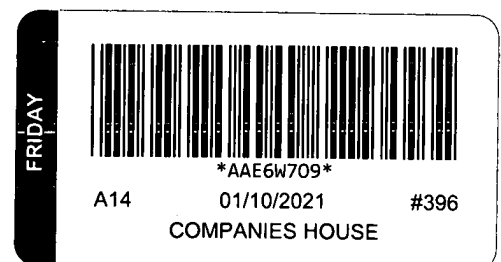


Big Pixel Studios Limited

**Annual report and financial statements
For the year ended 31 December 2020**



Big Pixel Studios Limited

Company Information

| | |
|-----------------------------|---|
| Directors | E Browne R Friend |
| Company secretary | E Browne |
| Registered number | 06950777 |
| Registered office | 160 Old Street London EC1V 9BW |
| Independent auditors | Ernst & Young LLP 1 More London Place London SE1 2AF |
| Bankers | Barclays Bank PLC PO Box 544 1st Floor 54 Lombard Street London EC3V 9EX |

Big Pixel Studios Limited

Contents

| | Page |
|---|----------------|
| Directors' report | 1 - 3 |
| Independent auditors' report to the members of Big Pixel Studios Limited | 4 - 7 |
| Statement of comprehensive income | 8 |
| Statement of financial position | 9 |
| Statement of changes in equity | 10 |
| Notes to the financial statements | 11 - 17 |

Big Pixel Studios Limited

Directors' report for the year ended 31 December 2020

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

Principal activity

The principal activity of the company was that of computer game development.

Results and dividends

The profit for the year, after taxation, amounted to \$356,635 (2019: \$401,236).

The directors did not recommend the payment of a dividend in respect of the year ended 31 December 2020 (31 December 2019: \$Nil).

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, Warner Media LLC Inc., the head of the Warner Media group companies and a subsidiary of AT&T Inc. the ultimate parent company, has agreed to provide continued financial support to the company for the foreseeable future to meet its obligations as and when they fall due, for a minimum of 12 months from the date of approval of these financial statements to the extent that the company is unable to meet its liabilities and whilst the company remains a 100% subsidiary of the group.

Taking into account the position of Warner Media LLC Inc., the directors are of the view, to the best of their current knowledge, that whilst the company remains part of the Warner Media group of companies, there are no events expected to have a material adverse impact on the company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Post balance sheet events

On 17 May 2021 the ultimate parent company, AT&T Inc. announced they will combine the Warner Media content unit with Discovery, Inc. Under the agreement, AT&T will form a new media company with Discovery, Inc., which would be separate from AT&T. This company is part of the Warner Media Group which will form part of the new media company. Whilst the deal has been announced, it is pending approval by the regulators and Discovery shareholders, and is not expected to formally close until the middle of 2022.

After the year end the principal activity of the company will no longer be computer game development on existing games, however the company will restart on new productions in future.

COVID-19

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread accross the globe, with over 150 countries now affected. Many governments have taken increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates. The directors are continuing to consider and assess the impact of COVID-19 on the company.

Brexit

The UK left the EU on 31 January 2020 and the transition period ended on 31 December 2020, in which time the UK and EU negotiated additional arrangements and concluded the "Trade and Cooperation Agreement". The directors have considered the impact on the company regarding the agreed exit terms within the agreement and wider regulatory and legal implications within these statutory financial statements. The directors will continue to consider the impact on the company.

Big Pixel Studios Limited

Directors' report (continued) for the year ended 31 December 2020

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise indicated, are as follows:

E Browne
R Friend
F Resnick (resigned 16 December 2020)

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 a policy was in force during the year and is in force as at the date of approving the Directors' report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 to enable them to ensure that the financial statements of the company 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors has taken all the steps that ought to have been taken as a directors in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditor, Ernst & Young LLP, will be appointed as the company's auditor in accordance with the elective resolution passed by the company under Section 485 of the Companies Act 2006.

Big Pixel Studios Limited

Directors' report (continued) for the year ended 31 December 2020

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The directors have also taken advantage of the small company exemptions provided by section 414B of the Companies Act 2006 and has not prepared a strategic report.

This report was approved by the board on 28/9/2021 and signed on its behalf by:

Eleanor Browne

E Browne
Director

Big Pixel Studios Limited

Independent auditors' report to the members of Big Pixel Studios Limited

Opinion

We have audited the financial statements of Big Pixel Studios Limited (the 'company') for the year ended 31 December 2020, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 17, 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 state of the company's affairs as at 31 December 2020 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.

