

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
EPIC GAMES UK LTD**

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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DIRECTORS:

R S Gelber
Ms J Lobeau

REGISTERED OFFICE:

2-4 Packhorse Road
Gerrards Cross
Buckinghamshire
SL9 7QE

REGISTERED NUMBER:

02865912 (England and Wales)

AUDITORS:

Nunn Hayward LLP
Chartered Accountants
Statutory Auditor
2-4 Packhorse Road
Gerrards Cross
Buckinghamshire
SL9 7QE

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

The directors present their strategic report for the year ended 31 December 2019.

INTRODUCTION

Consistent with previous years, the principal activity of the company in year under review was the development of computer software.

REVIEW OF BUSINESS

During the year under review:

Turnover increased by 20.3%, which is in line with the additional administrative costs incurred in developing our software offerings; There were no impairments of goodwill in 2019 and as a result, the company's net assets increased by £1,581,591, which included significant additions to the company's tangible fixed assets.

There are no specific key performance indicators (KPIs) used to monitor the financial performance or position of the company. Additionally, there are no specific non-financial KPIs used by management to monitor non-financial performance.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that the company faces the following risks and uncertainties:

The company's success is dependent on the Intercompany Service Agreements with Epic Games Inc. and Epic Games International S.à r.l.;

Regulatory changes, whether they are a legal or taxation nature, may give rise to uncertainty within the business.

OUTLOOK

The company does not anticipate any significant change in principal activities in 2020. The impact of COVID-19 restrictions in the UK since March 2020, has required the company to rethink some of its processes. This has included embracing working from home guidelines and ensuring that our employees have the means to work from home in an efficient and effective manner.

The directors do not anticipate any significant adverse effects on the company's continued ability to develop computer software in a work from home environment.

ON BEHALF OF THE BOARD:

Ms J Lobeau - Director

16 December 2020

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of developing computer software.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

DIRECTORS

The directors who have held office during the period from 1 January 2019 to the date of this report are as follows:

M A Rein - resigned 13 May 2019
T D Sweeney - resigned 13 May 2019
J M Wilbur - resigned 13 May 2019

R S Gelber and Ms J Lobeau were appointed as directors after 31 December 2019 but prior to the date of this report.

J Babcock , A Hohaus and J Farnsworth ceased to be directors after 31 December 2019 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Nunn Hayward LLP, are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

Ms J Lobeau - Director

16 December 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EPIC GAMES UK LTD

Opinion

We have audited the financial statements of Epic Games UK Ltd (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 2019 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 UK, including the FRC'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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

We have nothing to report in respect of the following matters where 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EPIC GAMES UK LTD

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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 a Report of the Auditors 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Jonathan Hemmings (Senior Statutory Auditor)
for and on behalf of Nunn Hayward LLP
Chartered Accountants
Statutory Auditor
2-4 Packhorse Road
Gerrards Cross
Buckinghamshire
SL9 7QE

16 December 2020

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£	£
TURNOVER	3	27,978,008	23,265,871
Administrative expenses		(26,428,645)	(21,886,251)
		1,549,363	1,379,620
Other operating income		154,822	857,382
OPERATING PROFIT	5	1,704,185	2,237,002
Impairment of goodwill	6	-	(3,482,621)
		1,704,185	(1,245,619)
Interest receivable and similar income		52	-
		1,704,237	(1,245,619)
Amounts written off investments	7	-	(731,719)
		1,704,237	(1,977,338)
Interest payable and similar expenses	8	-	(581)
PROFIT/(LOSS) BEFORE TAXATION		1,704,237	(1,977,919)
Tax on profit/(loss)	9	(475,087)	(367,936)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,229,150	(2,345,855)

The notes form part of these financial statements

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
PROFIT/(LOSS) FOR THE YEAR		1,229,150	(2,345,855)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,229,150</u>	<u>(2,345,855)</u>

