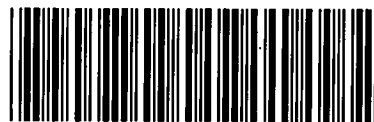


Company registration number: 05340126

TT Games Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2017

MONDAY



L7HKDRWY
LD3 29/10/2018 #83
COMPANIES HOUSE

TT Games Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 9
Income Statement	10
Statement of Changes in Equity	11
Statement of Financial Position	12
Notes to the Financial Statements	13 to 30

TT Games Limited

Company Information

Directors	T H Creighton D P Dootson J T Smith T S Stone
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

TT Games Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their Strategic Report for the year ended 31 December 2017. In preparing this Strategic Report, the directors have complied with section 414c of the Companies Act 2006.

Principal activity

Throughout the year, the company has engaged in the publishing of interactive entertainment.

Results

The profit for the year after taxation amounted to US\$39,364,000 (2016 - loss of US\$60,875,000).

Review of the business and KPIs

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

	Unit	2017	2016
Turnover	US\$'000	361,939	522,594
Gross Profit	US\$'000	103,729	89,134
Gross margin	%	29	17
Number of employees		27	23

Turnover has decreased year on year by 31% owing to decreased activity in 2017. The decrease in cost of goods sold has increased gross margins. This combined with lower administrative costs have caused an operating profit in the current year.

The average number of employees increased year on year due to business requirements.

Principal risks and uncertainties

An analysis of the risks and uncertainties of the Warner Media, LLC (formerly 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 results. The revenues derived from the sale, distribution and licensing of television programming, feature films, 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 marketing 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 digital sales of its film and television content and make digital ownership of content more compelling to consumers are not successful. Several factors have contributed to an industry-wide decline in sales of home entertainment product in physical formats in recent years, including consumers shifting to SVOD and other OTT services and electronic purchases and rentals; consumers electing to rent films, which generates significantly less profit per transaction for the company than sale of physical formats; changing retailer strategies and initiatives (eg reduction in floor space devoted to home entertainment product in physical formats); retail store closures; weak economic conditions; increasing competition for consumer discretionary time and spending; and piracy.

TT Games Limited

Strategic Report for the Year Ended 31 December 2017 (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, 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.

Some of the Company's operations are conducted in foreign currencies, and the value of these currencies fluctuates in relation to the U.S. dollar, significant fluctuations could have an adverse effect on the Company's results in a given period. If the Company expands into international operations, its exposure to foreign currency fluctuations will increase.

The Company's financial condition and results of operations may be adversely affected by weak economic conditions where the Company does business and the impact of those conditions on suppliers and others with which it does business.

On behalf of the Board


T H Creighton
Director

Date:

25 OCT 2018

TT Games Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their annual report on the affairs of TT Games Limited ("the company") together with the financial statements for the year ended 31 December 2017.

Dividends

Interim dividends of US\$nil (2016 - US\$nil) were paid during the year. The directors do not recommend the payment of a final dividend (2016 - US\$nil).

Post balance sheet event

On 14 June 2018, AT&T Inc., acquired the company's ultimate parent undertaking Time Warner Inc., which was renamed Warner Media, LLC, in a merger transaction that resulted in Warner Media, LLC becoming a direct subsidiary of AT&T Inc., and AT&T Inc. became the company's ultimate parent undertaking.

Research and development

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

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

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

Directors of the company

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

T H Creighton

D P Dootson

J T Smith

T S Stone

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

Directors qualifying third party indemnity provisions

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

TT Games Limited

Directors' Report for the Year Ended 31 December 2017 (continued)

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities adequately meet the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has been continued through direct 'Employee Communications' emails, emails from local management and through the intranet site 'Behind the Shield'. Regular meetings are held between local management and employees to allow a free flow of information and ideas, such as the Employee Liaison Group meetings, and employees are encouraged to present their suggestions and views on issues pertaining to them within the company. Regular questionnaires are also distributed to all employees and the results and action points are communicated back on a timely basis. Employees are encouraged to get involved with various Corporate Social Responsibility initiatives such as recycling and volunteering. Certain employees may share in the financial success of the group by being granted Time Warner stock options or restricted stock units.

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

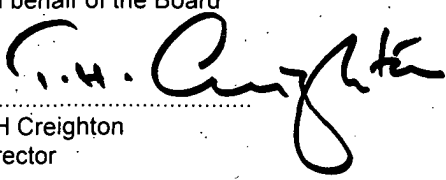
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/ she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that 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.

