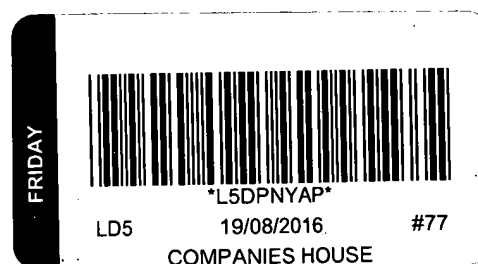


Company registration number: 05280625

**Rocksteady Studios Limited**  
**Report and Financial Statements**  
**31 December 2015**



# Rocksteady Studios Limited

Company registration number: 05280625

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**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

## Strategic report

The directors present their Strategic Report on the affairs of Rocksteady Studios Limited ("the company") for the year ended 31 December 2015. In preparing this Strategic Report, the directors have complied with section 414c of the Companies Act 2006.

### Principal activity

The principal activity of the company is the development of interactive entertainment. It charges the commissioning publisher company for the development activities undertaken, based upon costs incurred.

### Results

The profit for the year after taxation amounted to £720,000 (2014 - £983,000).

### Review of the business and KPIs

A summary of key performance indicators is as follows:

	2015	2014	Change
	£'000	£'000	%
Cost of sales	10,047	7,159	40%
Profit for the financial year	720	983	-27%
Net profit margin	.7%	14%	

The company's cost of sales increased year on year by 40% owing to increased games development. Net profit and net profit margin have decreased by 27% and 7 percentage points respectively due to lower royalty revenue.

### Principal risks and uncertainties

An analysis of the risks and uncertainties of the Time Warner 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 company's content will adversely affect its future results. The popularity of the company's content depends on many factors, only some of which are within the company's control.

If the company's content fails to compete successfully against alternative sources of entertainment, there may be an adverse effect on the company's future results. The company's content competes with other sources of entertainment, including television, premium pay television services, SVOD, and other OTT services, feature films, the Internet, home entertainment products, other 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.

On behalf of the Board

J S Walker  
Director

Date:

  
02/08/16

# Rocksteady Studios Limited

## Directors' report

Company registration number: 05280625

The directors present their annual report on the affairs of Rocksteady Studios Limited together with the financial statements for the year ended 31 December 2015.

### Dividends

No dividends were paid during the year (2014 - £nil) and the directors do not recommend the payment of a final dividend.

### 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.

### 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

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 year 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.

### Auditor

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

J S Walker  
Director

Date:

02/08/16

# Rocksteady Studios Limited

## Statement of directors' responsibilities in respect of the financial statements

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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 then apply them consistently;
- make judgments 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.

# Rocksteady Studios Limited

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

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We have audited the financial statements of Rocksteady Studios Limited for the year ended 31 December 2015 which comprise the Income statement, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 17. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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

4/8/2016

# Rocksteady Studios Limited

## Income statement for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Turnover	2	12,725	11,271
Cost of sales		(10,047)	(7,159)
<b>Gross profit</b>		<b>2,678</b>	<b>4,112</b>
Administrative expenses		(5,503)	(4,360)
<b>Operating loss</b>	3	<b>(2,825)</b>	<b>(248)</b>
Interest receivable and similar income	6	34	31
Interest payable and similar charges	7	-	(15)
<b>Loss on ordinary activities before taxation</b>		<b>(2,791)</b>	<b>(232)</b>
Taxation on loss on ordinary activities	8	3,511	1,215
<b>Profit for the financial year</b>		<b>720</b>	<b>983</b>

All 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.

## Rocksteady Studios Limited

### Statement of changes in equity for the year ended 31 December 2015

	Share capital £'000	Equity share based payments £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 1 January 2014	1	110	11,531	11,642
Profit for the financial year	-	-	983	983
Charge for equity share based payments	-	56	-	56
At 31 December 2014	1	166	12,514	12,681
At 1 January 2015	1	166	12,514	12,681
Profit for the financial year	-	-	720	720
Charge for equity share based payments	-	58	-	58
At 31 December 2015	1	224	13,234	13,459

#### Equity-settled share-based payments reserve

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




# Rocksteady Studios Limited

## Statement of financial position at 31 December 2015

	Notes	31 December 2015 £'000	31 December 2014 £'000
<b>Fixed assets</b>			
Tangible assets	9	1,161	1,425
		<u>1,161</u>	<u>1,425</u>
<b>Current assets</b>			
Debtors	10	5,521	11,013
Development costs		190	262
Cash at bank and in hand		12,189	1,643
		<u>17,900</u>	<u>12,918</u>
<b>Creditors: amounts falling due within one year</b>	11	(5,571)	(1,626)
<b>Net current assets</b>		<u>12,329</u>	<u>11,292</u>
<b>Total assets less current liabilities</b>		<u>13,490</u>	<u>12,717</u>
Provisions for liabilities	13	(31)	(36)
<b>Net assets</b>		<u>13,459</u>	<u>12,681</u>
<b>Capital and reserves</b>			
Called up share capital	14	1	1
Equity-settled share-based payments reserve		224	166
Profit and loss account		13,234	12,514
<b>Total shareholder's funds</b>		<u>13,459</u>	<u>12,681</u>

Approved by the Board and signed on its behalf by:

J S Walker  
Director  
Date:

  
 02/08/16

# Rocksteady Studios Limited

## Notes to the financial statements at 31 December 2015

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### 1 Accounting policies

#### *a) Statement of compliance*

Rocksteady Studios 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 2015.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 17.

