
FREESTYLEGAMES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



FREESTYLEGAMES LIMITED

COMPANY INFORMATION

DIRECTOR I Mattingly

REGISTERED NUMBER 04604940

REGISTERED OFFICE Ditton Park Riding Court Road
Datchet
Slough
Berkshire
SL3 9LL

INDEPENDENT AUDITORS PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditor
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

FREESTYLEGAMES LIMITED

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FREESTYLEGAMES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The director presents the Annual Report, comprising the Strategic Report and Director's Report, and audited financial statements of FreeStyleGames Limited ("the company") for the year ended 31 December 2018.

BUSINESS REVIEW

Business environment and current and future developments

The principal activity of the company is the provision of services to other Activision Blizzard ("the group") companies.

The turnover of the company is made up of a cost-plus recharge to a parent company, Activision Blizzard International B.V. Certain costs of the company are recharged with a mark-up of 10%. The results show a net profit of £129,000 in 2018 (2017 - net loss of £151,000) and net assets of £6,437,000 in 2018 (2017 - £6,308,000).

On 11 January 2017 all the employee and operating lease contracts and some assets were transferred to Ubisoft Reflections Ltd.

The 2018 results include a contribution to Ubisoft towards the contractual redundancy costs and the statutory compliance costs of running the legal entity, with the turnover generated as the 10% cost-plus recharge on these costs.

The director has no plans as yet for the entity following the transfer of the trade and it will effectively be dormant for the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

The company will effectively be dormant for the foreseeable future and no principal risks and uncertainties have been identified.

KEY PERFORMANCE INDICATORS (KPIs)

The director is of the opinion that an analysis using KPIs is not necessary for an understanding of the performance, development or position of the business.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that principally include liquidity risk, the effects of changes in foreign exchange risk, interest rate risk and price risk.

Liquidity risk

The company maintains no debt finance. The company's costs are charged at cost plus margin basis to the parent company and therefore has sufficient funds for all future operations. Given the liquidity of the parent company, this is not considered a risk to the company.

FREESTYLEGAMES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk

The company is exposed to movements in foreign exchange rates as a result of transactions with suppliers and other group companies. The company's ultimate parent undertaking, Activision Blizzard, Inc., manages the foreign exchange risk associated with the group, as disclosed in the financial statements of that company. It manages the risk by using forward contracts and derivatives.

Interest rate risk

The company has interest bearing assets in the form of cash balances. Cash balances earn interest at floating rates.

The company takes part in the group's Investment Manager Model, in which Activision Blizzard International B.V. acts as the Investment Manager and invests the excess cash of the company in capital markets. The net returns generated by Activision Blizzard International B.V. on the investments made are passed back to the company in proportion to the capital and currency invested.

Price risk

Due to the nature of the company's operations and that revenue is earned on a cost plus basis, the company is not considered to have a significant exposure to price risk.

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



I Mattingly
Director

Date: 26/9/19

FREESTYLEGAMES LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The director presents his report and the audited financial statements of the company for the year ended 31 December 2018.

DIRECTOR'S RESPONSIBILITIES STATEMENT

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £129,000 (2017 - loss £151,000).

During the year, the director did not recommend the payment of a dividend (2017 - £Nil).

DIRECTOR

The director of the company who was in office during the year and up to the date of signing the financial statements was:

I Mattingly

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

Qualifying third party indemnity insurance is provided to all directors of the company throughout their tenure under policies held by the company's ultimate parent undertaking, Activision Blizzard, Inc.

MATTERS COVERED IN THE STRATEGIC REPORT

Disclosure of the company's Business Review, Future Developments and Financial Risk Management are provided in the Strategic Report.

FREESTYLEGAMES LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

DISCLOSURE OF INFORMATION TO AUDITORS


The director at the time when this Director's Report is approved has confirmed that:

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

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

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



I Mattingly
Director

Date: 26/9/19

Independent auditors' report to the members of FreeStyleGames Limited

Report on the audit of the financial statements

Opinion

In our opinion, FreeStyleGames Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 statement of financial position as at 31 December 2018; 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

ISAs (UK) require us to report to you when:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 director is 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 Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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 Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's Report for the year ended 31 December 2018 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 Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the director for the financial statements

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is 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 director is 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 director is 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 director either intends 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 director's 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.



