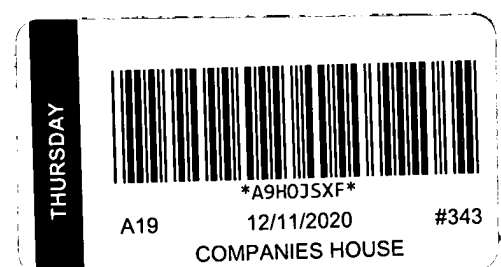


Registered number: 03136477

# **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



# **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

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# **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

## **COMPANY INFORMATION**

### **DIRECTORS**

D Neal  
D O'Sullivan  
M Pearson

### **COMPANY SECRETARY**

D O'Sullivan

### **REGISTERED NUMBER**

03136477

### **REGISTERED OFFICE**

6 Pavilion Drive  
Holford  
Birmingham  
B6 7BB

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
One Chamberlain Square  
Birmingham  
B3 3AX

## **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their strategic report for Combined Distribution (Holdings) Limited (the "company") for the year ended 31 December 2019.

#### **BUSINESS REVIEW AND FUTURE OUTLOOK**

The company continues to hold a single investment in a fellow group undertaking. It is anticipated that the company will continue to hold the investment for the foreseeable future.

The profit for the financial year amounted to £667k (2018: £349k). The net assets at 31 December 2019 were £41,321k (2018: £40,654k).

No dividends were paid in the year (2018: £nil), and the net increase in total equity of £667k (2018: £349k) has been transferred to reserves.

#### **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 key risks affecting the company are set out below:

##### **Investments**

The principal activity of the company is that of a holding company and as such the key risk and uncertainties are the recoverability and performance of its investments. In order to mitigate this risk the company continually review the financial performance and forecasts of its investments.

##### **Recovery of Group Loans and Balances**

The company has loans and balances due from subsidiary and fellow group undertakings and as such the key risk and uncertainties are the recoverability of these balances. In order to mitigate this risk the company continually reviews the financial position, financial performance and forecasts of its investments and fellow group undertakings.

##### **Brexit**

At the time of preparing the financial statements, the terms of the UK's exit from the EU remains unclear. The Board of Directors have been engaged in Brexit planning and considering potential implications since the result of the referendum.

As the Group is principally engaged in the distribution of entertainment software, games consoles and peripherals and the provision of distribution services to publishers of computer games, the main area of focus has been on the implications that Brexit could have on the supply chain.

The Board of Directors believe that the key area of focus, that could have the most direct impact on the business, is maintaining effective customer service and supply chain. It is believed that by working with our key publishers, the majority of which are international businesses, the Group, whilst facing potential challenges with the UK's customs procedures, can manage the supply chain and customer expectations to ensure that the impact of Brexit is minimised.

Whilst there are other unknown risks and uncertainties surrounding Brexit, such as interest rates and inflation, the Directors believe that where possible, these risks have been mitigated or managed accordingly. The strength of both the company's and subsidiaries balance sheets and the strength of the Video Game Industry within the UK, ensure the company are positioned to manage any potential implications from Brexit and position itself to take advantage of any opportunities which may arise.

## **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **KEY PERFORMANCE INDICATORS**

The directors of Combined Distribution (Holdings) Limited manage the group's operations on a divisional basis. As a holding company the Company's directors aim to maintain a positive net asset position on its balance sheet.

#### **SECTION 172(1) STATEMENT**

The Directors are aware of their duty under s.172 of the Companies Act 2006 and aim to always uphold the highest standard of governance to ensure that they comply with the Group's policies and maintain high standards of business conduct. The Directors work closely together and meet on a regular basis to ensure that decisions taken are for the long term, acknowledging that the future success of the company and its subsidiaries relies on them understanding and respecting the views of its employees, customers, suppliers and other stakeholders as well as the environment in which the company operates.

Consideration of the interest of the employees of subsidiary companies, together with details of employee engagement is further discussed in the Directors' Reports of the subsidiaries under 'Employee Involvement'. The Directors' Report of the subsidiaries also considers the relationships with suppliers, customers and others within 'Statement of engagement with suppliers, customers and others'.

