ZeniMax Europe Limited

Directors' report and financial statements

31 December 2012

Registered number 6333300

Contents

Dırectors

James Lawrence Leder
Cındy Lehmann Tallent

Secretary and regıstered office

John Grıffin Lesher,
1st Floor,
West Wıng,
Davıdson House,
Forbury Square,
Readıng,
RG1 3EU

Company number

6333300

Audıtors

KPMG LLP,
Arlıngton Busıness Park,
Theale,
Readıng,
RG7 4SD

Directors' report

The directors present their report together with the audited financial statements for the year ended the 31 December 2012

Principal activities, business review and future developments

The group publishes and distributes video games and related content, in PAL markets throughout the world, by selling product either directly to local retailers (as in UK & Eire, France, Germany and the Benelux region) or via arrangements with sub-distributors (as in the rest of mainland Europe, Russia, South Africa, Australia, New Zealand and the Middle East) The games are published on standard platforms, including Microsoft Xbox 360™ and Sony PlayStation®3 - as well as personal computers

For the year ended 31 December 2012, the group made a gross profit of £25 8m (45% of turnover) (2011 - £66 6m), after payment of all cost of goods and royalties payable to ZeniMax Media Inc (as owner of the intellectual property in the games published), and is reporting a pre-tax profit of £4 9m (2011 – £28 9m) The group ended the year with cash balances in hand of £42 4m (2011 - £42 2m)

Pre-tax profit, gross profit, cash generation and game units shipped are primary KPIs used by the directors to measure the success of the group

In 2012 Dishonored was the main game launched, along with Doom 3 BFG Edition, Fallout New Vegas Ultimate Edition and Quake 4 (2011 – The Elder Scrolls Skyrim, Rage, Brink and Hunted and were the main games launched) Total game units shipped by the group across all titles in the year were 3 7 million (2011 – 7 1 million)

During 2012 the company's subsidiaries (ZeniMax Germany GmbH, ZeniMax France SAS & ZeniMax Benelux BV) continued shipping product, after being set up at the end of 2010 These 3 companies distribute ZeniMax games directly to retailers in Germany, France, Belgium, the Netherlands and Luxembourg Previously, product was sold in these territories using the services of a third party sub-distributor

The directors do not recommend the payment of a dividend

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company

Employee involvement

Members of the management team regularly discuss matters of current interest and concern to the business with members of staff

Directors' report *(continued)*

Principal risks and uncertainties

The main financial risks arising from the group's activities are credit risk and liquidity risk These are monitored by the board of directors and were not considered to be significant at the balance sheet date

The group s policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made and to take out credit insurance on major customers where possible and where possible secure cash in advance of shipping games

The group's policy in respect of liquidity risk is to regularly forecast future cash flows and ensure adequate funding is in place for future operations

Subsequent to the year end, HMV and Blockbuster UK, two of the group's major UK customers, have gone into administration (2011 - Game Stores Group) Having reviewed the position and financial forecasts as at the date of signature of these accounts the directors consider that whilst this event creates additional uncertainty in the group and company's markets, it is unlikely to have a significant impact on the company and group's ability to meet its liabilities as they fall due for the foreseeable future and at least for the next twelve months The group and company will also continue to benefit from support from ZeniMax Media Inc through a distribution agreement Accordingly the financial statements continue to be prepared on a going concern basis

Political and charitable donations

During the year the company made no political donations (2011 £Nil) and no charitable donations (2011 £Nil)

Directors

The directors of the company who held office during the year were as follows

James Lawrence Leder
Cindy Lehmann Tallent
Ernest Del (resigned 1st August 2012)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group and company's auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

JG Lesher
Secretary

1st Floor,
West Wing, Davidson House,
Forbury Square,
Reading,
RG1 3EU

Date 28 Feb 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of ZeniMax Europe Limited

We have audited the financial statements of ZeniMax Europe Limited for the year ended 31 December 2012 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities (see page 3), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements
In our opinion the financial statements

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of ZeniMax Europe Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Simon Baxter

