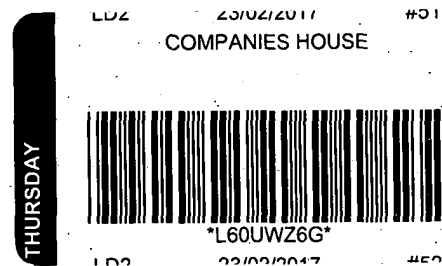


Company Registration No. 07783664

Warchest Limited

Annual Report and Financial Statements

For the Year Ended 31 March 2016



Warchest Limited

Annual Report and Financial Statements Year Ended 31 March 2016

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Warchest Limited

Annual Report and Financial Statements Year Ended 31 March 2016

Officers and professional advisers

Directors

P Wedgwood

R Jolly

R Farrow

Company Secretary

R Farrow

Registered Office

Royal Court

81 Tweedy Road

Bromley

BR1 1TG

Bankers

National Westminster Bank plc

143 High Street

Bromley

Kent

BR1 1JH

Auditor

Deloitte LLP

2 New Street Square

London

United Kingdom

EC4A 3BZ

Warchest Limited

Strategic Report

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

This strategic report has been prepared for the company by the Directors of Warchest Limited.

Review of the business

The company launched its first game successfully in December 2012. The company since then has successfully launched a further two digitally distributed games, one for touch devices (launched early 2015), the other as a self-funded published game, which went into Open Beta in June 2015.

We have successfully licenced our game for world-wide rights with a global market-leading partner. Whilst continuing to support our current titles as a live operation in 2015/2016, we are now also commencing development of our next concept game, which is expected to follow a similar model. Also during the year, we undertook development work for Splash Damage Ltd, an entity under common control.

Key performance indicators

The key performance indicators are considered to be turnover, operating profit and net profit after tax. Turnover for the year increased to £10,957k (2015: £1,068k) of which £9,232k relates to revenue from related parties and £1,725 is due to the successful publishing of the most recent PC game into Open Beta. Operating loss for the year decreased to £602k (2015: £3,811k) and net profit after tax increased to £1,372k (2015: £ (3,038) k)

Employees

The company has an in-depth recruiting policy to ensure employees are loyal, self-reliant and trusting as well as demonstrating mastery in their specific field. The risk and uncertainty is in retaining these employees and finding them to cement the future success of the company. Therefore, the company has a need to provide excellent working conditions and competitive packages which demonstrates the company's commitment to the employees.

Research and development

The company is predominately a technology based company in the video gaming sector. It is vital in this industry to remain ahead of the game and focus on technology development. Therefore, the company continues to invest heavily in innovation, especially around research and development. This is important to increase the company's mastery and cement our relationship with current world class partners whom we seek to continue to work with, as well as finding potential new world class partners to support our growth plans.

Future developments

The Directors expect the general level of activity to increase on 2016 in the forthcoming years. This is as a result of the company growing its own current titles that have been published along with publishing of new games in development by related parties. With our attractiveness to world class partners, we expect to grow our cooperation with these partners on our own IP's and titles and by doing so grow our games activity globally. We have a longstanding relationship with key stakeholders in the games industry, who have demonstrated a willingness to continue to work with us in the future and to grow their commitment with us.

The gaming industry is continuing its global growth, with the United Kingdom in a strong position globally, due to the welcome introduction of video game development tax reliefs, this makes our cost of investment significantly lower. As such we hope to make more investments benefiting from this scheme and enjoy growth from such investments.

Warchest Limited

Strategic Report

Major Transaction

It should be noted that post Balance Sheet the company's shareholder has entered into an SPA on 1st July 2016, to sell the entirety of his shareholding to Leyou Technologies Holdings along with the related parties. Leyou Technologies Holdings is a Listed company on the Hong Kong Stock Market (HKEX) and therefore this transaction is subject to HKEX approval and is expected to complete in Q1 2017.