Katherine Stent (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
26 September 2019

FREESTYLEGAMES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
REVENUE	4	-	5
Administrative expenses		(23)	(12)
OPERATING LOSS	5	(23)	(7)
Finance income	7	13	19
(LOSS)/PROFIT BEFORE TAX		(10)	12
Tax on (loss)/profit	8	139	(163)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		129	(151)
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		129	(151)

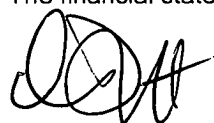
The notes on pages 10 to 24 form part of these financial statements.

FREESTYLEGAMES LIMITED
REGISTERED NUMBER: 04604940

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
CURRENT ASSETS			
Available-for-sale financial assets	9	-	4,001
Other investments	9	4,000	-
Trade and other receivables	10	897	615
Cash and cash equivalents	11	1,584	1,769
		<u>6,481</u>	<u>6,385</u>
Creditors: amounts falling due within one year	12	(44)	(77)
NET CURRENT ASSETS		6,437	6,308
TOTAL ASSETS LESS CURRENT LIABILITIES		6,437	6,308
NET ASSETS		6,437	6,308
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Share premium account	16	201	201
Retained earnings	16	6,235	6,106
TOTAL SHAREHOLDERS' FUNDS		6,437	6,308

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



I Mattingly
Director

Date: 26/9/19

The notes on pages 10 to 24 form part of these financial statements.

FREESTYLEGAMES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Ordinary shares £000	Share premium account £000	Retained earnings £000	Total shareholders' funds £000
BALANCE AS AT 1 JANUARY 2017	1	201	6,214	6,416
COMPREHENSIVE LOSS FOR THE YEAR				
Loss for the financial year and other comprehensive loss for the year	-	-	(151)	(151)
OTHER MOVEMENTS				
Credit relating to equity-settled share based payments	-	-	43	43
TOTAL TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY	-	-	43	43
BALANCE AT 31 DECEMBER 2017	1	201	6,106	6,308
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the financial year and other comprehensive loss for the year	-	-	129	129
BALANCE AT 31 DECEMBER 2018	1	201	6,235	6,437

The notes on pages 10 to 24 form part of these financial statements.

FREESTYLEGAMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

FreeStyleGames Limited ("the company") develops video games. The company is a private company and is incorporated and domiciled in the United Kingdom. The address of its registered office is Ditton Park Riding Court Road, Datchet, Slough, Berkshire, SL3 9LL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") 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 judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the 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;
- 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 and 18A 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

2.3 NEW STANDARDS, AMENDMENTS AND IFRIC INTERPRETATIONS

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. IFRS 15 has not had a material impact on the company. IFRS 9 has changed the classification and measurement of financial assets, as disclosed in Note 9. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 that have had a material impact on the company.

FREESTYLEGAMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 GOING CONCERN

After making enquiries, the director has reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.5 REVENUE

Revenue is recognised on certain costs incurred during the year at a marked-up percentage. These costs are recharged to another Activision Blizzard group company.

2.6 TRADE AND OTHER RECEIVABLES

Trade and other receivables are amounts due from group undertakings for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2.7 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.

2.8 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.

FREESTYLEGAMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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 its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income ("FVOCI") comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either fair value through other comprehensive income or amortised cost (see (a) and (b) above)
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Impairment of financial assets

Assets carried at amortised cost

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to Note 2.6 for trade and other receivables accounting policy.

FREESTYLEGAMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

The company classifies all of its financial liabilities as liabilities 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 Statement of Financial Position.

2.10 INTEREST INCOME

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

2.11 EMPLOYEE BENEFITS

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 the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.12 HOLIDAY PAY ACCRUAL

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

FREESTYLEGAMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

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 within "Administrative Expenses".

