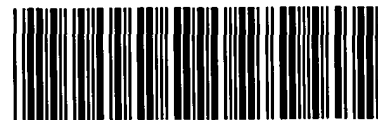


Company registration number: 02865912

EPIC GAMES UK LTD

**GROUP ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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EPIC GAMES UK LTD

COMPANY INFORMATION

Directors	R S Gelber B C Stockwell
Company number	02865912
Principal place of business	Westbury House Bury Street Guilford Surrey England GU2 4YZ
Registered office	Shepherd and Wedderburn LLP Octagon Point 5 Cheapside London EC2V 6AA
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

EPIC GAMES UK LTD

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EPIC GAMES UK LTD

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Strategic Report and audited consolidated financial statements for Epic Games UK Ltd (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2022.

Principal Activities

The principal activities of Epic Games UK Ltd during the year, were the provision of services to other Epic Games, Inc. group undertakings, which primarily related to research and development and sales and marketing services, connected with the Group's propriety computer software and video games (together the "services").

Business Review

During the year, the Company acquired Tron Bidco Limited and its subsidiary (Epic Games Animation Ltd, together the "Tron Bidco Group") from another company in the Epic Games, Inc. group which resulted in recognition of goodwill of £17,679,702. EG Animation was founded in 2009, it makes screen mounted high-definition cameras and related technologies. This business has been the primary driver for all increases from 2021 results. Due to the acquisition, the consolidated revenues increased 78.2% to £86,555,907 (2021: £48,574,932) and consolidated net assets increased by 90.9% to £58,986,073 (2021: £30,892,967). Of the £37,980,975 revenue increase, £18,954,335 is from the first time consolidation of EG Animation, with the rest of the increase the result of Epic Games group demands for its services in the region.

Profits remain strong as they are primarily driven by cost plus business models of the key entities in the Group. Hence, the decrease in the profit after tax to £9,213,074 (2021: £11,432,923), is not due to trading, but a significant non-recurring deferred tax credit of £5,967,105 in 2021 related to the movement in value of equity settled share-based payments in the Company.

The Group transitioned to International Financial Reporting Standards ("IFRS") during the year, with the main effects being the amended accounting requirements for share-based payments and new accounting requirements for leases from 1 January 2021. The transition to IFRS is detailed in note 33. On implementation of IFRS, at 31 January 2020, there is a net increase to retained earnings of £122,891, after the first full year of IFRS, as at 31 December 2021 there is a cumulative net decrease to retained earnings of £108,996.

Future Developments

In early January 2023, the Company was contributed certain Canadian and EMEA subsidiaries from its immediate parent undertaking, Epic Games International S.à r.l. in exchange for shares. The operations of these entities are complementary to the the Group's propriety computer software and video games services. They include anti-cheat, anti hacking, facial recognition, digitalisation of human appearance and motion amongst other services.

On 18 January 2023, the Company acquired the entire share capital of Contexai Ltd which is currently working on automated content moderation solution for social media. Total consideration of cash, shares and deferred consideration was \$65,887,277.

In December 2023, the Company had two leases assigned from another Epic Games, Inc. group company for the Company's main location in London from where most of its operations have been situated since September 2022. A new five year property lease was signed for a London location for the provision of a Lab, commencing on 2 November 2023.

Key Performance Indicators

There are no specific key performance indicators ("KPI"s) 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.

EPIC GAMES UK LTD

Strategic Report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal Risk and Uncertainties

	Risk	Mitigation
Economic downturns	The Company is exposed to fluctuations in the global economy.	Historically, our sector has generally benefited during economic downturns. For instance, the COVID-19 pandemic did not have a negative financial impact on the Group or on the technology sector as a whole. However, increases in cost of living which results in fall of disposable income does impact revenue. The Company continues to monitor economic events and remains confident that the conditions remain strong for trading.
Intellectual property	One of the Group's core assets is its intellectual property ("IP"). Any infringement may adversely impact the business.	The Group protects its own IP and challenges any potential infringement. Specialised internal departments monitor use and access and the legal team have processes in place to identify threats.
IT systems	The Group is reliant on its IT systems and infrastructure. Any major systems failure could have a material impact on the Group's operations.	The Group has established business continuity plans which are tested frequently.
Foreign exchange movements	The Group receives receipts in foreign currencies and has some employees based overseas that are paid in foreign currencies. This provides exposure to movements in exchange rates, which would impact the Group's revenue and costs.	Where relevant, the Group will contract in United States Dollars and Great British Pounds to minimise the adverse impact of exchange rate movements.

Section 172(1) Statement

This section sets out an overview of how the Directors have fulfilled their duties under s172 of the Companies Act 2006. s172 requires that the Directors act in a way that is most likely to promote the success of the Group and Company for the benefit of its members as a whole. The specific requirements of s172 are that Directors have regard to:

- The likely long-term consequences of their decisions;
- The interests of the Company's employees;
- The need to maintain business relationships with suppliers, customers and others;
- The impact of the Group and Company's operations on the community and environment;
- The desirability of maintaining a reputation for good business ethics; and
- The need to act fairly between members of the Group and Company.

The Directors are involved in the day-to-day management of business strategy and other related policies and will review financial and operational performance and other stakeholder-related matters where relevant on a regular basis.

Although the nature of the Group and Company's business operations has a limited environmental impact, the Group and Company continue to try and reduce their environmental footprint. The Company encourages virtual communication tools, which minimises the impact of business travel and implements recycling focused waste management initiatives at the office.

EPIC GAMES UK LTD

Strategic Report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

The Group and Company engages with its communities to better understand their needs and identify support opportunities. It does this by:

- i. encouraging employees to take community days;
- ii. participating and promoting of community events; and
- iii. partnerships.

Due to the scope of our stakeholders, it is generally more effective for stakeholder engagement to take place at an operational or business unit level.

Promoting the Success of the Company

The table below details how the Board has engaged with our employees and how such interactions influence decision making:

Employee Interest	How We Engage	Decision Making Impacts
<ul style="list-style-type: none"> • Learning and development • Health and safety and safe working conditions • Diversity and inclusion • Human rights and modern slavery • Fair pay and benefits • Workplace societies and clubs 	<ul style="list-style-type: none"> • Code of Conduct • In person training • Online training • Intranet • Workplace posters and communications • Reward team • Wellbeing initiatives 	<ul style="list-style-type: none"> • Attention of directors to survey results • In monthly meetings, there is a section dedicated to company updates to respond to employee questions and concerns • Regular company updates from the Directors to all employees • Health and wellbeing initiatives, for example, access to Employee Assistance Programme • Work from home initiatives, for example, employee home office expenses policies • Pay and benefits review

The table below details how the Board has engaged with our wider stakeholders and how such interactions influence decision making:

Stakeholder	How We Engage	Decision Making Impacts
Suppliers	<ul style="list-style-type: none"> • Fair payment practices • Standardised request for proposals • Conflict of interest reviews • Adherence to terms of supply • Participation in the KYC information 	<ul style="list-style-type: none"> • Dependence on capability and performance of suppliers e.g. small business, industry peers • Regular meetings with key suppliers and key business stakeholders • Vendor Code of Conduct
Governments	<ul style="list-style-type: none"> • Companies House filings • Statistical surveys 	<ul style="list-style-type: none"> • Regulatory compliance

For details of the engagement of employees, refer to the Directors' Report.

On behalf of the board

Belinda Stockwell

B C Stockwell
Director

27 March 2024

EPIC GAMES UK LTD

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2022.

Results and Dividends

The results for the period are sent out on page 12.

No ordinary dividends were paid (2021: £nil). The Directors do not recommend payment of a final dividend.

Directors

The Directors who held office during the period and up to the date of signature of the financial statements were as follows:

R S Gelber

B C Stockwell (Appointed 24 June 2022)

J LoBean (Resigned 24 June 2022)

Post Reporting Date Events

Post balance sheet events are detailed in the notes to the accounts.

Independent Auditors

On 24 January 2022 PricewaterhouseCoopers LLP were appointed as auditors to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Going Concern

The financial statements have been prepared on the going concern basis as the Company has received confirmation from Epic Games, Inc., its ultimate parent undertaking, of its intention to continue to provide financial support to the extent necessary to enable the Company to continue to pay its liabilities as and when they become due for a period not less than 12 months from the date of approval of these financial statements. Having regard to this intention, the Directors have assessed the Company's cash requirements for the same period and have concluded that there is a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Energy and Carbon Report

This report outlines the Group's greenhouse gas and energy usage for the year ended 31 December 2022 in line with the requirements for a 'large' unquoted company as per the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

There are three categories for reporting:

Scope 1 - includes direct emissions from activities owned or controlled by an organisation, e.g. combustion from owned or controlled boilers, furnaces etc. as the Company leases all its properties, it does not have control of these emission producing assets, this category is not relevant.

Scope 2 - indirect emission associated with the consumption of purchased electricity and gas is the most relevant and material emissions for the Company. Reporting is based on land lord metre readings for electricity and natural gas converted at the UK government table rates for electricity and gas respectively.

Scope 3 - emissions from sources not owned by the company such as business travel. Personal car mileage has been calculated for employees during the period.

EPIC GAMES UK LTD**Directors' Report (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022**

The methodology for the calculation of emissions follows the Department of Environment, Food and Rural Affairs Environmental Guidelines and uses the UK Governments greenhouse gas reporting conversion factors to quantify emissions. The Group's emissions are calculated as follows:

Emission	Definition	Unit	2022		2021	
			Measure	KG of CO2e	Measure	KG of CO2e
Scope 2	Total Energy Consumption - Gas*	kWh	3,281,692	560,283	3,878,961	710,470
Scope 2	Total Energy Consumption - Electricity*	kWh	894,033	172,888	369,187	78,390
Scope 3	Employee Mileage	Miles	11,898	3,460	4,750	1,290
Total				736,631		790,150
Total leased square feet				46,563		29,733
Intensity ratio (KG of Co2e per sq foot)				15.8		26.6

* All gas and electricity has been consumed within the United Kingdom.

A reduction of emissions has been driven through the conversion of gas to electric at one of the lease sites. The intensity ratio has decreased to 15.8 KG of Co2e per square foot due to this efficiency as well as new leases that significantly increased the square feet of leased space but has a more efficient consumption of Co2e. The Group actively encourages energy saving in offices with sensor lights amongst other energy saving and environmental initiatives.

Employee Engagement

Through a cascade of meetings, quarterly calls and other as relevant updates at a company level, country or at team levels, as well as asking for feedback through various forums, Directors ensure that they are:

- i. providing employees systematically with information on matters of concern to them as employees;
- ii. consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests;
- iii. encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means; and
- iv. achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

Employee involvement is achieved through quarterly calls; this gives the directors an opportunity to share the performance of the business, any plans for the future and the financial and economic factors affecting the Company's performance. As part of this call, questions can be asked and recommendations made anonymously or publicly.

