

Company Registration No. 08815227 (England and Wales)

Cloud Imperium UK Ltd.

Annual report and
group financial statements
for the year ended 31 December 2018



Cloud Imperium UK Ltd.

Company information

Directors	Ortwin Freyermuth Christopher Roberts Erin Roberts Ezer Klein Marc Nitsche Sandi Roberts	(Appointed 23 May 2018) (Appointed 23 May 2019) (Appointed 1 June 2019)
Company number	08815227	
Registered office	Freedom House Church Street Wilmslow Cheshire United Kingdom SK9 1AX	
Independent auditor	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE	

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The directors present the strategic report for the year ended 31 December 2018.

Principal Activities

Established since December 2013 Cloud Imperium UK Limited (formerly Cloud Imperium Games UK Limited) operates from the UK, managing the Worldwide, outside of America, rights to the Star Citizen and Squadron 42 PC video games. Through its revenues it funds directly the Cloud Imperium Games (formerly Foundry 42) development team, the largest development presence within the Cloud Imperium Group and the Roberts Space Industries International Publishing activities supporting the 'Outside of the USA' market.

Fair review of the business

As reported on the profit and loss account on page 8, Group turnover has increased in 2018 to £17.9m (2017: £16.96m) with higher engagement stemming from the quarterly releases of Star Citizen, allowing a greater number of users to play more sections of the game whilst it is being developed. Costs have also risen to £21.4m (2017: £18.2m) in line with the longer-term plans of the group, as it continues to progress the development and publishing of the games concentrating upon its release plans relative to its trading and funding position.

Despite the £0.82m loss for the year the group still carries forward retained profit reserves of £2.9m as at 31 December 2018 and during the year the Company raised a further £17m from a minority equity investment, the UK part of the \$46M worldwide investment into the Cloud Imperium Group made in 2018. This investment was to provide added security and additional funds to allow it to push the games to fruition and market them to a wider audience.

Information about this investment was widely publicized at the time on the Company information sites and forums and undoubtedly the added security this brings gives additional comfort at a time when the economic and competitive environment is expected to remain challenging during the year ahead, particularly with uncertainties surrounding Brexit and related issues.

However, the directors are aiming to minimize such macro risks whilst focusing in upon the micro challenges of the projects they are undertaking and are confident that the current business model will continue to operate efficiently and effectively. Investment into the development and publishing activities the Company will help maintain its competitive position within the industry and continue the significant progress made in the game development, evidenced by its regular and sustained release strategy maintained throughout 2018 and continuing into 2019 and to date.

Principal risks and uncertainties

The key business risks affecting the Company are competition in the market place, reduction in market demand and the cost of the publishing and development resource required for delivering the game.

The Company's management mitigate these risks by monitoring numerous key performance indicators, mainly within the publishing and development entities feeding into the Company and by carrying out regular strategic and operational business reviews.

Key performance indicators

Key performance indicators are monitored on a regular basis. For development these are focused around labour efficiencies and the quality and quantity of output against benchmarked comparators and the development objectives of the business. For publishing, looking at customer satisfaction, service levels, minimized downtime and customer engagement against comparators and internal goals.

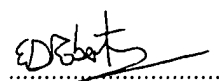
Financial Risk Management

The business manages its financial risk by scaling its operation based upon the volume and value of subscribers and players of the games under development and reacting to changes accordingly. The Company is exposed to a limited number of external financial risks, collecting revenue from its publishing subsidiary and using this to pay for development through its development subsidiary. The Company has adequate financing facilities in place via cash generated from operating activities and banking facilities to meet its funding requirements.

Our People

The Company maintains the belief that its people are the key to the long-term success of the business. The Company has continued to grow its internal team in 2018 with focus still on development and delivery, within a managerial infrastructure that can support this growing group of people. To create such a substantial, ground breaking and ambitious game and virtual universe was always going to have its challenges but the current and future success of this venture is significantly down to the skill and expertise of the people engaged in that process, both within the group and the stakeholders participating fully in the process.

On behalf of the board



Erin Roberts

Director

30/09/19

Cloud Imperium UK Ltd.

Directors' report

For the year ended 31 December 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company and group continued to be that of video games production, development and publishing.

Directors

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

Ortwin Freyermuth

Christopher Roberts

Erin Roberts

Ezer Klein

(Appointed 23 May 2018)

Daniel Offner

(Appointed 23 May 2018 and resigned 23 May 2019)

Marc Nitsche

(Appointed 23 May 2019)

Sandi Roberts

(Appointed 1 June 2019)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

In accordance with the company's articles, a resolution proposing that Saffery Champness LLP be reappointed as auditor of the group will be put at a General Meeting.

