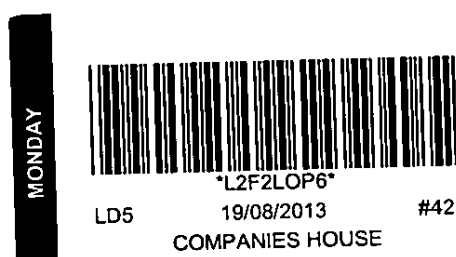


Company registration no' 05280625

Rocksteady Studios Limited
Report and Financial Statements
31 December 2012



Rocksteady Studios Limited

Company registration no **05280625**

Directors

S B Hill

J S Walker

Secretary

S B Hill

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

Rocksteady Studios Limited

Directors' report

Company registration number: 05280625

The directors present their annual report on the affairs of Rocksteady Studios Limited ("the company") together with the financial statements for the year ended 31 December 2012

Results and dividends

The profit for the year after taxation amounted to £2,545,000 (2011 - £2,227,000)

No dividends were paid during the year and the directors do not recommend the payment of a final dividend

Principal activity

The principal activity of the company is the development of interactive entertainment

Business review

The directors of Time Warner Inc review the group's operations at a group level, rather than at an individual business unit level. For this reason the directors believe that an analysis of the company's key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance and position of the business of Rocksteady Studios Limited. The development, performance and position of Time Warner Inc, which include those of the company, are discussed in the group's annual report, which does not form part of this report.

Principal risks and uncertainties

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

Research and development

Research and development is concentrated on the development of interactive entertainment.

Future developments

The directors will continue to develop games in its principal market and are looking forward to releasing the next title in 2014.

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 and their interests

The directors of the company who served during the period were as follows:

S B Hill

J S Walker

All directors served throughout the year and are still directors at the date of this report.

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. Time Warner Inc has purchased a directors and officers liability insurance policy for the benefit of the company and its directors and such policy was in force during the period and is in force as at the date of approving the Directors' Report.

Disclosure of information to the auditor

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's 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.

Rocksteady Studios Limited

Directors' report (continued)

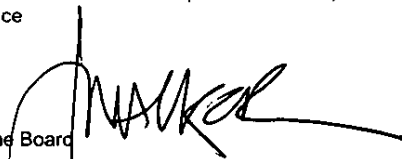
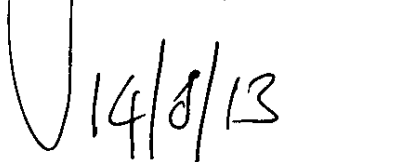
Auditor

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

On behalf of the Board

J S Walker
Director

Date

Rocksteady Studios Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

Rocksteady Studios Limited

Independent auditor's report to the members of Rocksteady Studios Limited

We have audited the financial statements of Rocksteady Studios Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

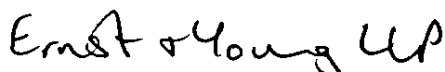
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting record 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.



Neil Cullum (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 15/8/2013

Rocksteady Studios Limited

Profit and loss account

for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Turnover	2	11,101	11,414
Cost of sales		(4,670)	(6,222)
Gross profit		6,431	5,192
Administrative expenses		(3,066)	(2,103)
Operating profit	3	3,365	3,089
Interest receivable and similar income	6	5	1
Interest payable and similar charges	7	(10)	-
Profit on ordinary activities before taxation		3,360	3,090
Taxation on profit on ordinary activities	8	(815)	(863)
Profit for the financial year	15	2,545	2,227

All amounts relate to continuing operations

There have been no recognised gains or losses since the last annual report other than those presented above, and accordingly no separate statement of recognised gains and losses has been presented

