the directors have had regard to the employees' interests and the impact of these considerations on the key decisions taken by the board during the reporting period. Further detail of these decisions, and in particular the 'Principal decisions' in relation to the employees, are discussed in the s172 Statement on page 4.

Employees' interest	How have the directors engaged with employees	How the directors have had regard to employee interests, and the effect of that regard
Providing information on matters of concern to them as employees and to achieve an awareness of factors affecting the performance of the company, such as annual results, strategy, sustainability, training, bi-annual performance related bonus scheme, career development, office environment and diversity and inclusion.	<p>The board has adopted much of the engagement mechanisms operated by WarnerMedia LLC. The various policies put in place by WarnerMedia group (including the company) are applicable to all subsidiaries in the group and these act both as a type of engagement with employees and as guidance for how the company should engage with its employees.</p> <p>Group wide developments in terms of performance, sustainability, strategy, diversity and inclusion is managed directly by WarnerMedia and this is promulgated by the board of the company. More localised forms of engagement are carried out by senior management and groups of employees including:</p> <ul style="list-style-type: none">• Opportunity 4 All a diversity and inclusion lead initiative managed by a steering group of employees;• Old Street move – a team was set out to manage obtaining feedback from employees and communicating with employees on the move to new office space planned for 2020;• Training programmes are managed by HR and include both career/management oriented training and more holistic well being during "make you matter" weeks.	<p>The company is committed to valuing the diversity of its people and it monitors and reports internally on aspects such as gender and ethnicity. The company and the group are strongly dedicated to ensuring equal pay for all workforce across the organisation regardless of gender, race or ethnic origin, disability, gender, sexual orientation, age, religion or belief and regularly report on a legal entity level.</p> <p>During the year the company had to undertake some particular decisions in relation to the Company's employees and the COVID-19 virus. These can be found in the s172 Statement on pages 5 to 7.</p>

Turner Broadcasting System Europe Limited

Directors' report (continued) for the year ended 31 December 2019

Employee engagement statement (continued)

Employees' interest

How have the directors engaged with employees

How the directors have had regard to employee interests, and the effect of that regard

Employees are kept informed by ad hoc updates on key developments, changes to strategic objectives and priorities, updates on progress of ongoing projects, updates on Brexit developments and its impact on the business and workforce, updates and announcements in respect of the COVID-19 pandemic.

Employees also regularly receive emails and notifications from the group as part of the company's wider engagement strategy.

Being consulted so that the views of employees can be taken into account in the decisions made by the directors which are likely to affect their interests.

Feedback on the concepts for the fit out and design of the new office space at 160 Old Street was obtained through an employee group.

The design and fit out for 160 Old Street took into account the employee's feedback on environmental sustainability as well as office environment.

There have been surveys on the employees attitude to working from home and returning to the office during the COVID-19 pandemic.

The views of employees and workers on returning to the office environment during the pandemic have been taken into account in the company's response to managing the workforce and ensuring that working from home is effective and sustainable.

The company has also adopted a Reporting and Monitoring Misconduct policy from WarnerMedia LLC and this essentially provides the employees with a method of raising their concerns anonymously so that any investigations can be undertaken.

Employment of disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled it is the company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Turner Broadcasting System Europe Limited

Directors' report (continued) for the year ended 31 December 2019

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise indicated, are as follows:

E Browne
P Dogra (appointed 2 November 2020)
R Friend
G Stock (resigned 30 June 2020)

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. AT&T Inc. has purchased a Directors and Officers liability insurance policy for the benefit of the company and its directors and such a policy was in force during the year and is in force as at the date of approving the Directors' report.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements of the company in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements of the company for each financial year. Under that law the directors have elected to prepare the financial statements of the company in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless 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 of the company, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- prepare the financial statements of the company 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 to enable them to ensure that the financial statements of the company 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.

Turner Broadcasting System Europe Limited

Directors' report (continued) for the year ended 31 December 2019

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all the steps that ought to have been taken as a director in order to be 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 provision of Section 418 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.

This report was approved by the board on

2020 and signed on its behalf by:



Ellie Browne (Dec 18, 2020 19:12 GMT)

E Browne
Director

Independent auditors' report to the members of Turner Broadcasting System Europe Limited (continued)

Opinion

We have audited the financial statements of Turner Broadcasting System Europe Limited (the "company") for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditors' report to the members of Turner Broadcasting System Europe Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditors' report to the members of Turner Broadcasting System Europe Limited (continued)

Responsibilities of directors

As explained more fully in the statement of Director's responsibilities on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

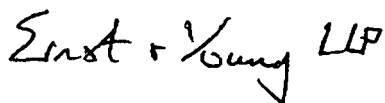
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



Philip Young (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditors
1 More London Place
London
SE1 2AF