P Wedgwood
Director

81 Tweedy Road
Royal Court
Bromley Kent
BR1 1TG

22nd February 2017

Warchest Limited

Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 March 2016.

Principal activity

The company was incorporated on 22 September 2011 and started trading on 1 January 2012. The principal activity of the company is software publishing. Occasionally the company also undertakes video game development work for related parties where there are sufficient commercial drivers to do so.

Going concern

The company trades closely and also operates a funding arrangement with related parties under common ownership, Splash Damage Ltd and Fireteam Ltd. The purpose is to ensure working capital demands are met within the related parties facility.

Currently Warchest Ltd owes Splash Damage Ltd £10.7m. The directors feel confident that this balance will be settled within the foreseeable future. Comfort has been sought from Splash Damage Ltd that the balances will not need to be repaid, until such time as sufficient funds are available.

The rate of growth in this sector of the market has been very strong and this is expected to continue. The Directors have prepared forecasts which indicate that the company has adequate resources to continue in operational existence and continue its growth for the foreseeable future. These forecasts have taken into account the market growth for digitally distribution content, the data on previously released games and existing customer relations. As a result the Directors have concluded, based on the forecasts, that it is appropriate to prepare the financial statements on a going concern basis.

Events after the balance sheet date

It should be noted that post Balance Sheet the company's shareholder has entered into an SPA on 1st July 2016 to sell the entirety of his shareholding to Leyou Technologies Holdings along with the related parties. Leyou Technologies Holdings is a Listed company on the Hong Kong Stock Market (HKEX) and therefore this transaction is subject to HKEX approval and is expected to complete in Q1 2017.

On 17 January 2017, Warchest has entered into an agreement with Nexon America, pursuant to which Nexon America's exclusive right and licence to maintain, publish, operate and distribute Dirty Bomb shall end, and Warchest shall have such rights after the termination date.

Directors

The Directors who served during the year are as stated below:

P Wedgwood
R Jolly
R Farrow

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Warchest Limited

Directors' report

Auditor

Deloitte LLP were appointed in respect of the year ended 31 March 2016 and have indicated their willingness to be reappointed for another term.

The report was approved by the Board on ~~22 February~~ 2017 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'P Wedgwood', written over a horizontal line.

P Wedgwood
Director

Royal Court
81 Tweedy Road
Bromley Kent
BR1 1TG

Warchest Limited

Directors' responsibilities statement

The Directors are responsible for preparing the annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions 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.

Warchest Limited

Independent auditor's report to the members of Warchest Limited

We have audited the financial statements of Warchest Limited for the year ended 31 March 2016 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Warchest Limited

Independent auditor's report to the members of Warchest 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.

Sarah Shillingford

Sarah Shillingford (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

22nd February 2017

Warchest Limited

Statement of Income and Retained Earnings For the Year Ended 31 March 2016

	Notes	Year to 31 March 2016 £	Year to 31 March 2015 £
Turnover	2	10,957,164	1,068,303
Cost of sales		(9,271,091)	(796,056)
Gross profit		1,686,073	272,247
Other income		334,982	233,712
Administrative expenses		(2,622,818)	(1,894,342)
Impairment of fixed asset	3	-	(2,422,604)
Operating loss	3	(601,763)	(3,810,987)
Finance costs (net)	15	(67,000)	-
Loss on ordinary activities before taxation		(668,763)	(3,810,987)
Tax on loss on ordinary activities	5	2,040,861	772,990
Profit/(loss) on ordinary activities after taxation		1,372,098	(3,037,997)
Retained Earning on 1 April 2015		(4,072,901)	(1,034,904)
Retained Earning on 31 March 2016		(2,700,803)	(4,072,901)

Continuing operations

None of the company's activities were acquired or discontinued during the current year or previous year. All results are derived from continuing operations.

Statement of comprehensive income

There are no recognised gains or losses other than the profit or loss for the above period. Consequently, a separate statement of comprehensive income is not provided or required.