All profits and losses have been accounted for on an historical cost basis

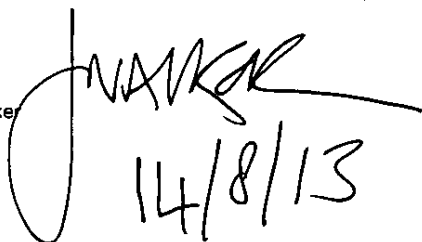
Rocksteady Studios Limited

Balance sheet at 31 December 2012

	Notes	31 December 2012 £'000	31 December 2011 £'000
Fixed assets			
Tangible fixed assets	9	1,200	210
		<u>1,200</u>	<u>210</u>
Current assets			
Debtors	10	7,740	7,190
Development costs		152	620
Cash at bank and in hand		1,249	1,166
		<u>9,141</u>	<u>8,976</u>
Creditors amounts falling due within one year	11	(1,815)	(3,273)
Net current assets		<u>7,326</u>	<u>5,703</u>
Total assets less current liabilities		<u>8,526</u>	<u>5,913</u>
Provisions for liabilities	13	(8)	-
Net assets		<u>8,518</u>	<u>5,913</u>
Capital and reserves			
Called up share capital	14	1	1
Equity-settled share-based payments reserve	15	60	
Profit and loss account	15	8,457	5,912
Total shareholder's funds		<u>8,518</u>	<u>5,913</u>

Approved by the Board and signed on its behalf by

J S Walker
Director
Date


14/8/13

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

1 Accounting policies

Basis of preparation

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

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

Statement of cash flows

The company has taken advantage of the exemption in FRS 1 (Revised) "Cash Flow Statements". A statement of cash flows has not been prepared as the company is a wholly owned subsidiary undertaking of Time Warner Inc, a company incorporated in the United States of America, which prepares a statement of cash flows (see note 19)

Related parties

The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with fellow wholly owned subsidiary undertakings of Time Warner Inc, a company incorporated in the United States of America, which prepares publicly available consolidated financial statements (see note 19)

Leasing commitments

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

Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year. Royalty income is recognised based on the level of actual sales in the period on an accruals basis. Milestone revenue is recognised on completion of each agreed deliverable within a contract.

Share based payments

Certain employees of the company have been granted options to purchase shares in the company's ultimate parent undertaking, Time Warner Inc. Such options have been granted with exercise prices equal to, or in excess of, the fair market value at the date of grant. The options are denominated in US\$ and vest evenly over a four year period and expire ten years from the date of grant. For the purpose of applying FRS 20 the fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. Adjustments are made to the fair values to reflect the likelihood that options will not be exercised due to non-market conditions such as employees leaving the company. These estimates are reviewed annually and the original charge revised when appropriate.

Certain employees of the company have been granted restricted stock units ("RSUs") in Time Warner Inc. The RSUs vest 50% 3 years after the date of grant and 50% 4 years after the date of grant. When the RSUs vest the employee receives shares in Time Warner Inc at no cost to themselves. For the purposes of applying FRS 20 the fair value of each RSU is the Time Warner Inc share price on the date of grant. Adjustments are made to the fair values to reflect the likelihood that options will not be exercised due to non-market conditions such as employees leaving the company. These estimates are reviewed annually and the original charge revised when appropriate.

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 at the following rates:

Leasehold improvements	- over the shorter of the lease term and 10 years
Furniture, fittings and equipment	- 33% on cost

Foreign currencies

Transactions in foreign currencies are translated at the 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 balance sheet date. All differences are taken to the profit and loss account.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet dates. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

1 Accounting policies (continued)

Pensions

The company operates a defined contribution scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Interest receivable and payable

Interest income and expense is recognised on an accruals basis.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is deferred and matched against milestone revenue and then recognised in the profit and loss account when milestone deliverables are achieved.

Directly attributable development costs are recognised as cost of sales, all indirect development costs are recorded as administrative expenses.

2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2012 £'000	Year ended 31 December 2012 %	Year ended 31 December 2011 £'000	Year ended 31 December 2011 %
United Kingdom	-	-	771	6.8%
United States of America	11,101	100.0%	10,643	93.2%
Total	11,101	100.0%	11,414	100.0%

3 Operating profit

This is stated after charging

		Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Operating lease rentals	- plant and machinery	40	46
	- land and buildings	338	235
Auditor's remuneration	- audit services	29	31
Depreciation of tangible fixed assets		133	119

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

4 Directors' remuneration

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Emoluments	490	392
Company contributions paid to defined contribution pension scheme	10	9
	No	No
Members of defined contribution pension scheme	2	2
<i>The amounts in respect of the highest paid director are as follows</i>	£'000	£'000
Emoluments	245	198
Company contributions paid to defined contribution pension scheme	5	5
No directors exercised share options during the year		