28 February 2013

Simon Baxter (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

Consolidated profit and loss account

for the year ended 31st December 2012

	Note	2012 £	2011 £
Group turnover	2	**57,362,413**	141,731,243
Cost of sales		**(31,528,121)**	(75,150,204)
Gross profit		**25,834,292**	66,581,039
Administrative expenses		**(20,975,409)**	(37,710,280)
Group operating profit	3-5	**4,858,883**	28,870,759
Interest receivable		**51,672**	18,003
Interest payable	6	**(198)**	(5,047)
Profit on ordinary activities before taxation		**4,910,357**	28,883,715
Tax on profit from ordinary activities	7	**(1,285,583)**	(7,621,919)
Profit for the financial year		**3,624,774**	21,261,796

All amounts relate to continuing activities

Consolidated balance sheet
as at 31st December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Tangible assets	9		**227,697**		294,127
Current assets					
Stocks	11	**1,295,161**		2,732,723	
Debtors	12	**9,015,712**		51,558,706	
Cash at bank and in hand		**42,370,587**		42,165,891	
		52,681,460		96,457,320	
Creditors amounts falling due within one year	13	**(23,735,546)**		(71,202,610)	
Net current assets			**28,945,914**		25,254,710
Net assets			**29,173,611**		25,548,837
Capital and reserves					
Called up share capital	14		**100**		100
Profit and Loss account	15		**29,173,511**		25,548,737
Shareholders' funds	15		**29,173,611**		25,548,837

The financial statements were approved by the board of directors on 28 February 2013 and were signed on its behalf by

Cindy L. Tallent

C L Tallent
Director

Company registered number 6333300

Company balance sheet
as at 31st December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Tangible assets	9		**99,397**		269,183
Investments	10		**44,240**		44,240
			143,637		313,423
Current assets					
Stocks	11	**376,890**		1,400,956	
Debtors	12	**15,104,165**		49,235,018	
Cash at bank and in hand		**31,085,802**		36,040,403	
		46,566,857		86,676,377	
Creditors amounts falling due within one year	13	**(18,321,801)**		(61,878,965)	
Net current assets			**28,245,056**		24,797,412
Net assets			**28,388,693**		25,110,835
Capital and reserves					
Called up share capital	14		**100**		100
Profit and Loss account	15		**28,388,593**		25,110,735
Shareholders' funds	15		**28,388,693**		25,110,835

The financial statements were approved by the board of directors on 28 February 2013 and were signed on its behalf by

Cindy L. Tallent

C L Tallent
Director

Company registered number 6333300

Consolidated cash flow statement

for the year ended 31st December 2012

	Note	2012 £	2011 £
Cash inflow from operating activities	18	**7,388,301**	21,282,990
Returns on investments and servicing of finance			
Interest received		**51,672**	18,003
Interest paid		**(198)**	(5,047)
Taxation		**(7,086,502)**	2,375,606
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(148,577)**	(227,195)
Cash inflow before use of liquid resources and financing		**204,696**	23,444,357
Increase in cash	19	**204,696**	23,444,357

Consolidated statement of total recognised gains and losses

for the year ended 31st December 2012

	2012 £	2011 £
Profit for the financıal year	**3,624,774**	21,261,796
Net exchange dıfferences on the retranslatıon of net ınvestments	-	267
Total recognised gaıns for the financıal year	**3,624,774**	21,262,063

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

As the company is a wholly owned subsidiary of ZeniMax Media Inc , the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

Going concern

The group and company had net current assets at the year end and has prepared forecasts that suggest that it will continue to meet its liabilities as they fall due for the foreseeable future The group benefits from support from ZeniMax Media Inc through a distribution agreement Accordingly, the financial statements have been prepared on a going concern basis

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31st December 2012 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales Turnover is recognised when the risks and rewards of owning the goods have passed to the customer

Consistent with industry practices the group recognises, as a reduction of turnover, reserves for returns and future price concessions based on both contractual and commercial considerations, in line with management's ability to reliably estimate such items, in the year in which the sale is recognised Trade debtors are shown net of these reserves and any allowances for doubtful debts Where the reserves for a customer exceed the trade debtor balance the trade debtor net of the reserves for returns and future price concessions are included in creditors amounts falling due within one year

Royalty revenue is recognised in the year earned based on royalty reports received