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 FreeStyleGames 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. The ultimate parent company measures the fair value using the binomial-lattice model. No share awards remain outstanding at the current or prior year end.

FREESTYLEGAMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that a change is 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 at the balance sheet date in the countries where the company operates and generates income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 RESEARCH AND DEVELOPMENT

The company carries out research and development activities on behalf of the group. Any intellectual property arising from the research and development activities is owned by the group. Accordingly the company recognises research and development expenditure in the Statement of Comprehensive Income as incurred.

FREESTYLEGAMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 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 assets and liabilities in the next financial year, are discussed below:

Impairment of trade and other receivables

The company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See Note 10 for the net carrying amount of the receivables.

4. REVENUE

The whole of the revenue is attributable to the company's principal activity. There is only one material class of business. All revenue arose in the United Kingdom.

5. OPERATING LOSS

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

	2018	2017
	£000	£000
Wages and salaries	-	17
Social security costs	-	(21)
Other pension costs (Note 16)	-	7
Share based payments	-	43
	<hr/>	<hr/>
	-	46
Profit on disposal of property, plant and equipment	-	(30)
Exchange differences	-	(23)
Auditors remuneration	10	10
Auditors remuneration - non audit	6	4
	<hr/> <hr/>	<hr/> <hr/>

FREESTYLEGAMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. EMPLOYEES AND DIRECTORS

EMPLOYEES

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

	2018 No.	2017 No.
By activity:		
Director	1	1

DIRECTOR

During the year, the director did not receive any emoluments from the company (2017 - £Nil). The emoluments of the director are paid by another company, Activision Blizzard UK Ltd. The director's services to the company are essentially of a non-executive nature and the emoluments are deemed to be wholly attributable to their services to Activision Blizzard UK Ltd.

7. FINANCE INCOME

	2018 £000	2017 £000
Interest receivable from group companies	13	19

FREESTYLEGAMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. INCOME TAX

	2018 £000	2017 £000
CORPORATION TAX		
UK corporation tax on profits for the year	(2)	10
Adjustments in respect of previous periods	(137)	87
TOTAL CURRENT TAX	(139)	97
DEFERRED TAX		
Origination and reversal of timing differences	-	66
TOTAL DEFERRED TAX	-	66
TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR	(139)	163

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2017 - *higher than*) the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
(Loss)/profit before tax	(10)	12
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(2)	2
EFFECTS OF:		
Difference between capital allowances for year and depreciation	-	58
Adjustments in respect of previous periods	(137)	87
Share option timing difference	-	9
Disallowable share option expense	-	7
TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR	(139)	163

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There are no factors that may affect future tax charges.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

FREESTYLEGAMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. OTHER INVESTMENTS

	2018	2017
	£000	£000
Investments made by group company investment manager	4,000	4,001

Activision Blizzard International B.V. acts as an investment manager on behalf of the company and other group companies. Surplus funds, made available by the Investors, are pooled by the investment manager to preserve capital and manage liquidity and these are then subsequently invested into various different investments such as money market funds, time deposits, government securities and corporate bonds and other investments to earn a return. The balance is denominated in a combination of British Pounds, United States of America Dollars and Euros.

In 2017, the company classified these investments as Available-For-Sale financial assets under the requirements of IAS 39. The gains and losses in relation to these investments were measured at fair value through other comprehensive income.

As at 31 December 2018, due to company's adoption of IFRS 9, these investments were reclassified as investments in debt securities measured at fair value through profit or loss.

There has been no material impact on the opening retained earnings of the company based on the changes noted above.