5 Staff costs

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Wages and salaries	4,902	6,210
Share based payments	68	-
Social security costs	577	574
Other pension costs	67	62
	5,614	6,846

The average monthly number of employees during the year was 95 (2011 - 96) all of whom were engaged in games development and administration

6 Interest receivable and similar income

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest receivable from group undertakings	3	1
Other	2	-
	5	1

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

7 Interest payable and similar charges

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest payable to group undertakings	10	-

8 Taxation on profit on ordinary activities

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
--	--	--

a) The charge based on the profit for the year is as follows

Taxation based on the profit for the year

Current tax

Corporation tax payable at 24.5% (2011 - 26.5%)

Group relief payments

Under provision for prior years

Total current tax charge

-	814
791	-
39	40
830	854

Deferred tax

Timing differences, origination and reversal

Charge due to change in tax rate

Over provision for prior years

Total deferred tax

17	9
10	7
(42)	(7)
(15)	9

Total tax charge on profit on ordinary activities

815	863
-----	-----

b) Circumstances affecting the current tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 24.5% (2011 - 26.5%)

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

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit on ordinary activities before tax	3,360	3,090
Tax on profit on ordinary activities at standard rate	823	819
Factors affecting the tax charge -		
Disallowable expenses	7	4
Capital allowances in excess of depreciation	(56)	(6)
Tax underprovided in previous years	39	40
Other timing differences	17	(3)
Total current tax charge (see note 8(a) above)	830	854

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

8 Taxation on profit on ordinary activities (continued)

c) Deferred tax

Deferred tax is provided at 23% (2011 - 25%) in the balance sheet as follows

	31 December 2012 £'000	31 December 2011 £'000
Included in debtors	108	93
Analysed as		
Accelerated capital allowances	92	93
Short term timing differences	16	-
Deferred tax asset	108	93
Analysis of movement in deferred tax		
		Total £'000
At 31 December 2011		93
Credited to the profit and loss account (see note 8(a) above)		15
At 31 December 2012		108

d) Factors affecting future tax charges

The Finance Act 2012, enacted in July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. The effect of this change on the deferred tax balances has been included in the figures within these accounts.

A further change to the rate was proposed in The Finance Act 2013, enacted in July 2013, to reduce the rate by a further 2% to 21% from 1 April 2014 and to 20% from 1 April 2015. As these changes were substantively enacted after the balance sheet date, they are not included in the figures within these accounts. We estimate the impact upon deferred tax as a result of this change to be a reduction in the balance of approximately £14,000 over the next two years. It is not yet possible to quantify the impact of this rate change upon current tax.

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

9 Tangible fixed assets

	Leasehold land and buildings £'000	Furniture fittings and equipment £'000	Total £'000
Cost or valuation			
At 31 December 2011	444	438	882
Additions	879	244	1,123
At 31 December 2012	1,323	682	2,005
Depreciation			
At 31 December 2011	442	230	672
Charged during the year	24	109	133
At 31 December 2012	466	339	805
Net book value			
At 31 December 2012	857	343	1,200
At 31 December 2011	2	208	210

Included within furniture, fittings and equipment is £46,000 (2011 - £116,000) of costs relating to assets in the course of construction. These will be depreciated once the assets are complete and ready for use.

10 Debtors

	31 December 2012 £'000	31 December 2011 £'000
Other debtors	210	155
Prepayments and accrued income	245	70
Amounts owed by group undertakings	7,177	6,872
Deferred tax asset (see note 8(c))	108	93
	7,740	7,190

11 Creditors amounts falling due within one year

	31 December 2012 £'000	31 December 2011 £'000
Trade creditors	129	54
Other creditors	124	54
Other taxes and social security costs	183	229
Corporation tax payable	39	815
Group relief payable	791	-
Accruals and deferred income	531	1,744
Amounts owed to group undertakings	18	377
	1,815	3,273

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

12 Obligations under leases and hire purchase contracts

The company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Operating leases which expire				
Within one year	-	-	8	24
In the second to fifth years inclusive	338	344	-	5
	<u>338</u>	<u>344</u>	<u>8</u>	<u>29</u>

13 Provisions for liabilities

	National Insurance on share options £'000
At 31 December 2011	-
Arising during the year	8
At 31 December 2012	<u>8</u>

Provision has been made for National Insurance contributions on share options awarded under unapproved share option schemes, which are expected to be exercised. The provision has been calculated for share options based on the difference between the year end share price of \$47.83 and the weighted average exercise price of outstanding shares of \$36.69, and for restricted stock units based on the difference between the year end share price of \$47.83 and the weighted average exercise price of outstanding restricted stock units of \$37.05 and is being allocated over the period from the date of award to the date the employee will become unconditionally entitled to the options.

