

Company registration number: 05280625

# Rocksteady Studios Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



# **Rocksteady Studios Limited**

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# **Rocksteady Studios Limited**

## **Company Information**

<b>Directors</b>	S B Hill J S Gilbert-Rolfe H K Woodliffe
<b>Secretary</b>	S B Hill
<b>Registered office</b>	Warner House 98 Theobald's Road London WC1X 8WB
<b>Auditor</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Banker</b>	Barclays Bank PLC 8/9 Hanover Square London W1A 4ZW

# Rocksteady Studios Limited

## Strategic Report for the Year Ended 31 December 2021

The directors present their Strategic Report for Rocksteady Studios Limited for the year ended 31 December 2021. 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

Profit for the year after taxation amounted to £4,003,000 (2020 - £3,615,000).

### Review of the business and KPIs

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

	Unit	2021	2020
Cost of sales	£'000	34,409	33,369
Profit for the financial year	£'000	4,003	3,615
Net profit margin	%	12	11
Number of employees		240	243

The company's cost of sales increased year on year by 3% owing to increased games development activity. Net profit has increased by 11%. Net profit margin has increased by 1%, this is due to an increase in turnover over administrative expenses. The average number of employees remained consistent year on year due to the level of games development activity.

### Principal risks and uncertainties

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

Subsequent to year end, on the 4th of August 2022, Warner Bros. Discovery, Inc.'s half year results were published outlining risks and uncertainties at the following web address:  
[https://s201.q4cdn.com/336605034/files/doc\\_financials/2022/q2/WBD-2022.6.30-10Q-Filed-copy.pdf](https://s201.q4cdn.com/336605034/files/doc_financials/2022/q2/WBD-2022.6.30-10Q-Filed-copy.pdf)

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

The company is mitigating the risk of product reliance by investing in the development of new content and enhancing existing titles, to maintain market share and revenues.

The company's results could be adversely affected if the company's efforts to increase sales of its videogame content are not successful. Several factors have contributed to a change in the videogame marketplace in recent years, including shifts in consumer behaviour, new business models, competition from large developers, changing retailer strategies, mobile games and free to play models. Distribution models have shifted towards digital and streaming content. The company's results could be adversely affected if it cannot adapt to its changing marketplace.

## Rocksteady Studios Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### Principal risks and uncertainties (continued)

If the company fails to compete successfully against alternative sources of entertainment, there may be an adverse effect on the company's results. The company competes with other sources of entertainment, including television, premium pay television services, SVOD, and other OTT services, feature films, the Internet, home entertainment products, social networking and pirated content, for consumers' leisure and entertainment time and discretionary spending. Videogames are traditionally more expensive than substitutes such as film and television. 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.

The COVID-19 pandemic continues to leave the gaming sector largely unaffected and the development of new content has been able to continue up to the date of this report. Management do not foresee any future impact on the company relating to the pandemic.

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



James GR (Sep 28, 2022 14:37 GMT+1)

.....  
J S Gilbert-Rolfe  
Director

Date: 28-Sep-2022

# **Rocksteady Studios Limited**

## **Directors' Report for the Year Ended 31 December 2021**

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 2021.

### **Dividends**

No interim dividends were paid during the year (2020 - £10,000,000). The directors do not recommend the payment of a final dividend (2020 - £nil).

### **Research and development**

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

### **Post balance sheet event**

On 8 April 2022, the then ultimate parent company, AT&T Inc. combined the Warner Media content unit with Discovery Inc. Under the agreement, this formed a new media company called Warner Bros. Discovery, Inc. which is separate from AT&T Inc.

### **Future developments**

The directors will continue to exploit the activities from continuing operations having regards to the principal risks and uncertainties described in the Strategic Report.

### **Going Concern**

The directors have reviewed the current financial performance and position of the company and considered the impact of COVID-19 on the future trading of the company and are confident that it will not lead to the company no longer being a going concern. The operations of the company continue to be cash generative, and in the unlikely event that it is not possible for the company to meet its liabilities as they fall due and also due to the centralised cash pooling arrangements, the intermediate parent company Warner Media, LLC has agreed to provide continued financial support to the company for the foreseeable future, for 12 months from the date of approval of the financial statements, to meet its obligations as and when they fall due.