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates Gains and losses arising on these translations are taken to reserves

Notes *(contınued)*

1 Accountıng polıcıes *(contınued)*

Tangıble Fıxed Assets and Deprecıatıon

Deprecıatıon ıs provıded to wrıte off the cost or valuatıon, less estımated resıdual values, of all tangıble fixed assets, except freehold land, evenly over theır expected useful lıves It ıs calculated at the followıng rates

Leasehold ımprovements	-	20% per annum
Computers and electronıcs	-	33% per annum
Fıxtures, fittıngs and equıpment	-	33% per annum

Investments

In the company's financıal statements, ınvestments ın subsıdıary undertakıngs, assocıates and joınt ventures are stated at cost

Stocks

Stocks are valued at the lower of cost and net realısable value Cost ıs based on the cost of purchase on a first ın, first out basıs Net realısable value ıs based on estımated sellıng prıce less addıtıonal costs to completıon and dısposal

Taxation

The charge for taxatıon ıs based on the profit for the year and takes ınto account taxatıon deferred because of tımıng dıfferences between the treatment of certaın ıtems for taxatıon and accountıng purposes

Deferred tax ıs recognısed, wıthout dıscountıng, ın respect of all tımıng dıfferences between the treatment of certaın ıtems for taxatıon and accountıng purposes whıch have arısen but not reversed by the balance sheet date, except as otherwıse requıred by FRS 19

Classıficatıon of financıal ınstruments

Followıng the adoptıon of FRS 25, financıal ınstruments ıssued are treated as equıty (ı e formıng part of shareholders' funds) only to the extent that they meet the followıng two condıtıons

a) they ınclude no contractual oblıgatıons upon the company (or group as the case may be) to delıver cash or other financıal assets or to exchange financıal assets or financıal lıabılıtıes wıth another party under condıtıons that are potentıally unfavourable to the company (or group), and

b) where the ınstrument wıll or may be settled ın the company's own equıty ınstruments, ıt ıs eıther a non-derıvatıve that ıncludes no oblıgatıon to delıver a varıable number of the company's own equıty ınstruments or ıs a derıvatıve that wıll be settled by the company's exchangıng a fixed amount of cash or other financıal assets for a fixed number of ıts own equıty ınstruments

To the extent that thıs definıtıon ıs not met, the proceeds of an ıssue are classıfied as a financıal lıabılıty

Cash and lıquıd resources

Cash, for the purpose of the cash flow statement, comprıses cash ın hand and deposıts repayable on demand

Share-based payments

Where share optıons are awarded to employees, the faır value of the optıons at the date of grant ıs charged to the ıncome statement over the vestıng perıod Non-market vestıng condıtıons are taken ınto account by adjustıng the number of equıty ınstruments expected to vest at each balance sheet date so that, ultımately, the cumulatıve amount recognısed over the vestıng perıod ıs based on the number of optıons that eventually vest Market vestıng condıtıons are factored ınto the faır value of the optıons granted As long as all other vestıng condıtıons are satısfied, a charge ıs made ırrespectıve of whether the market vestıng condıtıons are satısfied The cumulatıve expense ıs not adjusted for faılure to achıeve a market vestıng condıtıon

Notes *(continued)*

2 Turnover

The table below sets out the turnover for each of the group's geographic areas of operation All revenues are derived from the group's sole industry segment being the provision of computer game software

	2012 £	2011 £
UK	**16,805,715**	43,541,654
Europe (excluding UK)	**31,764,955**	83,043,361
Rest of the world	**8,791,743**	15,146,228
	57,362,413	141,731,243

3 Notes to the profit and loss account

	2012 £	2011 £
This has been arrived at after charging		
Exchange differences	**330,171**	1,598,219
Hire of assets - operating leases	**677,553**	668,416
Depreciation	**215,007**	110,139
Auditors' remuneration KPMG LLP	**23,570**	23,705
Predecessor auditor's remuneration BDO LLP	**-**	4,800

4 Remuneration of directors

Directors' remuneration during the year was £2,023,460 (2011 - £1,689,559) The amount paid to the highest paid Director during the year was £2,023,460 (2011 - £1,689,559) Directors are paid by the ultimate parent company and the amounts disclosed are an apportionment of these payments

