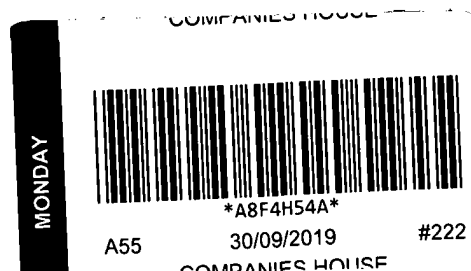


Company registration number: 7329044

Warner Bros. Television Production UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Warner Bros. Television Production UK Limited

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Warner Bros. Television Production UK Limited

Company Information

Directors	W A Ogilvie R Goes
Registered office	Warner House 98 Theobald's Road London WC1X 8WB
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Banker	Barclays Bank PLC 8/9 Hanover Square London W1A 4ZW

Warner Bros. Television Production UK Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their Strategic Report for the year ended 31 December 2018. In preparing this Strategic Report, the directors have complied with section 414c of the Companies Act 2006.

Principal activity

The company's principal activity during the year was that of a management service company, television production entity and acted as an investment holding company.

Results

The profit for the year after taxation amounted to £5,624,000 (2017 - loss after taxation of £(5,236,000)).

Review of the business and KPIs

The company's key financial and other performance indicators during the year were as follows:

	Unit	2018	2017
Turnover	£'000	167	3,199
Gross profit	£'000	(276)	308
Gross margin	%	(165)	10
Operating loss	£'000	(1,222)	(5,096)
Number of employees		40	64

The company's turnover decreased year on year by 95% and the company's gross profit decreased year on year by 190% owing to the change in the company's operating structure, leading to reduced centralised activity levels.

The company's operating loss decreased by 76% year on year, due to no investment impairment in the current year compared to prior year (£885,000). The decrease in operating loss in the current year was also due to the change in the company's operating structures as outlined above.

Warner Bros. Television Production UK Limited

Strategic Report for the Year Ended 31 December 2018 (continued)

Principal risks and uncertainties

An analysis of the risks and uncertainties of the AT&T Inc. group are discussed in the group's Annual Report which is publicly available.

The principal risks and uncertainties facing the company are detailed below.

The popularity of content is difficult to predict and can change rapidly, and low public acceptance of the group's content will adversely affect its results. The revenues derived from the sale and licensing of television programming depend primarily on widespread public acceptance of that content, which is difficult to predict and can change rapidly. The group must invest substantial amounts in the marketing of its content before it learns whether such content will reach anticipated levels of popularity with consumers. The popularity of the group's content depends on many factors, only some of which are within the group's control.

Low ratings for television programming produced by the group may lead to the cancellation of a programme and can negatively affect future license fees for the cancelled programme. If the group decides to no longer air programming due to low ratings or other factors, the group could incur significant programming impairments, which could have a material adverse effect on the group's results of operations in a given period.

If the group fails to compete successfully against alternative sources of entertainment, there may be an adverse effect on the group's results. The group competes with other sources of entertainment, including premium pay television services, SVOD, and other OTT services, feature films, the Internet, home entertainment products, videogames, social networking and pirated content, for consumers' leisure and entertainment time and discretionary spending. The increased number of media and entertainment choices available to consumers has made it much more difficult to attract and obtain their attention and time.

Service disruptions or failures in information systems and networks as a result of computer viruses or misappropriation of data may disrupt the company's business, damage its reputation or have a negative impact on its results or operations. Although the company develops and maintains information security practices and systems designed to prevent these events occurring, development and maintenance of these systems is costly and is likely to increase as the threats become more sophisticated.

The company is subject to a variety of laws and regulations. The company could incur significant costs to comply with new laws or regulations or substantial penalties or other liabilities if it fails to comply with them. Compliance with new laws or regulations could also cause the company to change or limit its business practices in a manner that is adverse to its business.

Warner Bros. Television Production UK Limited

Strategic Report for the Year Ended 31 December 2018 (continued)

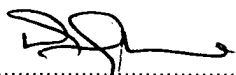
Principal risks and uncertainties (continued)

At regular intervals since the referendum in 2016, the company has identified and assessed various business risks arising from the UK's potential exit from the European union. Based on what the company knows to date, and given the many continuing uncertainties surrounding Brexit, the company believes that it has mitigated the identified risks as best it can in the circumstances. Management has reviewed significant supply chains, likely staffing impacts, software requirements and tax reporting requirements used in the company's operations and, where possible and where relevant, similar operations of its key business partners.

