

**CENTRESOFT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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# **CENTRESOFT LIMITED**

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# **CENTRESOFT LIMITED**

## **COMPANY INFORMATION**

### **DIRECTORS**

D Neal  
D O'Sullivan  
M Pearson

### **COMPANY SECRETARY**

D O'Sullivan

### **REGISTERED NUMBER**

01673860

### **REGISTERED OFFICE**

6 Pavilion Drive  
Holford  
Birmingham  
West Midlands  
B6 7BB

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

## **CENTRESOFT LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their strategic report for the year ended 31 December 2017.

#### **STRATEGY**

The company's overriding objective is to achieve sustainable rates of growth through retaining and attracting key publishers and retailers by offering premium service levels at market sustainable prices. During the financial year 2018 the directors expect to consolidate their market position and continue trading profitably.

#### **BUSINESS ENVIRONMENT**

The twelve months ending 31 December 2017 continued to prove to be a tough trading environment. During the recent years of economic adversity, the strength of the balance sheet, in particular the strong cash and working capital position, ensured that CentreSoft Limited were able maintain our market share.

#### **BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS (KPI's)**

The profit for the financial year amounted to £6,128k (2016: £10,061k). The net assets at 31 December 2017 were £14,400k (2016: £8,272k).

	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>
Increase in turnover	26.44%	9.82%
Gross margin	5.50%	5.35%
Return on capital employed (ROCE)	55.61%	50.73%

Despite the tough trading environment, the company, by maintaining relationships with key publishers and retailers, has seen an increase in sales in the year ended 31 December 2017, whilst maintaining its gross margin %. In maintaining gross margin and controlling of overhead expenditure, the increases sales have resulted in an increase in operating profit and a slight increase in the ROCE.

#### **FUTURE OUTLOOK**

A number of measures are in hand to ensure the company's performance continues to be strong. In a highly competitive market the directors recognise that the continuing success of the company is due largely to the people who work within it and the retention of experienced staff within the organization, as detailed in the 'Employee' section of the Directors' report.

In line with the strategy of the company the Directors will look to maintain relationships with key publishers and retailers and, where opportunities arise, look to establish new relationships.

The strong install base of the current generation consoles aided by ever evolving technological advances on hardware continued to generate a positive impact on the gaming market. This strong install base along with expected continuation of technological upgrades is envisaged to continue to have a positive impact on the company and the market as a whole in 2018 as publishers continue to invest in software development for these consoles.

**STRATEGIC REPORT (continued)  
FOR YEAR ENDED 31 DECEMBER 2017**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the company's strategy are subject to a number of risks. The Board reviews risks formally and appropriate processes are put in place to monitor and mitigate them. The business model takes limited risk in respect of product obsolescence and gets limited reward as a consequence. The key risks affecting the company are set out below:

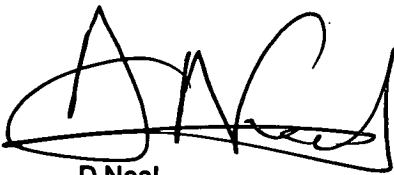
**Competition**

The company operates in a highly competitive market particularly around price and quality of service. This results not only in downward pressure on our margins but also in the risk that we will not meet our customer's expectations. In order to mitigate the risk a series of performance indicators are measured to ensure level of service and our sales team monitor market prices on an ongoing basis.

**Employees**

The Company's performance depends largely on the skills of its staff. The resignation of key staff and the inability to recruit people with the right experience could adversely impact the company's performance. To mitigate these issues long-term incentives are in place to retain and attract key individuals and a number of initiatives are in place to ensure the company is a "great place to work". Given the current financial position of the group, financial risk is not seen as a principal risk. This area is continually monitored and evaluated by management.

This report was approved by the board on 20 September 2018 and signed by its order by:

A handwritten signature in black ink, appearing to be 'D Neal', written over a horizontal line.

