Criterion Software Limited

Directors' report and financial statements

Registered number: 4330852

31 March 2013

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Directors' report

Directors' report

The directors present their directors' report and financial statements for the year to 31 March 2013

Principal activity

The principal activity of the Company is the development and supply of software for the worldwide video games industry The Company researches, develops and supports software, known as middleware, which is used to develop console and computer games This is sold under the brand name RenderWare

Over the next year the Company is committed to continue its extensive research and development on its suite of middleware products

Business review

Turnover for the year ended 31 March 2013 amounted to £1,420,000 *(2012 £1,461,000)* The Company made a loss for the year of £2,507,000 *(2012 profit £357,000)* The loss for the year was due to a debt waiver to a related group company

Research and development

During the year the Company incurred £1,229,000 *(2012 £1,173,000)* of expenses on the continuing development of its middleware suite of products Offsetting this cost is £1,420,000 *(2012 £1,300,000)*, which is included in turnover and was received in relation to the research services provided to other group companies

Key Performance Indicators

The Company uses the number of game titles utilising its middleware solutions as its main non-financial key performance indicator The Company also uses key financial position and performance measures, including staff turnover, to monitor the performance of the business

Risks and uncertainties

Technological obsolescence

The Company faces a potential risk of its product portfolio becoming obsolete due to ever developing technologies However, the Company is committed to continue its extensive research and development on its suite of products to mitigate this risk It seeks to compete effectively by continuously developing and updating its product portfolio and its relationships with key customers, along with a regular review of actions from its competitors, revenues generated and developments in technology and the marketplace

Loss of key personnel

The Company employed 19 full time employees on average in 2013 *(2012 18)* The majority of these employees are highly skilled software developers Loss of key personnel could affect future development activities Regular operational reviews ensure that knowledge and key customer and supplier relationships are retained by the directors and officers of the Company so that the impact of the loss of any employee or agent would be reduced

Foreign exchange risk

The majority of the Company's transactions originate in GBP However, the Company sells in overseas locations and has inter-company positions in foreign currencies The Company seeks to further reduce this risk by, where possible, matching foreign currency receipts with payments and, for certain countries, to negotiate payments from customers and to suppliers in more stable currencies such as GBP and Euros

Dividends

The directors do not recommend the payment of a dividend *(2012 £nil)*

Directors' report *(continued)*

Political and charitable contributions

The Company made no political or charitable contributions and incurred no political expenditure during the year *(2012 £nil)*

Directors and directors' interests

The directors who held office during the year were as follows

B O Halbe

S G Bene

K A Kallweit

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditors

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office

On behalf of the board

Benjamin O Halbe
Director – Criterion Software Limited
Registered Number 4330852

Onslow House
Onslow Street
Guildford
Surrey
GU1 4TN

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Independent auditor's report to the members of Criterion Software Limited

We have audited the financial statements of Criterion Software Limited for the year ended 31 March 2013 set out on pages 6 to 18 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Criterion Software Limited *(continued)*

Matters on which we are required to report by exception

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

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

Simon Baxter (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

Date 13 November 2013

Profit and Loss Account
for the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Turnover	2	**1,420**	1,461
Cost of sales		-	(22)
Gross profit		**1,420**	1,439
Administrative expenses	4-5	**(1,351)**	(1,201)
Operating profit	3	**69**	238
Other interest receivable and similar income	6	**82**	77
Foreign exchange gains		**128**	42
(Loss) on debt waiver issued to group company		**(2,786)**	-
(Loss)/profit on ordinary activities before taxation		**(2,507)**	357
Tax on (loss)/profit on ordinary activities	7	-	(246)
(Loss)/profit for the financial year	14	**(2,507)**	111

All activities relate to continuing operations

The company did not have any other recognised gains or losses during the current or preceding year

There is no material difference between the result on a historical cost basis and that described in the profit and loss account

Balance Sheet
at 31 March 2013

	Note	2013		2012	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**41**		16
Current assets					
Debtors	*9*	**3,490**		6,516	
Cash at bank and in hand		**9,682**		8,150	
		13,172		14,666	
Creditors: amounts falling due within one year	*10*	**(7,517)**		(6,550)	
Net current assets			**5,655**		8,116
Net assets			**5,696**		8,132
Capital and reserves					
Called up share capital	*12*		**1**		1
Share premium account	*13*		**4,127**		4,127
Profit and loss account	*13*		**1,568**		4,004
Shareholders' funds			**5,696**		8,132

