Registered number: 03136477

Combined Distribution (Holdings) Limited

Directors' Report and Financial Statements

For the Year Ended 31 December 2021

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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	Dains LLP 15 Colmore Row Birmingham B3 2BH

Combined Distribution (Holdings) Limited

Contents

The Directors present their strategic report for Combined Distribution (Holdings) Limited (the "Company") for the year ended 31 December 2021.

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 £489k (2020: £579k). The net assets at 31 December 2021 were £42,389k (2020: £41,900k).

No dividends were paid in the year (2020: £nil), and the net increase in total equity of £489k (2020: £579k) 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:

Carrying Value of 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
31 December 2020 saw the end of the UK transition period for Brexit.

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

For the year ended 31 December 2021 the key area of focus, that could have the most direct impact on the business, has been maintaining effective customer service and supply chain by working with our key publishers, the majority of which are international businesses. The subsidiary, whilst facing some challenges with the UK's customs procedures, has managed the supply chain and customer expectations to ensure that the impact of Brexit has been minimal on the Company.

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 14 June 2022 and signed on its behalf.

D O'Sullivan
Secretary

Directors' Report
For the Year Ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Principal activity

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 £489k (2020 - £579k).

No dividends were paid or recommended during the year (2020 - £Nil).

Directors

The Directors who served during the year 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 2021 (2020 - 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.

Covid-19

The COVID-19 pandemic has had a major impact both within the UK and globally. 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.

In line with the UK government requirements the Company 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 has made all efforts to ensure that the workplace is COVID-secure. Throughout the pandemic the Company and its subsidiaries have remained fully operational.

Whilst there remains uncertainty surrounding the impact that COVID-19 will have on the UK economy, the gaming industry has so far shown resilience against any economic downturn. The results for the year ended 31 December 2021 have not been impacted by COVID-19. At the time of preparing the financial statements, there has not been a material impact on the trading results for 2022 and it is not considered it 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 up to the date of signing the financial statements.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

During the year, PricewaterhouseCoopers LLP resigned as the Company's auditors. Dains LLP were appointed to fill the resulting vacancy.

The auditor, Dains LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14 June 2022 and signed on its behalf.

D O'Sullivan
Secretary

Independent Auditors' Report to the Members of Combined Distribution (Holdings) Limited

Opinion

We have audited the financial statements of Combined Distribution (Holdings) Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors

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 and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the financial reporting legislation, Companies Act 2006, taxation legislation, anti-bribery, employment, and environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC, relevant regulators and the Company's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Other matters

The financial statements for the year ended 31 December 2020 were audited by PricewarerhouseCoopers LLP who expressed an unmodified opinion on those statements on 16 August 2021.

Use of our report

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

Dains LLP

Andrew Morris FCA (Senior statutory auditor)

for and on behalf of
Dains LLP

Statutory Auditor
Chartered Accountants

Birmingham

14 June 2022

Statement of Comprehensive Income
For the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Administrative expenses		**(8,695)**	(9,105)
Other operating income	4	**9,109**	9,535
Operating profit	4	**414**	430
Interest receivable and similar income	7	**194**	290
Profit before tax		**608**	720
Tax on profit	8	**(119)**	(141)
Profit for the financial year		**489**	579

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

In both the current and preceding years all the turnover arose from continuing operations.

The notes on pages 13 to 26 form part of these financial statements.

Combined Distribution (Holdings) Limited
Registered number:03136477

Balance Sheet
As at 31 December 2021

	Note		2021 £000		2020 £000
Fixed assets					
Investments	9		**5,162**		5,162
Current assets					
Debtors	10	**40,321**		40,148	
Cash at bank and in hand	11	**150**		132	
		40,471		40,280	
Creditors: amounts falling due within one year	12	**(1,585)**		(1,883)	
Net current assets			**38,886**		38,397
Total assets less current liabilities			**44,048**		43,559
Provisions for liabilities					
Other provisions	13		**(1,659)**		(1,659)
Net assets			**42,389**		41,900
Capital and reserves					
Called up share capital	14		**215**		215
Share premium account	15		**37,700**		37,700
Profit and loss account	15		**4,474**		3,985
Total equity			**42,389**		41,900

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2022.

D O'Sullivan
Director

The notes on pages 13 to 26 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	215	37,700	3,985	41,900
Comprehensive income for the year				
Profit for the year	-	-	489	489
Total comprehensive income for the year	-	-	489	489
At 31 December 2021	215	37,700	4,474	42,389

Statement of Changes in Equity
For the Year Ended 31 December 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2020	215	37,700	3,406	41,321
Comprehensive income for the year				
Profit for the year	-	-	579	579
Total comprehensive income for the year	-	-	579	579
At 31 December 2020	215	37,700	3,985	41,900

The notes on pages 13 to 26 form part of these financial statements.

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, B6 7BB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

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
- 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 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

This information is included in the consolidated financial statements of Activision Blizzard, Inc. as at 31 December 2021 and these financial statements may be obtained from Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California, 90405, USA.

2. Accounting policies (continued)

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of a state other than the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

2.4 Impact of new international reporting standards, amendments and interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 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

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 along with costs associated with share options. The Company can charge a margin for the administrative efforts expensed. The amount recharged plus the margin charged is shown as other operating income.

The gross payroll and share option costs recharged in the year were £8,695,445 (2020 - £9,104,625).

The other operating income recognised in the year were £9,109,313 (2020 - £9,534,233).

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 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.

2.9 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.10 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.

2.11 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 and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2. Accounting policies (continued)

2.12 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.

2.13 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'.

2.14 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. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

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

2.16 Interest income

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

2.17 Taxation

Tax is recognised in profit or loss except that a charge 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.