Directors' report (continued)

For the year ended 31 December 2018

Statement of directors' responsibilities

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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

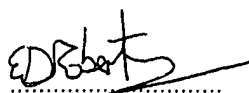
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



Erin Roberts
Director

Date: 30/09/2019.....

Independent auditor's report

To the members of Cloud Imperium UK Ltd.

Opinion

We have audited the financial statements of Cloud Imperium UK Ltd. (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's 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 *Auditor's 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 UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report (continued)
To the members of Cloud Imperium UK Ltd.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Independent auditor's report (continued)
To the members of Cloud Imperium UK Ltd.

Responsibilities of directors

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, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

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

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 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.

Moses Nyachae (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

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Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Cloud Imperium UK Ltd.

Group statement of comprehensive income
For the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	3	17,922,281	16,961,014
Cost of sales		(21,374,495)	(18,157,142)
Gross loss		(3,452,214)	(1,196,128)
Administrative expenses		(1,181,561)	(1,555,687)
Other operating income		3,845,517	3,692,687
Operating (loss)/profit	4	(788,258)	940,872
Interest payable and similar expenses	8	(29,694)	(18,945)
(Loss)/profit before taxation		(817,952)	921,927
Tax on (loss)/profit	9	-	-
(Loss)/profit for the financial year		(817,952)	921,927

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

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

The Income Statement has been prepared on the basis that all operations are continuing operations.

Cloud Imperium UK Ltd.

Group statement of financial position
As at 31 December 2018

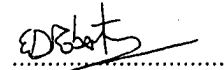
	Notes	£	2018 £	£	2017 £
Fixed assets					
Goodwill	10		81,029		162,059
Other intangible assets	10		951,429		1,087,348
Total intangible assets			1,032,458		1,249,407
Tangible assets	11		670,844		839,474
			1,703,302		2,088,881
Current assets					
Debtors	15	6,081,669		7,171,832	
Cash at bank and in hand		15,296,325		4,062,524	
			21,377,994	11,234,356	
Creditors: amounts falling due within one year	16	(3,117,112)		(8,890,646)	
Net current assets			18,260,882		2,343,710
Total assets less current liabilities			19,964,184		4,432,591
Creditors: amounts falling due after more than one year	17		(309,976)		(480,056)
Net assets			19,654,208		3,952,535
Capital and reserves					
Called up share capital	20		111		100
Share premium account			16,717,614		198,000
Profit and loss reserves			2,936,483		3,754,435
Total equity			19,654,208		3,952,535

Cloud Imperium UK Ltd.

Group statement of financial position (continued)

As at 31 December 2018

The financial statements were approved by the board of directors and authorised for issue on 30.01.19 and are signed on its behalf by:



Erin Roberts

Director

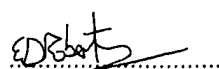
Cloud Imperium UK Ltd.

Company statement of financial position
As at 31 December 2018

	Notes	£	2018 £	£	2017 £
Fixed assets					
Intangible assets	10		951,429		1,087,348
Investments	12		462,206		462,206
			<u>1,413,635</u>		<u>1,549,554</u>
Current assets					
Debtors	15	15,092,680		4,634,515	
Cash at bank and in hand		347,612		381	
		<u>15,440,292</u>		<u>4,634,896</u>	
Creditors: amounts falling due within one year	16	(256,058)		(5,716,698)	
Net current assets/(liabilities)			<u>15,184,234</u>		<u>(1,081,802)</u>
Total assets less current liabilities			<u>16,597,869</u>		<u>467,752</u>
Creditors: amounts falling due after more than one year	17		(309,976)		(480,056)
Net assets/(liabilities)			<u><u>16,287,893</u></u>		<u><u>(12,304)</u></u>
Capital and reserves					
Called up share capital	20		111		100
Share premium account			16,717,614		198,000
Profit and loss reserves			(429,832)		(210,404)
Total equity			<u><u>16,287,893</u></u>		<u><u>(12,304)</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £219,428 (2017 - £181,067 loss).

The financial statements were approved by the board of directors and authorised for issue on 30/01/19 and are signed on its behalf by:



Erin Roberts
Director

Company Registration No. 08815227

Cloud Imperium UK Ltd.