The Directors support the subsidiary companies objectives to reduce adverse impacts on the environment. The subsidiary companies are ESOS compliant and have, for a number of years, held ISO:14001 certification. The company strives to mitigate potential violation of social or environmental rights, including human rights, from its operations.

The Directors engage with its immediate and ultimate parent companies on various matters including governance.

This report was approved by the board on 05 November 2020 and signed by its order by:



**D O'Sullivan**  
Company Secretary

## **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the audited financial statements for Combined Distribution (Holdings) Limited (the "company") for the year ended 31 December 2019.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of a holding company. The Group (Combined Distribution (Holdings) Limited and Centresoft Limited) is principally engaged in the distribution of entertainment software, games consoles and peripherals and the provision of distribution services to publishers of computer games.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £667k (2018: £349k).  
No dividends were paid or recommended during the year (2018: £nil).

#### **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

#### **FINANCIAL RISK MANAGEMENT**

The company's operations expose it to a variety of financial risks that include 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. The company does not have any debt finance at 31 December 2019 (2018: none).

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.

##### **Liquidity risk**

Due to the strength of the balance sheet the company does not utilise any debt finance. The board performs 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 and loans to group undertakings, 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.

#### **FUTURE DEVELOPMENTS**

The company continues to hold a single investment in a fellow group undertaking. It is anticipated that the company will continue to hold the investment for the foreseeable future.

#### **POST BALANCE SHEET EVENT – COVID-19**

Since the end of the 2019 reporting date, 31 December 2019, the COVID-19 pandemic has had a major impact both within the UK and globally. Having considered the impact of the pandemic on the company, up to the date of signing the accounts, the Directors consider this to be a non-adjusting post balance sheet event.

From the outbreak of the pandemic and the introduction of government restrictions within the UK, the priority of the company and its subsidiaries has been the health, safety and welfare of its employees, whilst trying to maintain its operations to service its key publisher and customer requirements.

## **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **POST BALANCE SHEET EVENT – COVID-19 (continued)**

In line with the UK government requirements the company and its subsidiaries has enabled those employees who are able to work from home to do so. Where operations have required employees to continue to attend the workplace then the company and its subsidiaries has made all efforts to ensure that the workplace is COVID-secure.

Whilst there remains uncertainty surrounding the impact that COVID-19 will have on the UK economy, at the time of preparing the accounts it is not considered at this time that this will have a material impact on the results of the company within the next 12 months.

#### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

Professional indemnity cover for the purpose of the Companies Act 2006 has been taken out with a reputable insurance broker. This was in force during the financial year and up to the date of signing the financial statements.

#### **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 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.

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.

#### **DIRECTORS' CONFIRMATIONS**

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

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

# **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

### **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 05 November 2020 and signed by its order by:



**D O'Sullivan**  
Company Secretary



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

**Report on the audit of the financial statements**

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**Opinion**

In our opinion, Combined Distribution (Holdings) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 2019; 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 where:

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

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.

## COMBINED DISTRIBUTION (HOLDINGS) LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMBINED DISTRIBUTION (HOLDINGS) LIMITED

#### Reporting on other information (continued)

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 2019 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.



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

Date: 05 November 2020

# COMBINED DISTRIBUTION (HOLDINGS) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Administrative expenses		-	(262)
Other operating income	4	402	387
<b>Operating profit</b>	4	<b>402</b>	<b>125</b>
Interest receivable and similar income	6	443	366
Interest payable and similar expenses	7	-	(47)
<b>Profit before taxation</b>		<b>845</b>	<b>444</b>
Tax on profit	8	(178)	(95)
<b>Profit for the financial year</b>		<b>667</b>	<b>349</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>667</b>	<b>349</b>

The above results all relate to continuing activities.