Date: 22 December 2020

Turner Broadcasting System Europe Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 €	2018 €
Turnover	5	406,582,258	389,341,839
Cost of sales		(326,065,187)	(320,947,683)
Gross profit	6	80,517,071	68,394,156
Impairment of intangible fixed assets	14	(1,756,895)	95,388
Impairment of investments	16	(24,047,157)	(6,013,253)
Operating profit	6	54,713,019	62,476,291
Income from shares in group undertakings	9	1,500,000	2,496,130
Interest receivable and similar income	10	361,333	795,540
Interest payable and expenses	11	(789,426)	(880,343)
Profit before tax		55,784,926	64,887,618
Tax on profit	12	(7,935,984)	(7,348,059)
Profit for the financial year		47,848,942	57,539,559
Other comprehensive income/(expense)			
Gain/(loss) on hedging instrument		387,498	(1,419,432)
Taxation in respect of other comprehensive income/(expense)		(92,880)	252,519
Total other comprehensive income/(expense) for the year		294,618	(1,166,913)
Total comprehensive income for the year		48,143,560	56,372,646

All amounts relate to continuing activities.

The notes on pages 20 to 41 form part of these financial statements.


Turner Broadcasting System Europe Limited

Registered number: 01927955

Statement of financial position as at 31 December 2019

	Note	2019 €	Restated* 2018 €
Fixed assets			
Intangible assets	14	172,303,712	142,795,289
Tangible assets	15	22,273,659	5,889,223
Investments	16	7,622,524	31,669,681
		202,199,895	180,354,193
Current assets			
Debtors: amounts falling due after more than one year	17	996,901	2,463,453
Debtors: amounts falling due within one year	17	191,666,065	219,459,289
Cash at bank and in hand		87,717,039	56,688,071
		280,380,005	278,610,813
Creditors: amounts falling due within one year	18	(219,261,114)	(185,035,463)
Net current assets		61,118,891	93,575,350
Total assets less current liabilities		263,318,786	273,929,543
Creditors: amounts falling due after more than one year	20	-	(1,244,862)
Provisions	22	(1,647,709)	(4,250,044)
Net assets		261,671,077	268,434,637
Capital and reserves			
Called up share capital	24	151,038,232	151,038,232
Cash flow hedge reserve	25	-	(387,498)
Retained earnings	25	110,632,845	117,783,903
Total equity		261,671,077	268,434,637

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Ellie Browne (Dec 18, 2020 19:12 GMT)


R J Friend (Dec 21, 2020 08:21 GMT)

E Browne
Director

R Friend
Director

Date: Dec 18, 2020

Dec 21, 2020

The notes on pages 20 to 41 form part of these financial statements.

*See note 3.25 for details.

Turner Broadcasting System Europe Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital €	Cash flow hedge reserve €	Retained earnings €	Total equity €
At 1 January 2019	151,038,232	(387,498)	117,783,903	268,434,637
Comprehensive income for the year				
Profit for the financial year	-	-	47,848,942	47,848,942
Gain on hedging instrument	-	387,498	-	387,498
Total other comprehensive expense for the year	-	387,498	-	387,498
Total comprehensive income for the year	-	387,498	47,848,942	48,236,440
Contributions by and distributions to owners				
Dividends paid	-	-	(55,000,000)	(55,000,000)
Total transactions with owners	-	-	(55,000,000)	(55,000,000)
At 31 December 2019	151,038,232	-	110,632,845	261,671,077

The notes on pages 20 to 41 form part of these financial statements.

Turner Broadcasting System Europe Limited

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital €	Cash flow hedge reserve €	Share scheme reserve €	Retained earnings €	Total equity €
At 1 January 2018	151,038,232	779,415	3,107,331	217,720,001	372,644,979
Comprehensive income for the year					
Profit for the financial year	-	-	-	57,539,559	57,539,559
Loss on hedging instrument	-	(1,419,432)	-	-	(1,419,432)
Taxation in respect of other comprehensive expense	-	252,519	-	-	252,519
Total other comprehensive expense for the year	-	(1,166,913)	-	-	(1,166,913)
Total comprehensive income for the year	-	(1,166,913)	-	57,539,559	56,372,646
Contributions by and distributions to owners					
Dividends paid	-	-	-	(161,000,000)	(161,000,000)
Transfer between reserves	-	-	(3,524,343)	3,524,343	-
Taxation on share scheme reserve	-	-	417,012	-	417,012
Total transactions with owners	-	-	(3,107,331)	(157,475,657)	(160,582,988)
At 31 December 2018	151,038,232	(387,498)	-	117,783,903	268,434,637

The notes on pages 20 to 41 form part of these financial statements.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

1. General information

The company's principal activities are:

- the operation of 24 hour entertainment television networks throughout the United Kingdom ("the UK"), Europe, Africa and Middle East;
- the licensing of a 24 hour news programme of Turner Broadcasting System Inc.;
- the provision of advertising representative services to group undertakings; and
- the provision of management services to group undertakings.