14 Called up share capital

	Issued, allotted, called up and fully paid			
	31 December 2012 Number	31 December 2012 £	31 December 2011 Number	31 December 2011 £
Ordinary shares of £0.01 each	100 000	1,000	100 000	1 000

15 Reconciliation of shareholder's funds and movement in reserves

	Share capital £'000	Equity share based payments £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 31 December 2011	1	-	5,912	5,913
Profit for the financial year	-	-	2,545	2,545
Charge for equity share based payments (see note 16)	-	60	-	60
At 31 December 2012	<u>1</u>	<u>60</u>	<u>8,457</u>	<u>8,518</u>

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

16 Share-based payments

Certain employees of the company have been granted options to purchase shares in the company's ultimate parent undertaking, Time Warner Inc. Such options have been granted with exercise prices equal to, or in excess of, the fair market value at the date of grant. The options are denominated in US\$ and vest over a four-year period.

In addition certain employees have been awarded restricted stock units in Time Warner Inc. denominated in US\$ which vest over a four-year period. Holders of awards are generally entitled to receive cash dividends or dividend equivalents during the period of time that the awards are unvested.

The number and weighted average exercise prices for the options granted over Time Warner Inc. shares are as follows:

	2012	2012	2011	2011
	Number of options	Weighted average exercise price US \$	Number of options	Weighted average exercise price US \$
Share options				
Outstanding at 1 January	3,600	\$36.69	-	-
Granted	-	-	3,600	\$36.69
Outstanding at 31 December	3,600	\$36.69	3,600	\$36.69
Exercisable at 31 December	900	\$0.00	-	-
			2012	2011
			Number of RSUs	Number of RSUs
Restricted stock (RSUs)				
Outstanding at 1 January			2,520	-
Granted			2,100	2,520
Outstanding at 31 December			4,620	2,520

Details of the outstanding options at 31 December 2012 is as follows:

Year of Grant	Number of options	Weighted average exercise price US \$	Exercise Period	
			From	To
2011	3,600	36.69	15/12/2012	14/06/2021

Rocksteady Studios Limited

Notes to the financial statements at 31 December 2012

16 Share-based payments (continued)

Details of the outstanding restricted stock units at 31 December 2012 are as follows

Year of grant	Number of RSUs
2011	2,520
2012	2,100

The restricted stock units vest 50% 3 years after the grant date and 50% 4 years after the grant date

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

Year of grant	Dividend yield %	Expected volatility %	Risk free interest rates %	Expected term (years)
2011	2.6	29.5	2.8	6.31
2012	2.8	31.2	1.3	6.50

The weighted average fair value of those options granted in 2012 was \$nil (2011 - \$8.97). The expected volatility has been calculated using implied volatilities based primarily on traded Time Inc. options.

The weighted average fair value of those restricted stock units granted in 2012 was \$37.48 (2011 - \$36.69).

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

	Year ended 31 December 2012 £'000
Equity settled share options	15
Restricted stock units	45
	<hr/>
	60

17 Contingent liability

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 balance sheet date, funds deposited by the company into the system, and potentially at risk to cover liabilities elsewhere in the group, amounted to £1,249,000 (2011 - £1,166,000).

18 Related parties

In the prior year turnover of £772,000 was attributable to Eidos plc, a company which previously had a 25.1% shareholding in Rocksteady Studios Limited.

19 Ultimate parent undertaking

The company's immediate parent undertaking is Time Warner Entertainment Limited.

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

At 31 December 2012, Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of Time Warner Inc.'s financial statements can be obtained from One Time Warner Center, New York, NY 10019, USA.