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2019

			2019		2018
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	10		5,247,613		1,742,090
Investments	11		<u>126</u>		<u>126</u>
			5,247,739		1,742,216
CURRENT ASSETS					
Debtors	12	19,976,348		2,064,737	
Cash at bank		<u>253,826</u>		<u>325,366</u>	
		20,230,174		2,390,103	
CREDITORS					
Amounts falling due within one year	13	<u>21,766,644</u>		<u>1,897,536</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(1,536,470)</u>		<u>492,567</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,711,269		2,234,783
CREDITORS					
Amounts falling due after more than one year	14		-		(417,968)
PROVISIONS FOR LIABILITIES	17		<u>(232,945)</u>		<u>(90,752)</u>
NET ASSETS			<u>3,478,324</u>		<u>1,726,063</u>
CAPITAL AND RESERVES					
Called up share capital	18		2,913,897		2,913,897
Retained earnings	19		<u>564,427</u>		<u>(1,187,834)</u>
SHAREHOLDERS' FUNDS			<u>3,478,324</u>		<u>1,726,063</u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 December 2020 and were signed on its behalf by:

Ms J Lobeau - Director

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

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	2,225,002	814,775	3,039,777
Changes in equity			
Issue of share capital	688,895	-	688,895
Total comprehensive income	-	(2,345,855)	(2,345,855)
Fair value adjustment for options in group company	-	343,246	343,246
Balance at 31 December 2018	<u>2,913,897</u>	<u>(1,187,834)</u>	<u>1,726,063</u>
Changes in equity			
Total comprehensive income	-	1,229,150	1,229,150
Fair value adjustment for options in group company	-	523,111	523,111
Balance at 31 December 2019	<u>2,913,897</u>	<u>564,427</u>	<u>3,478,324</u>

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

		2019	2018
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	4,733,464	822,628
Interest paid		-	(581)
Tax paid		(367,741)	(210,790)
Net cash from operating activities		<u>4,365,723</u>	<u>611,257</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(4,437,315)	(1,202,543)
Purchase of fixed asset investments		-	(108,384)
Interest received		52	-
Net cash from investing activities		<u>(4,437,263)</u>	<u>(1,310,927)</u>
Cash flows from financing activities			
Share issue		-	688,895
Net cash from financing activities		<u>-</u>	<u>688,895</u>
Decrease in cash and cash equivalents		<u>(71,540)</u>	<u>(10,775)</u>
Cash and cash equivalents at beginning of year	2	325,366	336,141
Cash and cash equivalents at end of year	2	<u>253,826</u>	<u>325,366</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019	2018
	£	£
Profit/(loss) before taxation	1,704,237	(1,977,919)
Depreciation charges	931,792	518,908
Fair value adjustment for options	523,111	343,246
Investment impairment	-	731,719
Goodwill impairment	-	3,482,621
Finance costs	-	581
Finance income	(52)	-
	<u>3,159,088</u>	<u>3,099,156</u>
Increase in trade and other debtors	(17,451,098)	(801,346)
Increase/(decrease) in trade and other creditors	19,025,474	(1,475,182)
Cash generated from operations	<u><u>4,733,464</u></u>	<u><u>822,628</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	<u>253,826</u>	<u>325,366</u>

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	<u>325,366</u>	<u>336,141</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.19	Cash flow	At 31.12.19
	£	£	£
Net cash			
Cash at bank	<u>325,366</u>	<u>(71,540)</u>	<u>253,826</u>
	<u>325,366</u>	<u>(71,540)</u>	<u>253,826</u>
Total	<u><u>325,366</u></u>	<u><u>(71,540)</u></u>	<u><u>253,826</u></u>

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

1. STATUTORY INFORMATION

Epic Games UK Ltd is a private company, limited by shares, registered in England & Wales. The company's registered number and registered office address can be found on the Company Information page. The company's place of business is Westbury House, Bury Street, Guildford, GU2 4YZ.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

The annual financial statements have been prepared on the going concern basis due to the continued support of the ultimate parent company and parent company.

On a day to day basis the company meets its working capital requirements through cash funding from the ultimate parent company. The company has no overdraft facility in place.

Preparation of consolidated financial statements

The financial statements contain information about Epic Games UK Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Epic Games International S.a.r.l., 33 rue de Puits Romain, L-8070 Bertrange, Luxembourg..

Critical accounting judgements and key sources of estimation uncertainty

The most significant judgements made in applying the company's accounting policies and the key sources of estimation uncertainty are in the following areas:

Tangible fixed assets

The high level of investment in tangible fixed assets means that the assessment of expected useful asset lives has a significant impact on the depreciation charges.

Cost of share options issued

The cost of the share options issued is dependent on a number of market variables and the value of the underlying shares, for which independent third party advice is sought, and on the selection of the Black Scholes pricing model as a basis for the valuation.