Warchest Limited

Balance sheet

As at 31 March 20136

	Notes	31 March 2016 £	31 March 2015 £
Fixed assets			
Tangible assets	6	-	95
Intangible assets	7	7,972,697	7,283,204
		<u>7,972,697</u>	<u>7,283,299</u>
Current Assets			
Cash at bank and in hand		18,311	1,708
Debtors	8	2,918,246	877,144
		<u>2,936,557</u>	<u>878,852</u>
Creditors: amounts falling due within one year	9	(13,610,056)	(12,235,051)
Net current liabilities		<u>(10,673,499)</u>	<u>(11,356,199)</u>
Net liabilities		<u>(2,700,802)</u>	<u>(4,072,900)</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	(2,700,803)	(4,072,901)
Shareholder's deficit		<u>(2,700,802)</u>	<u>(4,072,900)</u>

The financial statements of Warchest Limited, (registered number 07783664) were approved by the Board of Directors and authorised for issue on ~~22~~ ²³ February 2017.

Signed on behalf of the Board of Directors



R Farrow
Director

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Warchest Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on pages 2 to 3.

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

There were no material adjustments needed to prior year financial statements on adoption of FRS 102 in the current year. For more information, see note 16.

The company has taken advantage of the exemption in accordance with FRS 102 and applicable law from the requirement to produce a cashflow statement and statement of changes in equity because it is a small company.

Going concern

The company launched its first game successfully in December 2012. The company then commenced the development of a further two digitally distributed games, one for touch devices (launched early 2015), the other as a self-funded published game, which went into Open Beta in June 2015. The game for touch devices didn't perform as well as the directors' expected and was impaired during the year.

We have successfully licensed our game for world-wide rights with a global market-leading partner. Whilst continuing to support our current titles as a live operation in 2016, we are now also commencing development of our next concept game, which is expected to be published in subsequent years to come.

The company trades closely and also operates a funding operation with related parties under common ownership, Splash Damage Ltd and Fireteam Ltd. The purpose is to ensure working capital demands are met within the related parties, and only use external facilities should the need arise for a specific opportunity. Each related party company complements the others with the services they provide, therefore providing a full service to consumers and their clients.

Currently Warchest Ltd owes Splash Damage Ltd £10.7m, the directors feel confident that this balance will be settled within the foreseeable future, as such doesn't present any concerns, as comfort has been sought from Splash Damage Ltd directors, that the balances will not need to be repaid, until such time as the funds are available.

The rate of growth in this sector of the market has been very strong and this is expected to continue. The Directors have prepared forecasts which indicate that the company has adequate resources to continue in operational existence for the foreseeable future. These forecasts have taken into account the market growth for digitally distribution content, the initial data on the released games and existing customer discussions. As a result, the Directors have concluded, based on the forecasts, that it is appropriate to prepare the financial statements on a going concern basis.

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) *Equity instruments*

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments, in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Warchest Limited

Notes to the financial statements **For the year ended 31 March 2016**

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

Turnover is stated net of VAT. Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of activities. Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the activities, as described below.

(a) Contract work

For contract work, advances received from publishers are recognised as revenue based on the percentage-of-completion basis. Contractual amounts are received upon successful completion of contractual milestones. Contract execution payments, received in advance of services being rendered at the beginning of each contract, are recognised as deferred income. Royalties are received from publishers on a quarterly basis after the launch of the product, to the extent that the company is entitled in accordance with the contracts with the respective customers.

(b) License income and royalties

License fees received before the launch of the games are recognised as deferred revenue and subsequently recognised as revenue on a straight-line basis over the contract term.

Royalties are calculated monthly based on a pre-determined percentage of net sales of credits of the licensed operators.

(c) Rental income

Rental income from sub-leasing part of the office is recognised in the combined statement of comprehensive income on a straight-line basis over the term of the lease.

(d) Interest income

Interest income mainly represents interest income from bank deposits and is recognised using the effective interest method.