EPIC GAMES UK LTD

Directors' Report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Employment of Disabled Persons

The Company ensures that they make reasonable or legally required accommodation for any disadvantage caused by the disability. The office can accommodate people with disabilities since the office is wheelchair accessible, and the Company carries out individual risk assessments for anyone that could be vulnerable in some way, e.g., pregnancy. If an employee develops a disability while in employment by the Company, they are encouraged to raise this so the Company can consider what accommodation or support may be appropriate.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and 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.

Directors' Confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

EPIC GAMES UK LTD

Directors' Report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Strategic Report

The Company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the Company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of disclosures of future developments, disclosures relating to engagement with employees, suppliers, customers and others in a business relationship and information on the employment of people with disabilities.

On behalf of the Board

Belinda Stockwell

B C Stockwell
Director

27 March 2024

Independent auditors' report to the members of Epic Games UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion:

- Epic Games UK Ltd's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Group Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: Consolidated Statement of Financial Position as at 31 December 2022; Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 group 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

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of share options, impairment of goodwill and the availability of acquired deferred tax assets which principally relate to tax losses.. Audit procedures performed by the engagement team included:

- Discussions with the directors, management, internal legal counsel, including inquiry regarding known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant board of directors meeting minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In particular, in relation to the impairment of goodwill, the fair value of options granted to employees and the availability of acquired deferred tax assets which principally relate to tax losses.
- As in all of our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud; and
- Incorporating an element of unpredictability into our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

We have no exceptions to report arising from this responsibility.

Other matter

The group financial statements for the Epic Games UK Ltd, forming the corresponding figures of the group financial statements for the year ended 31 December 2022, are unaudited.

Prashant Bagree

Prashant Bagree (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 March 2024

EPIC GAMES UK LTD**Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022	Restated 2021
	Note	£	£
Revenue	3	86,555,907	48,574,932
Cost of sales		(7,966,233)	(42,277)
Gross profit		78,589,674	48,532,655
Administrative expenses		(71,625,397)	(43,490,575)
Other operating income	3	1,971,285	531,547
Operating profit	4	8,935,562	5,573,627
Finance income	8	85,252	—
Finance expense	9	(214,936)	(107,809)
Profit before taxation		8,805,878	5,465,818
Income tax credit	10	407,196	5,967,105
Profit for the year		9,213,074	11,432,923
Other comprehensive income:			
Items that may be reclassified to profit:			
Currency translation differences:			
Translation gain arising in the year		1,121	336
Total items that may be reclassified to profit		1,121	336
Income tax (charge)/credit on equity settled share-based payment plans	21	(4,512,090)	6,071,719
Total other comprehensive income for the year		1,121	336
Total comprehensive income for the year		4,702,105	17,504,978

Profit for the financial year is all attributable to the owner of the parent company.

Total comprehensive income for the year is all attributable to the owner of the parent company.

The notes on pages 16 to 48 form part of these consolidated financial statements.

EPIC GAMES UK LTD**Consolidated Statement of Financial Position****AS AT 31 DECEMBER 2022**

		2022	Restated 2021
	Note	£	£
Non-current assets			
Tangible assets	11	15,104,225	4,673,102
Right-of-use assets	12	6,511,492	4,110,150
Goodwill	13	17,679,702	—
Intangible assets	14	756,291	157,902
Deferred tax assets	21	8,802,455	12,470,898
Trade and other receivables	16	938,450	531,343
Total non-current assets		49,792,615	21,943,395
Current assets			
Trade and other receivables	16	10,858,716	18,495,323
Corporation tax recoverable		4,428,065	1,886,604
Cash and cash equivalents		16,384,289	4,600,200
Total current assets		31,671,070	24,982,127
Current liabilities			
Trade and other payables	17	15,217,811	11,489,794
Current tax liabilities		15,010	7,419
Lease liabilities	20	1,577,661	1,207,599
Total current liabilities		16,810,482	12,704,812
Net current assets		14,860,588	12,277,315
Total assets less current liabilities		64,653,203	34,220,710
Non-current liabilities			
Lease liabilities	20	5,068,298	3,024,824
Provisions	19	598,832	302,919
Total non-current liabilities		5,667,130	3,327,743
Net assets		58,986,073	30,892,967
Equity			
Called up share capital	25	2,913,899	2,913,897
Share premium account	26	23,390,998	—
Capital contribution reserve	26	1,095,205	1,095,205
Tax reserve on equity settled SBPs	26	1,559,629	6,071,719
Currency translation reserve	26	1,457	336
Accumulated earnings	26	30,024,885	20,811,810
Total equity		58,986,073	30,892,967

The notes on pages 16 to 48 form part of these consolidated financial statements.

The consolidated financial statements on pages 12 to 48 were approved by the Board of Directors and signed on 27 March 2024 on its behalf by:

Belinda Stockwell

B C Stockwell
Director

Company registration number 02865912

EPIC GAMES UK LTD**Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called Up Share Capital £	Share Premium Account £	Capital Contribution Reserve £	Tax Reserve on Equity Settled SBPs £	Currency Translation Reserve £	Accumulated Profits £	Total £
Balance at 1 January 2021	2,913,897	—	1,095,205	—	—	9,255,998	13,265,100
IFRS implementation 1 January 2021	—	—	—	—	—	122,889	122,889
Restated balance at 1 January 2021	2,913,897	—	1,095,205	—	—	9,378,887	13,387,989
Profit for the year	—	—	—	—	—	11,432,923	11,432,923
Other comprehensive income:							
Income tax on share-based payments - note 21	—	—	—	6,071,719	—	—	6,071,719
Currency translation differences	—	—	—	—	336	—	336
Total comprehensive income for the year	—	—	—	6,071,719	336	11,432,923	17,504,978
Transactions with owners in their capacity as owners:							
Capital contribution - parent equity-settled share-based payments	—	—	—	—	—	2,859,949	2,859,949
Return of capital contribution - parent equity-settled share-based payments	—	—	—	—	—	(2,859,949)	(2,859,949)
Balance at 31 December 2021	2,913,897	—	1,095,205	6,071,719	336	20,811,810	30,892,967
Profit for the year	—	—	—	—	—	9,213,075	9,213,075
Other comprehensive income:							
Currency translation differences	—	—	—	—	1,121	—	1,121
Total comprehensive income for the year	—	—	—	—	1,121	9,213,075	9,214,196
Transactions with owners in their capacity as owners:							
Issue of share capital - note 25	2	23,390,998	—	—	—	—	23,391,000
Income tax on share-based payments - note 21	—	—	—	(4,512,090)	—	—	(4,512,090)
Capital contribution - parent equity-settled share-based payments	—	—	—	—	—	5,551,079	5,551,079
Return of capital contribution - parent equity-settled share-based payments	—	—	—	—	—	(5,551,079)	(5,551,079)
Balance at 31 December 2022	2,913,899	23,390,998	1,095,205	1,559,629	1,457	30,024,885	58,986,073

The notes on pages 16 to 48 form part of these consolidated financial statements.

EPIC GAMES UK LTD

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	Restated
	Note	£	2021
		£	£
Net cash provided by operating activities	31	21,473,287	1,984,819
Cash flows from investing activities			
Acquisition of businesses, net of cash acquired		(21,116,971)	—
Purchase of intangible asset		—	(157,899)
Purchases of property and equipment		(10,244,941)	(1,022,674)
Proceeds from disposal of property and equipment		131,510	233,594
Net cash used in investing activities		(31,230,402)	(946,979)
Cash flows from financing activities			
Proceeds from issuance of new shares		23,391,000	—
Interest income	8	56,557	—
Finance costs	9	(54,387)	(44)
Payment of lease liabilities - principal		(1,667,326)	(1,375,499)
Payment of lease liabilities - interest	9	(160,549)	(107,764)
Net cash provided by (used in) financing activities		21,565,295	(1,483,307)
Exchange differences on cash and cash equivalents		(24,091)	4
Net change in cash and cash equivalents		11,784,089	(445,463)
Cash and cash equivalents			
Beginning of year		4,600,200	5,045,663
End of year		16,384,289	4,600,200

The notes on pages 16 to 48 form part of these consolidated financial statements.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies

1.1 Reporting Entity

Epic Games UK Ltd is a private company limited by shares incorporated in the United Kingdom. The registered office is Shepherd and Wedderburn LLP, Octagon Point, 5 Cheapside, London, EC2V 6AA. The principal place of business is Westbury House, Bury Street, Guildford, Surrey, England, GU2 4YZ. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The principal activities of the Group are set out in the strategic report.

These notes provide a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent that they have not already been disclosed in the other notes. These policies have been consistently applied, unless otherwise stated.

1.2 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- The acquisition of Tron Bidco Group in January 2022 which resulted in recognition of goodwill already existing under predecessor accounting of £17,679,702, see note 32.
- The transition to International Financial Reporting Standards ("IFRS") see note 33. On implementation of IFRS, at 31 January 2020, there is a net increase to retained earnings of £122,891, after the first full year of IFRS, as at 31 December 2021 there is a cumulative net decrease to retained earnings of £108,996.

1.3 Basis of Accounting

The consolidated financial statements have been prepared in accordance with UK-adopted IFRS in conformity with the requirements of the Companies Act 2006.

The filed 2021 financial statements were prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), hence a transition note has been prepared to show the impact to the Group of the conversion.

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Transactions in foreign currencies are recorded in the functional currency at an average rate for the period in which those transactions take place, which is used as a reasonable approximation to the exchange rates prevailing at the dates of the transactions. Translation differences on monetary items are taken to the Statement of Comprehensive Income.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

New standards, amendments and interpretations adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to International Accounting Standards ("IAS") 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The Group also elected to adopt the following amendments early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12, and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The principal accounting policies adopted are set out below.

1.4 Business Combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Where a business is acquired, and both the selling and acquiring entity are under common control, predecessor accounting is applied for that business combination as this best reflects the substance of the combination. Assets and liabilities are recognised at book value of the highest level of consolidation available. Consequently, no additional goodwill is recognised other than that which already exists within the Group under common control in relation to the acquired business.

1.5 Basis of Consolidation

The consolidated Group financial statements consist of the financial statements of the parent company Epic Games UK Ltd together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between the Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the Group's financial statements from the date that control commences until the date that control ceases.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

1.6 Going Concern

The financial statements have been prepared on the going concern basis as the Company has received confirmation from Epic Games, Inc., its ultimate parent undertaking, of its intention to continue to provide financial support to the extent necessary to enable the Company to continue to pay its liabilities as and when they become due for a period not less than 12 months from the date of approval of these financial statements. Having regard to this intention, the Directors have assessed the Company's cash requirements for the same period and have concluded that there is a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

1.7 Revenue

Revenue represents amounts receivable for the services provided to other Epic Games, Inc. group companies, excluding value added tax. Judgement is required in determining the relevant service costs to be recharged to other Epic Games, Inc. group companies and associated mark-up to be applied.

