

Registered number: 04707223

**Activision Europe, Limited**

Directors' Report and Financial Statements

For the Year Ended 31 December 2021

**DAINS**  
ACCOUNTANTS



**Activision Europe, Limited**

**Company Information**

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<b>Directors</b>	I D Mattingly D Neal D O'Sullivan
<b>Company secretary</b>	D O'Sullivan
<b>Registered number</b>	04707223
<b>Registered office</b>	6 Pavilion Drive Holford Birmingham B6 7BB
<b>Independent auditors</b>	Dains LLP 15 Colmore Row Birmingham B3 2BH

**Activision Europe, Limited**

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**Strategic Report**  
**For the Year Ended 31 December 2021**

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**Introduction**

The directors present their strategic report for Activision Europe, Limited (the "company") for the year ended 31 December 2021.

**Business review and future outlook**

The company continues to hold investments in fellow group undertakings. It is anticipated that the company will continue to hold the investments for the foreseeable future.

The loss for the financial year amounted to £28,393k (2020: profit £21,343k). The net assets at 31 December 2021 were £91,686k (2020: £120,079k).

The COVID-19 pandemic has had a major impact both within the UK and globally. Whilst there remains uncertainty surrounding the impact that COVID-19 will have on the UK economy, the gaming industry has so far shown resilience against any economic downturn. The results of the Activision Europe, Limited group for the year ended 31 December 2021 have not been impacted by COVID-19. At the time of preparing the financial statements, there has not been a material impact on the trading results for 2022 and it is not considered it will have a material impact on the results of the company within the next 12 months. The impact of COVID-19 is further discussed in the Directors' Report.

No dividends were paid or recommended in the year (2020: £nil).

**Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The board reviews risks formally and appropriate processes are put in place to monitor and mitigate them. The key risks affecting the company are set out below:

**Carrying value of investments**

The principal activity of the company is that of a holding company and as such the key risk and uncertainties are the recoverability and performance of its investments. In order to mitigate this risk the company continually review the financial performance and forecasts of its investments.

**Brexit**

31 December 2020 saw the end of the UK transition period for Brexit.

As the group is principally engaged in the distribution of entertainment software, games consoles and peripherals, the main area of focus has been on the implications that Brexit could have on the supply chain.

For the year ended 31 December 2021 the key area of focus, that could have the most direct impact on the business, has been maintaining effective customer service and supply chain by working with our key publishers, the majority of which are international businesses. The subsidiary, whilst facing some challenges with the UK's customs procedures, has managed the supply chain and customer expectations to ensure that the impact of Brexit has been minimal on the company.

**Financial key performance indicators**

The directors of Activision Europe, Limited manage the group's operations on a divisional basis. As a holding company the company's directors aim to maintain a positive net asset position on its balance sheet.

**Section 172(1) statement**

The Directors are aware of their duty under s.172 of the Companies Act 2006 and aim to always uphold the highest standard of governance to ensure that they comply with the Activision Blizzard Group's policies and maintain high standards of business conduct. The Directors work closely together and meet on a regular basis to ensure that decisions taken are for the long term, acknowledging that the future success of the company and its subsidiaries relies on them understanding and respecting the views of its employees, customers, suppliers and other stakeholders as well as the environment in which the company operates.

Consideration of the interest of the employees of subsidiary companies, together with details of employee engagement is further discussed in the Directors' Reports of the subsidiaries under 'Employee Involvement'. The Directors' Report of the subsidiaries also considers the relationships with suppliers, customers and others within the section entitled 'Statement of engagement with suppliers, customers and others'.

The Directors support the subsidiary companies objectives to reduce adverse impacts on the environment. A number of the subsidiary companies are ESOS compliant and have, for a number of years, held ISO:14001 certification. The company strives to mitigate potential violation of social or environmental rights, including human rights, from its operations.

The Directors engage with its immediate and ultimate parent companies on various matters including governance.

This report was approved by the board on 11 August 2022 and signed on its behalf.



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**D O'Sullivan**  
Secretary

## **Activision Europe, Limited**

### **Directors' Report For the Year Ended 31 December 2021**

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The directors present their report and the financial statements for the year ended 31 December 2021.

#### **Principal activity**

The principal activity of the company is that of a holding company. The Group (Activision Europe, Limited, Activision Blizzard UK Limited, Combined Distribution (Holdings) Limited, FreeStyleGames Limited, Centresoft Limited and PDQ Distribution Limited) is principally engaged in the distribution of entertainment software, games consoles and peripherals and the provision of distribution services to publishers of computer games.