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a periodic rate of interest on the remaining balance of the liability. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives. Rentals under operating leases are charged on a straight-line basis over the lease term even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pension costs and other post-retirement benefits

Contributions payable in respect of employees to a contributory scheme are charged to the company's profit and loss account in the year to which they relate.

Research and development

The company continues to support innovation which is recognised as research and development expenditure. The expenditure relating to research and development is charged to the profit and loss account in the year in which it is incurred, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is between three and five years. Provision is made for any impairment.

Intangible assets

(i) Trademarks

Trademarks are recorded at cost less accumulated amortisation and any related government assistance. Amortisation of intangible assets is calculated over their estimated useful lives of ten years using the straight-line method.

(ii) Game Development

Development costs that are directly attributable to the design and testing of identifiable and unique games controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing games and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset.

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

in a subsequent period. Costs associated with maintaining the games are recognised as an expense as incurred. No amortisation is provided for games under development until its completion. Amortisation commences when construction-in-progress is transferred to intangible assets and ready for their intended use. Game intellectual properties are amortised using the straight-line method over their estimated useful lives of the games of not more than 6 years.

(ii) Work in Progress

Work in progress comprises expenditure for game titles not yet released. Once a game title has been released, work in progress is transferred into intangible assets.

Tangible Fixed Assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statement of comprehensive income during the Relevant Periods in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives
Computer equipment	2 years
Office equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gain and losses on disposal are determined by comparing the proceeds with the carrying amount of the relevant assets and is recognised within "other income" in the combined statement of comprehensive income.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, vary from actual results.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of intangible assets

Management judgement is required in determining which project costs related to the development of internally generated intangible assets (own IP) qualify for capitalization. This determination is made in line with the Intangibles policy outlined above.

Management determines the estimated useful lives for amortisation of intangible assets. This estimate is based on the historical experience of the actual useful lives of the assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to competition within the industry. Management will increase the amortisation where useful lives are less than previously estimated lives, or provide impairment for technically obsolete or non-strategic assets that have been abandoned or sold.

Management reviews intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on management's estimate with best information available. Management derives the required cash flow estimates from historical experience and internal business plans.

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

2. Turnover

Turnover represents amounts derived from games development and other income represents Finance / HR services provided to related parties after deduction of trade discounts and value added tax.

Revenue by type

	Year to 31 March 2016	Year to 31 March 2015
	£	£
Turnover		
Publishing	1,725,152	1,068,303
Development for related parties	9,232,012	
Total	10,957,164	1,068,303

Revenue by region

	Year to 31 March 2016	Year to 31 March 2015
	£	£
Turnover		
UK	9,232,012	-
USA	1,610,161	988,703
Rest of EU	114,991	79,600
Total	10,957,164	1,068,303

Note that the UK turnover of £9,232,012 in the year ended 31st March 2016 arises solely from trading with entities under common control. See note 12 for further details of related part transactions.

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

3. Operating loss

	Year to 31 March 2016 £	Year to 31 March 2015 £
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	95	4,464
Impairment of intangible asset	-	2,422,604
Amortisation of intangible assets	1,403,952	485,701
Fees payable to the auditor for the audit of the annual accounts	10,983	8,250
Fees payable to the auditor for taxation services	4,600	1,400
Total paid for audit and tax services	<u>15,583</u>	<u>9,650</u>

4. Information regarding directors and employees

	Year to 31 March 2016 £	Year to 31 March 2015 £
Wages and Salaries	606,956	582,692
Social security costs	72,230	65,686
Other pension costs	14,935	20,184
	<u>694,121</u>	<u>668,562</u>
The average monthly number of employees during the year was as follows:	2016 No.	2015 No.
HR/Finance/Media Staff	12	15
	<u>12</u>	<u>15</u>