The Group recognises revenue when it transfers control of a product or service to its counter party.

1.8 Goodwill

Goodwill arises on the acquisition of a business when the fair value of the consideration exceeds the fair value attributed to the net assets acquired (including contingent liabilities). Goodwill is not amortised but subject to annual impairment reviews. Goodwill generated from an acquisition is allocated to cash-generating units ("CGUs") at the level management monitors goodwill, which is at an operating segment level.

Following initial recognition, goodwill is stated at costs less any accumulated impairment losses. Goodwill is reviewed annually for impairment and the recoverability of goodwill assessed by comparing the carrying amount of the CGU with the expected recoverable amount. Impairment is recognised where there is a difference between carrying value of the CGU and the estimated recoverable amount of the CGU to which that goodwill has been allocated. Impairment is recognised immediately in the Statement of Comprehensive Loss and is not subsequently reversed.

Impairment loss is first allocated to the carrying value of the goodwill and then to the other assets within the CGU. Recoverable amount is defined as the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU") at the date the impairment review is undertaken. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Goodwill - Impairment testing

The recoverable amounts of these CGUs are the higher of fair value less costs of disposal FVLCD and VIU. Management concluded that VIU was more appropriate for valuing the Group because the Group's cash flow is not based on future growth expectation from expected capital investments.

VIU has been estimated using discounted cash flows. In undertaking the annual impairment review, the Directors considered both external and internal sources of information, and any observable indications that may suggest that the carrying value of goodwill may be impaired. The information used in the VIU calculation was based on management judgement and assumptions.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

1.8 Goodwill (continued)

In each assessment, the recoverable amount has been calculated based on 5-year projections. The projections which incorporate the Group's best estimates of future cash flows and take into account future growths and price increases have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.

1.9 Intangible Assets Other Than Goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values on a straight-line basis over the following useful lives:

Computer software	4 years
User bases	5 years
Client relationships	5 years

1.10 Tangible Assets

Tangible assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Historical cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner indicated by management.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Right-of-use assets	Over the term of the lease on a straight line basis
Leasehold improvements	Over the term of the lease on a straight line basis
Fixtures and fittings	Straight line over 7 years
Computer equipment	Straight line over 3 to 8 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its VIU. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

1.11 Impairment of Tangible and Intangible Assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. The process for each non-financial asset class is detailed below.

Tangible assets, right-of-use assets and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to dispose and its VIU, is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying of the asset or cash generating unit is reduced to its recoverable amount and, impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where there has been a change in the estimates used to determine the recoverable amount and an impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. An impairment loss reversal is recognised immediately in the Statement of Comprehensive Income.

Tangible assets, intangible assets and right-of-use assets are allocated to the CGU they are associated with each period. For leased assets, the CGU also includes corresponding lease liabilities as the Board has concluded that lease liabilities need to be considered when determining the recoverable amount of the CGU.

Approach and assumptions

The recoverable amounts for CGUs have been determined using VIU calculations which are based on the cash flows expected to be generated, derived from the latest budget and forecast and data which are reviewed by the Board. Budget and forecast data reflect both past experience and future expectation of market conditions. The key assumptions in the VIU calculations are as follows:

Cash flow years - derived from Board reviewed cash flow projections for between 3-5 years from the reporting date and then extrapolated for a further five years with an assumed long-term growth rate not exceeding 5%;

Tax rate – based on the current rate in the jurisdiction to which that CGU belongs, adjusted for in future years if applicable;

Discount rate – a post-tax discount rate representing the weighted average cost of capital ("WACC") of the Group. The discount rate is applied consistently to all CGUs.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

1.12 Non-current Investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the Statement of Comprehensive Income.

A subsidiary is an entity controlled by the parent company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the Group has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

The Group's share of the results of associates is included in the Statement of Comprehensive Income, and is accounted for using the equity method of accounting. Investments in associate is held on the Statement of Financial Position at cost, plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. If the Group's share of losses of an associate equal or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the associate.

1.13 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.14 Financial Assets

Financial assets are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of comprehensive income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

1.14 Financial Assets (continued)

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The parent company has made an irrevocable election to recognise changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to retained earnings when the equity instrument is derecognised or its fair value substantially decreased. Dividends are recognised as finance income in profit or loss.

Financial assets carried at amortised cost and fair value through other comprehensive income are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessarily for a credit event to have occurred before credit losses are recognised. Instead, the Group always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date.

The Group assess the expected credit losses associated for trade receivables on a forward-looking basis. The measurement of expected credit losses reflects an unbiased and probability-weighted risk factor of default that is determined by evaluating the range of possible outcomes including the time value of money, current trading conditions and reasonable forecasts.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

1.15 Financial Liabilities

The Group recognises financial debt when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

1.16 Equity Instruments

Equity instruments issued by the parent company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer payable at the discretion of the Company.

1.17 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Corporation tax payable or receivable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excluded items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

1.18 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.19 Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as an asset.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.20 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.

1.21 Share-based Payments

Share options awarded to employees are recognised at the fair value of the options at the date of grant and charged to the profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

1.22 Leases

At inception, the Group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies (continued)

1.22 Leases (continued)

The lease liability is subsequently measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the group's estimate of the amount expected to be payable under a residual value guarantee; or the group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.23 Foreign Exchange

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2 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:

Impairment assessments

On an annual basis, the Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the investment. This requires estimation of the future cash flows from the investment and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The recoverable amount is a source of significant estimation uncertainty and determining this involves the use of external consultants where appropriate in addition to the use of significant assumptions.

Cost of share options issued

The group uses the Black Scholes model to determine the fair value of options granted to employees. Information on such assumptions is set out in note 24. The calculations require the use of estimates and assumptions, which may affect charges to the Statement of Comprehensive Income account over the vesting period of the award.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2022**2 Judgements and Key Sources of Estimation Uncertainty (continued)****Going concern**

The Company derives its turnover from recharges made to other Epic Games, Inc. group companies in respect of the services it provides to those companies under the intercompany 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.

A letter of support has been obtained from Epic Games, Inc., which details their commitment to provide financial assistance and support to the Company as required. This letter of support is expected to provide the necessary financial resources to meet the Company's obligations as they fall due and to fund continuing operations.

Deferred tax assets

Judgement is required to determine the availability of acquired deferred tax assets, which principally relate to tax losses as shown in note 21. In determining the existence and appropriate recognition of these assets, the Directors' have considered requirements such as potential restrictions in their utilisation.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are effective for the year ended 31 December 2022 that have a material impact on the group's financial statements.

3 Revenue

All revenue is all attributable to the services provided to other Epic Games, Inc. group companies under the intercompany service agreements.

	2022	Restated 2021
	£	£
Services provided to other Epic Games, Inc. group companies under the intercompany services agreements	86,555,907	48,574,932
Total revenue	86,555,907	48,574,932

Revenue by geographic market

	2022	Restated 2021
	£	£
United Kingdom	83,998,962	48,370,064
Poland	2,556,945	204,868
Total revenue	86,555,907	48,574,932

Other significant revenue

	2022	2021
	£	£
Research and development expenditure credit (RDEC)	1,971,285	531,547

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2022**4 Operating Profit**

Operating profit for the year is stated after charging/(crediting):

	2022	Restated 2021
	£	£
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	253,846	36,032
Depreciation of tangible assets	2,554,821	1,811,587
Loss on disposal of tangible assets	29,913	51,611
Depreciation of right-of-use assets	1,792,502	1,345,756
Amortisation of intangible assets	429,927	11,279

5 Auditors' Remuneration

Fees payable to the Company's auditors:

	2022	2021
	£	£
For audit services		
Audit of the financial statements of the Company	63,000	48,000
Audit of the financial statements of the Company's subsidiaries	42,048	—
For other services		
Taxation compliance services	12,650	24,750
Total fees	117,698	72,750

6 Employees

The average monthly number of persons (including directors) employed by the Group during the year was:

	2022	2021
Corporate & support functions	42	24
Business development	25	44
Computer software development	256	93
	323	161

Their aggregate remuneration comprised:

	2022	Restated 2021
	£	£
Wages and salaries	51,785,215	27,610,573
Share-based compensation	5,551,079	2,859,949
Social security costs	1,640,440	556,111
Pension costs	8,520,992	6,608,400
	67,497,726	37,635,033

The Company directors are considered to be the only key management for the Group, see the below note on their remuneration.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****7 Directors' Emoluments**

	2022	2021
	£	£
Directors' emoluments	290,447	—
Share-based compensation	17,972	—
Company contributions to defined contribution pension schemes	10,784	—
Other - benefits in kind	752	—
	319,955	—

During the year, retirement benefits were accruing to nil Directors (2021: nil) in respect of defined contribution pension schemes. The highest paid Director employed in the United Kingdom received remuneration of £319,955 (2021: £nil). No options were exercised during the period by this director. The Company Directors are considered to be the only executive management for the Company. One director has his remuneration paid by the ultimate parent entity.

8 Finance Income

	2022	2021
	£	£
Lease income	28,695	—
Interest on bank deposits	56,557	—
	85,252	—

9 Finance Expense

	2022	Restated 2021
	£	£
Interest on lease liabilities	160,549	107,765
Other interest	54,387	44
	214,936	107,809

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****10 Income Tax Credit**

This note provides an analysis of the group's income tax expense and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position. The major components of income tax credit are as follows:

Income tax expense

	2022	Restated 2021
	£	£
Current tax		
UK corporation tax on profits of the period	348,437	—
Overseas tax	48,236	7,443
Adjustments in respect of prior years	53,983	—
Total current tax	450,656	7,443
Deferred tax:		
Origination and reversal of timing differences	11,874	(5,840,455)
Adjustments in respect of previous periods	(869,726)	—
Effect of tax rate change on opening balance	—	(134,093)
Total deferred tax	(857,852)	(5,974,548)
Total tax credit	(407,196)	(5,967,105)

Reconciliation of income tax expense to tax payable

The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022	Restated 2021
	£	£
Profit before taxation	8,805,878	5,465,818
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2021: 19%)	1,673,114	1,038,506
Expenses not deductible for tax purposes	386,209	100,994
Fixed asset differences	127,296	268,546
Group relief claimed	(339,157)	—
Adjustments to tax in respect of previous periods (deferred tax)	(869,726)	—
Adjustments to tax in respect of previous periods (current tax)	53,983	—
Remeasurement of deferred tax for changes in tax rates	1,085,752	(2,993,014)
Net impact of share-based payments	(2,549,324)	(4,397,132)
Other permanent differences	24,657	14,995
Income tax credit	(407,196)	(5,967,105)

Factors that may affect future tax charges

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which they reverse. The rate enacted for the relevant periods of reversal is 25% (2021: 25%). On 3 March 2021, the Chancellor announced that the government will legislate to increase the corporation tax rate to 25% from 1 April 2023.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****11 Tangible Assets**