The notes on pages 12 to 24 form an integral part of these financial statements

**COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Investments	9	<u>5,162</u>	<u>5,162</u>
<b>Current assets</b>			
Debtors (including £39,885k (2018: £39,447k) due in more than 1 year)	10	39,886	39,557
Cash at bank and in hand	11	<u>154</u>	<u>53</u>
		<b>40,040</b>	<b>39,610</b>
Creditors: amounts falling due within one year	12	<u>(2,222)</u>	<u>(2,459)</u>
<b>Net current assets</b>		<b>37,818</b>	<b>37,151</b>
<b>Total assets less current liabilities</b>		<b>42,980</b>	<b>42,313</b>
Provisions for liabilities	13	<u>(1,659)</u>	<u>(1,659)</u>
<b>Net assets</b>		<b>41,321</b>	<b>40,654</b>
<b>Capital and reserves</b>			
Called up share capital	16	215	215
Share premium account	17	37,700	37,700
Profit and loss account	17	<u>3,406</u>	<u>2,739</u>
<b>Total equity</b>		<b>41,321</b>	<b>40,654</b>

The financial statements on pages 9 to 24 were approved and authorised for issue by the board of directors on 05 November 2020 and were signed on its behalf on by:



**D O'Sullivan**  
Director

The notes on pages 12 to 24 form an integral part of these financial statements.

**REGISTERED NUMBER:03136477**

**COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' funds £000</b>
At 1 January 2019	215	37,700	2,739	40,654
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	667	667
<b>Total comprehensive income for the year</b>	-	-	667	667
<b>At 31 December 2019</b>	<b>215</b>	<b>37,700</b>	<b>3,406</b>	<b>41,321</b>

**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' funds £000</b>
At 1 January 2018	215	37,700	2,390	40,305
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	349	349
<b>Total comprehensive income for the year</b>	-	-	349	349
<b>At 31 December 2018</b>	<b>215</b>	<b>37,700</b>	<b>2,739</b>	<b>40,654</b>

The notes on pages 12 to 24 form an integral part of these financial statements.

## **COMBINED DISTRIBUTION (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1. GENERAL INFORMATION**

The principal activity of Combined Distribution (Holdings) Limited (the "company") is to act as a holding company. The Group (Combined Distribution (Holdings) Limited and Centresoft Limited) 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 and domiciled in the United Kingdom. The address of its registered office is 6 Pavilion Drive, Holford, Birmingham, West Midlands, England, B6 7BB.

#### **2. ACCOUNTING POLICIES**

##### **2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of Combined Distribution (Holdings) 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 as applicable to companies using FRS 101.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It may also require management to exercise judgment in applying the Company's accounting policies (see 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 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 19.

**NOTES TO THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019**

**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**

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019. IFRS 16 has had no impact on the financial statements. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 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 OTHER OPERATING INCOME**

Costs incurred are recharged and are netted off within administrative expenses. Management charge for administering payroll is recognised as other operating income.

The company is the legal employer for the employees of its subsidiary undertakings. The company administers a central payroll, and recharges all costs to the subsidiaries. A net nil position is shown in respect of employee costs. Additionally, the company can charge a margin for the administrative efforts expensed. The margin charged is shown as other operating income.

The gross payroll costs recharged in the year were £8,044,209 (2018: £7,730,073).

The other operating income recognised in the year were £402,210 (2018: £386,504).

**2.7 INVESTMENTS**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.8 INCOME FROM SHARE IN GROUP UNDERTAKINGS**

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

**2.9 DEBTORS**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**2.10 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

**NOTES TO THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2019**

**2. ACCOUNTING POLICIES (continued)**

**2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS**

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**2.12 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 trade receivables.

**Trade receivables**

Trade 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 Profit and loss account. 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**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

**At amortised cost**

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.

**2.13 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 2019**

**2. ACCOUNTING POLICIES (continued)**

**2.14 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'.

**2.15 SHARE BASED PAYMENTS**

The ultimate parent company, Activision Blizzard Inc., has issued equity settled share-based awards (also referred to as "share options" herein) to certain employees of Combined Distribution (Holdings) Limited. The charge relating to these awards in respect of employees of the company has been reflected in these financial statements in accordance with IFRS 2 'Share Based Payments' although they do not relate to the shares of the company. A fair value for the equity settled share awards is measured at the date of grant and this is recognised as a charge to the Statement of Comprehensive Income over the vesting period. These amounts are recharged to Centresoft Limited and P.D.Q Distribution Limited in full. The ultimate parent company measures the fair value using the binomial-lattice model.