These financial statements were approved by the Board of directors on 11 November 2013 and were signed on its behalf by

Benjamin O Halbe
Director

Registered number 4330852

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, and under historical cost accounting rules

Going concern

The Company has positive net assets and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual statements

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As 100% of the company's voting rights are controlled within the group headed by Electronic Arts Inc the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Electronic Arts Inc can be obtained from the address given in note 18

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Equipment 3 to 5 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease

Post retirement benefits

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account as incurred

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation and deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Turnover

Turnover is fixed or determinable and represents amounts (excluding value added tax), attributable to the following activities

Turnover from the licensing of software is recognised when there is persuasive evidence that an arrangement exists, generally a license agreement, the software has been delivered, collection of the proceeds is deemed probable and the purchase price is deemed fixed and determinable Where a contractual arrangement consists of various components that operate independently of each other and a reliable fair value can be attributed to every component, the company recognises revenue in respect of its right to consideration for each component as if it were an individual contractual arrangement

The company receives a recharge from fellow group companies in respect of software development activities it undertakes on their behalf This is recognised as turnover as the costs are incurred

Share based payments

The share option programme allows employees to acquire shares of the parent company (Electronic Arts Inc) The fair value of options granted after 7 November 2002 and those not yet vested as at 31 March 2013 is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

Where the company's parent company grants rights to its equity instruments to the company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the company accounts for these share-based payments as equity-settled

Notes *(continued)*

2 Turnover

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Turnover by class of business		
Software licensing and maintenance	-	161
Development activities	1,420	1,300
	1,420	1,461
Turnover by destination		
UK and ROW	-	161
USA	1,420	1,300
	1,420	1,461

3 Notes to the profit and loss account

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
(Loss)/profit on ordinary activities before taxation is stated after charging		
Debt waiver issued to group company	(2,786)	201
Depreciation of owned assets	12	29
Research and development expenditure (see note 5)	1,229	1,173
Auditor's remuneration		
Audit of these financial statements	18	24

The Company granted a debt waiver to a related group company during the year of £2,786,000 The debt waiver related to historic trading transactions with a dormant overseas subsidiary, which was liquidated in an effort to simplify the group structure and on-going compliance requirements within the group structure

4 Remuneration of directors

Remuneration to Directors in respect of qualifying services attributable to the Company was nil (2012 *nil*)

Messrs S G Bene, K A Kallweit, and B O Halbe were remunerated by other group companies in respect of other services to other group companies

Notes *(contınued)*

5 Staff numbers and costs

The average number of persons employed by the company durıng the year, analysed by category, was as follows

	Number of employees	
	2013	2012
Research and development	**19**	18
	19	18

The aggregate payroll costs of these persons were as follows

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Wages and salanes	**950**	907
Socıal secunty costs	**127**	121
Other pensıon costs	**81**	74
Share-based payments	**71**	71
Total staff costs	**1,229**	1,173

Total staff costs ınclude £1,229,000 (*2012* £1,173,000) relatıng to research and development staff

6 Other interest receivable and similar income

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Bank ınterest	**82**	77
	82	77

Notes *(continued)*

7 Taxation

(a) *Analysis of charge / (credit) in year*

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
UK corporation tax		
	-	(4)
Total current tax	-	(4)
Deferred tax (see note 11)		
Origination of timing differences	-	250
Tax on profit on ordinary activities	-	246

Reductions in the UK corporation tax rate from 26% to 24% (effective 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 It has not yet been possible to quantify the full anticipated effect of the announced further rate reductions, although this will further reduce the company's future current tax charge The company has not recognised a deferred tax asset in the period (*2012 nil*)

(b) *Factors affecting the tax credit / (charge) for the current year*

The tax assessed on the (loss)/profit on ordinary activities for the year is higher (*2012 lower*) than the standard rate of corporation tax in the UK of 24% (*2012 26 %*) The differences are explained below