**D Neal**  
Director

## **CENTRESOFT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their annual report and the audited financial statements for CentreSoft Limited (the "company") for the year ended 31 December 2017.

#### **PRINCIPAL ACTIVITIES**

The Company is principally engaged in the distribution of entertainment software, games consoles, low cost business software and peripherals and the provision of distribution services to publishers of computer games.

#### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £6,128k (2016: £10,061k)

No dividends were paid or recommended in the year (2016: £56,000k dividends paid).

#### **DIRECTORS**

The directors who served during the year and up to the date of signing the financial statements were:

D Neal  
D O'Sullivan  
M Pearson

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Company made £16k charitable donations during the year (2016: £16k) and no political contributions during the year (2016: £Nil).

#### **FINANCIAL RISK MANAGEMENT**

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

##### **Credit risk**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed monthly by the Board.

##### **Liquidity risk**

Due to the strength of the balance sheet and the strong cash position the company does not utilise any debt finance. The Board perform monthly reviews to ensure the company has sufficient available funds for operations and planned expansions.

##### **Interest rate cash flow risk**

The company has interest-bearing assets, these assets include only cash balances, all of which earn interest at fixed rate. The company has a policy of maintaining short term deposits and cash balances at a level sufficient to fund its operations. The directors will revisit the appropriateness of this policy should the company's operations or cash balances change in size or nature.

**DIRECTORS' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**FUTURE DEVELOPMENTS**

The Company expects to maintain its market share and profitability by maintaining strong trading relationships with key publishers and retailers as outlined in the Strategic Report.

**EMPLOYEE INVOLVEMENT**

The Company recognises that training and free flow of communications are the key elements in involving all employees, to get the best out of them at all levels in the business and in making those improvements in performance which will advance its international competitiveness. Frequent briefings continue to enable employees to understand more about the business and about the essential part they have to play in its success.

**EQUAL OPPORTUNITIES**

The Company is committed to providing equal opportunities in employment regardless of sex, marital status, creed, colour, race, age, nationality or ethnic origin. This applies to recruitment, training, promotion and all other aspects of employment. Only in this way can the Company deploy its personnel to best effect, for the benefit of the business and its employees alike.

**DISABLED EMPLOYEES**

Where individuals become disabled whilst in the Company's employment, every reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned and to provide such facilities, including any appropriate training, as may be necessary for that purpose. In dealing with applications for employment and the training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

**CENTRESOFT LIMITED**

**DIRECTORS' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**DISCLOSURE OF INFORMATION TO AUDITORS**

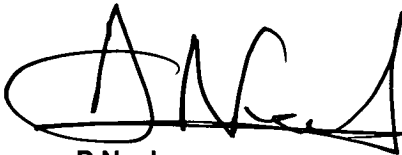
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 20 September 2018 and signed by its order by:

A handwritten signature in black ink, appearing to read 'D Neal', with a large, stylized loop at the end.

**D Neal**  
Director



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRESOFT LIMITED

### Report on the audit of the financial statements

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#### Opinion

In our opinion, CentreSoft Limited's 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### Conclusions relating to going concern

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

- 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.

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.

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#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRESOFT LIMITED

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jas Khela (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

Date: 20 September 2018

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	342,298	270,717
Cost of sales		(323,478)	(256,225)
<b>Gross profit</b>		<b>18,820</b>	<b>14,492</b>
Distribution costs		(5,793)	(5,052)
Administrative expenses		(5,019)	(5,246)
<b>Operating profit</b>	5	<b>8,008</b>	<b>4,194</b>
Income from shares in group undertakings	9	-	7,000
Interest receivable and similar income	10	99	189
Interest payable and similar expenses	11	(135)	(166)
<b>Profit before taxation</b>		<b>7,972</b>	<b>11,217</b>
Tax on profit	12	(1,844)	(1,156)
<b>Profit for the financial year</b>		<b>6,128</b>	<b>10,061</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>6,128</b>	<b>10,061</b>

The above results all relate to continuing activities.