Reappointment of auditors

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

On behalf of the Board


T H Creighton
Director

Date:

25 OCT 2018

TT Games Limited

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

TT Games Limited

Independent Auditor's Report to the Members of TT Games Limited

Opinion

We have audited the financial statements of TT Games Limited (the 'company') for the year ended 31 December 2017, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

TT Games Limited

Independent Auditor's Report to the Members of TT Games 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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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 records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

TT Games Limited

Independent Auditor's Report to the Members of TT Games Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

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

Date: 26/10/18

TT Games Limited
Income Statement
for the Year Ended 31 December 2017

	Note	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Turnover	2	361,939	522,594
Cost of sales		<u>(258,210)</u>	<u>(433,460)</u>
Gross profit		103,729	89,134
Distribution and administrative expenses		<u>(80,152)</u>	<u>(155,709)</u>
Operating profit/(loss)	3	23,577	(66,575)
Income from investments	4	23,000	-
Interest receivable and similar income	7	15	460
Interest payable and similar expenses	8	(220)	-
Other income/ (costs)	9	<u>(1,410)</u>	<u>-</u>
Profit/(loss) before tax		44,962	(66,115)
Taxation	10	<u>(5,598)</u>	<u>5,240</u>
Profit/(loss) for the financial year		<u><u>39,364</u></u>	<u><u>(60,875)</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 13 to 30 form an integral part of these financial statements.

TT Games Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital US\$ 000	Share premium US\$ 000	Equity share based payments US\$ 000	Other reserves US\$ 000	Profit and loss account US\$ 000	Total shareholder's funds US\$ 000
At 1 January 2016	26	219	98	87,647	67,902	155,892
Loss for the year	-	-	-	-	(60,875)	(60,875)
Charge for equity share based payments	-	-	83	-	-	83
At 31 December 2016	26	219	181	87,647	7,027	95,100
	Share capital US\$ 000	Share premium US\$ 000	Equity share based payments US\$ 000	Other reserves US\$ 000	Profit and loss account US\$ 000	Total shareholder's funds US\$ 000
At 1 January 2017	26	219	181	87,647	7,027	95,100
Profit for the year	-	-	-	-	39,364	39,364
Transfers	-	-	(201)	-	201	-
Charge for equity share based payments	-	-	91	-	-	91
FX hedge reserve	-	-	-	145	-	145
At 31 December 2017	26	219	71	87,792	46,592	134,700

The notes on pages 13 to 30 form an integral part of these financial statements.

TT Games Limited

**Statement of Financial Position
as at 31 December 2017**

		31 December 2017 US\$ 000	Restated 31 December 2016 US\$ 000
	Note		
Fixed assets			
Intangible assets	11	3,111	7,462
Tangible assets	12	8	-
Investments	13	133,577	93,353
		<u>136,696</u>	<u>100,815</u>
Current assets			
Debtors	14	53,627	48,907
Development costs	15	10,067	3,693
Cash at bank and in hand		1,237	729
		<u>64,931</u>	<u>53,329</u>
Creditors: Amounts falling due within one year	16	<u>(43,925)</u>	<u>(59,030)</u>
Net current assets/(liabilities)		<u>21,006</u>	<u>(5,701)</u>
Total assets less current liabilities		157,702	95,114
Creditors: Amounts falling due after more than one year	16	(22,992)	-
Provisions for liabilities	18	<u>(10)</u>	<u>(14)</u>
Net assets		<u>134,700</u>	<u>95,100</u>
Capital and reserves			
Called up share capital	19	26	26
Share premium reserve		219	219
Equity-settled share-based payments reserve		71	181
Other reserves		87,792	87,647
Profit and loss account		<u>46,592</u>	<u>7,027</u>
Total shareholder's funds		<u>134,700</u>	<u>95,100</u>

Approved by the Board and signed on its behalf by:



T H Creighton
Director

Date: 25 OCT 2018

Company registration number: 05340126

The notes on pages 13 to 30 form an integral part of these financial statements.

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies

a) Statement of compliance

TT Games 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 2017.

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 US Dollars which is the functional currency of the company and rounded to the nearest US\$'000.

The company has taken advantage of the exemption from the requirement to prepare consolidated financial statements available under s401 of the Companies Act 2006, as it is a wholly-owned subsidiary undertaking of Warner Media, LLC (formerly Time Warner Inc.), a company incorporated in the United States of America, which prepares publicly available consolidated financial statements (see note 24).

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, Warner Media, LLC (formerly Time Warner Inc.), prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 24).

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, Warner Media, LLC (formerly Time Warner Inc.), prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 24).

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 Warner Media, LLC (formerly Time Warner Inc.), which prepares publicly available consolidated financial statements (see note 24).