**Group statement of changes in equity
For the year ended 31 December 2018**

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2017		100	198,000	2,832,508	3,030,608
Year ended 31 December 2017:					
Profit and total comprehensive income for the year		-	-	921,927	921,927
Balance at 31 December 2017		100	198,000	3,754,435	3,952,535
Year ended 31 December 2018:					
Loss and total comprehensive income for the year		-	-	(817,952)	(817,952)
Issue of share capital	20	11	16,519,614	-	16,519,625
Balance at 31 December 2018		111	16,717,614	2,936,483	19,654,208

Cloud Imperium UK Ltd.

Company statement of changes in equity
For the year ended 31 December 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2017		100	198,000	(29,337)	168,763
Year ended 31 December 2017:					
Loss and total comprehensive income for the year		-	-	(181,067)	(181,067)
Balance at 31 December 2017		100	198,000	(210,404)	(12,304)
Year ended 31 December 2018:					
Loss and total comprehensive income for the year		-	-	(219,428)	(219,428)
Issue of share capital	20	11	16,519,614	-	16,519,625
Balance at 31 December 2018		111	16,717,614	(429,832)	16,287,893

Cloud Imperium UK Ltd.

Group statement of cash flows

For the year ended 31 December 2018

	Notes	£	2018 £	£	2017 £
Cash flows from operating activities					
Cash absorbed by operations	23		(3,228,628)		(1,785,554)
Interest paid			(29,694)		(18,945)
Income taxes paid			(148,767)		(373,786)
Net cash outflow from operating activities			(3,407,089)		(2,178,285)
Investing activities					
Purchase of tangible fixed assets		(339,997)		(668,848)	
Proceeds on disposal of tangible fixed assets		-		907	
Net cash used in investing activities			(339,997)		(667,941)
Financing activities					
Proceeds from issue of shares		16,519,625		-	
Repayment of bank loans		(1,538,738)		1,538,738	
Net cash generated from financing activities			14,980,887		1,538,738
Net increase/(decrease) in cash and cash equivalents			11,233,801		(1,307,489)
Cash and cash equivalents at beginning of year			4,062,524		5,370,013
Cash and cash equivalents at end of year			15,296,325		4,062,524

Cloud Imperium UK Ltd.

Company statement of cash flows
For the year ended 31 December 2018

	Notes	£	2018 £	£	2017 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	22		(16,163,604)		27,453
Interest paid			(8,790)		(10,411)
Net cash (outflow)/inflow from operating activities			(16,172,394)		17,042
Investing activities					
Proceeds on disposal of subsidiaries		-		(462,206)	
Proceeds on disposal of fixed asset investments		-		440,001	
Net cash used in investing activities			-		(22,205)
Financing activities					
Proceeds from issue of shares		16,519,625		-	
Net cash generated from/(used in) financing activities			16,519,625		-
Net increase/(decrease) in cash and cash equivalents			347,231		(5,163)
Cash and cash equivalents at beginning of year			381		5,544
Cash and cash equivalents at end of year			347,612		381

1 Accounting policies

Company information

Cloud Imperium UK Ltd. ("the company") is a private limited company incorporated in England and Wales. The registered office is Freedom House, Church Street, Wilmslow, Cheshire, United Kingdom, SK9 1AX.

The group consists of Cloud Imperium UK Ltd. and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available group financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the group financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 Accounting policies (continued)

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The group financial statements incorporate those of Cloud Imperium UK Ltd. and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 Accounting policies (continued)

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings represents the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

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

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

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

Intellectual Property

10 years straight line

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 Accounting policies (continued)

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

Leasehold land and buildings	20%
Fixtures and fittings	33.3%
Computers	50%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

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

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

1 Accounting policies (continued)

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

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 Accounting policies (continued)

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 Accounting policies (continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1 Accounting policies (continued)

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

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

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by geographical market		
Rest of World (excluding United States)	17,922,281	16,961,014
	<u>17,922,281</u>	<u>16,961,014</u>

4 Operating (loss)/profit

	2018	2017
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(95,207)	68,266
Depreciation of owned tangible fixed assets	507,849	562,153
Loss/(profit) on disposal of tangible fixed assets	778	(752)
Amortisation of intangible assets	216,949	216,949
	<u>216,949</u>	<u>216,949</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to a gain of £95,207 (2017: a loss of £68,266).