The notes on pages 12 to 26 form an integral part of these financial statements.

**CENTRESOFT LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible assets	13	1,599	1,840
Investments	14	-	-
		<u>1,599</u>	<u>1,840</u>
<b>Current assets</b>			
Stocks	15	16,714	7,346
Debtors	16	101,118	84,817
Cash at bank and in hand	17	28,781	24,242
		<u>146,613</u>	<u>116,405</u>
Creditors: amounts falling due within one year	18	(133,812)	(109,973)
<b>Net current assets</b>		<u>12,801</u>	<u>6,432</u>
<b>Total assets less current liabilities / Net assets</b>		<u>14,400</u>	<u>8,272</u>
<b>Capital and reserves</b>			
Called up share capital	21	18	18
Capital redemption reserve	22	2	2
Profit and loss account	22	14,380	8,252
<b>Total shareholders' funds</b>		<u>14,400</u>	<u>8,272</u>

The financial statements on pages 9 to 26 were approved and authorised for issue by the board of directors on 20 September 2018 and were signed on its behalf by:



**D Neal**  
Director

The notes on pages 12 to 26 form an integral part of these financial statements.

**REGISTERED NUMBER: 01673860**

**CENTRESOFT LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	18	2	8,252	8,272
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	6,128	6,128
<b>Total comprehensive income for the year</b>	-	-	6,128	6,128
Dividend paid (Note 23) / Total transactions with owners, recognised directly in equity	-	-	-	-
<b>At 31 December 2017</b>	<b>18</b>	<b>2</b>	<b>14,380</b>	<b>14,400</b>

**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2016	18	2	54,191	54,211
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	10,061	10,061
<b>Total comprehensive income for the year</b>	-	-	10,061	10,061
Dividend paid (Note 23) / Total transactions with owners, recognised directly in equity	-	-	(56,000)	(56,000)
<b>At 31 December 2016</b>	<b>18</b>	<b>2</b>	<b>8,252</b>	<b>8,272</b>

The notes on pages 12 to 26 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. GENERAL INFORMATION**

CentreSoft Limited (the "company") is principally engaged in the distribution of entertainment software, games consoles, low cost business software and peripherals and the provision of distribution services to publishers of computer games.

The company is a private company limited by shares and is incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 6 Pavilion Drive, Holford, Birmingham, West Midlands, B6 7BB.

**2. ACCOUNTING POLICIES**

The principal accounting policies, which have been applied consistently to all years presented, are set out below.

**2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of Centresoft Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Where required, equivalent disclosures are given in the group financial statements of Activision Blizzard, Inc. The group financial statements of Activision Blizzard, Inc are available to the public and can be obtained as set out in note 26.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES (continued)**

**2.3 CONSOLIDATION**

The company is a wholly owned subsidiary of Activision Blizzard, Inc. It is included in the consolidated financial statements of Activision Blizzard, Inc which are publicly available. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

**2.4 NEW STANDARDS, AMMENDMENTS AND INTERPRETATIONS**

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the company.

**2.5 GOING CONCERN**

The Directors consider that the Company has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

**2.6 TURNOVER**

Revenue is recognised when the company's performance obligations have been fulfilled and the risk and rewards of ownership have passed to the customer, which is deemed to be at the point of delivery to the customer. Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT, trade discounts, returns and the provision for estimated allowances for returns. Estimates are made of potential future product returns relating to current period revenue based on historic experience, customer inventory levels and changes in demand.

**2.7 INCOME FROM SHARE IN GROUP UNDERTAKINGS**

Dividend income from investments is recognised when the right to receive payment have been established.