	Leasehold Improvements £	Fixtures & Fittings £	Computer Equipment £	Work in Progress £	Total £
Cost					
At 01 January 2021	2,829,559	705,630	5,369,408	—	8,904,597
Additions	302,920	58,088	964,686	—	1,325,694
Disposals	(55,269)	(25,531)	(693,430)	—	(774,230)
At 31 December 2021	3,077,210	738,187	5,640,664	—	9,456,061
Additions – acquisitions	228,953	14,985	1,124,391	1,439,212	2,807,541
Additions	139,384	—	4,548,496	5,678,639	10,366,519
Disposals	—	(417)	(169,048)	—	(169,465)
Transfers	1,416,807	81,077	513,276	(2,039,927)	(28,767)
Foreign currency adjustments	—	—	3,497	—	3,497
At 31 December 2022	4,862,354	833,832	11,661,276	5,077,924	22,435,386
Accumulated amortisation and impairment					
At 01 January 2021	860,446	175,643	2,424,310	—	3,460,399
Charge for the year	472,695	105,896	1,232,996	—	1,811,587
Disposals	(10,154)	(18,186)	(460,687)	—	(489,027)
At 31 December 2021	1,322,987	263,353	3,196,619	—	4,782,959
Charge for the year	650,808	116,136	1,787,877	—	2,554,821
Disposals	—	(417)	(7,625)	—	(8,042)
Foreign currency adjustments	968	—	455	—	1,423
At 31 December 2022	1,974,763	379,072	4,977,326	—	7,331,161
Carrying amounts					
At 31 December 2022	2,887,591	454,760	6,683,950	5,077,924	15,104,225
At 31 December 2021	1,754,223	474,834	2,444,045	—	4,673,102

During the year, £28,767 (2021: nil) of work in progress was transferred to software as disclosed in intangible assets, see note 14. In prior years, software numbers were not significant and so were included in the computer equipment disclosures as tangible. However in the current year, software has been reclassified to intangibles as well as any comparative numbers.

Additions from acquisitions relates to the recording of assets at net book value for the Tron Bidco Group.

Across the Group, work in progress is not capitalised for depreciation until the asset is in use.

Leasehold improvements includes amounts for asset retirement obligations with a net book value £298,693 (2021: £226,290).

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****12 Right-of-use Assets**

	2022	Restated 2021
	£	£
Cost of leaseholds		
At 1 January	5,455,906	5,455,906
Extension in lease term	616,298	—
Additions – acquisitions	3,577,546	—
At 31 December	9,649,750	5,455,906
Accumulated amortisation and impairment on leaseholds		
At 1 January	1,345,756	—
Charge for the period	1,792,502	1,345,756
At 31 December	3,138,258	1,345,756
Carrying amount of leases for leaseholds		
At 31 December	6,511,492	4,110,150

13 Goodwill

Carrying amount of goodwill at the reporting end date is as follows:

	2022	2021
	£	£
Costs		
At 1 January 2022	—	—
Additions – acquisitions	17,679,702	—
At 31 December 2022	17,679,702	—
Accumulated impairment		
At 1 January 2022	—	—
Impairment charge for the period	—	—
At 31 December 2022	—	—
Carrying amounts		
At 31 December	17,679,702	—

Goodwill

A review of the carrying value of goodwill has been performed as at 31 December 2022. In performing this review, the recoverable amount had been determined by reference to the higher of fair value less costs to sell and the VIU of the related CGU. The VIU was determined for each CGU by discounting management forecasts of future cash flows (based on the approved five-year business plan extrapolated at long-term growth rates) at pre-tax discount rates dependent on the risk-adjusted cost of capital of the different parts of the business. Management forecasts take account of the historical trading experience of the relevant business.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022**

In undertaking the annual impairment review, the Directors considered both external and internal sources of information, and any observable indications that may suggest that the carrying value of goodwill may be impaired. The fair value measurement was categorised at Level-3 in the fair value hierarchy according to IFRS 13 Fair value measurement.

In each assessment, the recoverable amount has been calculated based on five-year plan projections for Epic Games Animation UK Limited, the 'Services' CGU. The projections which incorporate our best estimates of future cash flows and take into account future growth and price increases have proved to be reliable guides in the past.

The long-term growth rates applied to cash flows after 2027 and the rates used to discount the projected cash flows for these CGUs are shown in the table below:

Cash Generating Unit	Long Term Growth Rate	Discount Rate (Post-tax)
Epic Games Animation UK Limited	3.5%	9.14%

Growth rates are determined by a combination of management's budget and forecasts based on revenue and operating profit assumptions, together with a further estimate of cash flows into perpetuity using GDP growth rates based on a longer-term cash flow model. The cash flows are discounted using a post-tax WACC, which reflects current market assessments of the time value of money and the risks specific to the CGUs, including risk premiums. Future economic growth rates have been used to extrapolate projections beyond five years for the Service entity.

Future cash flows reflect management's expectation of revenue and operating profit taking into account the timing of economic and industry specific information and outlook. Expected future cash flows are uncertain, subject to change and are affected by multiple variables including estimates, changes in customers' plans, confidence in technology, prices, discount rates, currency exchange rates and climate change.

Based on the VIU calculations, no impairment has been identified.

Management has considered a range of sensitivities on each of the key assumptions, with other variables held constant. The sensitivities include applying increases in the discount rate by 1% and reductions in the long-term growth rates to 0%.

Based on current available information, the Directors do not consider there are any reasonably possible sensitivities that could arise in the next 12 months that would result in a material impairment charge being recognised.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****14 Other Intangible Assets**

	Client Relationships £	Computer Software £	Total £
Cost			
At 1 January 2021	—	13,539	13,539
Additions	—	157,899	157,899
At 31 December 2021	—	171,438	171,438
Additions from acquisitions	766,333	224,452	990,785
Additions	—	16,129	16,129
Transfers from work in progress	—	28,767	28,767
Disposals	—	(7,365)	(7,365)
At 31 December 2022	766,333	433,421	1,199,754
Accumulated amortisation and impairment			
At 1 January 2021	—	2,257	2,257
Charge for the period	—	11,279	11,279
At 31 December 2021	—	13,536	13,536
Charge for the period	242,000	187,927	429,927
At 31 December 2022	242,000	201,463	443,463
Carrying values			
At 31 December 2022	524,333	231,958	756,291
At 31 December 2021	—	157,902	157,902

The Client Relationships were acquired through the Tron Bidco Group acquisition with a remaining useful life of three years from acquisition.

Intangible assets are stated at costs less accumulated amortization and impairment losses.

In prior years, software numbers were not significant and so were included in the computer equipment disclosures as tangible. However in the current year, software has been reclassified to intangibles as well as any comparative numbers.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2022**15 Subsidiaries**

Details of the Company's subsidiaries at 31 December 2022 are as follows:

Name of Undertaking	Registered Office	Class of Shares Held	% Held Direct
Direct			
Tron Bidco Limited	Shepherd and Wedderburn LLP, Octagon Point, 5 Cheapside, London EC2V 6AA	Ordinary	100.0
EGP Poland sp. Zo.o	Towarowa 28, 00-839, Warsaw, Poland	Ordinary	100.0
Indirect			
Epic Games Animation UK Ltd	Shepherd and Wedderburn LLP, Octagon Point, 5 Cheapside, London EC2V 6AA	Ordinary	100.0

Details of the Company's subsidiary at 31 December 2021 was as follows:

Name of Undertaking	Registered Office	Class of Shares Held	% Held Direct
Direct			
EGP Poland sp. Zo.o	Towarowa 28, 00-839, Warsaw, Poland	Ordinary	100.0

16 Trade and Other Receivables

	2022	Restated 2021
	£	£
Amounts falling due within one year:		
Amount owed by parent undertaking	6,064,204	15,975,682
Amounts owed by fellow group undertakings	232,772	145,103
Other receivables	203,529	—
VAT receivable	1,326,843	254,587
Prepayments and accrued income	3,031,368	2,119,951
	10,858,716	18,495,323
Amounts falling due after more than one year:		
Deferred tax assets (note 22)	8,802,455	12,470,898
Other receivables	938,450	531,343
	9,740,905	13,002,241
	20,599,621	31,497,564

Amounts owed by group undertakings do not bear interest and are repayable on demand.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2022**17 Trade and Other Payables**

	2022	Restated 2021
	£	£
Trade payables	1,225,845	399,794
Amount owed to parent undertaking	4,554,795	—
Amounts owed to fellow group undertakings	328,034	—
Accruals and deferred income	7,592,149	4,265,164
Taxation and social security	1,465,550	6,802,493
Other payables	51,438	22,343
	15,217,811	11,489,794

Amounts owed to group undertakings do not bear interest and are repayable on demand.

18 Liquidity Risk

The Group has adequate cash resources to manage the short-term working capital needs of the business. The following table details the remaining contractual maturity for the group's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the group may be required to pay.

The tables below analyses the Group's financial liabilities based on the period remaining to the contractual maturity dates at the reporting date. The amounts disclosed in the contractual cash flows are gross and undiscounted, and include future interest payments, so will not necessarily reconcile to the carrying amounts. Balances due within 12 months equal their carrying balances, because the impact of discounting is not significant.

	Carrying Amount	Due in Less Than One Year	Due in Between One and Two Years	Due in Between Two and Five Years	Due More Than Five Years
	£	£	£	£	£
At 31 December 2022					
Trade payables	1,225,845	1,225,845	—	—	—
Amount owed to parent undertaking	4,554,795	4,554,795	—	—	—
Amounts owed to fellow group undertakings	328,034	328,034	—	—	—
Accruals and deferred income	7,592,149	7,592,149	—	—	—
Social security and other taxation	1,465,550	1,465,550	—	—	—
Other payables	51,438	51,438	—	—	—
Total payables	15,217,811	15,217,811	—	—	—
Lease liabilities	6,645,959	1,577,661	1,157,468	2,820,766	1,090,064
	21,863,770	16,795,472	1,157,468	2,820,766	1,090,064

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2022**18 Liquidity Risk (continued)**

	Carrying Amount £	Due in Less Than One Year £	Due in Between One and Two Years £	Due in Between Two and Five Years £	Due More Than Five Years £
At 31 December 2021					
Trade payables	399,794	399,794	—	—	—
Accruals and deferred income	4,265,164	4,265,164	—	—	—
Social security and other taxation	6,802,493	6,802,493	—	—	—
Other payables	22,343	22,343	—	—	—
Total payables	11,489,794	11,489,794	—	—	—
Lease liabilities	4,232,423	1,207,599	798,469	1,717,201	509,154
	15,722,217	12,697,393	798,469	1,717,201	509,154

The amounts disclosed in the table below are the fair value cash flows. Balances due within 12 months equal their carrying balances, because the impact of discounting is not significant.