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

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

Estimates

Impairment of investments in subsidiaries

Determining whether the Company's investment 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 2021 are £5,162k (2020 - £5,162k), no impairment has been recorded against the value of the investments.

4. Operating profit

The operating profit is stated after crediting:

	2021 £000	2020 £000
Other operating income	**9,109**	10,212

Other operating income consists of staff costs and management fee recharged to subsidiaries during the period.

Fees paid to the auditors for audit and non-audit services during the year was £Nil (2020 - £Nil). Fees for the audit of the Company of £5,000 (2020 - £5,000) and remuneration for non-audit fees for tax compliance services of £Nil (2020 - £4,100) is borne by another group company and no recharge is made.

5. Employees

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

	2021 £000	2020 £000
Wages and salaries	**7,189**	7,484
Social security costs	**804**	858
Other pension costs	**296**	269
Share option recharge	**406**	494
	8,695	9,105

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

	2021 No.	2020 No.
Warehouse and computer operations	**81**	80
Selling and distribution	**53**	54
Administration	**49**	52
	183	186

6. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	**934**	1,414
Company contributions to defined contribution pension schemes	**28**	61
Share option recharge	**358**	400
	1,320	1,875

During the year retirement benefits were accruing to 2 Directors (2020 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £620k (2020 - £570k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2020 - £29k).

During the year the highest paid director received £253k (2020 - £212k) under the long term incentive schemes.

7. Interest receivable

	2021 £000	2020 £000
Interest receivable from group companies	**194**	241
Exchange gain	**-**	49
	194	290

8. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	**119**	141
Total current tax	**119**	141
Taxation on profit	**119**	141

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	**608**	720
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**116**	137
Effects of:		
Other income not taxable	**(68)**	(82)
Transfer pricing adjustments	**71**	86
Total tax charge for the year	**119**	141

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels.

9. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2021	5,162
At 31 December 2021	5,162

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
CentreSoft Limited	6 Pavilion Drive Holford Birmingham B6 7BB	Distribution of entertainment software, games consoles, low cost business software and peripherals	Ordinary	100%
*P.D.Q. Distribution Limited	6 Pavilion Drive Holford Birmingham B6 7BB	Provision of services to distribution of entertainment software	Ordinary	100%
*Advantage Entertainment Distribution Limited	6 Pavilion Drive Holford Birmingham B6 7BB	Dormant	Ordinary	100%

* Indirect subsidiary

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £000	Profit/(Loss) £000
CentreSoft Limited	44,068	8,469
*P.D.Q. Distribution Limited	(1,687)	(693)
*Advantage Entertainment Distribution Limited	-	-

10. Debtors

	2021 £000	2020 £000
Due after more than one year		
Amounts owed by group undertakings	**40,320**	40,147
Due within one year		
Other debtors	**1**	-
Prepayments and accrued income	-	1
	40,321	40,148

Included within amounts owed by group undertakings is £40,320k (2020 - £40,126k) owed by Activision Blizzard (UK) Ltd, due in more than 1 year. On February 2016, the loan terms were renegotiated. The principal and interest are due for repayment by 2023. 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 £194k (2020 - £241k).

11. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	**150**	132

12. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	**14**	13
Amounts owed to group undertakings	**1,332**	1,608
Other taxation and social security	**236**	262
Other creditors	**3**	-
	1,585	1,883

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

13. Provisions

	Contractual provisions £000
At 1 January 2021	**1,659**
At 31 December 2021	**1,659**

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

14. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
100,001 (2020 - 100,001) Ordinary shares of £0.01 each	**1**	1
47,049 (2020 - 47,059) A Ordinary shares of £0.01 each	**1**	1
19,608 (2020 - 19,608) B Ordinary shares of £0.01 each	**-**	-
133,333 (2020 - 133,333) Convertible preference shares shares of £1.00 each	**133**	133
800,000 (2020 - 800,000) Redeemable preference shares shares of £0.10 each	**80**	80
	215	215

The convertible preference shares are non-equity shares which carry 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.

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

15. 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 represents the accumulated profits, losses and distributions of the Company.

16. Share based payments

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 2021, the aggregate intrinsic value of the non-vested restricted share rights was approximately $2,115,920 (2020 - $2,163,033) with a weighted average contractual term of 1.24 (2020 - 1.48) years.

Share options outstanding

Out of 26,788 (2020 - 26,788) outstanding options, 14,176 (2020 - 7,599) options were exercisable. Options exercised in 2021 resulted in no (2020 - 11,601) shares being issued at a weighted average price of $Nil (2020 - $51.01) each. The related weighted average share price during the year for share options exercised over the year was $64.8273 (2020 - $69.65) per share.

Share options outstanding in respect of the Company's employees at 31 December 2021 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)
$41.0900 to $41.0900	**$41.0900**	**408**	**4.85**
$52.5200 to $52.5200	**$52.5200**	**6,997**	**7.86**
$53.8900 to $53.8900	**$53.8900**	**4,876**	**6.87**
$60.8700 to $60.8700	**$60.8700**	**2,973**	**5.85**
$76.4000 to $76.4000	**$76.4000**	**7,098**	**8.84**
$82.5800 to $82.5800	**$82.5800**	**4,436**	**8.94**
	$64.8273	**26,788**	**7.85**

Details of the share options outstanding during the year are as follows:

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	**$64.8273**	**26,788**	$52.8675	26,855
Granted during the year		-	$78.7768	11,534
Exercised during the year		-	$51.0106	(11,601)
Outstanding at the end of the year	**$64.8273**	**26,788**	$64.8273	26,788

17. 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.