Taking into account the position of the intermediate parent company, the directors are of the view that there are no events expected to have a material adverse impact on the company's ability to continue as a going concern, for a period of 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

### **Directors**

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:

S B Hill - Company secretary and director  
J S Walker (resigned 10 September 2021)  
T H Creighton (resigned 25 February 2021)  
J S Gilbert-Rolfe (appointed 25 February 2021)  
H K Woodliffe (appointed 3 September 2021)

### **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. Warner Bros. Discovery, 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.

### **Auditor**

Ernst & Young LLP have confirmed their intention to resign upon completion of the audit for the financial year ending on 31 December 2021, due to the Company's alignment with the ultimate parent company, Warner Bros. Discovery, Inc. The Company will appoint a new external auditor accordingly.

## Rocksteady Studios Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

#### 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.

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

On behalf of the Board

*James GR*

James GR (Sep 28, 2022 14:37 GMT+1)

.....  
J S Gilbert-Rolfe  
Director

Date: 28-Sep-2022

## **Rocksteady Studios 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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**

#### **Opinion**

We have audited the financial statements of Rocksteady Studios Limited ("the company") for the year ended 31 December 2021, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 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. 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **Rocksteady Studios Limited**

### **Independent Auditor's Report to the Members of Rocksteady Studios Limited (continued)**

#### **Other information**

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 has 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 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.

## **Rocksteady Studios Limited**

### **Independent Auditor's Report to the Members of Rocksteady Studios Limited (continued)**

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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.

#### **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.

#### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- o We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the financial reporting framework (FRS 102 and the Companies Act 2006), UK tax legislation, anti-bribery regulations, employment laws and regulations, and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.
- o We understood how Rocksteady Studios Limited is complying with those frameworks by making enquiries of management and those charged with governance, including those responsible for legal and compliance procedures, to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries by reviewing supporting documentation such as the Code of Ethics, correspondence with local legal counsel, board meeting minutes, as well as consideration of the results of our audit procedures.

## Rocksteady Studios Limited

### Independent Auditor's Report to the Members of Rocksteady Studios Limited (continued)

#### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)***

o We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of controls, incorrect revenue recognition relating to contract terms, and inappropriate cut-off of revenue. We performed audit procedures to address each identified fraud risk which were designed to provide reasonable assurance that the financial statements were free from material misstatement, whether due to fraud or error. We performed data analytics where applicable as well as analytical reviews, reasonableness of accruals, and tested specific transactions back to source documentation (i.e. contracts, invoices, third-party statements) as appropriate.

o Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reviewing minutes from the Board of Directors, enquiries of management and legal, identification testing of entity level controls, and journal entry testing, with a focus on manual journals and journals indicating significant unusual transactions identified by specific risk criteria based on our understanding of the business.

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.



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

28 September 2022  
Date:.....

**Rocksteady Studios Limited**

**Income Statement**  
**for the Year Ended 31 December 2021**

	Note	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
<b>Turnover</b>	2	34,014	32,003
Cost of sales		<u>(34,409)</u>	<u>(33,369)</u>
<b>Gross loss</b>		(395)	(1,366)
Administrative expenses		<u>(283)</u>	<u>(100)</u>
<b>Operating loss</b>	3	(678)	(1,466)
Interest receivable and similar income	6	<u>-</u>	<u>10</u>
<b>Loss on ordinary activities before taxation</b>		(678)	(1,456)
Taxation on loss on ordinary activities	7	<u>4,681</u>	<u>5,071</u>
<b>Profit for the financial year</b>		<u><u>4,003</u></u>	<u><u>3,615</u></u>

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.

The notes on pages 14 to 24 form an integral part of these financial statements.