Going concern

The company derives its turnover from recharges made to other group companies in respect of the services that it provides to those companies under the inter-company service agreements and as such its future trading is dependent on the continuation of those agreements and on the assessment of the relevant companies as going concerns.

Turnover

Turnover represents amounts receivable for services relating to services provided in respect of computer software, excluding value added tax.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- 33% on reducing balance and Over the term of the lease
Fixtures and fittings	- 15% on reducing balance
Computer equipment	- 33% on reducing balance

The capitalisation threshold for computer equipment was raised to £4,000 as from 1 January 2019. Given the high tech nature of the industry and the rapid advancements in technology that the company must adapt to, the expected useful life of relatively low value computer equipment is 12 months.

Computer equipment purchased by the company that is then configured for and used by other group companies, is expensed in the period of purchase and recharged under the existing inter-company agreements.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost less accumulated impairment.

Financial instruments

The company only has financial assets and liabilities of a kind that qualify as basic financial instruments, cash at bank, debtors and creditors. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

The aggregate of lease incentives is recognised as a reduction to the expense recognised over the term of the lease on a straight line basis.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Equity-settled share based payments

The company's ultimate parent undertaking, Epic Games, Inc., maintains a Stock Incentive Plan which issues equity-settled share-based payments to key employees and directors. Equity-settled share-based payments are measured at fair value at the date of grant using the valuation commissioned from an independent external consultant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of the shares that will eventually vest, with a corresponding entry to retained earnings.

3. TURNOVER

The turnover and profit (2018 - loss) before taxation are attributable to the one principal activity of the company.

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	16,499,233	16,013,243
Social security costs	2,147,695	2,041,685
Other pension costs	747,006	494,448
	<u>19,393,934</u>	<u>18,549,376</u>

The average number of employees during the year was as follows:

	2019	2018
Corporate & support functions	11	7
Business development	19	13
Computer software development	54	48
	<u>84</u>	<u>68</u>

	2019	2018
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

5. OPERATING PROFIT

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

	2019	2018
	£	£
Other operating leases	1,135,645	368,517
Depreciation - owned assets	931,792	518,908
Auditors' remuneration	18,500	13,500
Foreign exchange differences	<u>(17,473)</u>	<u>123,619</u>

6. EXCEPTIONAL ITEMS

The financial statements for the year ended 31 December 2018 contained exceptional items in relation to Cloudgine Ltd. Cloudgine was acquired in 2017 and its business and net assets were 'hived up' in 2018. After hive up, it was considered that the value of the investment and the goodwill acquired on acquisition were impaired and both were written down in value. This resulted in charges of £3,482,621 for goodwill impairment and £731,719 for impairments of investments in the 2018 financial statements. The company also received a dividend in specie of £702,856 in that year on the hive up of the assets of Cloudgine Ltd.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

7. AMOUNTS WRITTEN OFF INVESTMENTS

	2019 £	2018 £
Impairment of investment in Cloudfine	-	731,719

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Interest on overdue taxation	-	581

9. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax	332,882	385,371
Corporation tax adjustment re previous year	12	(305)
Total current tax	332,894	385,066
Deferred tax	142,193	(17,130)
Tax on profit/(loss)	475,087	367,936

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit/(loss) before tax	1,704,237	(1,977,919)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	323,805	(375,805)
Effects of:		
Expenses not deductible for tax purposes	49,971	18,577
Capital allowances in excess of depreciation	(140,285)	-
Depreciation in excess of capital allowances	-	10,200
Adjustments to tax charge in respect of previous periods	12	(305)
Investment impairment	-	139,027
Goodwill impairment	-	661,698
Amortised cost of share options	99,391	65,217
Dividend in specie received	-	(133,543)
Deferred tax charge/(credit)	142,193	(17,130)
Total tax charge	475,087	367,936

Any expected net reversal or net origination of deferred tax in 2020 is expected to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

10. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2019	587,300	191,172	2,264,738	3,043,210
Additions	2,039,663	613,719	1,783,933	4,437,315
At 31 December 2019	2,626,963	804,891	4,048,671	7,480,525
DEPRECIATION				
At 1 January 2019	277,508	63,148	960,464	1,301,120
Charge for year	195,169	46,377	690,246	931,792
At 31 December 2019	472,677	109,525	1,650,710	2,232,912
NET BOOK VALUE				
At 31 December 2019	2,154,286	695,366	2,397,961	5,247,613
At 31 December 2018	309,792	128,024	1,304,274	1,742,090

11. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2019 and 31 December 2019	126
NET BOOK VALUE	
At 31 December 2019	126
At 31 December 2018	126

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Cloudgine Limited

Registered office: Fifth Floor 1 Exchange Crescent, Conference Square, Edinburgh, Scotland, EH3 8UL

Nature of business: Dormant

	% holding
Class of shares:	100.00
Ordinary	

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Amounts owed by group undertakings	18,453,144	1,582,238
Other debtors	1,066,009	115,486
Prepayments and accrued income	457,195	367,013
	19,976,348	2,064,737

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade creditors	118,421	63,978
Amounts owed to group undertakings	18,224,636	228,372
Corporation tax	139,429	174,276
Social security and other taxes	1,245,665	522,339
Other creditors	483,647	593,093
Accrued expenses	1,554,846	315,478
	<u>21,766,644</u>	<u>1,897,536</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£	£
Other creditors	<u>-</u>	<u>417,968</u>

15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019	2018
	£	£
Within one year	1,459,634	444,667
Between one and five years	<u>2,994,684</u>	<u>1,255,361</u>
	<u>4,454,318</u>	<u>1,700,028</u>

16. FINANCIAL INSTRUMENTS

At the balance sheet date, financial assets measured at amortised cost totalled £19,215,507 (2018: £1,926,131) and financial liabilities measured at amortised cost totalled £18,826,704 (2018: £1,303,411,).

17. PROVISIONS FOR LIABILITIES

	2019	2018
	£	£
Deferred tax		
Accelerated capital allowances	<u>232,945</u>	<u>90,752</u>
		Deferred tax
		£
Balance at 1 January 2019		90,752
Provided during year		<u>142,193</u>
Balance at 31 December 2019		<u>232,945</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019	2018
			£	£
2,913,897	Ordinary	£1	<u>2,913,897</u>	<u>2,913,897</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

19. **RESERVES**

	Retained earnings £
At 1 January 2019	(1,187,834)
Profit for the year	1,229,150
Fair value adjustment for options in group company	<u>523,111</u>
At 31 December 2019	<u>564,427</u>

20. **RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

21. **PARENT AND ULTIMATE CONTROLLING PARTY**

The immediate parent company is Epic Games International S.a.r.l, a company incorporated in Luxembourg, registered office : 33 rue de Puits Romain, L-8070 Bertrange, Luxembourg.

The ultimate parent company and controlling party is Epic Games Inc, a company incorporated in the United States of America.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

22. SHARE-BASED PAYMENT TRANSACTIONS

The company's ultimate US parent undertaking, Epic Games Inc., maintains a Stock Incentive Plan (the Plan), which authorises the granting of incentive stock options to key employees and directors.

Under the plan, the exercise price of each incentive stock option equals the fair market value of each share in Epic Games Inc. on the grant date. Options remain exercisable from the vesting date up until employment termination. Options are fully exercisable subject to conditions as established by the Stock Incentive Plan.

The fair value of options granted on the date of grant, was estimated using the Black-Scholes option pricing model with weighted average assumptions applied at the group Stock Incentive Plan level. The fair value calculated is charged to the income statement on a straight line basis over the vesting period. The Black-Scholes option pricing model was selected as the method appropriate to use when the range of possible future outcomes is difficult to predict as it is a widely recognised method in these circumstances.

The fair value adjustment of options granted under the group Stock Incentive Plan is determined to be £ (523,111 (2018: £343,246) based on options granted to the company's employees. The total cost of these options is spread evenly over the vesting period from the date of grant.

There are 82 employees of Epic Games UK Ltd that benefit from the plan (2018- 9).

A summary of the options activity during the year is shown below:

	Number	Weighted average exercise price
Brought forward as at 1 January 2019	102,659	\$23.85
Granted	34,173	\$317.51
Exercised	(2,403)	\$14.35
Cancelled/forfeited/lapsed	(96)	\$27.51
Outstanding as at 31 December 2019	<u>114,088</u>	<u>\$111.63</u>
Exercisable as at 31 December 2019	<u>42,114</u>	<u>\$22.61</u>

23. POST BALANCE SHEET EVENT

The Coronavirus (COVID-19) pandemic is considered to be a non-adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the pandemic, including travel and social distancing restrictions, on the business and have included specific details within the Strategic Report.

The Board is not aware of any other material adjusting or non-adjusting post balance sheet events.

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