	2022		2021	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
Trade payables	1,225,845	1,225,845	399,794	399,794
Amount owed to parent undertaking	4,554,795	4,554,795	—	—
Amounts owed to fellow group undertakings	328,034	328,034	—	—
Accruals and deferred income	7,592,149	7,592,149	4,265,164	4,265,164
Social security and other taxation	1,465,550	1,465,550	6,802,493	6,802,493
Lease liabilities	6,645,959	3,890,984	4,232,423	2,421,910
Other payables	51,438	51,438	22,343	22,343
	21,863,770	19,108,795	15,722,217	13,911,704

19 Provisions for Liabilities

	2022	2021
	£	£
Dilapidations Provisions		
Beginning balance	302,919	—
Additions - acquisitions	104,016	—
Obligation incurred during the period	191,897	336,832
Revisions to previous estimates	—	(33,913)
Ending balance	598,832	302,919

Balances are at carrying value as the impact of discounting is not considered significant.

Dilapidation provision will unwind with the useful life of the associated lease.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****20 Lease Liabilities**

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022	Restated 2021
	£	£
Current liabilities	1,577,661	1,207,599
Non-current liabilities	5,068,298	3,024,824
	6,645,959	4,232,423

The group's lease liabilities are on account of land and building.

	2022	Restated 2021
	£	£
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	160,549	107,765
Amortisation on right-of-use assets	1,792,502	1,345,756

21 Deferred Tax Assets

The following are the major deferred tax assets and liabilities recognised by the group and movements thereon:

	2022	Restated 2021
	£	£
Deferred tax assets		
Fixed asset temporary differences	513,085	—
Short term temporary differences	146,485	76,005
Share-based payments	3,655,971	7,225,847
Losses and other deductions	4,773,190	5,412,157
Total deferred tax assets as at 31 December	9,088,731	12,714,009
Deferred tax liabilities		
Fixed asset temporary differences	(155,194)	(243,111)
Identifiable IFAs (business combinations)	(131,082)	—
Total deferred tax liabilities as at 31 December	(286,276)	(243,111)
Net deferred tax assets	8,802,455	12,470,898

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****21 Deferred Tax Assets (continued)**

Net deferred tax balances at 31 December 2022 are as follows:

	Opening Balance (Asset) Liability	Prior Year Adjustment	Opening Balances per Final Tax Return	Opening Rate Change Adjustment	Adjusted Opening Balance	Current Year Movement	Tax in Reserves / Equity / OCI	Transfer / Adjustment	Closing Balance (Asset) Liability
	£	£	£	£	£	£	£	£	£
Tangible assets	(243,112)	497,800	254,688	—	254,688	258,397	—	(155,194)	357,891
Share-based payments	7,225,850	—	7,225,850	—	7,225,850	942,211	(4,512,090)	—	3,655,971
Accruals and provisions	76,005	39,093	115,098	—	115,098	(14,624)	—	46,011	146,485
Tax losses	5,412,155	304,683	5,716,838	—	5,716,838	(943,648)	—	—	4,773,190
Consolidation adjustment	—	—	—	—	—	—	—	(131,082)	(131,082)
Net deferred tax balance	12,470,898	841,576	13,312,474	—	13,312,474	242,336	(4,512,090)	(240,265)	8,802,455

Net deferred tax balances at 31 December 2021 are as follows:

	Opening Balance (Asset) Liability	Prior Year Adjustment	Opening Balances per Final Tax Return	Opening Rate Change Adjustment	Adjusted Opening Balance	Current Year Movement	Tax in Reserves / Equity / OCI	Transfer / Adjustment	Closing Balance (Asset) Liability
	£	£	£	£	£	£	£	£	£
Tangible assets	(163,140)	—	(163,140)	(51,518)	(214,658)	(28,454)	—	—	(243,112)
Share-based payments	—	—	—	—	—	1,154,131	6,071,719	—	7,225,850
Accruals and provisions	18,375	—	18,375	5,802	24,177	51,828	—	—	76,005
Tax losses	569,394	—	569,394	179,809	749,203	4,662,952	—	—	5,412,155
Consolidation adjustment	—	—	—	—	—	—	—	—	—
Net deferred tax balance	424,629	—	424,629	134,093	558,722	5,840,457	6,071,719	—	12,470,898

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****22 Retirement Benefit Schemes****Defined Contribution Schemes**

	2022	2021
	£	£
Charge to profit or loss in respect of defined contribution schemes	8,520,992	6,608,400

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Financial Instruments

All financial assets excluding deferred tax assets, and financial liabilities are measured at amortised cost.

	2022	2021
	£	£
Financial assets at amortised cost:		
Current assets		
Trade and other receivables	10,858,716	18,495,323
Corporation tax recoverable	4,428,065	1,886,604
Cash and cash equivalents	16,384,289	4,600,200
Non current assets		
Trade and other receivables	938,450	531,343
Financial Assets at fair value		
Non current assets		
Deferred tax assets	8,802,455	12,470,898
Financial liabilities at amortised cost		
Current liabilities		
Trade and other payables	15,217,811	11,489,794
Current tax liabilities	15,010	7,419
Lease liabilities	1,577,661	1,207,599
Non-current liabilities		
Trade and other payables	598,832	302,919
Lease liabilities	5,068,298	3,024,824

24 Share-based Payments

The Group's ultimate holding corporation operates an equity-settled share-based compensation plan ("the Equity Plan") and grants non-qualified share options to the Group's employees under the Equity Plan. Eligible plan participants include employees. Individual option grants generally vest and become exercisable over a period of five years from the grant date, with 1/5 becoming exercisable at the end of each year, commencing with the first anniversary of the grant date. Options cease to vest upon the termination of employment.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****24 Share-based Payments (continued)**

The exercise price of the options is determined based on the fair market value at the date of the grant. Movement in the number of unissued ordinary shares of the ultimate holding corporation under option for the Group's employees are as follows:

	2022		2021	
	Number of Share Options	Average Exercise Price USD\$	Number of Share Options	Average Exercise Price USD\$
Outstanding at 1 January	114,985	435.56	110,447	196.26
Additions - acquisitions	26,174	709.37	—	—
Granted	—	N/A	35,654	899.15
Exercised	(8,545)	37.30	(16,431)	47.30
Forfeited	(6,424)	858.72	(14,685)	195.75
Transfers out	(4,672)	577.38	—	N/A
Outstanding at 31 December	121,518	474.86	114,985	435.56
Exercisable at 31 December	71,162	269.68	48,900	126.13

During the year an acquisition of an entity under common control of the Group's ultimate holding corporation with the same share-based compensation plan was acquired.

No options expired during the years ended 31 December 2022 and 2021.

The weighted average share price at the date of exercise for share options exercised during the year was \$37.30 (2021: \$47.30).

As of 31 December 2022, there were 71,162 (2021: 48,900) exercisable stock options outstanding at a weighted average exercise price of \$269.68 (2021: \$126.13).

On transition to IFRS 2, there are 5,200 options that related to FRS 102 exemptions that are not included in the above table.

Per note 6 to the Group accounts, the expense for the compensation plan for the year was £5,551,079 (2021: £2,859,949).

Options granted during the period

The Company granted zero stock options during the financial year (2021: 35,654).

The fair value of the share options granted is estimated using the Black-Scholes options pricing model, taking into account the terms and conditions upon which the instruments were granted. The fair value of stock options is estimated using the Black-Scholes options pricing model. This model requires the input of assumptions regarding a number of complex and subjective variables that will usually have a significant impact on the fair value estimate. These variables include, but are not limited to, the volatility of the Company's ultimate holding corporation's, risk-free rate and expected exercise term.

The following weighted-average assumptions were used for the options granted during the years ended 31 December 2022 and 2021:

	2022	2021
Expected volatility	nil	38.20 %
Expected dividend yield	nil	— %
Expected risk-free interest rate	nil	0.87 %
Expected term of options (years)	nil	5

Due to limited historical data, the stock price volatility is estimated based on the actual volatility of comparable publicly traded companies over the expected life of the option. The expected term represents the average time that options that vest are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve during the expected life of the option.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2022**25 Called Up Share Capital****Ordinary share capital**

	2022		2021	
	Number of Shares	£	Number of Shares	£
<i>Issued and fully paid</i>				
Ordinary shares of £1 each	2,913,899	2,913,899	2,913,897	2,913,897

Allotments of Ordinary shares with a nominal value of £1 each were made at par on the following dates:

- 625,002 shares on 22 April 2016;
- 1,600,000 shares on 27 December 2017;
- 688,895 shares on 16 October 2018;
- 2 shares on 12 January 2022.

26 Reserves

The nature and purpose of each of the Group's reserves is set out below.

Share premium account

The share premium represents the amount subscribed for share capital in excess of nominal value.

Capital contribution reserve

The capital contribution reserve represents the amount contributed by the immediate parent company Epic Games, Inc.

Tax reserve on equity settled SBPs

The tax reserve on equity settled SBPs reserve represents the movement in deferred tax on the Group's ultimate holding corporation SBP scheme.

Currency translation reserve

The currency translation reserve represents the accumulated foreign exchange differences from the translation of the results of the Group's operations not presented in the functional currency of the Group.

Accumulated profits

Accumulated profits represent the cumulative net profits of the Group.

27 Capital Risk Management

The group is not subject to any externally imposed capital requirements.

28 Events After Reporting Date

In early January 2023, the Company was contributed certain Canadian and EMEA subsidiaries from its immediate parent undertaking, Epic Games International S.à r.l. in exchange for shares. The transaction is detailed in note 29 to the accounts.

On 18 January 2023, the Company acquired the entire share capital of Contexai Limited which is currently working on automated content moderation solution for social media.

In December 2023, the Company had two leases assigned from another group company for the Company's main location in London from where most of its operations have been situated since September 2022. A new five year property lease was signed for a London location for the provision of a Lab, commencing on the 2 November 2023. The right-of-use asset and lease liability recognised at the outset was £1,537,469.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****29 Commitments and Contingent Liabilities**

There are no capital commitments, nor contingent liabilities to disclosure for the Group.

30 Related Party Transactions**Other transactions with related parties**

The following amounts due to related parties were outstanding at the reporting end date:

	2022	2021
	£	£
<i>Parent company – falling due within one year:</i>		
Epic Games International S.à.r.l. - Swiss Branch	4,554,795	—
Total	4,554,795	—
<i>Fellow group undertakings – falling due within one year:</i>		
Epic Games Commercial UK Ltd.	44,273	—
Kids Web Services Ltd (formerly Epic Games International UK Limited)	14,207	—
Epic Games SA UK Limited (formerly SuperAwesome Limited)	269,524	—
Epic Games Netherlands B.V.	30	—
Total	328,034	—

All amounts falling due within one year are interest free and repayable on demand.