# Rocksteady Studios Limited

## Statement of Changes in Equity for the Year Ended 31 December 2021

	Note	Share capital £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2020		1	14,344	14,345
Profit for the year		-	3,615	3,615
Increase in equity related to equity settled share based payment transaction		-	68	68
At 31 December 2020		<u>1</u>	<u>18,027</u>	<u>18,028</u>
		Share capital £ 000	Profit and loss account £ 000	Total shareholder's funds £ 000
At 1 January 2021		1	18,027	18,028
Profit for the year		-	4,003	4,003
Increase in equity related to equity settled share based payment transaction		-	49	49
At 31 December 2021		<u>1</u>	<u>22,079</u>	<u>22,080</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

**Rocksteady Studios Limited**  
**Statement of Financial Position**  
**as at 31 December 2021**

	Note	31 December 2021 £ 000	31 December 2020 £ 000
<b>Fixed assets</b>			
Tangible assets	8	2,206	2,537
<b>Current assets</b>			
Debtors	9	22,580	9,867
Cash at bank and in hand		3,637	11,660
		26,217	21,527
<b>Creditors: amounts falling due within one year</b>	10	(6,343)	(6,036)
<b>Net current assets</b>		19,874	15,491
<b>Net assets</b>		22,080	18,028
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account		22,079	18,027
<b>Total shareholder's funds</b>		22,080	18,028

Approved by the Board and signed on its behalf by:

*James GR*  
 James GR (Sep 28, 2022 14:37 GMT+1)

.....  
 J S Gilbert-Rolfe  
 Director

**Company registration number: 05280625**

Date: 28-Sep-2022

The notes on pages 14 to 24 form an integral part of these financial statements.

# **Rocksteady Studios Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021**

### **1 Accounting policies**

#### ***a) Statement of compliance***

Rocksteady Studios Limited is a limited liability company incorporated in England & Wales. The Registered Office is Warner House, 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 2021.

#### ***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 was at the year end, a wholly-owned subsidiary undertaking of AT&T Inc., a company incorporated in the United States of America, who prepared publicly available financial statements as at the year end (see note 14).

#### **Going Concern**

The directors have reviewed the current financial performance and position of the company and considered the impact of COVID-19 on the future trading of the company and are confident that it will not lead to the company no longer being a going concern. The operations of the company continue to be cash generative, and in the unlikely event that it is not possible for the company to meet its liabilities as they fall due and also due to the centralised cash pooling arrangements, the intermediate parent company Warner Media, LLC has agreed to provide continued financial support to the company for the foreseeable future, for 12 months from the date of approval of the financial statements, to meet its obligations as and when they fall due.

Taking into account the position of the intermediate parent company, the directors are of the view that there are no events expected to have a material adverse impact on the company's ability to continue as a going concern, for a period of 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### **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 was a member of a group where the parent, AT&T Inc., prepared publicly available consolidated financial statements and the company was included in the consolidation (see note 14).



## **Rocksteady Studios Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### ***b) Basis of preparation (continued)***

###### **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 was a member of a group where the parent, AT&T Inc., prepared publicly available consolidated financial statements and the company was included in the consolidation (see note 14).

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 prepared publicly available consolidated financial statements (see note 14). All transactions were at arms length.

###### **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 transaction disclosures have not been presented as the company was a member of a group where the parent, AT&T Inc., prepared publicly available consolidated financial statements and the company was included in the consolidation (see note 14).

##### ***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 7.

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***

###### **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.

# **Rocksteady Studios Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

### **1 Accounting policies (continued)**

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

##### **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 8 for the carrying amount of the property plant and equipment, and below for the useful economic lives for each class of assets.

##### **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 is one of the sponsoring employers of the Time Warner UK Pension Plan ("the TWUK PP"), which is a defined benefit scheme. The assets of the TWUK PP are held in a separately administered fund.

The contribution rate for each employer does not reflect the individual experience of the company's members in isolation, as it is not possible to identify accurately or consistently from year to year the share of pension assets relating to the company. Consequently the company has accounted for its contributions to the TWUK PP as if it were a defined contribution scheme. Contributions to the fund of the TWUK PP are charged to the income statement as they become payable. The entity is not held liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

The TWUK PP was closed to new entrants with effect from 1 April 2010 from which time membership of the Time Warner Money Purchase Pension Plan ("the TWMP PP"), a defined contribution plan, was available. Contributions payable to the TWMP PP were charged to the income statement in the period in which they became payable. With effect from 1 April 2011, the Time Warner UK Pension Plan closed to future benefits accruals.