**2.8 TANGIBLE ASSETS**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Depreciation is provided on the following bases:

Motor vehicles	-	25% per annum reducing balance
Fixtures and fittings	-	6.67% to 50% per annum straight line
Computer equipment	-	20% to 33.33% per annum straight line
Leasehold alterations and improvements	-	20% per annum straight line

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES (continued)**

**2.8 TANGIBLE ASSETS (continued)**

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

**2.9 OPERATING LEASES**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

**2.10 STOCKS**

Stocks are valued at the lower of cost and net realisable value. Net realisable value is calculated at expected selling price, less expected selling cost. Provision is made for obsolete, slow moving and defective stocks based upon stock held at the balance sheet date. The total provision is netted against stock in the balance sheet. Stocks held on consignment on behalf of third parties are not included in the balance sheet.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

**2.11 DEBTORS**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are disclosed as current assets. If collection is expected after one year, they are disclosed as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**2.12 CASH AT BANK AND IN HAND**

Cash balances are represented by cash in hand and deposits with accredited financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES (continued)**

**2.13 FINANCIAL INSTRUMENTS**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

**Financial assets**

The Company classifies all of its financial assets as loans and receivables.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

**Financial liabilities**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

**2.14 CREDITORS**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES (continued)**

**2.15 FOREIGN CURRENCY TRANSLATION**

**Functional and presentation currency**

The company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'finance income or costs'.

**2.16 SHARE BASED PAYMENTS**

All employees with share based payments have their contracts of employments with Combined Distribution (Holdings) Limited and so it is deemed appropriate to disclose share based payments within the financial statements of Combined Distribution (Holdings) Limited. The share based payments in note 7 are recharged to the company from Combined Distribution (Holdings) Limited.

**2.17 PENSIONS**

**DEFINED CONTRIBUTION PENSION PLAN**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.18 INTEREST INCOME**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.19 SHARE CAPITAL**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. ACCOUNTING POLICIES (continued)**

**2.20 PROVISIONS FOR LIABILITIES**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made, they are charged against the provision carried in the Balance Sheet.

**2.21 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the financial statements, management has to make judgements on how to apply the company's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the financial statements and the key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of the assets and liabilities in the next financial year are discussed below:

**JUDGEMENTS**

**Allowance for returns**

In calculating revenue for the year the company makes an allowance for expected returns from sales in the year. When assessing the allowance for returns, management considers historical experience, customer inventory levels and changes in demand. The allowance for returns for the year ended 31 December 2017 was £5,766k (2016: £6,237k).

**ESTIMATES**

**Inventory provision**

Inventory is recorded on the balance sheet at cost less any provision for impairment. In calculating any impairment, the company consider the carrying value of each item of inventory against recent sales activity and market conditions to consider if any impairment is required. The inventory provision as at 31 December 2017 was £2,995k (2016: 3,154k).

**Useful economic lives of property, plant and equipment**

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assigned annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets. See Note 14 for the depreciation charge and carrying amount of property, plant and equipment and Note 2.8 for the useful economic lives for each class of assets. The depreciation charge for the year ended 31 December 2017 amounted to £543k (2016: £609k).

**Impairment of trade and other receivables**

The company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See Note 16 for the net carrying amount of receivables.

**4. TURNOVER**

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	<b>2017</b>	2016
	<b>£000</b>	£000
United Kingdom	<b>287,802</b>	237,372
Rest of Europe	<b>51,850</b>	31,518
Rest of the world	<b>2,646</b>	1,827
	<b>342,298</b>	270,717

**CENTRESOFT LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017****5. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of tangible assets	543	609
Gain on disposal of tangible assets	(24)	(7)
Defined contribution pension cost	249	259
Operating lease rentals	481	465
Cost of stocks recognised as an expense	333,302	248,787
Movement in provision and impairment of trade receivables	(7)	7
	<u>          </u>	<u>          </u>

**6. AUDITORS' REMUNERATION**

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £000	2016 £000
Fees for the audit of the Company	41	54
Non-audit fees payable for tax compliance services	5	6
	<u>          </u>	<u>          </u>