Particular attention has been given to those areas that could cause an immediate impact to the company's business, such as the importation of physical products into the UK, distance sales that would become exports and possible staffing issues. Simplifications such as postponed VAT accounting on imports have been reviewed and, where necessary, EORI numbers and Transitional Simplified Procedure numbers have been applied for. Legal services have been engaged to assist staff who are known European Union nationals.

Management has also considered currency risks and opportunities due to ultimate parent company reporting in USD. Whilst revenue and profit reporting in USD would be harmed by a weaker GBP, this would be partially offset by GBP investment in infrastructure and UK film and television productions elsewhere in the Group.

On behalf of the Board



W A Ogilvie
Director

Date:

27 SEP 2019

Warner Bros. Television Production UK Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their annual report on the affairs of Warner Bros. Television Production UK Limited ("the company") together with the financial statements for the year ended 31 December 2018.

Dividends

No dividends were paid during the year (2017 - £nil). The directors do not recommend the payment of a final dividend (2017 - £nil).

Ownership change

On 14 June 2018, AT&T Inc. acquired the previous ultimate parent undertaking Warner Media LLC, (formerly Time Warner Inc.) and became the ultimate parent undertaking.

Going concern

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

Directors of the company

Except as noted below, the following were directors of the company who served throughout the year and were still directors at the date of this report:

W A Ogilvie
R Goes

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

Directors qualifying third party indemnity provisions

The company may indemnify one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 and the company may purchase insurance for this purpose. AT&T Inc. has purchased a directors and officers liability insurance policy for the benefit of the company and its directors and such policy was in force during the year and is in force as at the date of approving the Directors' Report.

Disclosure of information to the 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 auditor is unaware; and
- the director has taken all the steps that he/ she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Warner Bros. Television Production UK Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Reappointment of auditors

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

On behalf of the Board



.....
W A Ogilvie
Director

Date: **27 SEP 2019**

Warner Bros. Television Production UK Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Warner Bros. Television Production UK Limited

Independent Auditor's Report to the Members of Warner Bros. Television Production UK Limited

Opinion

We have audited the financial statements of Warner Bros. Television Production UK Limited (the 'company') for the year ended 31 December 2018, which comprise the Income statement, Statement of Financial Position, Statement of Changes in Equity, and notes 1 to 18, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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 Auditor's 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.

Warner Bros. Television Production UK Limited

Independent Auditor's Report to the Members of Warner Bros. Television Production UK Limited (continued)

Other information

The other information comprises the information included in the annual report, (set out on pages 2 to 6), other than the financial statements and our auditor's 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 this 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' 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 and 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 7), 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.

Warner Bros. Television Production UK Limited

Independent Auditor's Report to the Members of Warner Bros. Television Production UK Limited (continued)

Auditor's 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 auditor's 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 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.

Ernst & Young LLP

Stuart Darrington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: *30/9/19*

Warner Bros. Television Production UK Limited

Income Statement for the Year Ended 31 December 2018

	Note	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Turnover	2	167	3,199
Cost of sales		<u>(443)</u>	<u>(2,891)</u>
Gross (loss)/profit		(276)	308
Administrative expenses		(946)	(4,519)
Impairment of investment	3	<u>-</u>	<u>(885)</u>
Operating loss	3	(1,222)	(5,096)
Income from investments	6	7,600	-
Interest receivable and similar income	7	43	86
Interest payable and similar expenses	8	<u>(797)</u>	<u>(226)</u>
Profit/(loss) on ordinary activities before taxation		5,624	(5,236)
Taxation on profit/(loss) on ordinary activities	9	<u>-</u>	<u>-</u>
Profit/(loss) for the financial year		<u><u>5,624</u></u>	<u><u>(5,236)</u></u>

Prior year turnover and cost of sales include operations that were discontinued on 30 June 2017. All other amounts relate to continuing operations.

There is no difference between profit for the financial year and total comprehensive income for the year, and accordingly no separate statement of comprehensive income has been presented.

The notes on pages 14 to 27 form an integral part of these financial statements.