The Time Warner Money Purchase Pension Plan ("TWMP PP") was closed from 31 March 2021 from which time membership of the WarnerMedia Pension Plan ("WMPP"), a new defined contribution scheme, is available. Contributions payable to the WMPP are charged to the income statement in the period in which they become payable. With effect from 12 May 2022, the TWMP PP was wound up and terminated.

##### **Interest receivable and payable**

Interest income and expense are recognised on an accruals basis.

## Rocksteady Studios Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 1 Accounting policies (continued)

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

###### **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 AT&T Inc. plans. Following the combination of the Warner Media content unit with Discovery, Inc. restricted stock units issued under AT&T plans were converted to Warner Bros. Discovery, Inc. share units that will be distributed in the form of Warner Bros. Discovery, Inc. common stock. The shares will vest over a period of one to four years in accordance with the terms of those plans. Outstanding AT&T stock options were unchanged, with holders retaining AT&T stock and receiving additional Warner Bros. Discovery, Inc. shares. Future grants to eligible employees will be issued under Warner Bros. Discovery, Inc. plans.

###### **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.

###### **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.

# Rocksteady Studios Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 1 Accounting policies (continued)

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

##### Operational restructuring costs

Operational restructuring costs are expensed at the earlier of when the company can no longer withdraw the offer of those benefits and when the company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

##### Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments. The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Basic financial liabilities including trade and other payables and interest bearing loans and borrowing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the liability is measured at present value of the future payments discounted at a market rate of interest. Basic financial liabilities, other than short term payables, are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in interest payable and similar expenses in the income statement. Short term trade and other payables with no stated interest rate which are payable within one year are recorded at transaction price.

Basic financial assets including trade and other receivables and investments in loan notes are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. These basic financial assets, other than short term receivables, are subsequently carried at amortised cost using the effective interest rate method. Short term trade and other receivables with no stated interest rate which are receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

### 2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2021 %	Year ended 31 December 2020 £'000	Year ended 31 December 2020 %
United States of America and Canada	<u>34,014</u>	<u>100%</u>	<u>32,003</u>	<u>100%</u>

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

## Rocksteady Studios Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 3 Operating loss

This is stated after charging/(crediting):

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Auditor's remuneration - audit of the financial statements	37	35
Depreciation of tangible fixed assets	887	760
Operating lease rentals - land and buildings	1,007	834
Foreign exchange loss	43	66
	<u>43</u>	<u>66</u>

#### 4 Directors' remuneration

Certain directors of the company were paid by the company. The other directors of the company were paid by fellow group undertakings; they have minimal qualifying services to the company and receive no remuneration in respect of the company.

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Aggregate remuneration in respect of qualifying services	674	737
Aggregate company contributions paid to defined contribution pension scheme	26	-
	<u>26</u>	<u>-</u>
	No.	No.
Members of defined contribution pension scheme	2	2
	<u>2</u>	<u>2</u>

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Remuneration in respect of qualifying services	423	383
Company contributions paid to defined contribution pension scheme	13	-
	<u>13</u>	<u>-</u>

1 director exercised share options during the year (2020 - 1).

2 directors exercised RSU's during the year (2020 - 2).

# Rocksteady Studios Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 5 Staff costs

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Wages and salaries	16,342	16,014
Equity-settled share based payments	49	68
Social security costs	2,211	2,099
Other pension costs	966	959
	<u>19,568</u>	<u>19,140</u>

The average monthly number of employees during the year was 240 (2020 - 243), all of whom were engaged in game development and administration.

### 6 Interest receivable and similar income

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Interest receivable from group undertakings	-	10
	<u>-</u>	<u>10</u>

### 7 Taxation

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
<b>Current tax</b>		
UK corporation tax at 19% (2020 - 19%)	(4,691)	(4,423)
Tax under/(over) provided in previous years	10	(648)
Total tax on (loss) on ordinary activities (note b below)	<u>(4,681)</u>	<u>(5,071)</u>

## Rocksteady Studios Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 7 Taxation (continued)

b) Circumstances affecting the total tax charge:

The standard rate of current tax credit for the year, based on the UK standard rate of corporation tax is 19% (2020 - 19%).