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

1 Accounting policies (continued)

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, Warner Media, LLC (formerly Time Warner Inc.), prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 24).

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.

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.

Income forecast model

In calculating the amortisation of the Game Development Costs within Intangible Assets, the company estimates the ultimate revenue for the life of the game, taken to be 24 months. The estimate for each title will be based on the expected initial sales and the decay curve over the life of the game, based on the wide catalogue of similar titles which the company has launched. The company reviews the decay-curve for each title regularly based on the actual performance of the game post-launch, in order to maintain an ultimate revenue picture that is reflective of the performance of the game, to ensure that amortisation of the Game Development Cost is as accurate as possible

d) Significant accounting policies

Turnover

Turnover is stated net of value added tax.

Turnover represents the fees and royalties earned for the granting of distribution rights, and revenue receivable from the sale of interactive entertainment.

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.

Dividend income

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

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

1 Accounting policies (continued)

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 AT&T Inc. The RSUs vest 50% three years after the date of grant and 50% four years after the date of grant. When the RSUs vest the employee receives shares in AT&T Inc. at no cost to themselves. In accordance with FRS 102.26.16 the company recognises and measures the cost of each RSU on the basis of the allocation of the expense it receives from its ultimate parent undertaking on an annual basis.

Investments

Investments are stated at cost less provision for impairments.

Intangible fixed assets

Game development costs are amortised using an income forecast model, in which total revenue generated by a particular game are amortised as revenue is earned. The period of which a game is amortised using this model is 24 months.

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

- over 3 to 10 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 statement of comprehensive income 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 milestone revenue and then recognised in the statement of comprehensive income when milestone deliverables are achieved.

Provisions

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.

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

1 Accounting policies (continued)

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.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances 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.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Net gain/loss on financial assets/liabilities designated at fair value through profit or loss are recognised in the income statement as other costs.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Development costs

Game development costs are deferred as work in progress, when future recoverability can be reasonably assured. Game development costs are matched against revenue and then recognised in the statement of comprehensive income when deliverables are achieved.

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Turnover

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2017 %	Year ended 31 December 2016 US\$ 000	Year ended 31 December 2016 %
United Kingdom and Ireland	42,747	11.8%	66,127	12.7%
United States of America and Canada	318,781	88.1%	455,242	87.1%
Rest of World	411	0.1%	1,225	0.2%
	<u>361,939</u>	<u>100%</u>	<u>522,594</u>	<u>100%</u>

An analysis of turnover by class of business is given below:

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2017 %	Year ended 31 December 2016 US\$ 000	Year ended 31 December 2016 %
Sales of interactive entertainment	318,781	87.7%	455,118	87.1%
License income from the granting of development and distribution rights	43,158	12.3%	67,476	12.9%
	<u>361,939</u>	<u>100%</u>	<u>522,594</u>	<u>100%</u>

3 Operating profit/(loss)

This is stated after charging/(crediting):

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Amortisation	24,128	58,223
Depreciation	4	6
Auditor's remuneration - audit of the financial statements	74	61
Foreign exchange (gain)/loss	<u>(2,403)</u>	<u>7,801</u>

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

4 Income from investments

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Dividends received from group undertakings	23,000	-
	<u>23,000</u>	<u>-</u>

5 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 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Aggregate remuneration in respect of qualifying services	1,468	667
Aggregate company contributions paid to defined contribution pension scheme	19	18
	<u>1,487</u>	<u>685</u>

	No.	No.
Members of defined contribution pension scheme	<u>2</u>	<u>2</u>

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

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Remuneration in respect of qualifying services	815	451
Company contributions to money purchase pension schemes	<u>10</u>	<u>12</u>

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

6 Staff costs

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Wages and salaries	3,117	2,123
Share based payments	90	90
Social security costs	443	292
Other pension costs	93	85
	<u>3,743</u>	<u>2,590</u>

The average monthly number of employees during the year was 27 (2016 - 23), all of whom were engaged in administration and sales.

7 Interest receivable and similar income

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Interest receivable from group undertakings	<u>15</u>	<u>460</u>

8 Interest payable and similar expenses

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Interest payable to group undertakings	<u>220</u>	<u>-</u>

9 Other income/ (costs)

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
(Loss) / gains on realised foreign exchange contracts	<u>(1,410)</u>	<u>-</u>
	<u>(1,410)</u>	<u>-</u>

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

10 Taxation

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

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Current tax		
UK Corporation tax at 19.25% (2016 - 20%)	1,591	-
	1,591	-
Foreign tax		
Total current tax charge	1,591	-
Deferred taxation		
Origination and reversal of timing differences	2,643	(4,915)
Charge / (Credit) due to change in tax rate	-	(325)
Under provision for prior years	1,364	-
Total deferred tax	4,007	(5,240)
Total tax on profit / (loss) on ordinary activities (note c below)	5,598	(5,240)

b) Circumstances affecting total tax charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19.25% (2016 - 20%).