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

Directors' remuneration

	Year to 31 March 2016 £	Year to 31 March 2015 £
Emoluments	260,154	170,729
Company contributions to pension schemes	8,654	9,363
	<u>268,808</u>	<u>180,092</u>

The highest paid director in the year received remuneration of £138,688 (2015: £103,412) and pension contributions of £4,979 (2015: 5,951). Key management personnel are the same as executive directors

	Year to 31 March 2016 No.	Year to 31 March 2015 No.
Number of Directors who were members of Money Purchase schemes	<u>2</u>	<u>2</u>

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

5. Tax on profit/(loss) on ordinary activities

	Year to 31 March 2016 £	Year to 31 March 2015 £
Analysis of charge in the period		
UK corporation tax on profits for the year	(1,878,636)	(772,990)
Adjustment in respect of prior year	(162,225)	-
Total current tax	<u>(2,040,861)</u>	<u>(772,990)</u>

Factors affecting tax charge for the period

The difference between the total amount of current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year to 31 March 2016 £	Year to 31 March 2015 £
(Loss)/profit on ordinary activities before tax	<u>(668,763)</u>	<u>(3,810,987)</u>
Tax on profit at standard UK rate of 20% (2015: 21%)	(133,753)	(800,307)
Expenses not deductible for tax purposes	3,165	-
Adjustments to tax charge in respect of previous periods	(162,225)	-
Capital allowance for period in excess of depreciation	-	84
Deferred tax not provided	191,924	1,449,536
Effects of other tax rates/(credits) for the period	<u>(1,939,972)</u>	<u>(1,422,303)</u>
Current tax credit for the period	<u>(2,040,861)</u>	<u>(772,990)</u>

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

6. Tangible fixed assets

	Computer equipment £	Office equipment £	Total £
Cost			
At 1 April 2015	52,324	416	52,740
Additions	-	-	-
At 31 March 2016	52,324	416	52,740
Depreciation			
At 1 April 2015	52,324	321	52,645
Charge for the year	-	95	95
At 31 March 2016	52,324	416	52,740
Net book value			
At 31 March 2015	-	95	95
At 31 March 2016	-	-	-

7. Intangible assets

	Trade Marks £	Games Development £	Total £
Cost			
At 1 April 2015	11,802	7,758,932	7,770,734
Games development additions	-	2,094,625	2,094,625
At 31 March 2016	11,802	9,853,557	9,865,359
Amortisation			
At 1 April 2015	3,009	484,521	487,530
Charge for the year	1,180	1,403,952	1,405,132
At 31 March 2016	4,189	1,888,473	1,892,662
Net book value			
At 31 March 2015	8,793	7,274,411	7,283,204
At 31 March 2016	7,613	7,965,084	7,972,697

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

8. Debtors

	31 March 2016	31 March 2015
	£	£
Trade debtors	83,772	98,454
Other taxes and social security	4,224	-
Directors' accounts	-	57
Other debtors	-	387
Prepayments and accrued income	16,399	5,256
Corporation Tax debtor	2,813,851	772,990
	<u>2,918,246</u>	<u>877,144</u>

9. Creditors: amounts falling due within one year

	31 March 2016	31 March 2015
	£	£
Trade creditors	11,413,906	9,980,691
Other creditors	790,206	180,432
Other taxes and social security costs	21,114	69,741
Loan	724,000	-
Accruals and deferred income	660,830	2,004,187
	<u>13,610,056</u>	<u>12,235,051</u>

During the year a 6-month 13% p.a loan at was entered into by the company, against the tax credits the company was due from the VGTR regime as part of the UK's cultural tax relief scheme.

The company trades closely and also operates a funding arrangement with related parties under common ownership, Splash Damage Ltd and Fireteam Ltd. All amounts owed to related parties are interest free and repayable on demand.

Currently Warchest Ltd owes Splash Damage Ltd £10.7m. The directors feel confident that this balance will be settled within the foreseeable future. Comfort has been sought from Splash Damage Ltd that the balances will not need to be repaid, until such time as sufficient funds are available.