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Loss before tax	<u>(678)</u>	<u>(1,456)</u>
Corporation tax at standard rate	(129)	(277)
Factors affecting the tax charge:		
Disallowable expenses	(17)	249
Non qualifying depreciation	19	21
Creative tax credits	(4,691)	(4,423)
Current year movement in unrecognised deferred tax	253	71
Group relief (received) for nil consideration	(126)	(64)
Tax under/(over) provided in previous years	<u>10</u>	<u>(648)</u>
Total tax credit (see note 7(a) above)	<u>(4,681)</u>	<u>(5,071)</u>

c) Deferred tax:

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 2021, enacted on 10 June 2021, included legislation to increase the rate of Corporation tax to 25% as of 1 April 2023. The proposed rate rise has no material impact on these or future accounts.

On 23 September 2022, it was announced that the increase in corporation tax from 19% to 25% would be cancelled and would remain at 19%. As this change was not substantively enacted at the reporting date, this change is not reflected in the financial statements.

# Rocksteady Studios Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 8 Tangible fixed assets

	Leasehold improvements £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost</b>			
At 31 December 2020	3,920	3,161	7,081
Additions	-	556	556
At 31 December 2021	<u>3,920</u>	<u>3,717</u>	<u>7,637</u>
<b>Depreciation</b>			
At 31 December 2020	2,563	1,981	4,544
Charged during the year	<u>325</u>	<u>562</u>	<u>887</u>
At 31 December 2021	<u>2,888</u>	<u>2,543</u>	<u>5,431</u>
<b>Net book value</b>			
At 31 December 2021	<u>1,032</u>	<u>1,174</u>	<u>2,206</u>
At 31 December 2020	<u>1,357</u>	<u>1,180</u>	<u>2,537</u>

Included within furniture, fittings and equipment is £281,619 (2020 - £735,624) of costs relating to assets in the course of construction. These will be depreciated once the assets are complete and ready for use.



# Rocksteady Studios Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 9 Debtors

	31 December 2021 £ 000	31 December 2020 £ 000
Other debtors	6	3
Prepayments and accrued income	204	321
Amounts owed by group undertakings	17,387	4,702
VAT receivable	295	418
Corporation tax receivable	4,688	4,423
	<u>22,580</u>	<u>9,867</u>

All amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand.

### 10 Creditors

	31 December 2021 £ 000	31 December 2020 £ 000
<b>Due within one year</b>		
Trade creditors	951	2,546
Other creditors	179	28
Other taxes and social security costs	677	656
Accruals and deferred income	3,374	2,261
Amounts owed to group undertakings	1,162	545
	<u>6,343</u>	<u>6,036</u>

All amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

### 11 Called up share capital

	Issued, allotted, called up and fully paid			
	31 December		31 December	
	2021		2020	
	Number	£	Number	£
Ordinary shares of £0.01 each	<u>100,000</u>	<u>1,000</u>	<u>100,000</u>	<u>1,000</u>

## Rocksteady Studios Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 12 Obligations under leases and hire purchase contracts

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

	31 December 2021 £ 000	31 December 2020 £ 000
Not later than one year	519	890
Later than one year and not later than five years	-	519
Later than five years	-	-
	<u>519</u>	<u>1,409</u>

#### 13 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 deposited by the company into the system, and potentially at risk to cover liabilities elsewhere in the group, amounted to £3,636,687 (2020 - £11,660,248)

#### 14 Ultimate parent undertaking

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

Up until 8 April 2022, the company's ultimate parent undertaking was, AT&T Inc., a company incorporated in the United States of America. Copies of AT&T Inc.'s financial statements can be obtained from 208 S. Akard St, Dallas, TX 75202, USA.

From 8 April 2022, the ultimate parent company is Warner Bros. Discovery, Inc. Copies of Warner Bros. Discovery, Inc.'s financial statements can be obtained from 230 Park Avenue South, New York City, New York, USA.