No directors were members of the ZeniMax Europe Limited defined contribution pension scheme during the year

Notes *(contınued)*

5 Staff numbers and costs

The aggregate payroll cost of persons employed by the group (excludıng dırectors) durıng the year, analysed by category, was as follows

	2012 £	2011 £
Wages and salarıes	**4,117,061**	2,613,220
Share-based payment (note 20)	**205,004**	255,187
Socıal securıty costs	**499,974**	316,388
Other pensıon costs	**145,377**	89,958
	4,967,416	3,274,753

The average number of persons employed by the group (excludıng dırectors) durıng the year was as follows

	2012 Number	2011 Number
	52	43

6 Interest payable and sımılar charges

	2012 £	2011 £
Interest payable	**198**	5,047

Notes *(continued)*

7 Taxation

Analysis of charge in period - group

	2012		2011	
	£	**£**	**£**	**£**
UK corporation tax				
Current tax on income for the period	**1,182,341**		7,428,604	
Adjustments in respect of prior periods	**(6,340)**		(8,035)	
		1,176,001		7,420,569
Foreign tax				
Current tax on income for the period		**158,297**		241,257
Total current tax		**1,334,298**		7,661,826
Deferred tax				
Origination/reversal of timing differences	**(59,845)**		(48,199)	
Effect of increased/decreased tax rate	**6,962**		4,293	
Adjustment in respect of previous years	**4,168**		3,999	
		(48,715)		(39,907)
Tax on profit on ordinary activities		**1,285,583**		7,621,919

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2011 higher)* than the standard rate of corporation tax in the UK of 24% (*2011 26 %*) The differences are explained below

Current tax reconciliation	**2012**	**2011**
	£	**£**
Profit on ordinary activities before tax	**4,910,357**	28,883,715
Profit on ordinary activities at standard UK partial year rate of 24 5% (2011 – 26 49%)	**1,203,038**	7,652,171
Effects of		
Tax rates on overseas earnings	**36,293**	(55,962)
Fixed assets not deductible for tax purposes	**6,108**	8,185
Expenses not deductible for tax purposes	**25,147**	18,675
Capital allowances for period in excess of depreciation	**30,865**	(8,871)
Other short term timing differences	**39,187**	55,663
Adjustments to tax charge in respect of previous periods	**(6,340)**	(8,035)
Total current tax charge	**1,334,298**	7,661,826

Notes *(continued)*

8 Profit

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements The group profit for the year includes a company profit after tax of £3,277,858 (2011 – £20,395,243) which is dealt with in the financial statements of the parent company

9 Tangible fixed assets

Group

	Leasehold improvements £	Computers and electronics £	Fixtures, and fittings £	Total £
Cost				
At 1 January 2012	244,697	152,535	140,394	537,626
Additions	58,183	72,059	18,335	148,577
At 31 December 2012	**302,880**	**224,594**	**158,729**	**686,203**
Depreciation				
At 1 January 2012	114,013	69,067	60,419	243,499
Provided for the year	108,355	45,328	61,324	215,007
At 31 December 2012	**222,368**	**114,395**	**121,743**	**458,506**
Net book value				
At 31 December 2012	**80,512**	**110,199**	**36,986**	**227,697**
At 31 December 2011	130,684	83,468	79,975	294,127

Company

	Leasehold improvements £	Computers and electronics £	Fixtures, and fittings £	Total £
Cost				
At 1 January 2012	244,697	114,301	140,394	499,392
Additions	-	17,436	-	17,436
At 31 December 2012	**244,697**	**131,737**	**140,394**	**516,828**
Depreciation				
At 1 January 2012	114,013	55,777	60,419	230,209
Provided for the year	98,013	29,923	59,286	187,222
At 31 December 2012	**212,026**	**85,700**	**119,705**	**417,431**
Net book value				
At 31 December 2012	**32,671**	**46,037**	**20,689**	**99,397**
At 31 December 2011	130,684	58,524	79,975	269,183

Notes *(contınued)*

10 Fıxed asset ınvestments

	Shares ın subsıdıary undertakıng £
Company	
Cost	
At begınnıng of year	44,240
Addıtıons	-
Dısposals	-
At end of year	44,240
Net book value	
At 31 December 2012	**44,240**
At 31 December 2011	44,240