Conclusion 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 at least 12 month from the date of signing, up to at least 31 December 2022 from when the financial statements are authorised for issue.

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.

Big Pixel Studios Limited

Independent auditors' report to the members of Big Pixel 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 there is 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.

Opinion 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

Big Pixel Studios Limited

Independent auditors' report to the members of Big Pixel Studios Limited (continued)

Auditors' 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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employment law and GDPR.
- We understood how Big Pixel Studios Limited is complying with those frameworks by making inquiries of senior personnel and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas, by gaining an understanding of the entity level controls of the Company in respect of these areas, how the Company has adequate oversight over the potential for override of controls or other inappropriate influence over the financial reporting process and how management has put controls in place to reduce the opportunities for fraudulent transactions. We reviewed minutes of meetings and made enquiries of management to identify if there are matters where there is a risk of breach of such regulations that could have a material impact on the Company. Supporting documentation was obtained to corroborate our understanding of these matters.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by internal team discussions, inquiry of senior personnel and those charged with governance. We have also considered management override and revenue to be fraud risks and most susceptible to manipulation through postings of manual and non-standard journals and have therefore tested specific transactions back to source documentation. Additionally, we have used data analytics by obtaining the entire population of journals for the year, and further identified specific transactions from certain criteria such as manual journals posted to risk areas and journals posted close to year end. Any journals that did not meet our expectations based on our understanding of the company were further investigated. Furthermore, we also reviewed post year end bank statements to detect unrecorded liabilities.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures are set out as above and also included obtaining a letter of representation from the directors.

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

Big Pixel Studios Limited

Independent auditors' report to the members of Big Pixel Studios Limited (continued)

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

Philip Young (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
1 More London Place
London
SE1 2AF

Date: 29 September 2021

Big Pixel Studios Limited

Statement of comprehensive income for the year ended 31 December 2020

| | Note | 2020 \$ | 2019 \$ |
|--|------|------------------|------------------|
| Turnover | | 3,235,294 | 3,220,495 |
| Gross profit | | 3,235,294 | 3,220,495 |
| Administrative expenses | | (3,517,126) | (3,479,046) |
| Operating loss | 5 | (281,832) | (258,551) |
| Interest receivable and similar income | | 1,122 | 4,744 |
| Loss before tax | | (280,710) | (253,807) |
| Tax on loss | 9 | 637,345 | 655,043 |
| Profit for the financial year | | 356,635 | 401,236 |
| Other comprehensive (loss)/income | | - | - |
| Total comprehensive income for the year | | 356,635 | 401,236 |

All amounts relate to continuing operations.

The notes on pages 11 to 17 form part of these financial statements.

Big Pixel Studios Limited

Registered number: 06950777

**Statement of financial position
as at 31 December 2020**

| | Note | 2020 \$ | 2019 \$ |
|--|------|-------------------------|-----------------------|
| Fixed assets | | | |
| Tangible assets | 10 | - | - |
| Current assets | | | |
| Debtors | 11 | 1,791,557 | 1,188,751 |
| Cash at bank and in hand | | 845,049 | 949,499 |
| | | <u>2,636,606</u> | <u>2,138,250</u> |
| Creditors: amounts falling due within one year | 12 | (1,498,894) | (1,357,173) |
| Net current assets | | <u>1,137,712</u> | <u>781,077</u> |
| Net assets | | <u><u>1,137,712</u></u> | <u><u>781,077</u></u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 128 | 128 |
| Retained earnings | 14 | 1,137,584 | 780,949 |
| Total equity | | <u><u>1,137,712</u></u> | <u><u>781,077</u></u> |

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the provisions of Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and amended by Section 1A 'Small Entities'.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Eleanor Browne

E Browne
Director

Date: 28/9/2021

The notes on pages 11 to 17 form part of these financial statements.

Big Pixel Studios Limited

Statement of changes in equity for the year ended 31 December 2020

| | Called up share capital | Retained earnings | Total equity |
|--|----------------------------|----------------------|------------------|
| | \$ | \$ | \$ |
| At 1 January 2020 | 128 | 780,949 | 781,077 |
| Comprehensive income for the year | | | |
| Profit for the financial year | - | 356,635 | 356,635 |
| At 31 December 2020 | 128 | 1,137,584 | 1,137,712 |

Statement of changes in equity for the year ended 31 December 2019

| | Called up share capital | Retained earnings | Total equity |
|--|----------------------------|----------------------|----------------|
| | \$ | \$ | \$ |
| At 1 January 2019 | 128 | 379,713 | 379,841 |
| Comprehensive income for the year | | | |
| Profit for the financial year | - | 401,236 | 401,236 |
| At 31 December 2019 | 128 | 780,949 | 781,077 |

The notes on pages 11 to 17 form part of these financial statements.