Warner Bros. Television Production UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Share premium £ 000	Equity share based payments reserve £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2017	72,078	63,337	89	(105,567)	29,937
Loss for the year	-	-	-	(5,236)	(5,236)
Transfers between reserves	-	-	(62)	62	-
At 31 December 2017	<u>72,078</u>	<u>63,337</u>	<u>27</u>	<u>(110,741)</u>	<u>24,701</u>
	Share capital £ 000	Share premium £ 000	Equity share based payments reserve £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2018	72,078	63,337	27	(110,741)	24,701
Profit for the year	-	-	-	5,624	5,624
Transfers between reserves	-	-	(27)	27	-
At 31 December 2018	<u>72,078</u>	<u>63,337</u>	<u>-</u>	<u>(105,090)</u>	<u>30,325</u>

Equity-settled share-based payments reserve

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


The notes on pages 14 to 27 form an integral part of these financial statements.

Warner Bros. Television Production UK Limited

**Statement of Financial Position
as at 31 December 2018**

	Note	31 December 2018 £ 000	31 December 2017 £ 000
Fixed assets			
Tangible assets	10	1,241	1,787
Investments	11	<u>37,699</u>	<u>37,699</u>
		<u>38,940</u>	<u>39,486</u>
Current assets			
Debtors	12	8,927	13,707
Cash at bank and in hand		<u>2,941</u>	<u>-</u>
		11,868	13,707
Creditors: Amounts falling due within one year	13	<u>(4,807)</u>	<u>(4,988)</u>
Net current assets		<u>7,061</u>	<u>8,719</u>
Total assets less current liabilities		46,001	48,205
Creditors: Amounts falling due after more than one year	13	(15,676)	(23,500)
Provisions for liabilities		<u>-</u>	<u>(4)</u>
Net assets		<u><u>30,325</u></u>	<u><u>24,701</u></u>
Capital and reserves			
Called up share capital	15	72,078	72,078
Share premium reserve		63,337	63,337
Other reserves		-	27
Profit and loss account		<u>(105,090)</u>	<u>(110,741)</u>
Total shareholder's funds		<u><u>30,325</u></u>	<u><u>24,701</u></u>

Approved by the Board and signed on its behalf by:


.....
W A Ogilvie
Director

Date: **27 SEP 2019**

Company registration number: 7329044

The notes on pages 14 to 27 form an integral part of these financial statements.

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies

a) Statement of compliance

Warner Bros. Television Production UK Limited is a limited liability company incorporated in England. The Registered Office is 98 Theobald's Road, London, WC1X 8WB.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2018.

b) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and with applicable United Kingdom accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The company has taken advantage of the exemption from the requirement to prepare consolidated financial statements available under s401 of the Companies Act 2006, as it is a wholly-owned subsidiary undertaking of AT&T Inc., a company incorporated in the United States of America, which prepares publicly available consolidated financial statements (see note 18).

Statement of cash flows

The company has taken advantage of the exemption in FRS 102.1.12(b) Reduced disclosures for subsidiaries. A statement of cashflows has not been prepared as the company is a member of a group where the parent, AT&T Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 18).

Related parties

The company has taken advantage of the exemption in FRS 102.1.12(e) Reduced disclosures for subsidiaries. Key management remuneration has not been disclosed as the company is a member of a group where the parent, AT&T Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 18).

The company has taken advantage of the exemption in FRS 102.33.1A not to disclose related party transactions with fellow wholly-owned subsidiary undertakings of AT&T Inc., which prepares publicly available consolidated financial statements (see note 18).

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 in the consolidation (see note 18).

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of investments

When required, the company makes an estimate of the recoverable value of its investments. When assessing the impairment of its investments, management considers factors including the current performance and liquidity of the investment, future prospects for the investments, and market conditions.

Taxation

The company recognises liabilities for anticipated uncertain corporation tax positions based on reasonable estimates of whether additional taxes will be due and the timing of those additional taxes. Further details are contained in note 9.

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.

d) Significant accounting policies

Turnover

Distribution income represents license fees receivable from both AT&T Inc. group companies and third parties.

Turnover is presented net of value added tax.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Pensions

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

Foreign currencies

Transactions in foreign currencies are initially recorded in the entities functional currency by applying the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Share based payments

Certain employees of the company received nonvested stock and stock units under historic Time Warner Inc. plans. Following the acquisition of Time Warner by AT&T, restricted stock units issued under Time Warner plans were converted to AT&T share units that will be distributed in the form of AT&T common stock and cash. The shares will vest over a period of one to four years in accordance with the terms of those plans. In addition, outstanding Time Warner stock options were converted to AT&T stock options that will vest within one year. No additional grants are intended to be issued under the Time Warner Inc. plans. Future grants to eligible employees will be issued under AT&T plans.