The following amounts due from related parties were outstanding at the reporting end date:

	2022	2021
	£	£
<i>Parent company – falling due within one year:</i>		
Epic Games, Inc.	6,064,204	12,525,777
Epic Games International S.à.r.l. - Swiss Branch	—	3,449,905
Total	6,064,204	15,975,682
<i>Fellow group undertakings – falling due within one year:</i>		
BC Oakland LLC (formerly Bandcamp LLC)	191,225	—
Sketchfab, Inc.	18,642	15,082
Mediatonic Limited	12,099	34,247
Kids Web Services Ltd (formerly Epic Games International UK Limited)	3,502	—
Epic Games Royale Limited	3,502	—
Epic Games Ventures Limited	3,502	—
Epic Games UK SMI Ltd.	300	—
Epic Games Slovakia S.R.O.	—	66,378
Epic Games SA UK Limited (formerly SuperAwesome Limited)	—	17,441
Epic Games Animation UK Ltd.	—	11,955
Total	232,772	145,103

All amounts due from related parties are interest free and repayable on demand.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****30 Related Party Transactions (continued)**

The following recharge transactions were carried out with related parties:

	2022		2021	
	Income	Expenses	Income	Expenses
	£	£	£	£
Epic Games, Inc.	67,239,097	96,345	33,534,980	—
Epic Games International S.à.r.l. - Swiss Branch	17,165,706	—	14,922,963	—
BC Oakland LLC (formerly Bandcamp LLC)	2,019,407	—	—	—
Sketchfab, Inc.	111,849	—	116,989	—
Epic Games Germany GmbH	9,174	—	—	—
Epic Games Singapore Pte. Ltd.	9,163	—	—	—
3Lateral DOO Novi Sad	1,511	15,997	—	—
Total	86,555,907	112,342	48,574,932	—

31 Cash Generated from Operations

	2022	2021
	£	£
Profit for the year before income tax	8,805,878	5,465,818
Adjustments to reconcile profit for the year before income tax to net cash provided by operating activities		
Depreciation of property and equipment	2,554,821	1,811,587
Depreciation of finance leases	1,792,502	1,345,756
Amortisation of intangible assets	429,927	11,279
Finance income	(56,557)	—
Finance expense	214,936	107,809
Unrealised foreign currency (gain)/loss	90,155	(16,468)
Loss on sale of assets	29,913	51,611
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	8,428,608	(3,021,208)
Trade and other payables	(372,417)	(3,313,543)
Movement in right-of-use assets	(616,298)	—
Movement in asset retirement obligation	(132,416)	(303,046)
Less tax refund	304,235	(154,776)
Cash generated from operations	21,473,287	1,984,819

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

32 Acquisition of Business Under Common Control

On 12 January 2022 the Company acquired 100% of Tron Bidco Limited and its subsidiary undertaking (the business), from an entity under common control, Epic Games International S.à r.l.. Founded in 2009, the business makes screen mounted high definition cameras and related technologies. It was 100% acquired by Epic Games International S.à r.l. in 2020 before Epic Games UK Ltd acquired it, the only consideration was two shares issued from the Company.

As a business under common control, Epic management has applied predecessor accounting to the acquisition. Book value of assets acquired and liabilities assumed are presented in the table below:

	£
Assets	
Goodwill	17,679,702
Intangible assets	990,785
Tangible assets	2,807,541
Right-of-use assets	3,577,546
Other non-current assets	46,236
Trade and other receivables due within one year	4,779,486
Deferred tax assets	177,378
Cash at bank and in hand	2,274,029
	32,332,703
Liabilities	
Trade and other payables due within one year	(5,021,849)
Current lease liabilities	(302,137)
Non-current lease liabilities	(3,322,118)
Total trade and other payables due after one year	(104,016)
Deferred tax liabilities	(191,583)
	(8,941,703)
Total identifiable net assets at fair value	23,391,000
Total compensation through issue of shares	23,391,000

33 Transition to IFRS

As stated in the accounting policies of the group - Basis of preparation, these are the group's first consolidated financial statements prepared in accordance with IFRS. As permitted by IFRS 1 - First time adoption of international Financial Reporting Standards, the group has adopted certain optional exemptions from full retrospective application of IFRS accounting policies. Subject to those exemptions, the accounting policies of the group have been applied in preparing the consolidated financial statements for the year ended 31 December 2022, the comparative information presented in these financial statements for the year ended 31 December 2021 and an opening consolidated balance sheet as at 1 January 2021 (the group's date of transition to IFRS reporting).

The IFRS figures have been prepared in accordance with IFRS standards and interpretations as endorsed and adopted for use in the United Kingdom. In preparing the comparative information and the opening consolidated balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting under UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the group's financial position follows. There are two key standards that have affected the group accounts, IFRS 2 - "Share-based Payment" and IFRS 16 "Leases" and their impacts have been shown in the following tables. As a result of changes to the financial results of the group related cost plus arrangements within the Epic group and tax updates have been made.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****33 Transition to IFRS (continued)****Reconciliation for the changes in Equity as at 1 January 2021**

	FRS 102 Balances	IFRS 2	IFRS 16	Revised Cost Plus & Tax	January 2021
	£	£	£	£	£
Non-current assets					
Tangible assets	5,444,199	—	—	—	5,444,199
Right-of-use assets	—	—	5,455,906	—	5,455,906
Other intangible assets	11,283	—	—	—	11,283
Total non-current assets	5,455,482	—	5,455,906	—	10,911,388
Current assets					
Trade and other receivables	11,324,320	—	—	609,356	11,933,676
Corporation tax recoverable	1,014,644	—	—	—	1,014,644
Cash and cash equivalents	5,045,663	—	—	—	5,045,663
Total current assets	17,384,627	—	—	609,356	17,993,983
Total assets	22,840,109	—	5,455,906	609,356	28,905,371
Current liabilities					
Trade and other payables	9,575,010	541,951	—	—	10,116,961
Lease liabilities	—	—	1,373,664	—	1,373,664
Total current liabilities	9,575,010	541,951	1,373,664	—	11,490,625
Net current assets	7,809,617	(541,951)	(1,373,664)	609,356	6,503,358
Total assets less current liabilities	13,265,099	(541,951)	4,082,242	609,356	17,414,746
Non-current liabilities					
Lease liabilities	—	—	4,026,756	—	4,026,756
Total non-current liabilities	—	—	4,026,756	—	4,026,756
Net assets	13,265,099	(541,951)	55,486	609,356	13,387,990
Equity					
Called up share capital	2,913,897	—	—	—	2,913,897
Capital contribution reserve	1,095,205	—	—	—	1,095,205
Accumulated earnings	9,255,997	(541,951)	55,486	609,356	9,378,888
Total equity	13,265,099	(541,951)	55,486	609,356	13,387,990

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****33 Transition to IFRS (continued)****Reconciliation for the changes in Equity as at 31 December 2021**

	Under UK GAAP	IFRS 2	IFRS 16	Revised Cost Plus & Tax	Restated 2021 under IFRS
	£	£	£	£	£
Non-current assets					
Tangible assets	4,673,102	—	—	—	4,673,102
Right-of-use assets	—	—	4,110,150	—	4,110,150
Other intangible assets	157,902	—	—	—	157,902
Deferred tax assets	6,527,159	—	—	5,943,739	12,470,898
Trade and other receivables	531,343	—	—	—	531,343
Total non-current assets	11,889,506	—	4,110,150	5,943,739	21,943,395
Current assets					
Trade and other receivables	17,449,523	—	—	1,045,800	18,495,323
Corporation tax recoverable	1,886,604	—	—	—	1,886,604
Cash and cash equivalents	4,600,200	—	—	—	4,600,200
Total current assets	23,936,327	—	—	1,045,800	24,982,127
Total assets	35,825,833	—	4,110,150	6,989,539	46,925,522
Non-current liabilities					
Trade and other payables	598,035	—	(295,116)	—	302,919
Lease liabilities	—	—	3,024,824	—	3,024,824
Total non-current liabilities	598,035	—	2,729,708	—	3,327,743
Current liabilities					
Trade and other payables	10,290,135	1,199,659	—	—	11,489,794
Current tax liabilities	7,419	—	—	—	7,419
Lease liabilities	—	—	1,207,599	—	1,207,599
Total current liabilities	10,297,554	1,199,659	1,207,599	—	12,704,812
Total liabilities	10,895,589	1,199,659	3,937,307	—	16,032,555
Net assets	24,930,244	(1,199,659)	172,843	6,989,539	30,892,967
Equity					
Called up share capital	2,913,897	—	—	—	2,913,897
Capital contribution reserve	1,095,205	—	—	—	1,095,205
Tax reserve on equity settled SBPs	—	—	—	6,071,719	6,071,719
Currency translation reserve	336	—	—	—	336
IFRS 2020 implementation	—	(541,951)	55,486	609,356	122,891
Accumulated profits	20,920,806	(657,708)	117,357	308,464	20,688,919
Total equity	24,930,244	(1,199,659)	172,843	6,989,539	30,892,967

On implementation of IFRS, at 31 January 2020, there is a net increase to retained earnings of £122,891, after the first full year of IFRS, as at 31 December 2021 there is a cumulative net decrease to retained earnings of £108,996.

EPIC GAMES UK LTD**Notes to the Consolidated Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****33 Transition to IFRS (continued)****Reconciliation for the changes in Profit for the year ended 31 December 2021**

	FRS 102 Balances	IFRS 2	IFRS 16	Revised Cost Plus & Tax	Restated 2021 under IFRS
	£	£	£	£	£
Revenue	47,986,411	—	—	588,521	48,574,932
Cost of sales	(42,277)	—	—	—	(42,277)
Gross profit	47,944,134	—	—	588,521	48,532,655
Administrative expenses	(42,917,186)	(657,708)	84,319	—	(43,490,575)
Other operating income	531,547	—	—	—	531,547
Operating profit	5,558,495	(657,708)	84,319	588,521	5,573,627
Finance expense	(44)	—	(107,765)	—	(107,809)
Profit before taxation	5,558,451	(657,708)	(23,446)	588,521	5,465,818
Income tax credit	6,095,085	—	—	(127,980)	5,967,105
Profit (loss) for the period	11,653,536	(657,708)	(23,446)	460,541	11,432,923

Other comprehensive income**Items that may be reclassified to profit:**

Currency translation differences:					
Translation gain arising in the period	336	—	—	—	336
Total items that may be reclassified to income	336	—	—	—	336
Tax on equity settled share-based payment plans	—	—	—	6,071,719	6,071,719
Total other comprehensive income for the year	336	—	—	—	336
Total comprehensive income (loss) for the period	11,653,872	(657,708)	(23,446)	6,532,260	17,504,978

IFRS 2 Share-based Payments

Previously under UK GAAP, entities within the group recognised share-based payments in accordance with the requirements outlined in FRS 20 - "Share-based Payment." Share-based payments were generally accounted for using the intrinsic value method, with the fair value disclosure being optional. Vesting conditions were not explicitly considered in the recognition of the expense. The group measured the fair value of equity-settled share-based payments at the grant date, considering the market price of the Company's shares at that date. For cash-settled share-based payments, the fair value was determined by reference to the market price of the share, adjusted for the present value of expected future cash outflows.