The company is a private company limited by shares and incorporated and domiciled in England and Wales. The address of its registered office is 160 Old Street, London, EC1V 9BW.

2. Statement of compliance

The individual financial statements of Turner Broadcasting System Europe Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

3.1 Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are estimates are significant to the financial statements discussed in note 4.

3.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a statement of cash flows;
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of the number of shares outstanding at the beginning and end of the year;
- Section 26 Share-based Payments paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- Section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total.

The company's results are included in the publicly available consolidated financial statements of AT&T Inc. and these financial statements may be obtained from One Time Warner Centre, New York, NY 10019, United States of America.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.3 Going concern

The financial statements are prepared on the going concern basis. The directors have considered the company's future cashflow forecasts, as well as its obligations and commitments, for the going concern period to 31 December 2021.

The company is reliant on internal funding from the AT&T group. Whilst the company expects to be cash generative in the next 12 months, the directors of the company have also obtained assurance from AT&T Inc. that the company will have sufficient financial resources to meet its liabilities as they fall due until 31 December 2021. The directors consider that AT&T Inc. will be able to provide financial support to the company, for the going concern period to 31 December 2021. On this basis, the directors consider it appropriate to adopt the going concern basis when preparing these financial statements.

3.4 Consolidated financial statements

The financial statements contain information about Turner Broadcasting System Europe Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in non-EAA group accounts of a larger group (see note 29).

3.5 Functional currency

The company's earning streams are predominantly Euro denominated. It is therefore appropriate to treat the Euro as the company's functional currency.

3.6 Foreign currency

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

The Sterling exchange rate to Euros, the presentation currency, at 31 December 2019 was 1.19 (2018: 1.11).

3.7 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.

3.8 Operating leases

Rentals paid under operating leases are charged to comprehensive income on a straight line basis over the lease term.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.9 Pension costs

The company participates in the Time Warner Money Purchase Pension Plan, a defined contribution scheme. The pension cost charged to profit or loss represents contributions payable by the company to the relevant funds as they become payable in accordance with the rules of the scheme.

3.10 Interest receivable and similar income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

3.11 Interest payable and similar expenses

Interest payable is charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3.13 Tangible fixed assets

Tangible assets are recognised at cost and subsequently measured at cost less accumulated depreciation and provision for impairment. All tangible assets are depreciated over their estimated useful economic life on a straight line basis.

The annual rates of depreciation are as follows:

Leasehold improvement	- the shorter of 7 years or the remaining term of the lease
Fixtures and fittings	- 5 years
Computer equipment	- 3 years

3.14 Impairment

At each Statement of financial position date, the company reviews the carrying amounts of all assets to determine whether there is any indication that any of those assets have suffered an impairment loss.

Impairment is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. An impairment of an investment in a joint venture or associate is recognised within the share of profit from joint ventures and associates. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.15 Intangible fixed assets

Film rights and other costs are stated at cost less accumulated amortisation and impairment, and consist of licensed programme rights.

Licensed programme rights represent amounts paid or payable to programme licensors for the limited right to broadcast the licensors' programming. Exhibition rights under the licenses are generally limited to a contract period or a specific number of showings. Accordingly, licensed programme rights are amortised to profit or loss as cost of sales at the greater of the straight-line rate or a rate based on actual usage and over 5 years using the sum of digits amortisation method for Cartoon Network Original Programmes and Co-productions. Original General Entertainment programming held primarily for purposes of syndication as well as airing on other network channels is amortised ninety per cent in first month of airing and remaining 10 per cent over the next 23 months.

Computer software is recognised at cost and subsequently measured at cost less accumulated amortisation and provision for impairment. Amortisation is charged on a straight line basis over 3 years.

3.16 Investments

Investments in subsidiary and associated undertakings are stated in the Statement of financial position at cost less provision for impairment.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.17 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period and tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

(ii) Deferred tax

Deferred tax arises from timing differences that are between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the statement of financial position 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.

3.18 Provisions

Provisions are recognised when the company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the company's best estimate of the transfer of benefits that will be required to settle the obligation as of the Statement of financial position date.

3.19 Share based payments

The company has taken advantage of the exemption in FRS 102.1.12(d) reduced disclosures for subsidiaries. Certain share based payment transactions have not been presented as the company is a member of a group where the parent AT&T Inc., prepares publicly available consolidated financial statements and the company is included within the consolidation (see note 29).