Big Pixel Studios Limited

Notes to the financial statements for the year ended 31 December 2020

1. General information

The principal activity of Big Pixel Studios Limited ('the company') is that of computer game development.

The company is a private company limited by shares and incorporated and domiciled in England and Wales. The address of its registered office is 160 Old Street, London, EC1V 9BW.

2. Statement of compliance

The individual financial statements of Big Pixel Studios Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' as amended by Section 1A - Small Entities ('FRS 102') and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

3.1 Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of the financial statements in conformity with FRS 102 as amended by Section 1A - Small Entities requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are estimates are significant to the financial statements discussed in note 4.

3.2 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, Warner Media LLC Inc., the head of the Warner Media group companies and a subsidiary of AT&T Inc. the ultimate parent company, has agreed to provide continued financial support to the company for the foreseeable future to meet its obligations as and when they fall due, for a minimum of 12 months from the date of approval of these financial statements to the extent that the company is unable to meet its liabilities and whilst the company remains a 100% subsidiary of the group.

Taking into account the position of Warner Media LLC Inc., the directors are of the view, to the best of their current knowledge, that whilst the company remains part of the Warner Media group of companies, there are no events expected to have a material adverse impact on the company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

3.3 Functional and presentational currency

The revenues generated by the company are denominated in the parent company's functional currency (US dollars). It is therefore appropriate to treat US dollars as the company's functional and presentational currency.

Big Pixel Studios Limited

Notes to the financial statements for the year ended 31 December 2020

3. Summary of significant accounting policies (continued)

3.4 Turnover

Turnover represents the value of services provided during the year in the normal course of business net of value added tax. The company's activities are based primarily in the UK.

3.5 Interest receivable and similar income

Interest receivable comprises interest receivable on cash at bank and cash deposits calculated using the effective interest rate method, and is recognised in the statement of comprehensive income.

3.6 Foreign currency

Monetary assets and liabilities are remeasured into US Dollars at rates of exchange prevailing at the statement of financial position date. Non-monetary items denominated in currencies other than US Dollars are converted to US Dollars using the exchange rate at the transaction date. Income and expense accounts are converted into US Dollars using average rates of exchange. All exchange gains or losses on settlement or remeasurement at closing rates of exchange of monetary assets and liabilities are capitalised as part of the production cost.

3.7 Pension costs

The company participates in the Time Warner Money Purchase Pension Plan, a defined contribution scheme. The pension cost charged to the statement of comprehensive income represents contributions payable by the company to the relevant funds as they become payable in accordance with the rules of the scheme.

3.8 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period and tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

(ii) Deferred tax

Deferred tax arises from timing differences that are between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Big Pixel Studios Limited

Notes to the financial statements for the year ended 31 December 2020

3. Summary of significant accounting policies (continued)

3.8 Taxation

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax balances are not discounted.

3.9 Tangible assets

Tangible assets are recognised at cost and subsequently measured at cost less accumulated depreciation and provision for impairment. All tangible assets are depreciated over their estimated useful economic life on a straight line basis.

The annual rates of depreciation are as follows:

- Computer and office equipment 3 - 5 years

3.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and amounts owed to and from group undertakings.

Debt instruments, like loans and other debtors and creditors, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

The company's financial assets measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.11 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Big Pixel Studios Limited

Notes to the financial statements for the year ended 31 December 2020

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made judgements in determining whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching a decision include the economic viability, expected future financial performance of the investments as well as any significant changes to the technological, market, economic or legal environments in which the investments operate.

The company's directors are of the opinion that there are no further judgements or key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying value of assets or liabilities for the company within the next financial year.

5. Auditors' remuneration

The statutory audit fee for the current year was \$15,944 (2019: \$16,812). Fees payable to auditors for non-audit services was \$Nil (2019: \$Nil). The audit fees were paid on behalf of the company by Turner Broadcasting System Europe Limited, a fellow group undertaking.

6. Director's emoluments

The directors did not receive remuneration for their qualifying services during the current or preceding financial year. Director emoluments for qualifying services are borne by another group undertaking.

7. Employees

The average number of permanent employees (including the director) during the year was 30 (2019: 25).