#### *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.

#### **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, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 16).

#### **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, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 16).

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 Time Warner Inc., which prepares publicly available consolidated financial statements (see note 16).

#### **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, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 16).

#### *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.

#### **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 8.

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.

# Rocksteady Studios Limited

## Notes to the financial statements at 31 December 2015

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### 1 Accounting policies (continued)

#### d) Significant accounting policies

##### 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.

##### Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and below for the useful economic lives for each class of assets.

##### Impairment of debtors

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. See note 10 for the net carrying amount of the debtors and associated impairment provision.

##### Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

Royalty income is recognised based on the level of actual sales in the period on an accruals basis. Games development revenue is recognised on completion of each agreed deliverable within a contract.

##### Pensions

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

##### Interest receivable and payable

Interest income and expense are recognised on an accruals basis.

##### Foreign currencies

Transactions in foreign currencies are initially recorded in the company's 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 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. The fair value of each RSU is the Time Warner Inc. share price on the date of grant. The cost of the RSU is measured by reference to this fair value and is recognised as an expense over the vesting period. Adjustments are made to the fair values to reflect the likelihood that RSUs 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 down to their estimated residual value, at the following rates:

Leasehold improvements	- over the shorter of the lease term and 10 years
Furniture, fittings and equipment	- between 2 and 5 years

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.

##### Research and development

Research and development expenditure is written off to the income statement in the year in which it is incurred, except that development expenditure is deferred when its future recoverability can be reasonably regarded as assured. Deferred development expenditure is matched against games development revenue and then recognised in the income statement when milestone deliverables are achieved.

# Rocksteady Studios Limited

## Notes to the financial statements at 31 December 2015

### 1 Accounting policies (continued)

#### d) Significant accounting policies (continued)

##### Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material the provisions are discounted to their present value at the statement of financial position date.

##### Leasing commitments

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.

### 2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2015 £'000	Year ended 31 December 2015 %	Year ended 31 December 2014 £'000	Year ended 31 December 2014 %
United States of America and Canada	12,725	100.0%	11,271	100.0%

The company operates within one geographical market; the United States of America and Canada.

### 3 Operating loss

This is stated after charging/(crediting):

		Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Auditor's remuneration	- audit of the financial statements	34	30
Depreciation of tangible fixed assets		577	536
Operating lease rentals	- land and buildings	436	444
Foreign exchange (gain)/loss		(15)	47

# Rocksteady Studios Limited

## Notes to the financial statements at 31 December 2015

### 4 Directors' remuneration

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Aggregate remuneration in respect of qualifying services	1,231	350
Aggregate company contributions paid to defined contribution pension scheme	19	18
	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
Remuneration in respect of qualifying services	744	175
Company contributions paid to defined contribution pension scheme	10	9

No directors exercised share options during the year (2014 - nil).

All directors exercised RSU's during the year (2014 - 2).

### 5 Staff costs

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Wages and salaries	10,412	6,817
Equity-settled share based payments	53	92
Social security costs	1,319	1,032
Other pension costs	310	257
	12,094	8,198

The average monthly number of employees during the year was 142 (2014 - 143), all of whom were engaged in administration and sales.

# Rocksteady Studios Limited

## Notes to the financial statements at 31 December 2015

### 6 Interest receivable and similar income

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest receivable from group undertakings	34	31

### 7 Interest payable and similar charges

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest payable to group undertakings	-	15

### 8 Taxation on loss on ordinary activities

a) The credit based on the loss for the year is as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<i>Current tax:</i>		
UK corporation tax		
Video games tax credit	(3,234)	(1,566)
(Over)/Under provision for prior years	(277)	14
Total current tax credit	(3,511)	(1,552)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	346
Over provision for prior years	-	(9)
Total deferred tax charge	-	337
Total tax credit on loss on ordinary activities	(3,511)	(1,215)

# Rocksteady Studios Limited

## Notes to the financial statements at 31 December 2015

### 8 Taxation on profit on ordinary activities (continued)

#### b) Factors affecting the total tax credit:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20.25% (2014 - 21.5%).