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.20 Derivatives

The company uses derivative instruments principally to manage the risk associated with movements in foreign currency exchange rates, and recognises all derivative instruments in the Statement of financial position at fair value. Changes in the fair value of derivative instruments that qualify for hedge accounting, to the extent that the hedges are effective, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. The ineffective portion of a derivative instruments change in fair value is immediately recognised in comprehensive income. For those derivative instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

Hedging activities ceased during 2019 with all existing hedges being unwound and no new contracts entered into.

3.21 Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the region. In the judgement of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme. See note 19 for further details.

3.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.23 Dividend income

Dividend income is recognised when the right to receive payment is established.

3.24 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

3.25 Prior year restatement

At 31 December 2018, amounts owed by group undertakings were overstated by €162,825,426 and amounts owed to group undertakings were overstated by the same amount due to a posting error. This correction has no impact on the retained earnings of the company.

Account	Pre restatement	Restatement	Restated
Debtors: amounts falling due withing one year	€253,172,422	€(162,825,426)	€90,346,996
Creditors: amounts failing due withing one year	€(226,333,732)	€162,825,426	€(63,508,506)

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible and intangible fixed assets and investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.
- The company recognises liabilities for anticipated uncertain corporation tax positions based on reasonable estimates of whether additional taxes will be due and the timing of those additional taxes. Further details are contained in note 12. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

The company's directors are of the opinion that there are no other estimates and assumptions that have a significant risk of casting material adjustment to the carrying value of assets and liabilities for the company within the next financial year.

5. Turnover

Analysis of turnover by country of destination:

	2019 €	2018 €
United Kingdom	72,603,500	60,987,961
Europe	266,766,190	254,079,726
Africa and Middle East	49,379,864	51,259,574
Rest of the world	17,832,704	23,014,578
	<u>406,582,258</u>	<u>389,341,839</u>

Turnover is wholly attributable to the principal activity of the company.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

6. Operating profit

The operating profit is stated after charging/(crediting):

	2019 €	2018 €
Loss on disposal of tangible fixed assets	-	433,528
Depreciation of tangible fixed assets	2,216,723	4,716,624
Operating leases	7,949,849	1,608,563
Amortisation of intangible fixed assets	105,008,889	98,510,674
Impairment of intangible fixed assets	1,756,895	(95,388)
Impairment of investments	24,047,157	6,013,251
Foreign exchange loss/(gain)	704,069	(3,661,703)
Auditor's remuneration	309,969	256,029
Defined contribution pension cost	3,318,158	2,066,982
Equity settled share based payment	262,928	1,143,613

The audit fee for the current year is €309,969 (2017: €256,029). Fees payable to auditors for other non-audit services were €Nil (2018: €Nil).

7. Directors' remuneration

The aggregate amounts received by directors in respect of qualifying services are:

	2019 €	2018 €
Directors' emoluments	3,609,801	2,858,840
Pensions	29,181	51,339
	3,638,982	2,910,179

During the year no directors received shares under the long term incentive schemes (2018: no directors), no director exercised stock options (2018: no directors), no directors received RSUs (2018: no directors) and 3 directors accrued benefits under money purchase pension schemes (2018: 3 directors).

The highest paid director received remuneration of €2,233,386 (2018: €2,129,101), of which €Nil (2018: €11,641) related to pension contributions. Amounts were also received in the year in relation to the company long term incentive plan of €437,516 (2018: €250,331).

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

8. Employees

Staff costs (including directors) consist of:

	2019 €	2018 €
Wages and salaries	42,707,827	45,677,664
Social security costs	5,200,715	5,752,546
Equity settled share based payment	262,928	1,143,613
Cost of defined contribution scheme	3,318,158	2,066,982
	<u>51,489,628</u>	<u>54,640,805</u>

The average monthly number of employees (including directors) during the year was as follows:

	2019 No.	2018 No.
Sales and marketing	77	75
Administration and support	21	21
Production and distribution	400	391
Finance and legal	34	33
	<u>532</u>	<u>520</u>

All employees are primarily based in the UK.

The company participates in the Time Warner Money Purchase Pension Plan, a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charges above represent all amounts paid to the scheme in the current and prior year. There was no outstanding or prepaid contributions at either the beginning or end of the financial year.