**2.16 INTEREST INCOME**

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

**2.17 CURRENT AND DEFERRED TAXATION**

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:

- 2.17.1 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
- 2.17.2 Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

## COMBINED DISTRIBUTION (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 2. ACCOUNTING POLICIES (continued)

##### 2.17 CURRENT AND DEFERRED TAXATION (continued)

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.

#### 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 recognized 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

###### Recoverability of deferred tax asset

The recoverability of the deferred tax asset is dependent on the company being able to reverse deferred tax liabilities or making sufficient taxable profits in the future. Management review the company's deferred tax liabilities and future profitability annually. Adjustments to the recoverability of deferred tax assets are made to reflect these estimates. Deferred tax asset at 31 December 2019 is £nil (2018: £14k) (note 15).

##### ESTIMATES

###### Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires judgement, such as whether there has been an impairment trigger, and estimations, such as how the investment carrying value is calculated, of the investments' value. The value is considered based on the net assets of the investment and by considering profitability and future projections. If required a value in use calculation may be performed. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investments and apply suitable discount rates in order to calculate present values. Investments at 31 December 2019 are £5,162k (2018: £5,162k), no impairment has been recorded against the value of investments (note 9).

#### 4. OPERATING PROFIT

The operating profit is stated after crediting:

	2019 £000	2018 £000
Other operating income (see Note 5)	402	387
Fees for the audit of the Company	-	-
Non-audit fees payable for tax compliance services	-	-

Fee paid to the current auditors PricewaterhouseCoopers LLP for UK audit and non-audit services during the year was £Nil (2018: £Nil). Auditors' remuneration of £5,000 (2018: £5,000) and remuneration for non-audit fees of £4,100 (2018: £4,100) is borne by another group company and no recharge is made.

## COMBINED DISTRIBUTION (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 5. EMPLOYEES

The company is the legal employer for the employees of its subsidiary undertakings. The company administers a central payroll, and recharges all costs to the subsidiaries. A net nil position is shown in respect of employee costs within administrative expenses. Additionally, the company can charge a margin for the administrative efforts expensed. The margin charged is shown as other operating income. The remuneration for directors has been recharged to subsidiary companies. Disclosure of the amounts borne by subsidiary companies has been disclosed within the statutory financial statements of the subsidiary company.

The gross payroll costs recharged in the year were £8,044k (2018: £7,730k).

The other operating income recognised in the year was £402k (2018: £387k).

The directors received no emoluments from the Company during the year (2018: £nil). No recharges were made by other companies within the group for the directors during the year (2018: £nil).

#### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	2018 £000
Interest receivable from group companies	438	366
Other interest receivable	-	-
Exchange gain	5	-
	<u>443</u>	<u>366</u>

#### 7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £000	2018 £000
Exchange loss	-	(47)
	<u>-</u>	<u>(47)</u>

# COMBINED DISTRIBUTION (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. TAX ON PROFIT

	2019 £000	2018 £000
<b>Corporation tax</b>		
Current tax on profit for the year	164	-
<b>Total current tax</b>	164	-
Deferred tax charged in Statement of Comprehensive for the year	14	95
<b>Tax on profit</b>	178	95

### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before taxation	845	444
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	161	84
<b>Effects of:</b>		
Other income not taxable	(59)	(227)
Deferred tax charge in Statement of Comprehensive Income for the year	14	95
Transfer pricing adjustment	62	238
Losses offset against brought forward tax losses	-	(95)
<b>Total tax charge for the year</b>	178	95

### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Other than the deferred tax asset shown in Note 15, there were no factors that may affect future tax charges.

