

REGISTERED NUMBER: 02865912 (England and Wales)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
FOR
EPIC GAMES UK LTD

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Page
Company Information	1
Balance Sheet	2
Notes to the Financial Statements	3

DIRECTORS:

M A Rein
T D Sweeney
J M Wilbur
J Babcock
J Farnsworth
A Hohaus

REGISTERED OFFICE:

PO Box 1295
20 Station Road
Gerrards Cross
Buckinghamshire
SL9 8EL

REGISTERED NUMBER:

02865912 (England and Wales)

AUDITORS:

Nunn Hayward LLP
Chartered Accountants
Statutory Auditor
Sterling House
20 Station Road
Gerrards Cross
Buckinghamshire
SL9 8EL

BALANCE SHEET
31 DECEMBER 2017

		2017	2016 as restated Notes £ £	2016 £
FIXED ASSETS				
Tangible assets	4	1,037,192	987,578	333,408
Investments	5	4,106,082	1,000	1,000
		<u>5,143,274</u>	<u>988,578</u>	<u>334,408</u>
CURRENT ASSETS				
Debtors	6	1,289,132	329,863	530,305
Cash at bank		336,141	88,996	170,566
		<u>1,625,273</u>	<u>418,859</u>	<u>700,871</u>
CREDITORS				
Amounts falling due within one year	7	(2,442,155)	(383,194)	(403,072)
NET CURRENT (LIABILITIES)/ASSETS		<u>(816,882)</u>	<u>35,665</u>	<u>297,799</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,326,392	1,024,243	632,207
CREDITORS				
Amounts falling due after more than one year	8	(1,184,808)	-	-
PROVISIONS FOR LIABILITIES		<u>(101,807)</u>	<u>(92,018)</u>	<u>(50,986)</u>
NET ASSETS		<u>3,039,777</u>	<u>932,225</u>	<u>581,221</u>
CAPITAL AND RESERVES				
Called up share capital	9	2,225,002	625,002	625,002
Retained earnings		814,775	307,223	(43,781)
SHAREHOLDERS' FUNDS		<u>3,039,777</u>	<u>932,225</u>	<u>581,221</u>

The financial statements have been prepared and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors on 26 September 2018 and were signed on its behalf by:

A Hohaus - Director

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

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 the provisions of Section 1A "Small Entities" of 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 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 399 (2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it is a small sized group.

Turnover

Turnover represents amounts receivable for services relating to the promotion of computer software, excluding value added tax.

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
Fixtures and fittings	- 15% on reducing balance
Computer equipment	- 33% on reducing balance

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the company will comply with conditions attaching to them and the grants will be received using the accrual model.

Investments in subsidiaries

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

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.

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

2. ACCOUNTING POLICIES - continued

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.

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 in the amounts owed by or to group undertakings.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 39 (2016 - 47) .

4. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2017	298,123	109,002	1,028,776	1,435,901
Additions	210,940	68,028	104,868	383,836
Disposals	-	-	(333)	(333)
At 31 December 2017	<u>509,063</u>	<u>177,030</u>	<u>1,133,311</u>	<u>1,819,404</u>
DEPRECIATION				
At 1 January 2017	69,820	27,907	350,596	448,323
Charge for year	80,839	13,341	240,042	334,222
Eliminated on disposal	-	-	(333)	(333)
At 31 December 2017	<u>150,659</u>	<u>41,248</u>	<u>590,305</u>	<u>782,212</u>
NET BOOK VALUE				
At 31 December 2017	<u>358,404</u>	<u>135,782</u>	<u>543,006</u>	<u>1,037,192</u>
At 31 December 2016	<u>228,303</u>	<u>81,095</u>	<u>678,180</u>	<u>987,578</u>

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

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2017	1,000
Additions	4,106,082
Impairments	(1,000)
At 31 December 2017	<u>4,106,082</u>
NET BOOK VALUE	
At 31 December 2017	<u>4,106,082</u>
At 31 December 2016	<u>1,000</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016 as restated
	£	£
Amounts owed by group undertakings	787,079	41,388
Other debtors	<u>502,053</u>	<u>288,475</u>
	<u>1,289,132</u>	<u>329,863</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016 as restated
	£	£
Trade creditors	466,444	31,321
Amounts owed to group undertakings	936,369	228,372
Taxation and social security	265,846	74,211
Other creditors	<u>773,496</u>	<u>49,290</u>
	<u>2,442,155</u>	<u>383,194</u>

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

	2017	2016 as restated
	£	£
Other creditors	<u>1,184,808</u>	<u>-</u>

9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2017	2016 as restated
Number:	Class:		£	£
2,225,002	Ordinary	£1	<u>2,225,002</u>	<u>625,002</u>

1,600,000 Ordinary shares of £1 were issued at par during the year for cash consideration.

10. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Jonathan Hemmings (Senior Statutory Auditor)
for and on behalf of Nunn Hayward LLP

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

11. OTHER FINANCIAL COMMITMENTS

At 31 December 2017, the company had total commitments under non-cancellable operating leases of £867,806 (2016 - £279,509)

12. 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.

13. POST BALANCE SHEET EVENTS

On 1 May 2018, the trade and assets of Cloudgine Limited, a 100% subsidiary, was hived up to Epic Games UK Ltd. This has no effect on the financial statements of Epic Games UK Ltd for the year ended 31 December 2017.

14. 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.

15. 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 charge to the company of £nil (2016: £nil) made under the group Stock Incentive Plan was allocated based on the 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. In the case of options granted in 2017, the grant date was sufficiently close to the year end to mean that any charge attributable to the year is negligible.

There are 3 employees of Epic Games UK Ltd that benefit from the plan (2016 - 0).

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

	Number	Weighted average exercise price
Brought forward as at 1 January 2017	-	-
Granted	61,818	\$23.24
Exercised	-	-
Forfeited, cancelled or expired	-	-
Outstanding as at 31 December 2017	<u>61,818</u>	<u>\$23.24</u>
Exercisable as at 31 December 2017	<u>-</u>	<u>-</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.