

Company Registration No. 07783664

Warchest Limited

Annual Report and Financial Statements

For the Year Ended 31 March 2015

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Warchest Limited

Annual Report and Financial Statements 2015

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Warchest Limited

Annual Report and Financial Statements 2015

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

Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 March 2015. This Directors' report has been prepared in accordance with the provision for companies entitled to the small company's exemption.

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.

Review of the business

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 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, we are now also commencing development of our next concept game, which is expected to follow a similar model.

Key performance indicators

The key performance indicators are considered to be turnover, operating profit and net profit after tax. Turnover for the year at £1,068k showed a decrease of 66% (2014: £3,143k), operating loss for the year at £3.8m (2014: £540K profit), with a loss after tax of £3m (2014: £540k profit). This is to be expected due to the financial year having been between game launches, due to unforeseen delays in launching both games.

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 £9.2m. 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 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.

Strategic report

The Company is entitled to small companies exemption in relation to the strategic report for the year ended 31 March 2015.

Directors

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

P Wedgwood
R Jolly
R Farrow

Warchest Limited

Directors' report

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.

Auditor

Deloitte LLP were appointed in respect of the year ended 31 March 2015 and have indicated their willingness to be reappointed for another term.

The report was approved by the Board on 21st December 2015 and signed on its behalf by



P Wedgwood
Director

21st December 2015

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). 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions 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 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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).

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 2015 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.

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; or
- the Directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Director's report.

Sarah Shillingford

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

21st December 2015

Warchest Limited

Profit and Loss Account For the Year Ended 31 March 2015

	Notes	Year to 31 March 2015 £	Year to 31 March 2014 (restated) £
Turnover	2	1,068,303	3,143,305
Cost of sales		(796,056)	(1,902,557)
Gross profit		272,247	1,240,748
Other operating income	2	233,712	169,259
Administrative expenses		(1,894,342)	(870,458)
Impairment of Fixed Asset	3	(2,422,604)	-
Operating (loss)/profit	4	(3,810,987)	539,549
(Loss)/Profit on ordinary activities before taxation		(3,810,987)	539,549
Tax on (loss)/profit on ordinary activities	5	772,990	-
(Loss)/Profit on ordinary activities after taxation		(3,037,997)	539,549

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 total recognised gains and losses

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

Warchest Limited

Balance sheet As at 31 March 2015

	Notes	31 March 2015 £	31 March 2014 £
Fixed assets			
Tangible assets	6	95	4,559
Intangible assets	7	7,283,204	9,973
		<u>7,283,299</u>	<u>14,532</u>
Current Assets			
Cash at bank and in hand		1,708	31,388
Debtors	8	877,144	1,654,128
Work in progress		-	6,758,394
		<u>878,852</u>	<u>8,443,910</u>
Creditors: amounts falling due within one year	9	(12,235,051)	(9,493,345)
Net current liabilities		<u>(11,356,199)</u>	<u>(1,049,435)</u>
Net liabilities		<u>(4,072,900)</u>	<u>(1,034,903)</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	(4,072,901)	(1,034,904)
Shareholder's deficit		<u>(4,072,900)</u>	<u>(1,034,903)</u>

These financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime and with the Financial Reporting Standards for Smaller Entities (effective April 2008).

The financial statements of Warchest Limited, (registered number 07783664) were approved by the Board of Directors and authorised for issue on 2nd December 2015.

Signed on behalf of the Board of Directors



R Farrow
Director

Warchest Limited

Notes to the financial statements For the Year ended 31 March 2015

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

The company has taken advantage of the exemption in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) from the requirement to produce a cashflow statement 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 2015, we are now also commencing development of our next concept game, which is expected to follow a similar model.

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 facility. 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 £9.2m, 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.

Fixed assets, intangible assets and depreciation

Intangible assets are amortised based on their expected useful life. In the case of trade marks, legal rights have been granted.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Trade marks	-	10% on cost
Office equipment	-	25% on cost
Computer equipment	-	50% on cost

Intangible Assets

Trademarks	-	10% on cost
Games Development (straightline amortisation)	-	33% on cost

Warchest Limited

Notes to the financial statements For the Year ended 31 March 2015

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.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore 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.

Turnover

Turnover is stated net of VAT. Turnover from the supply of games represents the value of services provided to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where revenue has been earned but not actually received a provision is made and the revenue accrued with the balance included on the balance sheet. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

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 constant rate of charge on the balance of capital repayments outstanding. 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, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Warchest Limited

Notes to the financial statements For the Year ended 31 March 2015

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 and is amortised on a straight line basis over the useful life of the game, generally considered to be 3 years.

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. These were previously included in turnover 2014 but have been reclassified to other income. The reclassification for 2014 is £169K.