IFRS 2 - "Share-based Payment" introduces significant changes in the accounting for share-based payments, aiming for a fair value measurement and recognition approach. Under IFRS 2, the group recognises all share-based payments, both equity-settled and cash-settled, at fair value, irrespective of whether they are vested or not. The fair value is determined at the grant date and is recognised as an expense over the vesting period. This approach provides a more comprehensive and transparent representation of the cost of share-based payments, aligning with the principle of fair value accounting.

Moreover, IFRS 2 introduces specific guidance for the treatment of vesting conditions. The impact of vesting conditions is taken into account in determining the fair value of the share-based payment, resulting in a more accurate reflection of the cost of share-based payments over the vesting period.

EPIC GAMES UK LTD

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

33 Transition to IFRS (continued)

Impact on the Group:

The transition from UK GAAP to IFRS 2 represents a significant shift in the recognition, measurement, and disclosure of share-based payments for the group. The move to fair value accounting under IFRS 2 enhances transparency and aligns the financial statements with international reporting standards, providing stakeholders with a more accurate representation of the group's financial performance and position. At implementation there is reduction to retained earnings of £541,951 for share-based payments related to prior years and another £657,707 expense for 2021.

IFRS 16 Leases

Previously under UK GAAP, the group recognised operating leases and finance leases and under the requirements of FRS 102, the group did not have any finance leases to record.

IFRS 16 eliminates the distinction between finance leases and operating leases for lessees, requiring the recognition of all leases on the balance sheet. Under IFRS 16, the group recognises a right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low-value assets. The right-of-use asset is initially measured at the present value of lease payments, while the lease liability represents the obligation to make future lease payments.

The group depreciates the right-of-use asset over the lease term and recognises interest expense on the lease liability. This results in a front-loaded expense recognition pattern compared to the straight-line expense under UK GAAP for operating leases.

Impact on the Group:

The adoption of IFRS 16 has a significant impact on the group's financial statements with the recognition at cost of £5,455,906 in right-of-use assets on implementation.

Post the implementation of IFRS tax and cost plus models were updated. The increase in costs from share-based payments, the revenue increased accordingly.

34 Parent Company and Ultimate Controlling Party

The immediate parent company is Epic Games International S.à r.l., a company incorporated in Luxembourg, registered office: 39 Boulevard Royal 2450 Bertrange, Luxembourg and which is the parent of the smallest group within which the Company belongs and for which group accounts are prepared. These accounts are not available to the public.

The ultimate controlling party is Epic Games, Inc., a company incorporated in the United States of America, registered office 620 Crossroad Boulevard, Cary, NC 27518, USA and which is the parent of both the largest group within which the Company belongs and for which group accounts are prepared. These accounts are not available to the public.

EPIC GAMES UK LTD**Company Statement of Financial Position****AS AT 31 DECEMBER 2022**

		2022	Restated 2021
	Notes	£	£
Non-current assets			
Investments	3	27,575,566	927
Tangible assets	4	7,047,976	4,673,102
Right-of-use assets	5	3,402,889	4,110,150
Other intangible assets	6	102,762	157,902
Deferred tax assets	7	9,042,721	12,470,898
Trade and other receivables	8	903,360	531,343
Total non-current assets		48,075,274	21,944,322
Current assets			
Trade and other receivables	8	12,036,791	18,463,668
Corporation tax recoverable		2,601,732	1,886,604
Cash and cash equivalents		10,081,998	4,599,460
Total current assets		24,720,521	24,949,732
Total assets		72,795,795	46,894,054
Non-current liabilities			
Provisions	11	386,269	302,920
Lease liabilities	12	2,226,354	3,024,824
Total non-current liabilities		2,612,623	3,327,744
Current liabilities			
Trade and other payables	10	10,439,084	11,418,889
Lease liabilities	12	1,257,177	1,207,599
Total current liabilities		11,696,261	12,626,488
Total liabilities		14,308,884	15,954,232
Net assets		58,486,911	30,939,822
Equity			
Called up share capital	15	2,913,899	2,913,897
Share premium account		23,390,998	—
Capital contribution reserve		1,095,205	1,095,205
Tax reserve on equity settled SBPs		1,559,629	6,071,719
Accumulated profits		29,527,180	20,859,001
Total shareholders' funds		58,486,911	30,939,822

The notes on pages 51 to 61 form part of these Company financial statements.

As permitted by s408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income and related notes. The Company's profit after tax for the period was £8,668,179 (2021: £11,480,112).

The financial statements on pages 49 to 61 were approved by the Board of Directors and signed on 27 March 2024 on its behalf by:

Belinda Stockwell

B C Stockwell
Director

Company registration number 02865912

EPIC GAMES UK LTD**Company Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called Up Share Capital £	Share Premium Account £	Capital Contribution Reserve £	Tax Reserve on Equity Settled SBPs £	Accumulated Profits £	Total £
Balance at 1 January 2021	2,913,897	—	1,095,205	—	9,256,000	13,265,102
IFRS implementation 1 January 2021	—	—	—	—	122,889	122,889
Restated balance at 1 January 2021	2,913,897	—	1,095,205	—	9,378,889	13,387,991
Profit for the year	—	—	—	—	11,480,112	11,480,112
Other comprehensive income:						
Deferred tax on share-based payments	—	—	—	6,071,719	—	6,071,719
Total comprehensive income for the year	—	—	—	6,071,719	11,480,112	17,551,831
Transactions with owners in their capacity as owners:						
Capital contribution - parent equity-settled share-based payments	—	—	—	—	2,805,069	2,805,069
Return of capital contribution - parent equity-settled share-based payments	—	—	—	—	(2,805,069)	(2,805,069)
Balance at 31 December 2021	2,913,897	—	1,095,205	6,071,719	20,859,001	30,939,822
Profit for the year	—	—	—	—	8,668,179	8,668,179
Other comprehensive income:						
Deferred tax on share-based payments	—	—	—	(4,512,090)	—	(4,512,090)
Total comprehensive expense for the period	—	—	—	(4,512,090)	8,668,179	4,156,089
Transactions with owners in their capacity as owners:						
Issue of share capital	2	23,390,998	—	—	—	23,391,000
Capital contribution - parent equity-settled share-based payments	—	—	—	—	2,478,105	2,478,105
Return of capital contribution - parent equity-settled share-based payments	—	—	—	—	(2,478,105)	(2,478,105)
Balance at 31 December 2022	2,913,899	23,390,998	1,095,205	1,559,629	29,527,180	58,486,911

The notes on pages 51 to 61 form part of these Company financial statements.

EPIC GAMES UK LTD

Notes to the Company Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies - Company

Company Information

Epic Games UK Ltd is a private company limited by shares incorporated in the United Kingdom. The registered office is Shepherd and Wedderburn LLP, Octagon Point, 5 Cheapside, London, EC2V 6AA. The principal place of business is Westbury House, Bury Street, Guildford, Surrey, England, GU2 4YZ.

These notes provide a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent that they have not already been disclosed in the other notes above. These policies have been consistently applied, unless otherwise stated.

1.1 Reporting Period

These financial statements are for the year 1 January 2022 to 31 December 2022 with comparative period.

1.2 Accounting Convention

The parent company's financial statements are prepared in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the Standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of UK-adopted IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- 1.2.1 the requirements of IAS 7 to present a cash flow statement;
- 1.2.2 the requirements of paragraph 17 of IAS 24 'Related Party Transactions', to disclose information related to key management personnel, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries;
- 1.2.3 the requirements of paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new standards issued but which are not yet effective;
- 1.2.4 the requirements of paragraphs 45(b) and 46-52 of IFRS 2 to disclose information about share-based payments;
- 1.2.5 the requirements of IFRS 7 and IFRS 13 for disclosure of financial instruments and fair values; and
- 1.2.6 IFRS 3 requires the disclosure for Post Balance Sheet Acquisition Disclosure.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention.

The Company applies accounting policies consistent with those applied by the Group. To the extent that an accounting policy is relevant to both group and parent company financial statements, please refer to the Group financial statements for disclosure of the relevant accounting policy.

EPIC GAMES UK LTD

Notes to the Company Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies - Company (continued)

New standards, amendments and interpretations adopted by the Group

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to International Accounting Standards (“IAS”) 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The group also elected to adopt the following amendments early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12, and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.3 Going Concern

At the period end the Company had net current assets of £13,024,260 (2021: £12,323,244) and a net profit of £8,668,182 (2021: £11,480,112) for the year ended 31 December 2022. The financial statements have been prepared on the going concern basis as the Company has received confirmation from Epic Games, Inc., its ultimate parent undertaking, of its intention to continue to provide financial support to the extent necessary to enable the Company to continue to pay its liabilities as and when they become due for a period not less than 12 months from the date of approval of these financial statements. Having regard to this intention, the Directors have assessed the Company's cash requirements for the same period and have concluded that there is a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future.

1.14 Financial Assets

Financial assets are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

EPIC GAMES UK LTD

Notes to the Company Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies - Company (continued)

1.14 Financial Assets (continued)

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The parent company has made an irrevocable election to recognise changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to retained earnings when the equity instrument is derecognised or its fair value substantially decreased. Dividends are recognised as finance income in profit or loss.

Financial assets carried at amortised cost and fair value through other comprehensive income are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessarily for a credit event to have occurred before credit losses are recognised. Instead, the Group always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date.

EPIC GAMES UK LTD

Notes to the Company Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies - Company (continued)

1.14 Financial Assets (continued)

The Group assess the expected credit losses associated for trade receivables on a forward-looking basis. The measurement of expected credit losses reflects an unbiased and probability-weighted risk factor of default that is determined by evaluating the range of possible outcomes including the time value of money, current trading conditions and reasonable forecasts.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.15 Financial Liabilities

The Group recognises financial debt when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

1.16 Equity Instruments

Equity instruments issued by the parent company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer payable at the discretion of the Company.

2 Income Statement - Company

Note 5 to the consolidated financial statements provides details of the remuneration of the Company's auditor for the group.

Information on Director's emoluments, share and other interests, transaction and pension entitlements are included in the Directors emoluments in note 7 in the consolidated financial statements.

EPIC GAMES UK LTD**Notes to the Company Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****3 Investments - Company**

	Shares in Subsidiaries and Participating Interests	
	2022	2021
	£	£
Cost or valuation		
At 1 January	927	—
Additions	27,574,639	927
At 31 December	27,575,566	927
Impairment		
At 1 January	—	—
Impairment losses	—	—
At 31 December	—	—
Carrying amount		
At 31 December	27,575,566	927

During the year the Company acquired Tron Bidco Limited and its subsidiary. Details of the Company's principal operating subsidiaries are included in note 15 of the consolidated financial statements.