9. Income from shares in group undertakings

	2019 €	2018 €
Dividend income	<u>1,500,000</u>	<u>2,496,130</u>

10. Interest receivable and similar income

	2019 €	2018 €
Interest receivable from group undertakings	<u>361,333</u>	<u>795,540</u>

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

11. Interest payable and similar expenses

	2019 €	2018 €
Interest payable to group undertakings	93,500	-
Unwinding of discount on programme rights	-	95,691
Loss on derivative financial instruments	695,926	784,652
	<u>789,426</u>	<u>880,343</u>

12. Taxation

	2019 €	2018 €
UK corporation tax		
Current tax on profits for the year	6,919,759	6,047,170
Tax under provided in previous years	609,289	326,501
	<u>7,529,048</u>	<u>6,373,671</u>
Double taxation relief	(3,723,311)	(3,263,284)
	<u>3,805,737</u>	<u>3,110,387</u>
Foreign tax		
Current tax on foreign income for the year	3,723,311	3,263,284
	<u>3,723,311</u>	<u>3,263,284</u>
Total current tax	<u>7,529,048</u>	<u>6,373,671</u>
Deferred tax		
Origination and reversal of timing differences	1,909,452	(209,925)
(Credit)/charge due to change in tax rate	(200,996)	22,098
(Over)/under provision for prior years	(1,301,520)	1,162,215
	<u>406,936</u>	<u>974,388</u>
Taxation on profit on ordinary activities	<u>7,935,984</u>	<u>7,348,059</u>

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

12. Taxation (continued)

Factors affecting tax charge for the year

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2018: 19%). The tax charged for the year differs from the standard rate for the reason in the reconciliation below:

	2019 €	2018 €
Profit before tax	55,784,925	64,887,618
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	10,599,136	12,328,647
Effects of:		
Impairment charge disallowed	4,568,960	-
Disallowable expenses	374,831	232,265
Non-qualifying depreciation	4,903	39,570
Tax (over)/under provided in previous years	(692,231)	1,488,716
Impact of change of rate of tax	(200,996)	22,098
Non taxable dividends	(285,000)	(474,265)
Group relief received for nil consideration	(6,433,619)	(6,288,972)
Total tax charge for the year	7,935,984	7,348,059

Factors affecting future tax charges

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. The effect of these changes on the deferred tax balance is reflected in these accounts. In the 2020 Budget, it was announced that the reduction to 17% will not now take place. This change became substantively enacted on 17 March 2020 when the Budget Resolution was passed and was enacted when the Finance Act 2020 was given Royal Assent on 22 July 2020. The impact of the cancellation of the rate reduction is an increase in the deferred tax asset of €350,000.

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

13. Dividends paid

	2019 €	2018 €
Dividends paid	55,000,000	161,000,000

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

14. Intangible fixed assets

	Programme rights €	Computer software €	Total €
Cost			
At 1 January 2019	373,132,688	17,409,555	390,542,243
Additions	134,668,368	2,247,237	136,915,605
Expired contracts	(78,241,688)	-	(78,241,688)
Disposals	-	(766,680)	(766,680)
At 31 December 2019	<u>429,559,368</u>	<u>18,890,112</u>	<u>448,449,480</u>
Amortisation/impairment			
At 1 January 2019	233,604,669	14,142,285	247,746,954
Amortisation charge for the year	102,971,392	2,037,497	105,008,889
Expired contracts	(78,241,688)	-	(78,241,688)
Amortisation on disposals	-	(125,282)	(125,282)
Impairment charge	1,756,895	-	1,756,895
At 31 December 2019	<u>260,091,268</u>	<u>16,054,500</u>	<u>276,145,768</u>
Net book value			
At 31 December 2019	<u>169,468,100</u>	<u>2,835,612</u>	<u>172,303,712</u>
At 31 December 2018	<u>139,528,019</u>	<u>3,267,270</u>	<u>142,795,289</u>

The amortisation charge of intangible fixed assets is included within cost of sales in the Statement of comprehensive income.

An annual impairment analysis of intangible fixed assets resulted in an impairment of €1,756,895 relating to owned productions that were under-performing compared to future cash flow expectations. This was recorded as an operating loss in the Statement of comprehensive income.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

15. Tangible fixed assets

	Leasehold improvement €	Fixtures and fittings €	Computer equipment €	Total €
Cost or valuation				
At 1 January 2019	18,675,427	25,482,922	16,003,559	60,161,908
Additions	8,577,530	9,417,838	605,791	18,601,159
Disposals	(5,272,701)	(8,873,270)	(1,355,056)	(15,501,027)
At 31 December 2019	21,980,256	26,027,490	15,254,294	63,262,040
Depreciation				
At 1 January 2019	16,354,470	25,482,922	12,435,293	54,272,685
Charge for the year	324,953	343,507	1,548,263	2,216,723
Disposals	(5,272,701)	(8,873,270)	(1,355,056)	(15,501,027)
At 31 December 2019	11,406,722	16,953,159	12,628,500	40,988,381
Net book value				
At 31 December 2019	10,573,534	9,074,331	2,625,794	22,273,659
At 31 December 2018	2,320,957	-	3,568,266	5,889,223

The depreciation charge of tangible fixed assets is included within cost of sales in the Statement of comprehensive income.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

