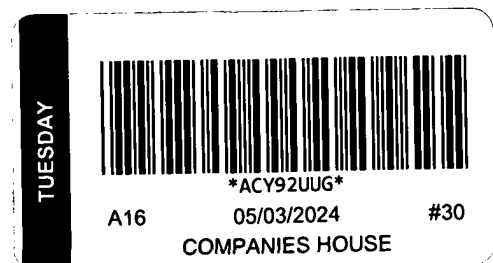


Company Registration No. 08703814 (England and Wales)

Cloud Imperium Games Limited

**Annual report and financial statements
for the year ended 31 December 2022**



Cloud Imperium Games Limited

Company information

Directors	Christopher Roberts Erin Roberts
Company number	08703814
Registered office	Manchester Goods Yard 6 Goods Yard Street Manchester United Kingdom M3 3BG
Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Manchester Hardman Sq 1 Hardman Square Spinningfields Manchester M3 3EB

Cloud Imperium Games Limited

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Cloud Imperium Games Limited

Strategic report

For the year ended 31 December 2022

The directors present the strategic report for the year ended 31 December 2022.

Principal Activities

Cloud Imperium Games Limited ("the Company") operates from the UK, as a wholly owned subsidiary of its parent, Cloud Imperium UK Ltd. Its principal activity continues to be video game production, being the largest development facility within the Cloud Imperium Group, and it continues to focus upon the Squadron 42 game, whilst providing support and input into the Star Citizen game universe.

Fair review of the business

As reported in the Statement of Comprehensive Income on page 11, the Company has achieved turnover in 2022 of £40.0m (2021: £32.4m) reflecting the increased game development costs in the year as the Company continues to advance the Squadron 42 game. As at 31 December 2022, the Company reported net assets of £21.0m (2021: £14.1m).

The Company remains focused upon its objective of sustainable growth in pursuit of the Squadron 42 game, set within the Star Citizen universe, in line with the creative and technological vision for this held by Chris Roberts and the engaged community and new players supporting it.

The economic and competitive environment is expected to remain challenging during the year ahead as global economies navigate the post pandemic recovery and governments wrestle with the challenges of high inflation. Whilst monitoring and being prepared for what may come, the directors have little influence over the macro risks presenting themselves in these unprecedented times.

Principal risks and uncertainties

The Company has continued to grow organically with considerable momentum over the last year. Careful consideration has been taken to ensure that the business manages and controls the growth to maintain the objective of developing its ground breaking titles, Star Citizen and Squadron 42.

The directors have closely monitored the impact on the business to date and taken necessary mitigating action where necessary.

Employees

The business needs to retain and attract a highly skilled workforce. To achieve this, the Company has invested in its premises to create a high class environment for its returning to office workforce to enjoy. The culture fostered by the Board focuses on staff well-being, investment in training and opportunities for career development to ensure a low staff turnover. Strong relationships with universities ensure the possibility of attracting the best students on placements, who in turn have a high inclination to return post-graduation.

Economic Risk

The economic risks associated with Covid and Brexit continue to decline and are now considered to be part of the ordinary course of business. The rate of inflation during 2022 has continued to increase, impacting the cost of living and it is currently higher in 2023 than at any time in the recent past in key markets including UK & EU. This may result in a decline in consumer spending and increase staff costs. This is outside of the control of the Company and although inflation is forecast to fall in 2024 it is expected to remain higher than in recent years.

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 Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

s172 statement

The directors of the Company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended 31 December 2022.

The success of our business is dependent on the support of all our stakeholders. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assist us in delivering long-term sustainable success.

The leadership team of the Company make decisions with a long-term view in mind and with the highest standards of conduct. In order to fulfil their duties, the directors take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take. Where possible, decisions are carefully discussed with the affected groups and are therefore fully understood and supported when taken.

The Board is well informed about the views of stakeholders, and it uses this information to assess the impact of decisions on each stakeholder group as part of its own decision making process. Details of the Company's key stakeholders and how we engage with them are set out below.

Our People

Our people are key to our success, and we want them to be successful individually and as a team. Our people's concerns are to know that their voice is heard and creating and sustaining employment. We have an open dialogue with shareholders and employees through the Board of Directors by way of face-to-face briefings, weekly bulletins, annual report and general meetings. Discussion through briefings cover a wide range of topics including financial performance, outlook, game development progress, milestones and opportunities, pay and benefits, governance and the opportunity to feedback to the leadership following these discussions.

Suppliers

Whilst the majority of the game development process is supported by our in-house teams, we do work with a number of external specialists to support areas of game development where quality is not compromised and it is cost effective to do so. Supplier engagement is primarily through a series of interactions and formal reviews. The Board recognises the relationships with suppliers are important and we review all agreements regularly to ensure they remain healthy and beneficial to the business and also to ensure they are aligned to the Company's business policies.