10. Called-up Share capital

	31 March 2016	31 March 2015
	£	£
Authorised		
1,000,000 ordinary shares of £0.000001 each	<u>1</u>	<u>1</u>
Allotted, called up and fully paid		
1,000,000 Ordinary shares of £0.000001 each	<u>1</u>	<u>1</u>

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

11. Reserves

	2016 £
At 1 April 2015	(4,072,901)
Profit for the year	1,372,098
At 31 March 2016	<u>(2,700,803)</u>

12. Related parties note

Fireteam Ltd

During the year the company purchased services from Fireteam Ltd, an entity under common control, in relation to Games Operations and IT services for costs of £26,478 (2015: £182,018). These are included within admin expenses in the profit and loss account. Warchest Ltd sold services to Fireteam Ltd in relation to HR/Finance services for the proceeds of £22,158 (2015: £15,175). Amounts owed by Warchest Ltd to Fireteam Ltd at the end of the financial year totalled £637,368 (2015: £642,090) and are included under creditors.

Splash Damage Ltd

During the year the company purchased services from Splash Damage Ltd, an entity under common control, in relation to Games Development services for costs of £11,316,637 (2015: £4,543,675). Of these £2,084,625 (2015: £4,543,675) are included within intangible assets in 2016 and £9,232,012 (2015: £0) are included in Cost of Sales. Warchest Ltd sold services to Splash Damage Ltd for the proceeds of £9,556,722 (2015: £247,982) of which £324,710 (2015: £247,982) are in relation to HR/Finance services and £9,232,012 (2015: £0) are in relation to Games Development services. Amounts owed by Warchest Ltd to Splash Damage Ltd at the end of the financial year total £10,762,812 (2015: 9,244,980) and are included within creditors.

Please see note 4 for details on transactions with key management personnel.

13. Defined contribution scheme

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions. The total cost charged to profit and loss account of £32,007 (2015: £31,147) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 March 2016, no contributions were outstanding.

14. Controlling party

Mr. P Wedgwood, a director of the Company, controls the Company as a result of controlling, directly, 100% per cent of the issued share capital of the Company

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

15. Categories of financial assets and financial liabilities

	Year to 31 March 2016 £	Year to 31 March 2015 £
Financial assets that are debt instruments measured at amortised cost	83,772	98,841
Financial liabilities measured at amortised cost	12,204,112	10,161,123
	<u>12,287,884</u>	<u>10,259,964</u>
	Year to 31 March 2016 £	Year to 31 March 2015 £
Interest Income	-	-
Interest Expense	(67,000)	-

16. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. There are no transition adjustments resulting from the application of FRS 102 which have affected the company in the year of transition.

17. Subsequent events

It should be noted that post Balance Sheet the company's shareholder has entered into an SPA on 1st July 2016, to sell the entirety of his shareholding to Leyou Technologies Holdings along with the related parties. Leyou Technologies Holdings is a Listed company on the Hong Kong Stock Market (HKEX) and therefore this transaction is subject to HKEX approval and is expected to complete in Q1 2017.

On 17 January 2017, Warchest has entered into an agreement with Nexon America, pursuant to which Nexon Americas exclusive right and licence to maintain, publish, operate and distribute Dirty Bomb shall end, and Warchest shall have such rights after the termination date.

Warchest Limited

Notes to the financial statements For the year ended 31 March 2016

18. Enterprise management incentives share-option scheme

The company set up an Enterprise Management Incentives share-option scheme on 21st June 2012. All directors and staff employed by the company on that date were granted share options and the total number of options granted was 85,450.

No new options have been issued this year. The options can only be exercised on a change of control. If any individual leaves the company before the event, their options will lapse. During the year to 31 March 2016, no members of staff left the company and therefore no options lapsed during the year.

The exercise price is £0.67 per share which was the estimated value of the company's shares on 21st June 2012.