16. Investments

	Investments in subsidiary undertakings €	Investments in associated undertakings €	Other investments €	Total €
Cost or valuation				
At 1 January 2019	12,764,471	14,459,367	10,459,094	37,682,932
At 31 December 2019	12,764,471	14,459,367	10,459,094	37,682,932
Impairment				
At 1 January 2019	6,013,251	-	-	6,013,251
Charge for the year	-	13,772,208	10,274,949	24,047,157
At 31 December 2019	6,013,251	13,772,208	10,274,949	30,060,408
Net book value				
At 31 December 2019	6,751,220	687,159	184,145	7,622,524
At 31 December 2018	6,751,220	14,459,367	10,459,094	31,669,681

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

16. Investments (continued)

(a) Subsidiary undertakings

The principal undertakings in which the group and the company holds at the year end are as follows:

Name	Country of incorporation or registration	Proportion of share capital	Registered office address
Turner Broadcasting System S.r.l	Italy	100 %	Via dei Magazzini Generali, 18/20, 00154 Rome, Italy
Turner Broadcasting System Deutschland GmbH	Germany	100 %	Leopoldstrasse 57, Munich 80802, Germany
Turner Broadcasting System France SAS	France	100 %	115-123 Avenue Charles de Gaulle 92200, Neuilly-sur-Seine, France
Turner Broadcasting System Espagna SL	Spain	100 %	Calle Serrano 38, 3a planta, Madrid, Spain
Turner Broadcasting System Denmark ApS	Denmark	100 %	Jens Kofods gade 1, 2 sal, 1268 Denmark
Turner Broadcasting System Arabia FZ-LLC	United Arab Emirates	100 %	Office No. 320, Building No. 2, Third Floor, Dubai Media City, United Arab Emirates
Turner Broadcasting System Arabia Studios FZ-LLC	United Arab Emirates	100 %	Office No. 1-01, 1st Floor, Park Rotana Building, Media Zone, Abu Dhabi, United Arab Emirates
Turner Broadcasting System Limited Liability Company	Russia ^	99 %	Office 757, Business Centre 'Regus', Smolensky Passage, 3 Smolenskaya Square, Moscow, Russian Federation, 121099
TNT Televizyon Produksiyon Limited Sirketi	Turkey ~	32.04 %	Turkali Mah, Odalar Sokak No:9, Kat 3 Besiktas, Istanbul, Turkey
Eda Televizyon Yayıncılık ve Produksiyon Anonim Sirketi	Turkey ***	0.02 %	Turkali Mah, Odalar Sokak No:9, Kat 3 Besiktas, Istanbul, Turkey
Turner Broadcasting System Romania S.r.l	Romania +	95 %	6 Maria Rosetti Street, Ground Floor, Sector 2, Bucharest, Romania
Turner Broadcasting System Poland SP Z.O.O.	Poland ^	99 %	Warsaw Financial Centre, 53, Emilii Plater Street, 00- 113, Warsaw, Poland
Great Marlborough Productions Limited	United Kingdom	100 %	160 Old Street, London EC1V 9BW
Millennium Media Group AB	Sweden	100 %	Kundsträdgårdsgatan 20 111 47 Stockholm, Sweden
Turner Nordic and Baltic AB	Sweden *	100 %	Kundsträdgårdsgatan 20 111 47 Stockholm, Sweden
NonStop Sales AB	Sweden *	100 %	Kundsträdgårdsgatan 20 111 47 Stockholm, Sweden
Latibaer Ehf	Iceland *	100 %	Efstaleiti 5, 103 Reykjavik, Iceland
Ninth Floor UK Productions Limited	United Kingdom	100 %	160 Old Street, London EC1V 9BW
Turner Broadcasting System Istanbul Yayıncılık Ve Produksiyon Anonim Sirketi	Turkey *	100 %	Turkali MAH, Sehit Ali Kerem Mergen SK NO: No.9/Kat: 3, Besiktas, Istanbul, Turkey
Turner South Africa (Pty) Ltd	South Africa *	100 %	7 Cherry Street, Newlands, Cape Town 7700, South Africa

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

16. Investments (continued)

Name	Country of incorporation of registration	Proportion of share capital	Registered office address
Turner OTT Limited	United Kingdom	50 %	160 Old Street, London EC1V 9BW

All share capital held is ordinary share capital, unless otherwise stated.

^ The additional 1% owned by another group undertaking.

* Indirectly owned by TBSEL.

+ The additional 5% is owned by the company's immediate parent company.

~ 0.08% owned by the company's immediate parent company. The remaining 67.88% is owned by Turner Broadcasting System Inc.

