

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



COMBINED DISTRIBUTION (HOLDINGS) LIMITED

CONTENTS

	Page (s)
Company Information	1
Strategic Report	2
Directors' Report	3 - 4
Independent Auditors' Report to the members of Combined Distribution (Holdings) Limited	5 - 6
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 - 23

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
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report for Combined Distribution (Holdings) Limited (the "company") for the year ended 31 December 2017.

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 £184k (2016: £56,556k). The increased profit in 2016 was due to a dividend received of £56,000k (2017: £nil). The net assets at 31 December 2017 were £40,305k (2016: £40,121k).

No dividends were paid in the year (2016: £56,000k dividends paid), and the net increase in shareholders funds of £184k (2016: £556k) 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.

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.

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', is written over a horizontal line.

D Neal
Director

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

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, low cost business software 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 £184k (2016: £56,556k).
No dividends were paid or recommended during 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

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 2017 (2016: 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 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.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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 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.

DISCLOSURE OF INFORMATION TO AUDITORS

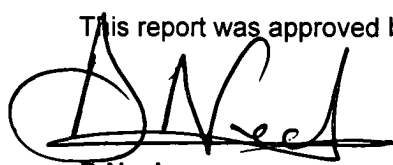
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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.

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 accounts with the registrar, whichever is earlier.

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



D Neal
Director

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

Report on the audit of the financial statements

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 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.

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.

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.

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

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 4, 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. 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.

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

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Administrative expenses		(212)	(100)
Other operating income	4	379	355
Operating profit		167	255
Income from shares in group undertakings	6	-	56,000
Interest receivable and similar income	7	271	435
Interest payable and similar expenses	8	-	(31)
Profit before taxation		438	56,659
Tax on profit	9	(254)	(103)
Profit for the financial year		184	56,556
Other comprehensive income		-	-
Total comprehensive income for the year		184	56,556

The above results all relate to continuing activities.

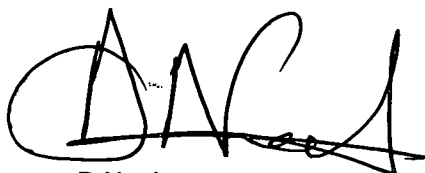
The notes on pages 10 to 23 form an integral part of these financial statements

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments	10	<u>5,162</u>	<u>5,162</u>
Current assets			
Debtors (including £39,081k (2016: £38,833k) due in more than 1 year)	11	39,418	40,235
Cash at bank and in hand	12	<u>47</u>	<u>73</u>
		39,465	40,308
Creditors: amounts falling due within one year	13	<u>(2,925)</u>	<u>(4,164)</u>
Net current assets		<u>36,540</u>	<u>36,144</u>
Total assets less current liabilities		<u>41,702</u>	<u>41,306</u>
Provision for liabilities	14	<u>(1,397)</u>	<u>(1,185)</u>
Net assets		<u>40,305</u>	<u>40,121</u>
Capital and reserves			
Called up share capital	17	215	215
Share premium account	18	37,700	37,700
Profit and loss account	18	<u>2,390</u>	<u>2,206</u>
Total equity		<u>40,305</u>	<u>40,121</u>

The financial statements on pages 7 to 23 were approved and authorised for issue by the board of directors on 20 September 2018 and were signed on its behalf on by:



D Neal
Director

The notes on pages 10 to 23 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 2017

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	215	37,700	2,206	40,121
Comprehensive income for the year				
Profit for the financial year	-	-	184	184
Total comprehensive income for the year	-	-	184	184
Dividends (Note 19) / Total transactions with owners, recognized directly in equity	-	-	-	-
At 31 December 2017	215	37,700	2,390	40,305

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2016	215	37,700	1,650	39,565
Comprehensive income for the year				
Profit for the financial year	-	-	56,556	56,556
Total comprehensive income for the year	-	-	56,556	56,556
Dividends (Note 19) / Total transactions with owners, recognized directly in equity			(56,000)	(56,000)
At 31 December 2016	215	37,700	2,206	40,121

The notes on pages 10 to 23 form an integral part of these financial statements.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

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

1. GENERAL INFORMATION

The principal activity of Combined Distributions (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 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

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.

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 21.

**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 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 £7,589,109 (2016: £7,091,759).

The other operating income recognised in the year were £379,455 (2016: £354,588).

2.7 VALUATION OF 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.

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 2017

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 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 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 2017

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.

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

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. JUDGMENTS 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:

JUDGMENTS

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 2017 is £109k (2016: £466k) (note 16).

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 2017 are £5,162k (2016: £5,162k), no impairment has been recorded against the value of investments (note 10).

4. OPERATING PROFIT

The operating profit is stated after crediting:

	2017 £000	2016 £000
Other operating income (see Note 5)	379	355
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 (year ended 31 December 2016: £Nil). Auditors remuneration 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 2017

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 £7,589k (2016: £7,092k).

The other operating income recognised in the year were £379k (2016: £355k).

The directors received no emoluments from the Company during the year (2016: £nil). No recharges were made by other companies within the group for the directors during the year (2016: £nil).

6. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2017 £000	2016 £000
Dividends received from group companies	-	56,000

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £000	2016 £000
Interest receivable from group companies	248	435
Other interest receivable	3	-
Exchange gain	20	-
	<u>271</u>	<u>435</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £000	2016 £000
Exchange loss	-	31
	<u>-</u>	<u>31</u>

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

9. TAX ON PROFIT

	2017 £000	2016 £000
Corporation tax		
Current tax on profit for the year	-	-
Total current tax	-	-
Deferred tax charged in Statement of Comprehensive for the year	254	103
Tax on profit	254	103

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:

	2017 £000	2016 £000
Profit before taxation	438	56,659
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	84	11,332
Effects of:		
Dividend income	-	(11,200)
Other income not taxable	(203)	(353)
Deferred tax charge in Statement of Comprehensive Income for the year	254	103
Group relief surrendered not paid	-	221
Transfer pricing adjustment	214	-
Losses offset against brought forward tax losses	(95)	-
Total tax charge for the year	254	103

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Other than the deferred tax asset shown in Note 16, 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.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

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

10. INVESTMENTS

Investments
in subsidiary
companies

£000

Cost

At 1 January 2017 and 31 December 2017

5,162

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name and registered office	Country of Incorporation	Class of shares	Holding	Principal activity
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:

Name and registered office	Country of Incorporation	Class of shares	Holding	Principal activity
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 2017

11. DEBTORS

	2017 £000	2016 £000
Amounts due within 1 year:		
Amounts owed by group undertakings	226	1,039
Deferred taxation	109	363
Prepayments and accrued income	2	-
	<u>337</u>	<u>1,402</u>
Amounts due in more than 1 year:		
Amounts owed by group undertakings	39,081	38,833
	<u>39,418</u>	<u>40,235</u>

Included within amounts owed by group undertakings is £39,081k (2016: £38,833k) 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 £248k (2016: £290k).

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

12. CASH AT BANK AND IN HAND

	2017 £000	2016 £000
Cash at bank and in hand	<u>47</u>	<u>73</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Trade creditors	12	13
Amounts owed to group undertakings	2,670	3,811
Taxation and social security	243	340
	<u>2,925</u>	<u>4,164</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 2017

14. PROVISION FOR LIABILITIES

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

	Contractual provisions £000	Total £000
At 1 January 2016	1,085	1,085
Charge in statement of comprehensive income for year	100	100
At 1 January 2017	1,185	1,185
Charge in statement of comprehensive income for year	212	212
At 31 December 2017	1,397	1,397

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

15. FINANCIAL INSTRUMENTS

	2017 £000	2016 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	39,307	39,872
Financial liabilities		
Financial liabilities measured at amortised cost	(2,683)	(3,824)

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 2017

16. DEFERRED TAXATION

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Tax losses	109	363
	Tax Losses £000	Total £000
At 1 January 2016	466	466
Deferred tax charge in statement of comprehensive income for year (note 9)	(103)	(103)
At 1 January 2017	363	363
Deferred tax charge in statement of comprehensive income for year (note 9)	(254)	(254)
At 31 December 2017	109	109

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.

17. CALLED UP SHARE CAPITAL

	2017 £000	2016 £000
ALLOTTED, CALLED UP AND FULLY PAID		
100,001 (2016: 100,001) Ordinary shares of £0.01 (2016: £0.01) each	1	1
47,059 (2016: 47,059) 'A' ordinary shares of £0.01 (2016: £0.01) each	1	1
19,608 (2016: 19,608) 'B' ordinary shares of £0.01 (2016: £0.01) each	-	-
133,333 (2016: 133,000) Convertible preference shares of £1 (2016: £1) each	133	133
800,000 (2016: 800,000) Redeemable preference shares of £0.10 (2016: £0.10) each	80	80
	215	215

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

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

17. 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 preference 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.

18. 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.

19. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	2017 £	2016 £
Final dividend for the for the year ended 31 December 2017 of £nil (2016: £559.99) per ordinary share	-	56,000

In September 2016, the company paid a final dividend to its immediate parent company, Activision Europe Limited.

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

20. 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.

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 2017, the aggregate intrinsic value of the non-vested restricted share rights was approximately \$1,539,562 (2016: \$1,044,410) with a weighted average contractual term of 1.34 (2016: 1.57) years.

Share Options Outstanding

Out of 36,764 (2016: 60,309) outstanding options, 18,228 (2016: 24,832) options were exercisable. Options exercised in 2017 resulted in 30,385 (2016: 50,891) shares being issued at a weighted average price of \$23.59 (2016: \$14.58) each. The related weighted average share price during the year for share options exercised over the year was \$52.01 (2016: \$41.36) per share.

COMBINED DISTRIBUTION (HOLDINGS) LIMITED

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

20. SHARE BASED PAYMENTS (continued)

Share Options outstanding in respect of the company's employees at 31 December 2017 had the exercise prices and remaining lives detailed below:

Range of exercise prices	Weighted average exercise price \$	Number of shares	Weighted average contractual life remaining (years)
\$20.1000 to \$20.1000	\$20.1000	13,420	6.87
\$34.5900 to \$34.5900	\$34.5900	7,049	7.87
\$41.0900 to \$41.0900	\$41.0900	9,455	8.85
\$60.8700 to \$60.8700	\$60.8700	6,840	9.85
	<u>\$35.8618</u>	<u>36,764</u>	<u>8.13</u>

21. 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.