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

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Profit/(loss) before tax	44,962	(66,115)
Corporation tax at standard rate	8,655	(13,223)
Disallowable expenses	7	69
Non taxable dividends	(4,428)	-
Tax (over) / under provided in previous years	1,364	-
Impact of change of rate of tax	-	221
Utilisation of losses against prior year profits	-	3,016
Group relief (received) / surrendered for nil consideration	-	4,677
Total tax charge/(credit) (see note 10(a) above)	5,598	(5,240)

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

10 Taxation (continued)

c) Deferred tax

Deferred tax is provided at 17% (2016 - 17%) in the statement of financial position as follows:

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Included in debtors	1,440	5,450

	Year ended 31 December 2017 US\$ 000	Year ended 31 December 2016 US\$ 000
Analysed as:		
Accelerated capital allowances	189	197
Tax losses carried forward	1,204	5,220
Short term timing differences	-	1
Share based payment	47	32
	1,440	5,450

Analysis of movement in deferred tax

	\$'000
At start of period	5,450
(Charged) / credited to profit and loss account	(4,007)
Other movements	(3)
At 31 December 2017	1,440

The net reversal of deferred tax expected to occur in the following year is \$30,000.

This is due to the anticipated movement in accelerated capital allowances.

The company has unutilised tax losses of \$6.2M as at 31 December 2017. The company expects to fully utilise these.

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

10 Taxation (continued)

d) Factors affecting future tax charges

The Finance (No. 2) Act 2015, enacted on 18 November 2015, and the Finance Act 2016, enacted on 15 September 2016, included two changes to the future mainstream corporation tax rate. From 1 April 2017 the rate reduced from 20% to 19% and from 1 April 2020 the rate will reduce to 17%. The effect of these changes on the deferred tax balance is reflected in these accounts.

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

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Intangible fixed assets

	Development costs US\$ 000
Cost or valuation	
At 31 December 2016	289,763
Additions	<u>19,777</u>
At 31 December 2017	<u>309,540</u>
Amortisation	
At 31 December 2016	(282,301)
Amortised during the year	<u>(24,128)</u>
At 31 December 2017	<u>(306,429)</u>
Net book value	
At 31 December 2016	<u>7,462</u>
At 31 December 2017	<u>3,111</u>

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

12 Tangible fixed assets

	Land and buildings US\$ 000	Furniture, fittings and equipment US\$ 000	Total US\$ 000
Cost			
At 31 December 2016	46	557	603
Additions	-	12	12
Disposals	-	(557)	(557)
At 31 December 2017	46	12	58
Depreciation			
At 31 December 2016	46	557	603
Charged during the year	-	4	4
Disposals	-	(557)	(557)
At 31 December 2017	46	4	50
Carrying amount			
At 31 December 2017	-	8	8
At 31 December 2016	-	-	-

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Investments

	Investments in subsidiary undertakings US\$ 000
Cost	
At 31 December 2016	93,353
Additions	40,224
At 31 December 2017	<u>133,577</u>
Net book value	
At 31 December 2017	<u>133,577</u>
At 31 December 2016	<u>93,353</u>

Additions relates to further contingent deferred consideration payable for the acquisition of the shares in Playdemic Limited which was acquired in December 2016.

Details of undertakings

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

Share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2017	2016
Subsidiary undertakings				
Travellers Tales (UK) Limited	England & Wales	Ordinary shares	100%	100%
TT Games Publishing Limited		Ordinary shares	100%	100%
TT Fusion Limited*	England & Wales	Ordinary shares	100%	100%
TT Animation Limited	England & Wales	'A' Ordinary shares	60%	60%
TT Animation Limited*	England & Wales	Preference shares	100%	100%
TT Animation (WYN) Limited**+	England & Wales	Ordinary shares	0%	60%

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Investments (continued)

Playdemic Limited	England & Wales	Ordinary shares	100%	100%
Playdemic Development Limited (previously Ideas Pad Limited)	England & Wales	Ordinary shares	100%	100%

England & Wales

The registered office of all of the stated subsidiaries is Warner House, 98 Theobald's Road, London, WC1X 8WB.