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(2,507)**	357
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (*2012 26%*)	**(602)**	93
Add / (deduct) tax effect of		
Expenses not deductible for tax purposes	-	2
Excess of depreciation over capital allowances	**(18)**	6
Research and development tax credits claimed	**(57)**	(53)
Permanent difference (principally related to the debt waiver granted, see note 3)	**676**	(60)
Adjustments to tax charge in respect of prior years	-	3
Double Taxation Relief	-	(5)
Timing differences	**1**	10
Total current tax charge / (credit) (see above (a))	-	(4)

Notes *(continued)*

7 Taxation (continued)

(c) *Factors that may affect future tax charges*

The company has an unrecognised deferred tax asset of £1,070,000 (*2012* £1,134,000) The components of the unrecognised deferred tax assets are as follows

	2013 £000	2012 £000
Losses carried forward	**693**	784
Short term timing differences	**182**	155
Accelerated capital allowances	**195**	195
	1,070	1,134

Short term timing differences relate to current tax losses and certain inter-company royalty charges that are not tax deductible in the current year due to the timing of their payment

8 Tangible fixed assets

	Office Equipment £000	Computer equipment £000	Total £000
Cost			
At beginning of period	34	468	502
Additions	-	37	37
Disposals	(25)	(250)	(275)
At end of period	9	255	264
Depreciation			
At beginning of period	34	452	486
Disposals	(25)	(250)	(275)
Charge for period	-	12	12
At end of period	9	214	223
Net book value at 31 March 2013	**-**	**41**	**41**
Net book value at 31 March 2012	-	16	16

Notes *(continued)*

9 Debtors

	2013 £000	2012 £000
Amounts owed by group undertakings	3,449	6,437
Corporation tax	41	35
Other debtors	-	44
	3,490	6,516

10 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Amounts owed to group undertakings	7,248	6,222
Other creditors	9	48
Accruals and deferred income	260	280
	7,517	6,550

11 Deferred tax

	2013 £000	2012 £000
At beginning of year	-	244
Additional amounts provided	-	6
Amounts de-recognised	-	(250)
Deferred tax asset (see note 7)	-	-

12 Called up share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
1,001 ordinary shares of £1 each	1	1

Notes *(continued)*

13 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	4,127	4,004
Loss for the year	-	(2,507)
Credit in relation to share-based payments	-	71
At end of year	**4,127**	**1,568**

14 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
(Loss)/profit for the year	**(2,507)**	111
Credit in relation to share-based payments	**71**	71
Net (reduction in)/addition to shareholders' funds	**(2,436)**	182
Opening shareholders' funds	**8,132**	7,950
Closing shareholders' funds	**5,696**	8,132

15 Commitments

There were no capital commitments at the end of the financial period

There were no annual commitments under non-cancellable operating leases

16 Employee share schemes

Criterion Software Limited has taken advantage of the transitional provisions of FRS 20 'Share-based payments' in respect of equity settled awards and applied FRS 20 to all awards granted after 7 November 2002 and unvested as at 31 March 2013 The total profit and loss charge for the year recognised in respect of share-based payments is £71,000 (*2012* £71,000), which is made up of share options schemes and plans operated for the benefit of employees The nature of the principal schemes and plans, including general conditions, is set out below

Notes *(continued)*

Employee Stock Purchase Plan

Since September 1991, employees have been offered the ability to participate in an employee stock purchase plan in Electronic Arts Inc Pursuant to the correct plan, the 2000 Employee Stock Purchase Plan ("ESPP"), eligible employees may authorise payroll deductions of up to 10 percent of their compensation to purchase shares at 85 percent of the lower of the fair market value of the common stock on the date of commencement of the offering or on the last day of each six-month purchase period

Stock Option Plans

The 2000 Equity Incentive Plan ("The Equity Plan") permits the grant to employees of options of common stock of Electronic Arts Inc, restricted stock, restricted stock units and stock appreciation rights to employees, officers and directors Pursuant to the Equity Plan, incentive stock options may be granted to employees, officers and directors, at not less than 100 percent of the fair market value on the date of grant Options granted under the Equity Plan generally expire 10 years from the date of the grant and 24 percent is generally exercisable after 12 months and then the remainder rateably over the following 38 months