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. Subsequently, the March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## COMBINED DISTRIBUTION (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 9. INVESTMENTS

**Investments  
in subsidiary  
companies**

**£000**

**Cost**

At 1 January 2019 and 31 December 2019

**5,162**

#### **DIRECT SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

<b>Name and registered office</b>	<b>Country of Incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
CentreSoft Limited 6 Pavilion Drive Holford Birmingham B6 7BB	England and Wales	Ordinary	100%	Distribution of entertainment software, games consoles, low cost business software and peripherals

#### **INDIRECT SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

<b>Name and registered office</b>	<b>Country of Incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
PDQ Distribution Limited 6 Pavilion Drive Holford Birmingham B6 7BB	England and Wales	Ordinary	100%	Provision of services to distribution of entertainment software
Advantage Entertainment Distribution Limited 6 Pavilion Drive Holford Birmingham B6 7BB	England and Wales	Ordinary	100%	Dormant

# COMBINED DISTRIBUTION (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 10. DEBTORS

	2019 £000	2018 £000
<b>Amounts due within 1 year:</b>		
Amounts owed by group undertakings	-	95
Deferred taxation	-	14
Prepayments and accrued income	1	1
	<u>1</u>	<u>110</u>
<b>Amounts due in more than 1 year:</b>		
Amounts owed by group undertakings	39,885	39,447
	<u>39,886</u>	<u>39,557</u>

Included within amounts owed by group undertakings is £39,885k (2018: £39,447k) owed by Activision Blizzard (UK) Ltd, due in more than 1 year. On 19 February 2016, the loan terms were renegotiated. The principal and interest are due for repayment by 2022. Interest is charged at 0.3975% above the Bank of England base rate, payable on a quarterly basis. The interest received during the year was £438k (2018: £366k).

Other amounts owing by group companies are unsecured, interest free and repayable on demand.

### 11. CASH AT BANK AND IN HAND

	2019 £000	2018 £000
Cash at bank and in hand	<u>154</u>	<u>53</u>

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000	2018 £000
Trade creditors	13	12
Amounts owed to group undertakings	1,864	2,236
Corporation tax	88	-
Taxation and social security	<u>257</u>	<u>211</u>
	<u>2,222</u>	<u>2,459</u>

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

# COMBINED DISTRIBUTION (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 13. PROVISIONS FOR LIABILITIES

Provisions for liabilities relates to contractual provisions and is made up as follows:

	<b>Contractual provisions £000</b>
<b>At 1 January 2019</b>	1,659
Charge in statement of comprehensive income for year	-
<b>At 31 December 2019</b>	<b>1,659</b>

The provisions relate to amounts expected to be paid out as part of contractual obligations on the company.

### 14. FINANCIAL INSTRUMENTS

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>39,885</b>	39,542
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(1,877)</b>	(2,248)

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

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

# COMBINED DISTRIBUTION (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 15. DEFERRED TAXATION

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Tax losses	-	14
	<b>Tax Losses £000</b>	<b>Total £000</b>
At 1 January 2018	109	109
Deferred tax charge in statement of comprehensive income for year (note 8)	(95)	(95)
<b>At 31 December 2018</b>	<b>14</b>	<b>14</b>
Deferred tax charge in statement of comprehensive income for year (note 8)	(14)	(14)
<b>At 31 December 2019</b>	<b>-</b>	<b>-</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 brought forward tax losses.

### 16. CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
100,001 (2018: 100,001) Ordinary shares of £0.01 (2018: £0.01) each	1	1
47,059 (2018: 47,059) 'A' ordinary shares of £0.01 (2018: £0.01) each	1	1
19,608 (2018: 19,608) 'B' ordinary shares of £0.01 (2018: £0.01) each	-	-
133,333 (2018: 133,333) Convertible preference shares of £1 (2018: £1) each	133	133
800,000 (2018: 800,000) Redeemable preference shares of £0.10 (2018: £0.10) each	80	80
	<b>215</b>	<b>215</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. CALLED UP SHARE CAPITAL (continued)**

The convertible preference shares are non-equity shares which carry an entitlement to a dividend at the rate of 12p (net) per share per annum. The dividend for the current year was waived. Holders of preference shares have one vote per share held, but only on a resolution of the winding-up of the company or on a resolution affecting the rights attached to the shares. Preference share shareholders have the right on a winding-up to receive, in priority to any other class of shares, the sum of £1 per share together with any arrears of dividends.

The redeemable preference shares may be redeemed at any time after 31 December 1999 at the option of the holder.