#### **Results and dividends**

The loss for the year, after taxation, amounted to £28,393k (2020: profit £21,343k).

No dividends were paid during the year (2020: dividends paid of £73,800k).

#### **Directors**

The directors who served during the year were:

I D Mattingly  
D Neal  
D O'Sullivan

#### **Financial risk management**

The company's operations expose it to a variety of financial risks that include liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not have any debt finance at 31 December 2021 (2020: none).

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

**Directors' Report (continued)**  
**For the Year Ended 31 December 2021**

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**Future outlook**

The company continues to hold investments in fellow group undertakings. It is anticipated that the company will continue to hold these investments for the foreseeable future.

**COVID-19**

The COVID-19 pandemic has had a major impact both within the UK and globally. From the outbreak of the pandemic and the introduction of government restrictions within the UK, the priority of the company and its subsidiaries has been the health, safety and welfare of its employees, whilst trying to maintain its operations to service its key publisher and customer requirements.

In line with the UK government requirements the company and its subsidiaries enabled those employees who are able to work from home to do so. Where operations have required employees to continue to attend the workplace then the company and its subsidiaries has made all efforts to ensure that the workplace is COVID-secure. Throughout the pandemic the company and its subsidiaries has remained fully operational.

Whilst there remains uncertainty surrounding the impact that COVID-19 will have on the UK economy, the gaming industry has so far shown resilience against any economic downturn. The results for the year ended 31 December 2021 have been positively impacted by COVID-19 due to enhanced consumer spending across the video games market during UK lockdown. At the time of preparing the financial statements, there has not been a material impact on the trading results for 2022 and it is not considered it will have a material impact on the results of the company within the next 12 months.

**Qualifying Third Party Indemnity Provisions**

Professional indemnity cover for the purpose of the Companies Act 2006 has been taken out with a reputable insurance broker. This was in force during the financial year and up to the date of signing the financial statements.

**Directors' Report (continued)**  
**For the Year Ended 31 December 2021**

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**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Auditors**

During the year, PricewaterhouseCoopers LLP resigned as the Company's auditors. Dains LLP were appointed to fill the resulting vacancy.

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

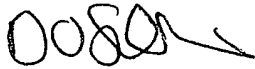


Activision Europe, Limited

**Directors' Report (continued)**  
**For the Year Ended 31 December 2021**

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This report was approved by the board on 11 August 2022 and signed on its behalf.



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**D O'Sullivan**  
Secretary

## Opinion

We have audited the financial statements of Activision Europe, Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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.

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 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.

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

## Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Independent Auditors' Report to the Members of Activision Europe, Limited (continued)**

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**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of Activision Europe, Limited (continued)

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**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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the financial reporting legislation, Companies Act 2006, taxation legislation, anti-bribery, employment, and environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors;

**Independent Auditors' Report to the Members of Activision Europe, Limited (continued)**

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Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

**Other matters**

The financial statements for the year ended 31 December 2020 were audited by PricewaterhouseCoopers LLP who expressed an unmodified opinion on those statements on 29 September 2021.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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.



Andrew Morris FCA (Senior statutory auditor)

for and on behalf of  
**Dains LLP**

Statutory Auditor  
Chartered Accountants

Birmingham

11 August 2022

**Activision Europe, Limited**

**Statement of Comprehensive Income  
For the Year Ended 31 December 2021**

	<b>Note</b>	<b>2021 £000</b>	<b>2020 £000</b>
Administrative expenses		(18)	(3)
Exceptional administrative expenses	9	(28,779)	-
Other operating income		491	-
<b>Operating loss</b>	<b>5</b>	<b>(28,306)</b>	<b>(3)</b>
Interest receivable and similar income	7	4	1,611
Profit on disposal of investments	16	-	20,040
<b>(Loss)/profit before tax</b>		<b>(28,302)</b>	<b>21,648</b>
Tax on (loss)/profit	8	(91)	(305)
<b>(Loss)/profit for the financial year</b>		<b>(28,393)</b>	<b>21,343</b>

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

In both the current and preceding years the above results arose from continuing operations.

The notes on pages 14 to 23 form part of these financial statements.