Under AT&T plans, restricted stock and stock units are granted and are valued at the market price of AT&T common stock at the date of grant and predominantly vest over a four- or five-year period. In accordance with FRS 102.26.16 the company recognises and measures the share based payment expense on the basis of the allocation of expense it receives from its ultimate parent undertaking. As a qualifying entity, the company avails itself of the exemption available under FRS 102.1.12 in relation to the disclosure requirements of section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23.

Investments

Investments are stated at cost less provision for impairments.

Tangible fixed assets

Tangible fixed assets are recorded at cost, less accumulated depreciation and provision for impairment.

The company provides depreciation in equal annual instalments over the estimated lives of the assets down to their estimated residual value, at the following rates:

Furniture, fittings and equipment	- 33% straight line per annum
Computer equipment	- 33% straight line per annum
Production editing equipment	- 20% straight line per annum
Leasehold improvements	- 10% straight line over the lease term

The carrying value of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Operating leases

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2018 %	Year ended 31 December 2017 £'000	Year ended 31 December 2017 %
United Kingdom	175	105%	1,627	50.9%
Rest of the World	(8)	(5)%	1,572	49.1%
	<u>167</u>	<u>100%</u>	<u>3,199</u>	<u>100%</u>

3 Operating loss

This is stated after charging/(crediting):

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Auditors remuneration - audit of the financial statements	27	21
Auditors remuneration - audit of other company financial statements	599	295
Depreciation of tangible fixed assets	758	917
Operating lease rentals - land and buildings	707	1,417
Impairment of investment	-	885
Foreign exchange (gain)/ loss	<u>(15)</u>	<u>(80)</u>

4 Directors' remuneration

In the current year, all of the directors are also directors of other companies in the group. In the prior year, remuneration disclosed below is in respect of qualifying services to the company. In the current year, the directors are remunerated by other group companies and are considered to have minimal qualifying services in respect of the company.

Certain directors of the company were paid by the company. The other directors of the company were paid by fellow group undertakings.

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Aggregate remuneration in respect of qualifying services	-	1,713
Compensation for loss of office	-	1,659
Aggregate company contributions paid to defined contribution pension scheme	-	16
	<u>-</u>	<u>3,388</u>

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

4 Directors' remuneration (continued)

The remuneration disclosed above is in respect of qualifying services to the UK company. Certain directors are remunerated by other group companies and are considered to have minimal qualifying services in respect of the company. In view of this, the directors do not consider it practical to apportion remuneration in respect of services to the company.

	No.	No.
Members of defined contribution pension scheme	-	3

The amounts in respect of the highest paid director are as follows:

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Remuneration in respect of qualifying services	-	182
Compensation for loss of office	-	527
Benefits under long-term incentive schemes (excluding shares)	-	5

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Wages and salaries	922	4,601
Social security costs	268	433
Share based payments	120	34
Other pension costs	33	63
	1,343	5,131

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Production and administration	40	64

Warner Bros. Television Production UK Limited

**Notes to the Financial Statements for the Year Ended 31 December 2018
(continued)**

6 Income from Investments

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Dividends received from group undertakings	7,600	-
	<u>7,600</u>	<u>-</u>

7 Interest receivable and similar income

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Interest receivable from group undertakings	43	86
	<u>43</u>	<u>86</u>

8 Interest payable and similar expenses

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Interest payable to group undertakings	797	226
	<u>797</u>	<u>226</u>

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Taxation

a) There is no tax charge on the results for the current or preceding year.

b) Factors affecting the total tax charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2017 - 19.25%).

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

	Year ended 31 December 2018 £ 000	Year ended 31 December 2017 £ 000
Profit/(loss) before tax	5,624	(5,236)
Corporation tax at standard rate	1,069	(1,008)
Factors affecting the tax charge:		
Disallowable expenses	18	146
Non qualifying depreciation	18	29
Impairment of investments	-	170
Deferred tax movement not recognised	40	46
Group relief received for nil consideration	299	617
Non taxable dividends	(1,444)	-
Total tax charge/(credit) (see note 9(a) above)	-	-

c) Deferred tax not provided

The company has incurred taxable losses which are available to offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as, based on budgets, the company does not anticipate taxable profits to arise within the immediate future. It is anticipated that the losses will gradually be recovered as the business moves into profit. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 17% is £812,000 (2017 - £782,000).