**7. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	5,038	4,546
Social security costs	557	472
Other pension costs	249	259
Share option recharge	607	1,031
	<u>6,451</u>	<u>6,308</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 Number	2016 Number
Warehouse and computer operations	54	55
Selling and distribution	54	52
Administration	32	32
	<u>140</u>	<u>139</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**8. DIRECTORS' REMUNERATION**

	<b>2017</b>	2016
	<b>£000</b>	£000
Aggregate emoluments	<b>498</b>	462
Share option recharge	<b>538</b>	886
Company contributions to defined contribution pension schemes	<b>54</b>	52
	<b>1,090</b>	1,400

During the year retirement benefits were accruing to 3 directors (2016: 3) in respect of defined contribution pension schemes.

The highest paid director received total emoluments of £267,885 (2016: £248,600)

The highest paid director received remuneration of £242,459 (2016: £223,895)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,426 (2016: £24,705).

During the year the highest paid director received £458,148 under the long term incentive schemes (2016: £761,576)

**9. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	<b>2017</b>	2016
	<b>£000</b>	£000
Dividends received from group companies	<b>-</b>	7,000

**10. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2017</b>	2016
	<b>£000</b>	£000
Bank interest	<b>99</b>	189

**11. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2017</b>	2016
	<b>£000</b>	£000
Bank charges	<b>135</b>	166

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**12. TAX ON PROFIT**

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Corporation tax</b>		
Current tax on profit for the year	<b>1,503</b>	810
Adjustments in respect of prior years	32	333
<b>Total current tax</b>	<b>1,535</b>	<b>1,143</b>
<b>Deferred tax</b>		
Deferred tax charge in Statement of Comprehensive Income for year	<b>309</b>	13
<b>Tax on profit</b>	<b>1,844</b>	<b>1,156</b>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	<b>2017 £000</b>	<b>2016 £000</b>
Profit before taxation	<b>7,972</b>	11,217
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	<b>1,535</b>	2,243
<b>Effects of:</b>		
Dividend income	-	(1,400)
Expenses not deductible for tax purposes	<b>115</b>	200
Capital allowances for year in excess of depreciation	<b>(14)</b>	(12)
Adjustments in respect of prior years	<b>32</b>	333
Group relief claimed	<b>(25)</b>	(221)
Transfer pricing adjustment	<b>(108)</b>	-
Deferred tax charge in Statement of Comprehensive Income for year	<b>309</b>	13
<b>Total tax charge for the year</b>	<b>1,844</b>	<b>1,156</b>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

Other than the deferred tax asset shown in Note 20 and the rate changes disclosed below, there were no factors that may affect future tax charges.

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. TANGIBLE ASSETS**

	<b>Motor vehicles £000</b>	<b>Computer equipment £000</b>	<b>Fixtures and fittings £000</b>	<b>Leasehold alterations and improvements £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 January 2017	531	258	4,433	565	5,787
Additions	157	168	5	88	418
Disposals	(281)	-	-	-	(281)
<b>At 31 December 2017</b>	<b>407</b>	<b>426</b>	<b>4,438</b>	<b>653</b>	<b>5,924</b>
<b>Accumulated depreciation</b>					
At 1 January 2017	240	156	3,034	517	3,947
Charge for the year	71	56	399	17	543
Disposals	(165)	-	-	-	(165)
<b>At 31 December 2017</b>	<b>146</b>	<b>212</b>	<b>3,433</b>	<b>534</b>	<b>4,325</b>
<b>Net book amount</b>					
<b>At 31 December 2017</b>	<b>261</b>	<b>214</b>	<b>1,005</b>	<b>119</b>	<b>1,599</b>
At 31 December 2016	291	102	1,399	48	1,840



## CENTRESOFT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 14. INVESTMENTS

Investments comprise investments in subsidiary undertakings, all stated at cost, less provisions for any impairment.

The directors believe that the carrying value of the investments is supported by their underlying assets.