Activision Europe, Limited  
Registered number:04707223

Balance Sheet  
As at 31 December 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Investments	10	87,396	116,175
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	3,800	-
Cash at bank and in hand	12	583	4,212
		<u>4,383</u>	<u>4,212</u>
Creditors: amounts falling due within one year	13	(93)	(308)
<b>Net current assets</b>		<u>4,290</u>	<u>3,904</u>
<b>Total assets less current liabilities</b>		<u>91,686</u>	<u>120,079</u>
<b>Net assets</b>		<u>91,686</u>	<u>120,079</u>
<b>Capital and reserves</b>			
Called up share capital	14	19,263	19,263
Profit and loss account	15	72,423	100,816
		<u>91,686</u>	<u>120,079</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 August 2022.



**D O'Sullivan**  
Director

The notes on pages 14 to 23 form part of these financial statements.

Activision Europe, Limited

**Statement of Changes in Equity  
For the Year Ended 31 December 2021**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 January 2021	19,263	100,816	120,079
<b>Comprehensive income for the year</b>			
Loss for the year	-	(28,393)	(28,393)
<b>Total comprehensive income for the year</b>	-	(28,393)	(28,393)
<b>At 31 December 2021</b>	<b>19,263</b>	<b>72,423</b>	<b>91,686</b>

**Statement of Changes in Equity  
For the Year Ended 31 December 2020**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 January 2020	19,263	111,294	(11,781)	118,776
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	21,343	21,343
<b>Total comprehensive income for the year</b>	-	-	21,343	21,343
Dividend reversal	-	-	53,760	53,760
Reduction in share premium account	-	(111,294)	111,294	-
Dividends	-	-	(73,800)	(73,800)
<b>At 31 December 2020</b>	<b>19,263</b>	<b>-</b>	<b>100,816</b>	<b>120,079</b>

The notes on pages 14 to 23 form part of these financial statements.



**1. General information**

The principal activity of Activision Europe, Limited (the "company") is to act as a holding company. The Group (Activision Europe, Limited, Combined Distribution (Holdings) Limited, FreeStyleGames Limited, Sledgehammer Games UK Limited and Central Technology North Limited) is principally engaged in the distribution of entertainment software, games consoles, low cost business software and peripherals and the provision of distribution services to publishers of computer games.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is 6 Pavilion Drive, Holford, Birmingham, B6 7BB.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial Reporting Standard 101 - reduced disclosure exemptions**

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of Activision Blizzard Inc as at 31 December 2021 and these financial statements may be obtained from Activision Blizzard Inc, 3100 Ocean Park Boulevard, Santa Monica, California, 90405, USA.

**2. Accounting policies (continued)**

**2.3 Impact of new international reporting standards, amendments and interpretations**

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 have a material impact on the company.

**2.4 Exemption from preparing consolidated financial statements**

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of a state other than the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

**2.5 Going concern**

The Directors consider that the company has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

**2.6 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**2.7 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.8 Debtors**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.9 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2. Accounting policies (continued)**

**2.10 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

**Debt instruments at amortised cost**

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the 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. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

**Financial liabilities**

**At amortised cost**

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

**2.11 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.12 Interest income**

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

**2. Accounting policies (continued)**

**2.13 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

**2.14 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing the financial statements, management has to make judgements on how to apply the company's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the financial statements and the key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of the assets and liabilities in the next financial year are discussed below:

**Impairment of investments in subsidiaries**

Determining whether the company's investments in subsidiaries have been impaired requires judgement, such as whether there has been an impairment trigger, and estimations, such as how the investment carrying value is calculated, of the investments' value. The value is considered based on the net assets of the investment and by considering profitability and future projections. If required a value in use calculation may be performed. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investments and apply suitable discount rates in order to calculate present values. There were no impairment reviews required in the year.

## Activision Europe, Limited

### Notes to the Financial Statements For the Year Ended 31 December 2021

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#### 4. Other operating income

	2021 £000	2020 £000
Other operating income	491	-

#### 5. Operating loss

The company is supported by its ultimate parent undertaking, Activision Blizzard Inc, for most of its administrative functions, including personnel, systems/IT and other support activities. No amounts are paid or payable by the company for these support services.

Fees paid to the auditors for UK non-audit services during the years was £Nil (2020: £2,650). Auditors' remuneration of £5,000 (2020: £5,000) is borne by another group company and no recharge is made.

#### 6. Employees

Employee costs in the year ended 31 December 2021 (being that of directors) are borne by either the parent or subsidiary undertaking where the director performs their core duties and not recharged to the Activision Europe, Limited. The monthly average number of persons employed by the company during the year was nil (2020: nil).

The directors received no emoluments from the company during the year (2020: £nil). No recharges were made by other companies within the group for the directors during the year (2020: £nil).