The preference shares have been classified as equity as per IAS 32 "Financial instruments: Presentation" as the shares satisfy the following conditions:

- (a) There is no contractual obligation to pay dividends to the preference shareholders; and,
- (b) The preferences shares are treated as compound instruments that include a nil debt value.

With effect from 1 December 1997 the preference shareholders and 'A' and 'B' ordinary shareholders elected to waive their rights to dividends.

**17. RESERVES**

**Share premium account**

Share premium represents the amount subscribed for share capital in excess of the nominal value.

**Profit and loss account**

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

**18. SHARE BASED PAYMENTS**

In this note '\$' is used to denote United States of America Dollars.

The share award plans (also referred to as "share options" herein) detailed below relate to options held by employees of the company in the shares of the ultimate parent undertaking, Activision Blizzard, Inc. ("Activision Blizzard"), which is a listed company in the United States of America.

Activision Blizzard has a share-based compensation program that provides its Board of Directors discretion in creating employee equity incentives. This program includes incentive and non-statutory share options and restricted share awards granted under various plans, the majority of which are shareholder approved. Share options are generally time-based, vesting on each annual anniversary of the grant date over periods of three to five years and expire ten years from the grant date, with some options containing performance clauses which would accelerate the vesting into earlier annual periods.

**Share Incentive Plans ("the Plans")**

Activision Blizzard sponsors several share option plans for the benefit of directors, officers, consultants, and other employees of group companies.

Under the terms of the Plans, the exercise price for awards issued is determined at the discretion of the Board of Directors of Activision Blizzard (or the Compensation Committee of the Board of Directors, which administers the Plans), and under the terms of the Plans, the exercise price for incentive share options is not to be less than the fair market value of Activision Blizzard's common stock at the date of grant, and in the case of non-qualified options, the exercise price must exceed or be equal to 85% of the fair market value of Activision Blizzard's common stock at the date of grant. Options typically become exercisable in instalments over a period of three to five years and must be exercised within 10 years of the date of grant.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**18. SHARE BASED PAYMENTS (continued)**

**Restricted Share Units and Restricted Shares**

Activision Blizzard grants restricted share units and restricted shares (collectively referred to as "restricted share rights") under the Plans to employees around the world. Restricted share units entitle the holders thereof to receive shares of Activision Blizzard's common stock at the end of a specified period of time or otherwise upon a specified occurrence. Restricted shares are issued and outstanding upon grant; however, restricted share holders are restricted from selling the shares until they vest. Upon vesting of restricted share rights, Activision Blizzard may withhold shares otherwise deliverable to satisfy tax withholding requirements.

Restricted share rights are subject to forfeiture and transfer restrictions. Vesting for restricted share rights is contingent upon the holders' continued employment with Activision Blizzard or one of its subsidiaries and may be subject to other conditions. If the vesting conditions are not met, unvested restricted share rights will be forfeited

At 31 December 2019, the aggregate intrinsic value of the non-vested restricted share rights was approximately \$1,009,189 (2018: \$888,788) with a weighted average contractual term of 1.63 (2018: 1.54) years.

**Share Options Outstanding**

Out of 26,855 (2018: 28,013) outstanding options, 11,824 (2018: 12,178) options were exercisable. Options exercised in 2019 resulted in 8,835 (2018: 16,367) shares being issued at a weighted average price of \$35.76 (2018: \$24.22) each. The related weighted average share price during the year for share options exercised over the year was \$49.30 (2018: \$75.24) per share.

Share Options outstanding in respect of the company's employees at 31 December 2019 had the exercise prices and remaining lives detailed below:

	Weighted average exercise price \$	Number of shares	Weighted average contractual life remaining (years)
<b>Range of exercise prices</b>			
\$34.5900 to \$34.5900	\$34.5900	653	5.87
\$41.0900 to \$41.0900	\$41.0900	4,069	6.85
\$52.5200 to \$52.5200	\$52.5200	7,677	9.86
\$53.8900 to \$53.8900	\$53.8900	7,616	8.87
\$60.8700 to \$60.8700	\$60.8700	6,840	7.85
	<u>\$52.8675</u>	<u>26,855</u>	<u>8.51</u>

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

The immediate parent undertaking is Activision Europe 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.