8. Staff costs

| | 2020 \$ | 2019 \$ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,043,014 | 1,674,888 |
| Social security costs | 354,981 | 192,319 |
| Other pension costs | 175,150 | 123,451 |
| | <u>2,573,145</u> | <u>1,990,658</u> |

Big Pixel Studios Limited

Notes to the financial statements for the year ended 31 December 2020

9. Tax on loss

| | 2020 \$ | 2019 \$ |
|--------------------------------------|------------------|------------------|
| UK corporation tax | | |
| Current tax on loss for the year | (637,345) | (598,236) |
| Tax under provided in previous years | - | (56,807) |
| Total current tax credit | (637,345) | (655,043) |

Factors affecting total tax credit for the year:

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 19% (2019: 19%). The tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| Loss on ordinary activities before tax | (280,710) | (253,807) |
| Tax on loss on ordinary activities at standard rate | (53,335) | (48,223) |
| Effects of: | | |
| Disallowable expenses | 708 | 595 |
| Tax under provided in previous years | - | (56,807) |
| Impact of creative tax credits | (534,645) | (598,236) |
| Current year movement in unrecognised deferred tax | (48,277) | 50,444 |
| Group relief received for nil consideration | (1,796) | (2,816) |
| Total tax credit for the year | (637,345) | (655,043) |

Deferred Tax not provided

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 tax rate and has the obligation to surrender future tax losses for nil consideration. Therefore no deferred tax asset is recognised. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 19% is \$118,406 (2019 (17%): \$62,185).

Factors affecting future tax charges

The Finance Act 2016 included legislation to reduce the main rate of corporation tax rate from 19% to 17% from 1 April 2020. The Finance Act 2020, enacted on 22 July 2020 reversed this rate reduction and the impact is included in these financial statements.

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, which was not substantively enacted at the statement of financial position, has no material impact on these or future accounts.

Big Pixel Studios Limited

Notes to the financial statements for the year ended 31 December 2020

10. Tangible fixed assets

| | Computer and office equipment \$ |
|--|---|
| Cost | |
| At 1 January and 31 December 2020 | 38,660 |
| Accumulated depreciation and impairment | |
| At 1 January and 31 December 2020 | 38,660 |
| Net book value | |
| At 31 December 2020 | - |
| At 31 December 2019 | - |

11. Debtors

| | 2020 \$ | 2019 \$ |
|--------------------------------|------------------|------------------|
| Prepayments and accrued income | - | 2,430 |
| Other debtors | 1,791,557 | 1,186,321 |
| | <u>1,791,557</u> | <u>1,188,751</u> |

The other debtors balance includes a balance of \$1,368,860 (2019: \$842,952) due in relation to the Animation Tax Credit claim.

12. Creditors: Amounts falling due within one year

| | 2020 \$ | 2019 \$ |
|------------------------------------|------------------|------------------|
| Trade creditors | 69,215 | 225,683 |
| Amounts owed to group undertakings | 1,325,333 | 1,026,948 |
| Other creditors | 17 | 198 |
| Accruals | 104,329 | 104,344 |
| | <u>1,498,894</u> | <u>1,357,173</u> |

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

Big Pixel Studios Limited

Notes to the financial statements for the year ended 31 December 2020

13. Share capital

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Allotted, called up and fully paid | | |
| 85 (2019: 85) ordinary shares of £1 each | 128 | 128 |

14. Retained earnings

Retained earnings represents cumulative profits, losses and total other recognised gains or losses made by the company, including distributions to, and contributions from, the parent company.

15. Commitments under operating leases

At 31 December the company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Not later than 1 year | - | 507,194 |
| Later than 1 year and not later than 5 years | - | 53,385 |
| | - | 560,579 |

16. Controlling party

The company's ultimate parent undertakings is AT&T Inc., which is incorporated in the United States of America. Copies of its group financial statements, which include the company, are available from 208 S. Akard Street, Suite 2954, Dallas, Texas 75202.

The company's immediate parent undertaking is Turner Broadcasting System, Inc, a company incorporated in the United States of America

17. Post balance sheet events

On 17 May 2021 the ultimate parent company, AT&T Inc. announced they will combine the Warner Media content unit with Discovery, Inc. Under the agreement, AT&T will form a new media company with Discovery, Inc., which would be separate from AT&T. This company is part of the Warner Media Group which will form part of the new media company. Whilst the deal has been announced, it is pending approval by the regulators and Discovery shareholders, and is not expected to formally close until the middle of 2022.

After the year end the principal activity of the company will no longer be computer game development on existing games, however the company will restart on new productions in future.