*** 99.9% owned by TNT Televizyon Produksiyon Limited Sirketi and 0.08% owned by parent companies.

All above listed companies carry out marketing services and consultancy in relation to distribution licensing with the exception of Millennium Media Group AB ("MMG"). MMG operates television channels primarily in Nordic countries, Baltic States, Benelux and Africa. An ad sales function is also performed by Turner Broadcasting System Italia S.r.l., Turner Broadcasting System Deutschland GmbH, Turner Broadcasting System France SAS, Turner Broadcasting System Denmark ApS and TBS Arabia FZ-LLC. TNT Televizyon Produksiyon Limited Sirketi ceased operations in June 2012. Eda Televizyon yayıncılık ve Produksiyon Anonim Sirketi and Turner Broadcasting System İstanbul Yayıncılık Ve Prodüksiyon Anonim Sirketi operate a cartoon television channel in Turkey; it started operations in April 2012.

Turner Broadcasting System Iceland Ehf was merged with Latibaer Ehf in January 2018 due to a legal entity rationalisation.

All the above undertakings are wholly owned unless noted otherwise. The class of share capital held is ordinary shares. The principal areas of operations are the UK, Europe, Middle East and Africa.

(b) Associated undertakings

TBSEL has a 49% shareholding of the Ordinary share capital in Boing S.p.A., a company incorporated in Italy. The company operates an Italian television channel for children.

TBSEL has a 36.3% shareholding of the Ordinary share capital in Bright Little Labs Limited, an entity incorporated in the United Kingdom. The company operates within the media industry, providing interactive educational media to children.

An impairment analysis of the fair value of the net assets of investments in associated undertakings and an assessment of future performance of their business activities resulted in a full write down of the investment in Boing S.p.A.. Bright Little Labs Limited's fair value was reduced to €687,159. Impairment charges of €11,441,256 and €2,330,952 respectively were recorded in the Statement of comprehensive income.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

16. Investments (continued)

(c) Other investments

TBSEL has an 18% shareholding in Copa90 Limited, a company incorporated in the United Kingdom. The investment includes holdings of both Series B preferred shares and ordinary shares. The company is a digital media sports company focusing on original content for millennial football (soccer) fans.

TBSEL also holds a 1.47% shareholding of the ordinary share capital of Clearcast Limited, a company incorporated in the United Kingdom. Clearcast Limited was acquired from another Time Warner Limited subsidiary.

An impairment analysis of the fair value of the net assets of other investments and an assessment of future performance of their business activities resulted in a write down of the fair value of the investment in Copa90 Limited to €179,099. An impairment charge of €10,274,949 was recorded in the Statement of comprehensive income.

17. Debtors

	2019 €	2018 €
Due after more than one year		
Other debtors	996,901	2,463,453
	<u>996,901</u>	<u>2,463,453</u>
	2019 €	Restated* 2018 €
Due within one year		
Trade debtors	33,183,585	52,790,922
Amounts owed by group undertakings	72,684,032	90,346,996
Other debtors	2,862,857	527,882
Prepayments and accrued income	79,962,626	71,380,195
Deferred taxation (see note 23)	2,972,965	4,413,294
	<u>191,666,065</u>	<u>219,459,289</u>

Trade debtors are stated after provisions for impairment of €180,763 (2018: €12,626,049).

At 31 December 2018, amounts included within trade debtors of €51,633,408 relating to unbilled revenue have been reclassified to prepayments. This classification correction has no impact on the retained earnings of the company.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

*See note 3.25 for details.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

18. Creditors: Amounts falling due within one year

	2019 €	Restated* 2018 €
Trade creditors	21,750,457	16,939,951
Amounts owed to group undertakings	101,446,120	63,508,306
Corporation tax	7,827,547	4,848,505
Other taxation and social security	13,351,612	2,681,665
Other creditors	-	1,900,612
Accruals and deferred income	74,885,378	94,487,572
Financial instruments	-	668,852
	<u>219,261,114</u>	<u>185,035,463</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

*See note 3.25 for details.

19. Pensions

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

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

The company has discussed the position with the TWUK PP's actuaries and, in accordance with FRS 102 section 28 Employee Benefits has taken their advice that the company treat its participation in TWUK PP as if it were a defined contribution scheme. At 31 December 2018 and 31 December 2019, on FRS 102 section 28 basis and before any related deferred tax, the scheme was in surplus.

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

The total pension cost to the company in relation to both schemes for the year ended 31 December 2019 amounted to €3,318,158 (2018: €2,066,982).

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

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

	2019 €	2018 €
Other creditors	-	1,244,862

21. Financial instruments

	2019 €	Restated* 2018 €
Financial assets		
Financial assets that are debt instruments measured at amortised cost	277,407,040	254,350,733
Financial liabilities		
Derivative financial instruments designated	-	(668,852)
Financial liabilities measured at amortised cost	(199,729,659)	(167,827,759)
	(199,729,659)	(168,496,611)

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, accrued income and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

*See note 3.25 for details.