Notes to the financial statements (continued)
For the year ended 31 December 2018

5 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	12,000	10,973
Audit of the financial statements of the company's subsidiaries	25,000	16,000
	<u>37,000</u>	<u>26,973</u>

6 Employees

The average monthly number of persons employed by the group and company during the year was:

Group		Company	
2018	2017	2018	2017
Number	Number	Number	Number
338	318	-	-

Their aggregate remuneration comprised:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Wages and salaries	14,722,463	12,238,389	-	-
Social security costs	1,657,692	1,457,245	-	-
Pension costs	502,816	312,037	-	-
	<u>16,882,971</u>	<u>5,917,830</u>	<u>-</u>	<u>-</u>

7 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	286,845	220,091
Company pension contributions to defined contribution schemes	10,250	12,760
	<u>297,095</u>	<u>232,851</u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

7 Directors' remuneration (continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018	2017
	£	£
Remuneration for qualifying services	246,087	220,091
Company pension contributions to defined contribution schemes	10,250	12,760
	<u>256,337</u>	<u>232,851</u>

8 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	20,904	8,534
Other interest on financial liabilities	8,790	10,411
	<u>29,694</u>	<u>18,945</u>

9 Taxation

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
(Loss)/profit before taxation	(817,952)	921,927
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(155,411)	177,471
Tax effect of expenses that are not deductible in determining taxable profit	(3,411,879)	(3,401,932)
Tax effect of income not taxable in determining taxable profit	(922,924)	(845,193)
Unutilised tax losses carried forward	660,785	298,113
Permanent capital allowances in excess of depreciation	(52,178)	77,560
Income not taxable	3,845,517	3,693,981
Adjust closing deferred tax to average rate of 19.00%	7,133	-
Adjust opening deferred tax to average rate of 19.00%	(3,334)	-
Deferred tax not recognised	32,291	-
Taxation charge	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

10 Intangible fixed assets

Group	Goodwill	Intellectual Property	Total
	£	£	£
Cost			
At 1 January 2018 and 31 December 2018	405,149	1,359,186	1,764,335
Amortisation and impairment			
At 1 January 2018	243,090	271,838	514,928
Amortisation charged for the year	81,030	135,919	216,949
At 31 December 2018	324,120	407,757	731,877
Carrying amount			
At 31 December 2018	81,029	951,429	1,032,458
At 31 December 2017	162,059	1,087,348	1,249,407

Company	Intellectual Property
	£
Cost	
At 1 January 2018 and 31 December 2018	1,359,186
Amortisation and impairment	
At 1 January 2018	271,838
Amortisation charged for the year	135,919
At 31 December 2018	407,757
Carrying amount	
At 31 December 2018	951,429
At 31 December 2017	1,087,348

Notes to the financial statements (continued)
For the year ended 31 December 2018

11 Tangible fixed assets

Group	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2018	514,526	600,797	1,289,529	2,404,852
Additions	43,527	153,127	143,343	339,997
Disposals	-	-	(13,583)	(13,583)
At 31 December 2018	558,053	753,924	1,419,289	2,731,266
Depreciation and impairment				
At 1 January 2018	202,706	409,723	952,949	1,565,378
Depreciation charged in the year	102,670	157,262	247,917	507,849
Eliminated in respect of disposals	-	-	(12,805)	(12,805)
At 31 December 2018	305,376	566,985	1,188,061	2,060,422
Carrying amount				
At 31 December 2018	252,677	186,939	231,228	670,844
At 31 December 2017	311,820	191,074	336,580	839,474

The company had no tangible fixed assets at 31 December 2018 or 31 December 2017.

12 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	13	-	-	462,206	462,206

Notes to the financial statements (continued)
For the year ended 31 December 2018

12 Fixed asset investments (continued)

Movements in fixed asset investments		Shares in group
Company		undertakings
		£
Cost or valuation		
At 1 January 2018 and 31 December 2018		462,206
Carrying amount		
At 31 December 2018		462,206
At 31 December 2017		462,206

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Cloud Imperium Games Limited	England	Video Games production and development	Ordinary	100.00	
Cloud Imperium Rights Limited	England	Patent & copyright agent	Ordinary	100.00	
Roberts Space Industries International Limited	England	Video Games production and development	Ordinary	100.00	
Roberts Space Industries Germany	Germany	Video Games production and development	Ordinary	100.00	

Notes to the financial statements (continued)
For the year ended 31 December 2018

13 Subsidiaries (continued)

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Cloud Imperium Games Limited	(547,900)	3,694,841
Cloud Imperium Rights Limited	(106)	(105)
Roberts Space Industries International Limited	-	1
Roberts Space Industries Germany	31,249	(52,755)