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Loss on ordinary activities before taxation	(2,791)	(232)
Taxation on loss on ordinary activities at standard rate	(565)	(50)
Factors affecting the tax charge:		
Disallowable expenses	7	85
Deferred tax movement not recognised	6	(50)
Enhanced losses arising from video games tax relief	(2,620)	(1,347)
Losses not recognised for deferred tax	-	15
Change in estimate of recovery of DT assets	-	337
Difference between the rate of corporation tax and the rate of relief under video games tax credit	(814)	(219)
Group relief surrendered for nil consideration	552	-
Tax (over)/ under provided in previous years	(277)	14
Total current tax credit (see note 8(a) above)	(3,511)	(1,215)

#### c) Deferred tax

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. The estimated gross value of the deferred tax asset not recognised, in respect of losses, is £64,000 (2014 - £75,000). These losses do not expire.

The company has not provided for deferred tax assets on timing differences. By agreement with other companies in the group the company is entitled to claim group relief for nil consideration and has the obligation to surrender future tax losses for nil consideration. Therefore no deferred tax asset is recognised.

#### d) Factors affecting future tax charges

The Finance Act 2013 included legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015, enacted on 18 November 2015, included two changes to the future mainstream corporation tax rate. From 1 April 2017 the rate will reduce from 20% to 19% and from 1 April 2020 the rate will reduce further to 18%.

The 2016 Budget on 16 March 2016 proposed a further rate change. The 18% rate enacted in the Finance (No. 2) Act 2015 will reduce by 1%, so that from 1 April 2020, the mainstream corporation tax will become 17%.

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 2015

### 9 Tangible fixed assets

	Leasehold land and buildings £'000	Furniture fittings and equipment £'000	Total £'000
Cost:			
At 31 December 2014	1,861	1,322	3,183
Additions	14	299	313
Asset reclassification *	5	(5)	-
At 31 December 2015	1,880	1,616	3,496
Depreciation:			
At 31 December 2014	1,039	719	1,758
Charged during the year	342	235	577
At 31 December 2015	1,381	954	2,335
Net book value:			
At 31 December 2015	499	662	1,161
At 31 December 2014	822	603	1,425

Included within tangible fixed assets is £206,000 (2014 - £92,000) of costs relating to assets in the course of construction, £nil (2014 - £15,000) of which relates to land and buildings and £206,000 (2014 - £77,000) of which relates to furniture, fittings and equipment. These will be depreciated once the assets are complete and ready for use.

\* Asset reclassification is a result of prior year assets under construction being capitalised during the year under a different tangible fixed asset category.

### 10 Debtors

	31 December 2015 £'000	31 December 2014 £'000
Other debtors	5,335	1,713
Prepayments and accrued income	186	139
Amounts owed by group undertakings	-	9,161
	5,521	11,013



# Rocksteady Studios Limited

## Notes to the financial statements at 31 December 2015

### 11 Creditors: amounts falling due within one year

	31 December 2015 £'000	31 December 2014 £'000
Trade creditors	198	87
Other creditors	133	66
Other taxes and social security costs	689	284
Accruals and deferred income	3,600	1,123
Amounts owed to group undertakings	951	66
	<u>5,571</u>	<u>1,626</u>

### 12 Obligations under leases and hire purchase contracts

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

	Land and buildings	
	2015 £'000	2014 £'000
Payments due:		
Not later than one year	255	436
Later than one year and not later than five years	-	255
	<u>255</u>	<u>691</u>

### 13 Provisions for liabilities

	National Insurance on share options £'000
At 31 December 2014	36
Arising during the year	(5)
	<u>31</u>
At 31 December 2015	<u>31</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 \$64.67 and the weighted average exercise price of outstanding shares of \$35.18, and for restricted stock units based on the difference between the year end share price of \$64.67 and the weighted average exercise price of outstanding restricted stock units of \$57.72 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 2015 Number	31 December 2015 £	31 December 2014 Number	31 December 2014 £
Ordinary shares of £0.01 each	100,000	1,000	100,000	1,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

# Rocksteady Studios Limited

## Notes to the financial statements at 31 December 2015

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### 15 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 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 £12,188,000 (2014 - £1,646,000).

### 16 Ultimate parent undertaking

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

At 31 December 2015, 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. Copies of Time Warner Inc.'s financial statements can be obtained from One Time Warner Center, New York, NY 10019, USA.

### 17 Transition to FRS 102

There have been no adjustments to the financial statements of the company as a result of the transition to FRS 102 and hence no reconciliations have been prepared.

**On transition to FRS 102 from previous UK GAAP, the company have taken advantage of transitional relief as follows:**

#### Lease incentives

The company has taken advantage of the transition exemption relating to lease incentives (see paragraph 35.10(p)). As a first-time adopter the company is not required to apply paragraphs 20.15A and 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.

#### Share based payment transactions

The company has elected not to apply Section 26 Share based payment to equity instruments granted before the date of transition to FRS 102. FRS 20 has been applied to instruments granted prior to the date of transition.