At 31 December 2017 the Company had interest in the following subsidiary undertakings:

#### SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name and registered office	Country of incorporation	Class of shares	Holding	Principal activity
P.D.Q. Distribution Limited 6 Pavilion Drive Holford Birmingham B6 7BB	England and Wales	Ordinary	100 %	Provision of distribution services to software publishers
Advantage Entertainment Distribution Limited 6 Pavilion Drive Holford Birmingham B6 7BB	England and Wales	Ordinary	100 %	Dormant

#### 15. STOCKS

	2017 £000	2016 £000
Finished goods and goods for resale	16,714	7,346

There is no significant difference between the replacement cost of finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £2,995,495 (2016: £3,154,080)

**CENTRESOFT LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017****16. DEBTORS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>95,388</b>	77,711
Amounts owed by group undertakings	<b>5,040</b>	6,165
Prepayments and accrued income	<b>437</b>	379
Deferred taxation	<b>253</b>	562
	<b>101,118</b>	84,817

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

Trade debtors are stated after provision for impairment of £813,018 (2016: £820,221)

**17. CASH AT BANK AND IN HAND**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>28,781</b>	24,242

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>111,092</b>	86,365
Amounts owed to group undertakings	<b>16,596</b>	19,460
Corporation tax	<b>478</b>	111
Other taxation and social security	<b>1,377</b>	582
Accruals and deferred income	<b>4,269</b>	3,455
	<b>133,812</b>	109,973

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

# CENTRESOFT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 19. FINANCIAL INSTRUMENTS

	2017 £000	2016 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>100,428</b>	83,876
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(131,957)</b>	(109,280)

Financial assets measured at amortised cost comprise trade debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

### 20. DEFERRED TAXATION

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	<b>253</b>	562

	Accelerated tax depreciation £000	Total £000
At 1 January 2016	<b>575</b>	<b>575</b>
Deferred tax charge in statement of comprehensive income for year (note 12)	(13)	(13)
<b>At 1 January 2017</b>	<b>562</b>	<b>562</b>
Deferred tax charge in statement of comprehensive income for year (note 12)	(309)	(309)
<b>At 31 December 2017</b>	<b>253</b>	<b>253</b>

There are no unrecognised deferred tax assets.

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the full asset has been recognised in these financial statements. All of the deferred tax asset relates to excess of capital allowances over depreciation.

### 21. CALLED UP SHARE CAPITAL

	2017 £000	2016 £000
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
17,862 (2016: 17,862) ordinary shares of £1 (2016: £1) each	<b>18</b>	18

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**22. RESERVES**

**Capital redemption reserve**

The capital redemption reserve represents the amount by which share capital has been reduced on repurchase of the company's own shares.

**Profit and loss account**

The profit and loss account represents the accumulated profits, losses and distributions of the company.

**23. DIVIDENDS**

Amounts recognised as distributions to equity holders in the year:

	<b>2017</b>	2016
	<b>£000</b>	£000
Final dividend for the for the year ended 31 December 2017 of £nil (2016: £3,135.15) per ordinary share	-	56,000
	<hr/>	<hr/>

In September 2016, the company paid a final dividend to its immediate parent company, Combined Distribution (Holdings) Limited.

**24. PENSION COMMITMENTS**

The Company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the Company to the fund and amounted to £249,000 (2016: £259,000).

**25. COMMITMENTS UNDER OPERATING LEASES**

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

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Amounts payable under operating leases:</b>		
Within one year	<b>419</b>	449
In the second to fifth years inclusive	<b>1,752</b>	223
After five years	<b>2,217</b>	13
	<hr/> <b>4,388</b> <hr/>	<hr/> 685 <hr/>

**26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Combined Distribution (Holdings) Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling party is Activision Blizzard, Inc., which is also the parent undertaking of the smallest and largest group in which the results of the company are consolidated. The consolidated financial statements of Activision Blizzard, Inc., which include the results of the company, are publicly available and may be obtained from Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California, 90405, USA.