The undertakıngs ın whıch the company's ınterest at the year-end ıs more than 20% are as follows

Subsıdıary undertakıngs

	Country of ıncorporatıon	Proportıon of votıng rıghts and ordınary	Prıncıpal Actıvıty
ZenıMax Benelux B V	The Netherlands	100%	Games dıstrıbutor
ZenıMax France SAS	France	100%	Games dıstrıbutor
ZenıMax Germany GmbH	Germany	100%	Games dıstrıbutor
Bethesda Softworks Europe Ltd	Great Brıtaın	100%	Dormant company

11 Stocks

	Group 2012 £	2011 £	Company 2012 £	2011 £
Fınıshed goods and goods for resale	**1,279,913**	2,670,594	**361,642**	1,338,827
Work ın progress	**15,248**	62,129	**15,248**	62,129
	1,295,161	2,732,723	**376,890**	1,400,956

Notes (continued)

12 Debtors

	Group 2012 £	2011 £	Company 2012 £	2011 £
Trade debtors	**7,581,941**	50,490,164	**2,924,760**	25,234,950
Prepayments and accrued income	**325,357**	171,076	**230,058**	143,990
Corporation tax and tax asset	**254,502**	98,180	**145,837**	91,199
Amounts owing from group undertakings	**-**	-	**11,369,435**	23,322,886
Other debtors	**853,912**	799,286	**434,075**	441,993
	9,015,712	51,558,706	**15,104,165**	49,235,018

Trade debtors are shown net of reserves for returns and future price concessions of group £4,696,457 (2011 £20,136,555) and company £2,149,976 (2011 £11,868,712)

All amounts shown under debtors fall due for payment within one year

Deferred tax assets are disclosed within corporation tax and tax asset The elements of deferred taxation are as follows

	Group 2012 £	2011 £	Company 2012 £	2011 £
Accelerated capital allowances	**(783)**	(29,263)	**(1,841)**	(29,263)
Sundry timing differences	**147,678**	127,443	**147,678**	120,462
Deferred tax asset	**146,895**	98,180	**145,837**	91,199

13 Creditors: amounts falling due within one year

	Group 2012 £	2011 £	Company 2012 £	2011 £
Trade creditors	**4,900,852**	9,448,226	**4,596,648**	7,831,894
Amounts owed to group undertakings	**7,552,218**	32,348,644	**7,496,719**	32,426,135
Corporation tax	**917,235**	6,561,832	**858,340**	6,328,604
Other taxation and social security	**1,460,721**	10,685,722	**1,897,267**	7,026,622
Accruals	**2,639,299**	8,547,394	**1,404,650**	2,643,028
Provision for future price concessions	**6,265,221**	3,610,792	**2,068,177**	5,622,682
	23,735,546	71,202,610	**18,321,801**	61,878,965

Notes *(continued)*

14 Called up share capital

	2012 Number	2011 Number	2012 £	2011 £
Allotted, called up and fully paid				
Ordinary shares of £1 each	**100**	100	**100**	100

All shares were subscribed at par and there is no share premium reserve

15 Reconciliation of movements in shareholders' funds

	Group 2012 £	2011 £	Company 2012 £	2011 £
Profit for the year	**3,624,774**	21,261,796	**3,277,857**	20,395,243
Foreign exchange translation differences	-	267	-	-
Additions to shareholders' funds	**3,624,774**	21,262,063	**3,277,857**	20,395,243
Opening shareholders' funds	**25,548,837**	4,286,774	**25,110,836**	4,715,592
Closing shareholders' funds	**29,173,611**	25,548,837	**28,388,693**	25,110,835

16 Commitments under operating leases

As at 31 December 2012, the group and company had annual commitments under non-cancellable operating leases as set out below

	2012 Land and buildings £	2012 Other £	2011 Land and buildings £	2011 Other £
Operating leases which expire				
In the next year	**206,970**	**1,637**	61,539	-
In two to five years	**103,466**	**51,576**	446,682	50,838
In over 5 years	**793,287**	-	-	-