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

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

10 Tangible fixed assets

	Improvements to leasehold property £ 000	Furniture, fittings and equipment £ 000	Computer equipment £ 000	Production editing equipment £ 000	Total £ 000
Cost or valuation					
At 31 December 2017	2,111	388	1,545	1,710	5,754
Additions	-	34	179	-	213
Disposals	-	-	-	(1)	(1)
At 31 December 2018	<u>2,111</u>	<u>422</u>	<u>1,724</u>	<u>1,709</u>	<u>5,966</u>
Depreciation					
At 31 December 2017	1,227	186	1,166	1,388	3,967
Charged during the year	213	76	278	191	758
At 31 December 2018	<u>1,440</u>	<u>262</u>	<u>1,444</u>	<u>1,579</u>	<u>4,725</u>
Carrying amount					
At 31 December 2018	<u>671</u>	<u>160</u>	<u>280</u>	<u>130</u>	<u>1,241</u>
At 31 December 2017	<u>884</u>	<u>202</u>	<u>379</u>	<u>322</u>	<u>1,787</u>

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Investments

Subsidiaries	£ 000
Cost	
At 31 December 2017	117,937
At 31 December 2018	117,937
Amounts provided:	
At 31 December 2017	(80,238)
Impaired during the year	-
At 31 December 2018	(80,238)
Net book value:	
At 31 December 2018	37,699
At 31 December 2017	37,699

Details of undertakings

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

Undertaking	Country of registration	Holding	Proportion of voting rights and shares held	
			2018	2017
Yalli Productions Limited^	England and Wales	Ordinary £1 shares	100%	71%
Shed Media Limited^		Ordinary £0.001 shares	100%	100%
Ricochet Limited* ^	England and Wales	Ordinary £1 shares	100%	100%
Ricochet Productions Limited* ^	England and Wales	Ordinary £1 shares	100%	100%
Twenty Twenty Productions Limited* ^	England and Wales	Ordinary £0.01 shares	100%	100%
Twenty Twenty Brighton Limited * ^	England and Wales	Ordinary £1 shares	100%	100%
WBTVP UK Pictures Limited* ^	England and Wales	Ordinary £1 shares	100%	100%

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Investments (continued)

	England and Wales			
Twenty Twenty Production Services Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Shed Productions (Jailbirds) Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
WBTVPUK Pictures (WR) Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Shed Media Scotland Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Wall to Wall (Holdings) Limited* ^		Ordinary £0.10 shares	100%	100%
	England and Wales			
Wall to Wall Media Limited * ^		Ordinary £1 shares	100%	100%
	England and Wales			
Wall to Wall Television Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Wall to Wall South Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Warner Bros. TV Production Services Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Wall to Wall Drama Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
New Tricks TV Productions Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
WBTVPUK WGA Writers Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Outright Distribution Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Watershed Television Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Renegade Pictures (UK) Limited ^		Ordinary £1 shares	100%	100%
	England and Wales			
Renegade South Limited* ^		Ordinary £1 shares	100%	100%
	England and Wales			
Genealogy Events Limited* ^^		Ordinary £1 shares	22.5%	22.5%
	England and Wales			
Shed Productions (Extra Time) Limited*^		Ordinary £1 shares	100%	100%
	England and Wales			

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Investments (continued)

The principal activity of Yalli Productions Limited[^] is TV production
 The principal activity of Shed Media Limited[^] is holding company
 The principal activity of Ricochet Limited^{* ^} is TV production
 The principal activity of Ricochet Productions Limited^{* ^} is TV production
 The principal activity of Twenty Twenty Productions Limited^{* ^} is TV production
 The principal activity of Twenty Twenty Brighton Limited^{* ^} is TV Production
 The principal activity of WBTVPUK Pictures Limited^{* ^} is TV production
 The principal activity of Twenty Twenty Production Services Limited^{* ^} is TV production
 The principal activity of Shed Productions (Jailbirds) Limited^{* ^} is dormant
 The principal activity of WBTVPUK Pictures (WR) Limited^{* ^} is TV production
 The principal activity of Shed Media Scotland Limited^{* ^} is dormant
 The principal activity of Wall to Wall (Holdings) Limited^{* ^} is holding company
 The principal activity of Wall to Wall Media Limited^{* ^} is TV production
 The principal activity of Wall to Wall Television Limited^{* ^} is TV production
 The principal activity of Wall to Wall South Limited^{* ^} is TV production
 The principal activity of Warner Bros. TV Production Services Limited^{* ^} is TV production
 The principal activity of Wall to Wall Drama Limited^{* ^} is dormant
 The principal activity of New Tricks TV Productions Limited^{* ^} is TV production
 The principal activity of WBTVPUK WGA Writers Limited^{* ^} is TV production
 The principal activity of Outright Distribution Limited^{* ^} is dormant
 The principal activity of Watershed Television Limited^{* ^} is TV production
 The principal activity of Renegade Pictures (UK) Limited[^] is TV production
 The principal activity of Renegade South Limited^{* ^} is TV production
 The principal activity of Genealogy Events Limited^{* ^^} is production of live entertainment events
 The principal activity of Shed Productions (Extra Time) Limited^{*^} is dormant