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	£000	£000
Amounts owed by group undertakings	-	3
VAT receivables	2	4
Corporation tax receivables	895	608
	897	615

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

11. CASH AND CASH EQUIVALENTS

	2018	2017
	£000	£000
Cash at bank and in hand	1,584	1,769

FREESTYLEGAMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Trade creditors	-	10
Amounts owed to group undertakings	2	-
Other taxation and social security	-	1
Accruals and deferred income	42	66
	<u>44</u>	<u>77</u>

13. DEFERRED TAXATION

	2018 £000	2017 £000
At the beginning of the year	-	66
Charged to the income statement (Note 8)	-	(66)
AT THE END OF THE YEAR	<u>-</u>	<u>-</u>

FREESTYLEGAMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. FINANCIAL INSTRUMENTS

	2018 £000	2017 £000
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	4,000	4,001
Financial assets that are debt instruments measured at amortised cost	1,584	1,772
	<u>5,584</u>	<u>5,773</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(44)	(76)

Financial assets measured at fair value through profit or loss comprise other investments.

Financial assets that are debt instruments measured at amortised cost comprise cash at bank and in hand and amounts owed by group undertakings.

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

FREESTYLEGAMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. CALLED UP SHARE CAPITAL

	2018	2017
	£	£
104,940 (2017 - 104,940) Ordinary - Class A shares shares of £0.001 each	105	105
594,000 (2017 - 594,000) Ordinary - Class B shares shares of £0.001 each	594	594
8,060 (2017 - 8,060) Ordinary - Class C shares shares of £0.001 each	8	8
293,000 (2017 - 293,000) Ordinary shares shares of £0.001 each	293	293
	<u>1,000</u>	<u>1,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
104,940 (2017 - 104,940) Ordinary - Class A shares shares of £0.001 each	105	105
594,000 (2017 - 594,000) Ordinary - Class B shares shares of £0.001 each	594	594
1,639 (2017 - 1,639) Ordinary - Class C shares shares of £0.001 each	2	2
293,000 (2017 - 293,000) Ordinary shares shares of £0.001 each	293	293
	<u>994</u>	<u>994</u>

The holders of 'A' Ordinary, 'B' Ordinary and Ordinary shares are entitled to vote at shareholder meetings and receive dividends. The 'C' shareholders are not entitled to attend or vote at shareholder meetings and are not entitled to receive dividends and on a sale of the company are entitled only to proceeds in excess of £5 million. In all other respects the 'C' shares rank pari passu with the 'A' and 'B' shares.

No further shares were issued during the year hence there has been no movement in this balance.

16. RESERVES

Share premium account

The share premium account represents the premium arising on the issue of shares net of issue costs.

Retained earnings

Retained earnings represents cumulative profits and losses net of dividends and other adjustments.

FREESTYLEGAMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. 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 previously 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 programme that provides its Board of Directors discretion in creating employee equity incentives. This programme 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 installments 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 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.

During 2017, all employees entitled to restricted share rights had left the company and all outstanding restricted share rights were cancelled. Therefore at 31 December 2018 and 31 December 2017, the aggregate intrinsic value of the non-vested share rights was \$Nil (£Nil).

FREESTYLEGAMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. SHARE BASED PAYMENTS (continued)

Share Options Outstanding

No options were outstanding at 31 December 2018 or 31 December 2017 as all employees entitled to the Plans left the company in 2017.

There were no options exercised in 2018 and therefore zero shares issued (*2017 - 578 shares issued at a weighted average price of \$34.59 each*). For the year ended 31 December 2017, the related weighted average share price during the year for share options exercised was \$57.15.

The total charge for the year, excluding NI charges, relating to share based remuneration included in these financial statements was £Nil (*2017 - £43,000*), all of which related to equity-settled share based payment transactions. After deferred tax the total charge was £Nil (*2017 - £51,000*).

18. POST EMPLOYMENT BENEFITS

Defined Contribution Scheme

The company operated a defined contribution pension scheme. The assets of the scheme were held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £Nil (*2017 - £7,000*). There were outstanding contributions of £Nil (*2017 - £Nil*) payable to the fund at the balance sheet date.

19. 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.. Activision Blizzard, Inc., is also the parent undertaking of the largest and smallest 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 available to the public and may be obtained from Activision Blizzard, Inc., 3100 Ocean Park Boulevard, Santa Monica, California, 90405, USA. Activision Blizzard, Inc. is incorporated in the USA.