17 Related party disclosures

The company is controlled by ZeniMax Media Inc, a US registered private company The ultimate controlling party is ZeniMax Media Inc

	Group 2012 £	2011 £	Company 2012 £	2011 £
Sales made to ZeniMax Media Inc	-	-	-	-
Acquisition of services from ZeniMax Media Inc	**18,310,078**	35,395,652	**18,265,554**	35,332,534
Amounts owing to ZeniMax Media Inc at year-end	**7,552,218**	32,348,644	**7,496,619**	32,426,035

Notes *(contınued)*

18 Reconcılıatıon of operatıng profit to operatıng cash flows

	2012 £	2011 £
Operatıng profit	**4,858,883**	28,870,759
Deprecıatıon	**215,007**	110,139
Share based payment charge	**205,004**	255,187
Decrease/(ıncrease) ın stock	**1,437,562**	(2,600,617)
Decrease/(ıncrease) ın debtors	**42,699,316**	(41,018,733)
(Decrease)/ıncrease ın credıtors	**(42,027,471)**	35,666,255
Net cash ınflow from operatıng actıvıtıes	**7,388,301**	21,282,990

19 Reconcılıatıon of net cash ınflow/ (outflow) to movement ın net funds

	2012 £	2011 £
Increase ın cash ın the year	**204,696**	23,444,357
Movement ın net funds	**204,696**	23,444,357
Openıng net funds	**42,165,891**	18,721,534
Closıng net funds	**42,370,587**	42,165,891

20 Employee Share Schemes

The share-based remuneratıon expense (note 5) comprıses

	2012 £	2011 £
Equıty-settled schemes	**205,004**	255,187

The group dıd not enter ınto any share-based payment transactıons wıth partıes other than employees ın the current or precedıng year The scheme ıs denomınated ın US Dollars and translated at 1 6168 USD GBP (2011 – 1 5456)

The parent company operates an equıty-settled share optıon scheme for employees of the group so they may partıcıpate ın the stock of the parent company, ZenıMax Medıa Inc The exercıse prıce of each optıon equals the faır market value of ZenıMax Medıa Inc 's stock on the date of the grant, as estımated by the board of dırectors of ZenıMax Medıa Inc , and unexercısed optıons expıre after a perıod of 10 years from the date of the grant Employee optıons generally vest over a 4 or 5 year perıod or clıff vest at the end of such perıods

Notes *(contınued)*

20 Employee Share Schemes *(contınued)*

Detaıls of the share optıons outstandıng durıng the year are as follows

	2012 Number of share optıons	2012 Weıghted average exercıse prıce £	2011 Number of share optıons	2011 Weıghted average exercıse prıce £
Outstandıng at begınnıng of the perıod	**72,500**	**31 48**	72,500	30 75
Granted durıng the perıod	-	-	-	-
Cancelled durıng the perıod	**(2,000)**	**27.90**	-	-
Outstandıng at the end of the perıod	**70,500**	**30.16**	72,500	31 48

Of the total number of optıons outstandıng at the end of the year, 28,875 (2011 – 20,865) had vested and were exercısable at the year end

The company utılızes a standard optıon prıcıng model, the Black-Scholes model, to measure the faır value of the stock optıons ıssued The ınputs ınto the Black-Scholes optıon prıcıng model are as follows

	2012 £
Weıghted average exercıse prıce at grant date	30 16
Expected volatılıty	49 83%
Weıghted average expected lıfe (years)	5 36
Rısk-free rate	0 99%
Expected dıvıdend growth rate	-

Sınce ZenıMax Medıa Inc ıs a prıvate company, expected volatılıty was determıned usıng the "calculated method" to reasonably estımate ıts expected volatılıty, whıch ıs based on the hıstorıc volatılıty of an approprıate ındustry sector ındex over the perıod whıch ıs approxımately equal to the expected lıfe of the optıons beıng valued

As no new optıons were granted ın 2012, no addıtıonal dısclosures for the year have been provıded

21 Ultımate parent company

At 31 December 2012 the group's ultımate parent company was ZenıMax Medıa Inc , a company ıncorporated ın the USA, whıch ıs the parent of both the smallest and largest groups of whıch the group ıs a member