#### 7. Interest receivable

	2021 £000	2020 £000
Bank interest	-	6
Interest receivable from group companies	4	1,605
	<u>4</u>	<u>1,611</u>

Notes to the Financial Statements  
For the Year Ended 31 December 2021

8. Taxation

	2021 £000	2020 £000
<b>Corporation tax</b>		
Current tax on profits for the year	91	305
<b>Total current tax</b>	<u>91</u>	<u>305</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>91</u>	<u>305</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
(Loss)/profit on ordinary activities before tax	<u>(28,302)</u>	<u>21,648</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	<u>(5,377)</u>	<u>4,113</u>
<b>Effects of:</b>		
Non-taxable expense/(income)	<u>5,468</u>	<u>(3,808)</u>
<b>Total tax charge for the year</b>	<u>91</u>	<u>305</u>

**Factors that may affect future tax charges**

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels. These changes had not been substantively enacted at the Balance Sheet date and therefore no adjustment has been made to deferred taxation balances to account for this change.

Activision Europe, Limited

Notes to the Financial Statements  
For the Year Ended 31 December 2021

9. Exceptional items

	2021 £000	2020 £000
Impairment of investment	28,779	-

See note 10 for a description of the impairment charge.

10. Fixed asset investments

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 January 2021	122,944
At 31 December 2021	122,944
<b>Impairment</b>	
At 1 January 2021	6,769
Charge for the period	28,779
At 31 December 2021	35,548
<b>Net book value</b>	
At 31 December 2021	87,396
At 31 December 2020	116,175

## Activision Europe, Limited

### Notes to the Financial Statements For the Year Ended 31 December 2021

#### 10. Fixed asset investments (continued)

##### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Combined Distribution (Holdings) Limited	6 Pavilion Drive, Holford, Birmingham, B6 7BB	Distribution of entertainment software, games consoles, low cost business software and peripherals	Ordinary	100%
FreeStyleGames Limited	The Ampersand Building, 178 Wardour Street, London, W1F 8FY	Video games developers, specialising in music based games	Ordinary	100%
Sledgehammer Games UK Limited	The Ampersand Building, 178 Wardour Street, London, W1F 8FY	Provision of services to fellow group companies	Ordinary	100%
Central Technology North Limited	The Ampersand Building, 178 Wardour Street, London, W1F 8FY	Research and development support for video games	Ordinary	100%
*CentreSoft Limited	6 Pavilion Drive, Holdford, Birmingham, B6 7BB	Distribution of entertainment software, games consoles, low cost business software and peripherals	Ordinary	100%
*PDQ Distribution Limited	6 Pavilion Drive, Holdford, Birmingham, B6 7BB	Provision of services to distribution of entertainment software	Ordinary	100%
*Advantage Entertainment Distribution Limited	6 Pavilion Drive, Holdford, Birmingham, B6 7BB	Dormant	Ordinary	100%

##### \* Indirect subsidiaries

Impairment brought forward relates to the impairment of FreeStyleGames Limited of its full investment cost of £6,769k due to the restructuring of the company during the Year Ended 31 December 2015.

The impairment charge in the current year relates to aligning the investment value in subsidiary undertakings to the their net asset value as at the balance sheet date.

#### 11. Debtors

	2021 £000	2020 £000
Amounts owed by group undertakings	3,800	-

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



Activision Europe, Limited

Notes to the Financial Statements  
For the Year Ended 31 December 2021

12. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	583	4,212

13. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Amounts owed to group undertakings	-	1
Corporation tax	92	307
Accruals and deferred income	1	-
	93	308

Amounts due to group companies are unsecured, interest free and repayable on demand.

14. Share capital

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
19,263,017 (2020 - 19,263,017) Ordinary shares of £1.00 each	19,263	19,263

15. Reserves

**Profit and loss account**

The profit and loss account represents the accumulated profits, losses and distributions of the company.

16. Dividends

	2021 £000	2020 £000
Dividend in specie	-	(53,760)
Final dividend for the year ended 31 December 2021 of £Nil (2020 - £3.831) per ordinary share	-	73,800
	-	20,040

**17. Controlling party**

The immediate parent undertaking and controlling party is Activision Blizzard International BV a company incorporated in the Netherlands.

The ultimate parent undertaking and controlling party is Activision Blizzard Inc, which is also the parent undertaking of the smallest and largest group in which the results of the company are consolidated. The consolidated financial statements of Activision Blizzard Inc, which include the results of the company, are publicly available and may be obtained from Activision Blizzard Inc, 3100 Ocean Park Boulevard, Santa Monica, California, 90405, USA.