14 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,504,715	3,215,940	12,355,542	4,632,060
Carrying amount of financial liabilities				
Measured at amortised cost	1,809,441	8,331,292	566,034	6,196,754

15 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Corporation tax recoverable	3,845,836	3,693,006	-	-
Amounts owed by group undertakings	-	-	11,912,132	1,842,628
Other debtors	1,904,241	3,215,942	444,922	2,791,887
Prepayments and accrued income	331,592	262,884	2,735,626	-
	6,081,669	7,171,832	15,092,680	4,634,515

Notes to the financial statements (continued)
For the year ended 31 December 2018

16 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	18	-	1,538,738	-	-
Trade creditors		715,087	619,690	-	3,580
Amounts owed to group undertakings		-	-	-	4,725,348
Corporation tax payable		4,063	-	-	-
Other taxation and social security		1,613,584	1,039,410	-	-
Other creditors		592,849	5,554,600	232,579	976,797
Accruals and deferred income		191,529	138,208	23,479	10,973
		<u>3,117,112</u>	<u>8,890,646</u>	<u>256,058</u>	<u>5,716,698</u>

17 Creditors: amounts falling due after more than one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Other creditors	<u>309,976</u>	<u>480,056</u>	<u>309,976</u>	<u>480,056</u>

18 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	<u>-</u>	<u>1,538,738</u>	<u>-</u>	<u>-</u>
Payable within one year	<u>-</u>	<u>1,538,738</u>	<u>-</u>	<u>-</u>

19 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>502,816</u>	<u>312,037</u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

19 Retirement benefit schemes (continued)

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

20 Share capital

	Group and company	
	2018	2017
Ordinary share capital	£	£
Issued and fully paid		
1,113,861 ordinary shares of 0.01p each	111	100
	<u> </u>	<u> </u>

In the prior period the company had share capital of 100 shares at a nominal value of £1 each.

Notes to the financial statements (continued)

For the year ended 31 December 2018

21 Related party transactions

Roberts Space Industries Corporation	2018	2017
	£	£
Balance brought forward	(1,314,203)	(1,325,493)
Transactions in period	1,315,091	11,290
Costs recharged in the year	-	-
	<u>888</u>	<u>(1,314,203)</u>
Amounts due from/(to) Roberts Space Industries Corporation as at 31 December 2018	<u>888</u>	<u>(1,314,203)</u>
 Cloud Imperium Games, LLC	 2018	 2017
	£	£
Balance brought forward	(41,556)	(1,149,260)
Transactions in period	305,371	1,107,704
	<u>263,815</u>	<u>(41,556)</u>
Amounts due from/(to) Cloud Imperium Games, LLC as at 31 December 2018	<u>263,815</u>	<u>(41,556)</u>
 Cloud Imperium Games Texas, LLC	 2018	 2017
	£	£
Balance brought forward	(1,179,038)	(1,303,386)
Transactions in period	1,671,515	124,348
	<u>492,477</u>	<u>(1,179,038)</u>
Amounts due from/(to) Cloud Imperium Games Texas, LLC as at 31 December 2018	<u>492,477</u>	<u>(1,179,038)</u>

The above companies are considered related parties as Christopher Roberts is the ultimate controlling party of Roberts Space Industries Corporation, Cloud Imperium Games, LLC, Cloud Imperium Games Texas, LLC and the UK Group.

The balances owed at the year end are included within other debtors and other creditors.

Notes to the financial statements (continued)
For the year ended 31 December 2018

22 Cash generated from operations - company

	2018	2017
	£	£
Loss for the year after tax	(219,428)	(181,067)
Adjustments for:		
Finance costs	8,790	10,411
Amortisation and impairment of intangible assets	135,919	135,919
Movements in working capital:		
(Increase) in debtors	(10,458,165)	(2,494,982)
(Decrease)/increase in creditors	(5,630,720)	2,557,172
Cash (absorbed by)/generated from operations	(16,163,604)	27,453

23 Cash generated from group operations

	2018	2017
	£	£
(Loss)/profit for the year after tax	(817,952)	921,927
Adjustments for:		
Finance costs	29,694	18,945
Loss/(gain) on disposal of tangible fixed assets	778	(752)
Amortisation and impairment of intangible assets	216,949	216,949
Depreciation and impairment of tangible fixed assets	507,849	562,153
Movements in working capital:		
Decrease/(increase) in debtors	887,043	(1,544,795)
(Decrease) in creditors	(4,052,989)	(1,959,981)
Cash absorbed by operations	(3,228,628)	(1,785,554)