* Held (directly or indirectly) by a subsidiary undertaking. Proportion of voting rights and shares held represents the effective holding.

[^] Registered office: Warner House, 98 Theobald's Road, London, WC1X 8WB

^{^^} Registered office: Vineyard House 44 Brook Green, Hammersmith, London, W6 7BT

12 Debtors

	31 December 2018 £ 000	31 December 2017 £ 000
Trade debtors	92	6
Prepayments and accrued income	382	1,263
Amounts owed by group undertakings	7,464	11,716
VAT receivable	989	722
	<u>8,927</u>	<u>13,707</u>

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Creditors

	Note	31 December 2018 £ 000	31 December 2017 £ 000
Due within one year			
Bank overdrafts		-	706
Trade creditors		127	205
Other payables		690	581
Other taxes and social security costs		560	234
Accruals and deferred income		2,617	2,757
Due to group undertakings		813	505
		<u>4,807</u>	<u>4,988</u>
Due after one year			
Loans and borrowings		<u>15,676</u>	<u>23,500</u>

Included within loans and borrowings is an amount of £15,676,000 (2017 - £23,500,000) in respect of an intercompany loan from Time Warner London Limited. The loan is interest bearing at IBOR plus 3%.

The company can repay the loan at any time and the final maturity date is 30 November 2022.

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

14 Obligations under leases and hire purchase contracts

Future minimum rentals payments under non-cancellable operating leases are as follows:

	Land and buildings	
	31 December 2018 £ 000	31 December 2017 £ 000
Not later than one year	1,979	1,979
Later than one year and not later than five years	4,316	5,516
Later than five years	584	1,363
	<u>6,879</u>	<u>8,858</u>

15 Share capital

Issued, allotted, called up and fully paid

	31 December 2018		31 December 2017	
	No.	£ 000	No.	£ 000
'A' preference shares of £1 each	666,202	666	666,202	666
'B' preference shares of £1 each	71,061,979	71,062	71,061,979	71,062
'A' ordinary shares of £0.002 each	174,912,262	350	174,912,262	350
	<u>246,640,443</u>	<u>72,078</u>	<u>246,640,443</u>	<u>72,078</u>

16 Contingent liabilities

The company has entered into a group composite accounting agreement with its bankers. The terms of the agreement permit the bankers, without notice, to draw down funds deposited into the system, and to offset borrowings drawn down from the system by other group members who are also parties to these arrangements. At the statement of financial position date, funds borrowed by the company from the system, amounted to £2,899,000 (2017 - £17,335,000).

Warner Bros. Television Production UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

17 Related party transactions

During the year, Warner Bros. Television Production UK Limited entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	<i>Sales to related party £'000</i>	<i>Purchases from related party £'000</i>	<i>Amounts owed from related party £'000</i>	<i>Amounts owed to related party £'000</i>
Yalli Productions Limited				
2018	115	9	-	-
2017	697	133	2,526	-

Yalli Productions Limited became a wholly-owned subsidiary of Warner Bros. Television Production UK Limited on 13 August 2018. Therefore, the current year related party transactions have been disclosed up till 13 August 2018.

In the prior year, the company made a provision of £455,000 against amounts due from Yalli Productions Limited.

18 Ultimate parent undertaking

The company's immediate parent undertaking is Warner Bros. International Television Production Limited.

Until 14 June 2018 Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up.

On 14 June 2018, AT&T Inc., a company incorporated in the United States of America, acquired Time Warner Inc., which was renamed Warner Media, LLC, in a merger transaction that resulted in Warner Media, LLC becoming a direct subsidiary of AT&T Inc., and AT&T Inc. became the ultimate parent undertaking.