Restricted Stock Units and Restricted Stock

Restricted Stock Units and Restricted Stock (collectively referred to as "restricted stock rights") are granted under the Equity Plan to employees Restricted stock units entitle holders to receive shares of common stock at the end of a specified period of time Upon vesting, the equivalent number of common shares is typically issued net of tax withholdings Restricted stock is issued and outstanding upon grant, however restricted stock award holders are restricted from selling shares until they vest Upon vesting, the company will typically withhold shares to satisfy tax withholding requirements Restricted stock rights are subject to forfeiture and transfer restrictions Vesting of restricted stock rights is based on the holders' continued employment with the company If the vesting conditions are not met, unvested restricted stock rights will be forfeited Generally, restricted stock rights vest according to one of the following vesting schedules

- 100 percent after one year,
- Three-year vesting with 25 percent vesting at the end of each of the first and second years and the remaining 50 percent vesting at the end of the third year,
- Four-year vesting with 25 percent vesting at the end of each year

	ESPP		RSU		Options	
	Number	WAEP	Number	WAEP	Number	WAEP
Ordinary shares under option	('000)	$	('000)	$	('000)	$
31-Mar-11	-	-	**10.3**	**$27.54**	**4.3**	**$28 01**
Granted	6 8	$7 43	5 4	$21 82	-	-
Exercised	(6 8)	$7 43	(4 8)	$22 52	-	-
Lapsed/Cancelled	-	-	(0 5)	$18 79	-	-
31-Mar-12	-	-	**10 4**	**$27.32**	**4.3**	**$28 01**
Granted	8 7	$7 24	8 3	$12 71	8 3	$12 71
Exercised	(8 7)	$7 24	(4 6)	$13 60	-	-
Lapsed/Cancelled	-	-	(0 3)	$17 90		-
31-Mar-13	-	-	**13.8**	**$23.73**	**12.6**	**$17.91**

Notes *(continued)*

16 Employee share schemes *(continued)*

Stock Option Plans

No Options were exercised during the year The average closing share price over the financial year was $14 31 (*2012* $16 78) There has been no change to the effective option price of any of the outstanding options during the year

	Options					Restricted Stock Units	
Range of exercise prices	Total shares under option ('000)	Weighted average remaining contractual life (months)	Options exercisable at 31-Mar-13 ('000)	Options exercisable at 31-Mar-12 ('000)	Exercisable weighted average exercise price for options exercisable at 31-Mar-13 ($)	Total shares under option ('000) all non exercisable	Weighted average remaining contractual life (months)
$0 00 – $19 99	8 3	12 7	-	-	-	13 8	11 5
$20 00 - $29 99	3 0	75 8	2 8	2 4	$20 73	-	-
$40 00 - $49 99	1 3	19 0	1 3	1 3	$45 59	-	-
$50 00 - $59 99	-	-	-	-	-	-	-
$60 00 - $69 99	-	-	-	-	-	-	-
Total	**12.6**	**28.5**	**4.1**	**2.7**	**$45.59**	**13.8**	**11.5**

For the purposes of valuing options to arrive at the share-based payment charge, the Black-Scholes option pricing model has been used The assumptions used in the model for 2013 and 2012 are as follows

	Year ended 31 March 2013		Year ended 31 March 2012	
	Options	**ESPP**	Options	ESPP
Weighted average volatility	43%	38%	43%	41%
Range of expected volatility (%)	40-46%	35-42%	40 – 46%	39 – 41%
Risk-free interest rate (%)	0 4-1 0%	0 1-0 2%	0 4 – 1 8%	0 1 – 0 2%
Expected option term (life)	4 4 years	6-12 months	4 4 years	6-12 months
Dividend yield (%)	None	None	None	None

Assumptions on expected volatility and expected option term have been made on the basis of historical data, wherever available, for the period corresponding with the vesting period of the option Best estimates have been used where historical data is not available in this respect

17 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £81,000 *(2012 £74,000)*

There are no outstanding or prepaid contributions at either the beginning or end of the financial year

Notes *(continued)*

18 Ultimate parent company

At the date of these financial statements, the ultimate parent company is Electronic Arts Inc , a company incorporated in the US The largest group in which the results of the company are consolidated is that headed by Electronic Arts Inc The consolidated financial statements of Electronic Arts Inc are available to the public and may be obtained from Electronic Arts Inc at 209 Redwood Shores Parkway, Redwood City, CA 94065