The principal activity of Travellers Tales (UK) Limited is computer games development

The principal activity of TT Games Publishing Limited is computer games publishing

The principal activity of TT Fusion Limited* is computer games development

The principal activity of TT Animation Limited is production of animated films

The principal activity of TT Animation (WYN) Limited** is production of animated films

The principal activity of Playdemic Limited is development and publishing of interactive digital entertainment

The principal activity of Playdemic Development Limited (previously Ideas Pad Limited) is sales and development of interactive digital entertainment

* Held by a subsidiary undertaking

** 100% of the shares are held by TT Animation Limited and the holding shown represent the company's effective interest.

+ Dissolved 3 January 2017

14 Debtors

	31 December 2017 US\$ 000	Restated 31 December 2016 US\$ 000
Trade debtors	213	704
Other debtors	386	134
Prepayments and accrued income	1,843	1,206
Amounts owed by group undertakings	47,482	37,752
Corporation tax receivable	2,263	3,571
Deferred tax assets	1,440	5,450
VAT receivable	-	90
	<u>53,627</u>	<u>48,907</u>

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

15 Development Costs

	31 December 2017 US\$ 000	31 December 2016 US\$ 000
Development costs	10,067	3,693
	<u>10,067</u>	<u>3,693</u>

16 Creditors

	31 December 2017 US\$ 000	31 December 2016 US\$ 000
Due within one year		
Trade creditors	165	96
Other creditors	18,382	108
Other taxes and social security costs	252	576
Accruals and deferred income	13,086	20,822
Amounts owed due to group undertakings	10,413	37,428
VAT payable	1,627	-
	<u>43,925</u>	<u>59,030</u>
Due after one year		
Other non-current financial liabilities	<u>22,992</u>	<u>-</u>

17 Obligations under leases and hire purchase contracts

Operating leases

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

	Land and buildings		Other	
	31 December 2017 US\$ 000	31 December 2016 US\$ 000	31 December 2017 US\$ 000	31 December 2016 US\$ 000
Payments due:-				
Not later than one year	96	41	6	-
Later than one year and not later than five years	<u>46</u>	<u>85</u>	<u>-</u>	<u>16</u>
	<u>142</u>	<u>126</u>	<u>6</u>	<u>16</u>

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

18 Provisions for liabilities

	NI on share options' US\$ 000
At 31 December 2016	14
Arising during the year	(4)
At 31 December 2017	<u>10</u>

19 Share capital

Issued, allotted, called up and fully paid

	31 December 2017		31 December 2016	
	No.	US\$	No.	US\$
Ordinary shares of £1 each	<u>12,860</u>	<u>25,685</u>	<u>12,860</u>	<u>25,685</u>

20 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 US\$1,155,412 (2016 - US\$728,407).

21 Guarantees and other financial commitments

At December 31 2017, the company had royalties and other contractual commitments to certain third parties which ranged from US\$10,000,000 and US\$18,600,000 per annum due between 2018 and 2021 (2016 these commitments were between US\$18,750,000 - US\$23,500,000).

22 Related party transactions

At the year end the balance due from TT Animation Limited, a company under common control, was US\$1,443,000 (2016 - \$1,248,000) in relation to accrued preference share interest.

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

23 Prior year restatement

The 2016 statement of financial position has been amended to rectify an accounting error as set out below. Reconciliation of the statement of financial position for the year ended 31 December 2016:

	31 December 2016 (as previously stated) US\$ 000	Restatement US\$ 000	Restated 31 December 2016 US\$ 000
Balance sheet			
Intangible assets	7,462	-	7,462
Tangible assets	-	-	-
Investments	93,353	-	93,353
Debtors	48,297	610	48,907
Development costs	3,693	-	3,693
Cash at bank and in hand	729	-	729
Creditors: amounts falling due within one year	(59,030)	-	(59,030)
Provisions for liabilities	(14)	-	(14)
Balance sheet for the financial year	<u>94,490</u>	<u>610</u>	<u>95,100</u>
Shareholder's funds			
Called up share capital	26	-	26
Share premium account	219	-	219
Other reserves	87,647	-	87,647
Equity-settled share-based payments reserve	181	-	181
Profit and loss account	<u>6,417</u>	<u>610</u>	<u>7,027</u>
Closing shareholder's funds	<u>94,490</u>	<u>610</u>	<u>95,100</u>

As at 31 December 2016 both Debtors and the Profit and Loss account were overstated by £610,000. No adjustment was required to the reported profit for the year.

TT Games Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

24 Ultimate parent undertaking

The company's immediate parent undertaking is WB/TT Holdings Limited.

At 31 December 2017, and until 14 June 2018 Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up.

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