Revenue by type

	Year to 31 March 2015	Year to 31 March 2014 (restated)
	£	£
Turnover		
Publishing	1,068,303	3,143,305
Total	1,068,303	3,143,305

Revenue by region

	Year to 31 March 2015	Year to 31 March 2014 (restated)
	£	£
Turnover		
UK	-	130,426
USA	988,703	2,529,976
EU	79,600	482,903
Total	1,068,303	3,143,305

Warchest Limited

Notes to the financial statements For the Year ended 31 March 2015

3. Operating (loss)/profit

	Year to 31 March 2015 £	Year to 31 March 2014 £
Operating (loss)/profit is stated after charging:		
Depreciation and other amounts written off tangible assets	4,464	26,266
Impairment of intangible asset	2,422,604	-
Amortisation of intangible assets	485,701	940
Fees payable to the auditor for the audit of the annual accounts	8,250	7,000
Fees payable to the auditor for taxation services	1,400	1,400
	<u>9,650</u>	<u>8,400</u>

4. Information regarding directors and employees

	Year to 31 March 2015 £	Year to 31 March 2014 £
Wages and Salaries	582,692	633,415
Social security costs	65,686	76,043
Other pension costs	20,184	33,142
	<u>668,562</u>	<u>742,600</u>

The average monthly number of employees during the year was as follows:	2015 No.	2014 No.
HR/Finance/Media Staff	15	16
	<u>15</u>	<u>16</u>

Warchest Limited

Notes to the financial statements For the Year ended 31 March 2015

Directors' remuneration

	Year to 31 March 2015 £	Year to 31 March 2014 £
Emoluments	170,729	159,537
Company contributions to pension schemes	9,363	5,013
	<u>180,092</u>	<u>164,550</u>

The highest paid director in the year received remuneration of £103,412 (2014:£120,255)

	Year to 31 March 2015 No.	Year to 31 March 2014 No.
Number of Directors who were members of Money Purchase schemes	2	1

Warchest Limited

Notes to the financial statements For the Year ended 31 March 2015

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

	Year to 31 March 2015 £	Year to 31 March 2014 £
Analysis of charge in the period		
Games tax credit	(772,990)	-
Total current tax	(772,990)	-

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 2015 £	Year to 31 March 2014 £
(Loss)/profit on ordinary activities before tax	(3,810,987)	539,549
Tax on profit at standard UK rate of 21% (2014: 23%)	(800,307)	124,096
Expenses not deductible for tax purposes	-	15,225
Capital allowance for period in excess of depreciation	84	4,901
Carry forward/(utilisation) of tax losses	1,449,536	(144,222)
Effects of other tax rates/(credits) for the period	(1,422,303)	-
Current tax credit for the period	(772,990)	-

Warchest Limited

Notes to the financial statements For the Year ended 31 March 2015

6. Tangible fixed assets

	Computer equipment £	Office equipment £	Total £
Cost			
At 01 April 2014	52,324	416	52,740
Additions	-	-	-
At 31 March 2015	52,324	416	52,740
Depreciation			
At 01 April 2014	47,964	217	48,181
Charge for the year	4,360	104	4,464
At 31 March 2015	52,324	321	52,645
Net book value			
At 31 March 2014	4,360	199	4,559
At 31 March 2015	-	95	95

7. Intangible assets

	Trade Marks £	Games Development £	Total £
Cost			
At 01 April 2014	11,802	-	11,802
Games development additions	-	10,181,536	10,193,338
At 31 March 2015	11,802	10,181,536	10,193,338
Amortisation			
At 01 April 2014	1,829	-	1,829
Charge for the year	1,180	484,521	485,701
Impairment	-	2,422,604	2,422,604
At 31 March 2015	3,009	2,907,125	2,910,134
Net book value			
At 31 March 2014	9,973	-	9,973
At 31 March 2015	8,793	7,274,411	7,283,204

Warchest Limited

Notes to the financial statements For the Year ended 31 March 2015

Additions in year relate to the capitalisation of games development costs. These balances have been moved from Work in Progress upon release of Dirty Bomb in FY15.

8. Debtors

	31 March 2015	31 March 2014
	£	£
Trade debtors	98,454	508,203
Other taxes and social security costs	-	1,140,271
Directors' accounts	57	57
Other debtors	387	1,438
Prepayments and accrued income	5,256	4,159
Corporation Tax debtor	772,990	-
	<u>877,144</u>	<u>1,654,128</u>

9. Creditors: amounts falling due within one year

	31 March 2015	31 March 2014
	£	£
Trade creditors	9,980,691	6,693,978
Other creditors	180,432	817,490
Other taxes and social security costs	69,741	43,234
Accruals and deferred income	2,004,187	1,938,643
	<u>12,235,051</u>	<u>9,493,345</u>

Currently Warchest Ltd owes Splash Damage Ltd £9.2m. 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 2015	31 March 2014
	£	£
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 2015

11. Reserves

	2015 £
At 01 April 2014	(1,034,904)
Profit/(loss) for the year	(3,037,997)
At 31 March 2015	<u>(4,072,901)</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 £182,018 (2014: £579,095). 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 £15,175 (2014: £20,919). Amounts owed by Warchest Ltd to Fireteam Ltd at the end of the financial year totalled £642,090 (2014: £668,221) 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 £4,543,675 (2014: £5,615,225). These are included within intangible assets in 2015 and work in progress in 2014. Warchest Ltd sold services to Splash Damage Ltd in relation to HR/Finance services for the proceeds of £247,982 (2014: £148,339). Amounts owed by Warchest Ltd to Splash Damage Ltd at the end of the financial year total £9,244,980 (2014: 5,684,813) and are included within creditors.

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 £31,147 (2014: £13,103) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 March 2015, 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