Hedges of foreign currencies

The company used derivative instruments in the form of forward foreign currency contracts to manage the risk associated with the volatility of future cash flows denominated in foreign currencies and changes in fair value resulting from changes in foreign currency exchange rates. The fair value of forward foreign currency contracts are measured with reference to year-end spot rates and the forward point from the accounting date.

The principal currencies being hedged include the British Pound, the United States Dollar, Swedish Krona and Norwegian Krone. The company uses forward foreign currency contracts that generally have maturities of three to 18 months to hedge variability in foreign-currency-denominated cash flows, such as the hedges of unremitted or forecasted royalty and license fees owed to the company for the sale or anticipated sale of US copyrighted products or cash flows for certain film production costs denominated in a foreign currency.

The company also entered into derivative contracts that economically hedge certain of its foreign currency risks, even though hedge accounting does not apply or the company elects not to apply hedge accounting. These economic hedges are used primarily to offset the change in certain foreign currency denominated long-term receivables and certain foreign-currency-denominated debt due to changes in the underlying foreign exchange rates.

Hedging activities ceased in 2019 with all existing hedges being unwound and no new contracts entered into.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

22. Provisions

	Property €
At 1 January 2019	4,250,044
Addition in the year	1,150,270
Amounts utilised in the year	(3,752,605)
At 31 December 2019	1,647,709

At 1 January 2019 the provision for property related to dilapidations on Turner House, 16 Great Marlborough Street, London, W1F 7HS. The company's lease on the property expired on 17 October 2019, upon expiry the lease on the property was extended on a month by month rolling basis and was finally vacated by the company on 16 March 2020. At 31 December 2019 dilapidations of €497,439 related to this property lease.

On 3 January 2019 the company began renting and refitting a new property, 160 Old Street, London, EC1V 9BP. A dilapidation provision was provided for €1,150,270. The company's lease on the property is due to expire on 4 January 2034.

23. Deferred taxation

	2019 €	2018 €
At 1 January	4,413,294	4,696,360
Charged to profit or loss	(1,347,449)	(974,388)
Charged/(credited) to other comprehensive income	(92,880)	691,322
At 31 December	2,972,965	4,413,294

The deferred tax asset is made up as follows:

	2019 €	2018 €
Accelerated capital allowances	2,347,274	3,161,752
Short term timing differences	625,691	1,158,662
Financial instrument revaluation	-	92,880
	2,972,965	4,413,294

The asset is not disclosed separately on the statement of financial position. It appears in note 17.

The net reversal of deferred tax expected to occur in the following year is €1,100,000 (2018: €584,000). This is due to the capital allowances expected to be claimed in 2020 being greater than the associated depreciation charge.

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

24. Share capital

	2019 €	2018 €
Allotted, called up and fully paid		
100 Ordinary shares (2018: 100) of £1 each	126	126
151,038,106 Ordinary shares (2018: 151,038,106) of €1 each	151,038,106	151,038,106
	<u>151,038,232</u>	<u>151,038,232</u>

25. Reserves

The cash flow hedge reserve represents cumulative gains or losses on the hedging instrument from inception of the hedge.

Retained earnings represents cumulative profits, losses and total other recognised gains or losses made by the company, including distributions to, and contributions from, the parent company.

26. Guarantees and other financial commitments

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 statement of financial position date, funds deposited by the company into the system, and potentially at risk to cover liabilities elsewhere in the group, amounted to €84,212,984 (2018: €56,688,071).

27. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 €	2018 €
Not later than 1 year	1,074,595	6,830,718
Later than 1 year and not later than 5 years	18,756,911	16,793,578
Later than 5 years	31,994,005	28,821,069
	<u>51,825,511</u>	<u>52,445,365</u>

Turner Broadcasting System Europe Limited

Notes to the financial statements for the year ended 31 December 2019

28. Related party transactions

	Sales to related party €	Purchases from related party €	Amounts owed by related party €
Boing S.p.A.			
2019	15,845,004	95,371	3,961,251
2018	15,383,004	164,488	3,845,751

Boing S.p.A. is a related party by virtue of the company holding 49% of its ordinary share capital.

29. Controlling party

The company's ultimate parent undertaking and the parent of the smallest and largest group in which the results of the company are consolidated is AT&T Inc., which is incorporated in the United States of America. Copies of the group financial statements are available from One Time Warner Centre, New York, NY 10019, United States of America.

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

30. Post balance sheet events

As described in the principal risks and uncertainties section of the strategic report on pages 1 and 2 in relation to COVID-19, for the company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered no-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities.

On 10 April 2020, the company purchased a 100% share of an entity called The Widget Company B.V., an entity registered in the Netherlands. The consideration for the acquisition was €4,300,000. The acquiree specialises in the front end software development activities including solutions architecture, testing and deployment.