EPIC GAMES UK LTD**Notes to the Company Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****4 Tangible Assets - Company**

	Leasehold Improvements £	Fixtures & Fittings £	Computer Equipment £	Work in Progress £	Total £
Cost					
At 01 January 2021	2,829,559	705,630	5,369,408	—	8,904,597
Additions	302,920	58,088	964,686	—	1,325,694
Disposals	(55,269)	(25,531)	(693,428)	—	(774,228)
At 31 December 2021	3,077,210	738,187	5,640,666	—	9,456,063
Additions	34,778	—	4,232,475	123,443	4,390,696
Disposals	—	(417)	(145,939)	—	(146,356)
At 31 December 2022	3,111,988	737,770	9,727,202	123,443	13,700,403
Accumulated amortisation and impairment					
At 01 January 2021	860,446	175,643	2,424,310	—	3,460,399
Charge for the year	472,695	105,896	1,232,996	—	1,811,587
Disposals	(10,154)	(18,186)	(460,685)	—	(489,025)
At 31 December 2021	1,322,987	263,353	3,196,621	—	4,782,961
Charge for the year	458,404	105,702	1,307,302	—	1,871,408
Disposals	—	(417)	(1,525)	—	(1,942)
At 31 December 2022	1,781,391	368,638	4,502,398	—	6,652,427
Carrying values					
At 31 December 2022	1,330,597	369,132	5,224,804	123,443	7,047,976
At 31 December 2021	1,754,223	474,834	2,444,045	—	4,673,102

In prior years, software numbers were not significant and so were included in the computer equipment disclosures as tangible. However in the current year, software has been reclassified to intangibles, as with any comparative numbers.

5 Right-of-use Assets - Company

	2022 £	Restated 2021 £
Cost of leaseholds		
At 1 January	5,455,906	5,455,906
Additions	616,298	—
At 31 December	6,072,204	5,455,906
Accumulated amortisation and impairment on leaseholds		
At 1 January	1,345,756	—
Charge for the period	1,323,559	1,345,756
At 31 December	2,669,315	1,345,756
Carrying values		
At 31 December	3,402,889	4,110,150

EPIC GAMES UK LTD**Notes to the Company Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****6 Other Intangible Assets - Company**

	Computer Software £
Cost	
At 01 January 2021	13,539
Additions	157,899
At 31 December 2021	171,438
Additions	7,365
Disposals	(7,365)
At 31 December 2022	171,438
Accumulated amortisation and impairment	
At 01 January 2021	2,257
Charge for the period	11,279
At 31 December 2021	13,536
Charge for the period	55,140
At 31 December 2022	68,676
Carrying values	
At 31 December 2022	102,762
At 31 December 2021	157,902

In prior years, software numbers were not significant and so were included in the computer equipment disclosures of tangible assets. However, in the current year, software has been reclassified to intangibles as well as any comparative numbers.

7 Deferred Tax Assets - Company

	2022 £	Restated 2021 £
Deferred tax assets		
Fixed asset temporary differences	513,085	—
Short term temporary differences	100,475	76,005
Share-based payments	3,655,971	7,225,850
Losses and other deductions	4,773,190	5,412,155
Total deferred tax assets as at 31 December	9,042,721	12,714,010
Deferred taxation liabilities		
Fixed asset temporary differences	—	(243,112)
Total liabilities as at 31 December	—	(243,112)
Net deferred tax assets at 31 December	9,042,721	12,470,898

EPIC GAMES UK LTD**Notes to the Company Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****7 Deferred Tax Assets - Company (Continued)**

Net deferred tax balances at 31 December 2022 are as follows:

	Opening Balance (Asset) Liability	Prior Year Adjustment	Opening Balances per Final Tax Return	Opening Rate Change Adjustment	Adjusted Opening Balance	Current Year Movement	Tax in Reserves / Equity / OCI	Closing Balance (Asset) Liability
	£	£	£	£	£	£	£	£
Tangible assets	(243,112)	497,800	254,688	—	254,688	258,397	—	513,085
Share-based payments	7,225,850	—	7,225,850	—	7,225,850	942,211	(4,512,090)	3,655,971
Accruals and provisions	76,005	39,093	115,098	—	115,098	(14,623)	—	100,475
Tax losses	5,412,155	304,683	5,716,838	—	5,716,838	(943,648)	—	4,773,190
Net deferred tax balance	12,470,898	841,576	13,312,474	—	13,312,474	242,337	(4,512,090)	9,042,721

Net deferred tax balances at 31 December 2021 are as follows:

	Opening Balance (Asset) Liability	Prior Year Adjustment	Opening Balances per Final Tax Return	Opening Rate Change Adjustment	Adjusted Opening Balance	Current Year Movement	Tax in Reserves / Equity / OCI	Closing Balance (Asset) Liability
	£	£	£	£	£	£	£	£
Tangible assets	(163,140)	—	(163,140)	(51,518)	(214,658)	(28,454)	—	(243,112)
Share-based payments	—	—	—	—	—	1,154,131	6,071,719	7,225,850
Accruals and provisions	18,375	—	18,375	5,802	24,177	51,828	—	76,005
Tax losses	569,394	—	569,394	179,809	749,203	4,662,952	—	5,412,155
Net deferred tax balance	424,629	—	424,629	134,093	558,722	5,840,457	6,071,719	12,470,898

EPIC GAMES UK LTD**Notes to the Company Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****8 Trade and Other Receivables - Company**

	2022		Restated 2021	
	Current	Non-Current	Current	Non-Current
	£	£	£	£
Amount owed by parent undertaking	7,844,921	—	15,940,687	—
Amounts owed by subsidiary undertakings	570,433	—	1,009	—
Amounts owed by fellow group undertakings	230,970	—	148,498	—
Other receivables	90,628	903,360	—	531,343
VAT receivable	720,873	—	253,517	—
Prepayments and accrued income	2,578,966	—	2,119,957	—
At 31 December	12,036,791	903,360	18,463,668	531,343

All related party balances are interest free and payable on demand. They are expected to be fully recoverable.

9 Fair Value of Financial Liabilities - Company

Financial liabilities carried at amortised cost in the financial statements.

10 Trade and Other Payables - Company

	2022	Restated 2021
	£	£
Trade payables	1,087,391	394,187
Accruals	3,427,667	4,199,758
Taxation and social security	1,155,279	6,799,207
Amount owed to parent undertaking	4,682,197	—
Amounts owed to fellow group undertakings	35,510	3,395
Other payables	51,040	22,342
At 31 December	10,439,084	11,418,889

The amounts owed to subsidiary and fellow group undertakings are all interest free and repayable on demand.

11 Provisions for Liabilities - Company

	2022	2021
	£	£
Dilapidations provisions		
Beginning balance	302,920	—
Obligation incurred during the period	83,349	336,833
Revisions to previous estimates	—	(33,913)
Ending balance	386,269	302,920

Balances are at carrying value as the impact of discounting is not considered significant.

Dilapidation provision will unwind with the useful life of the associated lease.

EPIC GAMES UK LTD**Notes to the Company Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****12 Lease Liabilities - Company**

	2022	2021
	£	£
Current liabilities	1,257,177	1,207,599
Non-current liabilities	2,226,354	3,024,824
At 31 December	3,483,531	4,232,423

13 Share-based Payments - Company

The Group's ultimate holding corporation operates an equity-settled share-based compensation plan ("the Equity Plan") and grants non-qualified share options to the Group's employees under the Equity Plan. Eligible plan participants include employees. Individual option grants generally vest and become exercisable over a period of five years from the grant date, with 1/5 becoming exercisable at the end of each year, commencing with the first anniversary of the grant date. Options cease to vest upon the termination of employment.

The exercise price of the options is determined based on the fair market value at the date of the grant.

Movement in the number of unissued ordinary shares of the ultimate holding corporation under option for the Group's employees are as follows:

	2022		2021	
	Number of Share Options	Average Exercise Price USD\$	Number of Share Options	Average Exercise Price USD\$
Outstanding at 1 January	114,985	435.56	110,447	196.26
Granted	—	N/A	35,654	899.15
Exercised	(8,545)	37.30	(16,431)	47.30
Forfeited	(6,339)	858.72	(14,685)	195.75
Transfers out	(4,216)	576.98	—	N/A
Outstanding at 31 December	95,885	415.31	114,985	435.56
 Exercisable at 31 December	 63,368	 223.23	 48,900	 126.13

No options expired during the years ended 31 December 2022 and 2021.

The weighted average share price at the date of exercise for share options exercised during the year was \$37.30 (2021: \$47.30).

As of 31 December 2022, there were 63,368 (2021: 48,900) exercisable stock options outstanding at a weighted average exercise price of \$223.23 (2021: \$126.13).

On transition to IFRS 2, there are 5,200 options that related to FRS 102 exemptions that are not included in the above table.

The Company expense for the compensation plan for the year was £2,478,105 (2021: £2,805,069).

Options granted during the period

The Company granted zero stock options during the financial year (2021: 35,654).

The fair value of the share options granted is estimated using the Black-Scholes options pricing model, taking into account the terms and conditions upon which the instruments were granted. The fair value of stock options is estimated using the Black-Scholes options pricing model. This model requires the input of assumptions regarding a number of complex and subjective variables that will usually have a significant impact on the fair value estimate. These variables include, but are not limited to, the volatility of the Company's ultimate holding corporation's, risk-free rate and expected exercise term.

EPIC GAMES UK LTD**Notes to the Company Financial Statements (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****13 Share-based Payments - Company (continued)**

The following weighted-average assumptions were used for the options granted during the years ended 31 December 2022 and 2021:

	2022	2021
Expected volatility	nil	38.20 %
Expected dividend yield	nil	— %
Expected risk-free interest rate	nil	0.87 %
Expected term of options (years)	nil	5

Due to limited historical data, the stock price volatility is estimated based on the actual volatility of comparable publicly traded companies over the expected life of the option. The expected term represents the average time that options that vest are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve during the expected life of the option.

14 Equity - Company

Refer to note 25 of the Group financial statements for information regarding called up share capital of the Company and note 26 for information on the nature and purpose of the reserves of the Company.

15 Parent Company and Ultimate Controlling Party - Company

The immediate parent company is Epic Games International S.à r.l., a company incorporated in Luxembourg, registered office: 39 Boulevard Royal 2450 Bertrange, Luxembourg and which is the parent of the smallest group within which the Company belongs and for which group accounts are prepared. These accounts are not available to the public.

The ultimate controlling party is Epic Games, Inc., a company incorporated in the United States of America, registered office 620 Crossroad Boulevard, Cary, NC 27518, USA and which is the parent of both the largest group within which the Company belongs and for which group accounts are prepared. These accounts are not available to the public.