Government and regulators

We engage with the Government and regulators through a range of industry consultations, forums and meetings to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws, regulations and health and safety.

Community

The Company's approach is to use its significant position to ensure it is an asset to the communities and people with which it interacts. The Board ensures significant consideration is given to the impact of the Company's operations on the community and the environment in their decision making. The Company strives to create positive change in reducing the environmental standards while maintaining effective and continuing business practices, as well as to streamline energy and carbon reporting.

Financial Risk Management

Liquidity Risk

The Company's cash and cash equivalents consists of cash and funds on deposit. The Company's primary investment policy and strategies are focused on the preservation of capital and supporting its liquidity requirements.

Interest Rate Risk

The Company manages its cash and borrowings requirements in order to maximise interest income and minimise interest expenses, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business. Management monitors interest rate movements and considers any material impact on maximising returns for the business.

Foreign Currency Risk

The Company's principal foreign currency exposures arise from trading with overseas companies and operating an overseas branch.

Credit Risk

Investments of cash surpluses, borrowings and derivatives instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

Going Concern

Management has prepared group cash flow forecasts for at least 12 months from the date of approval of these financial statements which indicate that, taking account of a severe but plausible downside scenario, the group and company will have sufficient funds to meet its liabilities as they fall due for the next 12 months. The cash flow forecasts have been reviewed by the Directors.

Cloud Imperium UK Limited, the immediate parent company, has also indicated its intention not to seek repayment of the amounts advanced to the company and will also provide additional funding to the company as needed.

Based on the going concern assessment performed, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Cloud Imperium Games Limited

Strategic report (continued)

For the year ended 31 December 2022

UK Streamlined Energy and Carbon reporting (SECR)

The directors report under the energy and carbon report regulations 2018, implementing the UK government's policy on SECR, requires disclosure of the environmental performance of the Company's assets through calculating the group's greenhouse gas (GHG) emissions. Our disclosure presents our carbon footprint across Scope 1 and 2 together with an appropriate intensity metric and total energy use.

Methodology GHG emissions are quantified and reported according to the greenhouse gas protocol. Consumption and production data has been collated and converted into CO2 equivalent using the UK Government 2022 conversion factors for company reporting to calculate emissions from corresponding activity data.

To collect both consumption and production data, the group has reviewed emissions data related to production, electricity purchases, fuel purchases related to staff expenses arising from business mileage in private vehicles. This information has been prepared in accordance with the GHG protocol's guidance.

Data collected is for the year ended 31 December 2022.

The GHG sources that constitute our operational boundary for the reporting period are:

- a. Scope 1: Direct emissions from company owned and controlled resources; and
- b. Scope 2: Indirect emissions from purchased energy.

Total GHG emissions and energy use with Cloud Imperium UK Ltd.'s group activities:

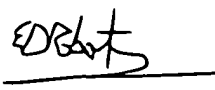
- Scope 1 emissions: 58.1 tCO2e (2021: 110.3)
- Scope 2 emissions: 82.0 tCO2e (2021: 82.2)
- Emissions intensity ratio: 3.31 tCO2e per £m Turnover (2021: 6.08 tCO2e per £m)
- Energy consumption: 764,207 Wh (2021: 997,073)

Energy Efficiency Action

The Company is committed to year-on-year improvements in its operational efficiency, although noting that the latter half of 2022 is more representative of the emissions and the energy consumption as the Company moved away from remote working from home to a return to the office. However, digital meetings and business travel was minimal during the year contributing to a reduction in our carbon footprint.

The Company is continually reviewing its energy consumption with the aim of delivering on-going reductions in emissions and thereby reducing its emissions intensity ratio. The Company also aims to reduce its Scope 2 emissions (the purchasing of energy) too by improving energy management structure through staff energy awareness training.

On behalf of the board



Erin Roberts
Director

Date: 1 March 2024

Cloud Imperium Games Limited

Directors' report

For the year ended 31 December 2022

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continues to be that of video games production and development.

Results and dividends

The results for the year are set out on page 11. The Company has achieved turnover in 2022 of £40.0m (2021: £32.4m) reflecting the increased development costs in the year as the Company continues to advance the Squadron 42 Game. As at 31 December 2022, the Company reported net assets of £21.0m (2021: £14.1m).

No ordinary dividends were paid (2021: £nil). The directors do not recommend payment of a final dividend.

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

(Resigned 31 May 2023)

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils 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 company's performance.

The company does not operate a share scheme at present, but the directors are considering the introduction of a group wide scheme as a means of further encouraging the involvement of employees in the company's performance.

Independent Auditors

PricewaterhouseCoopers LLP were appointed as auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditors

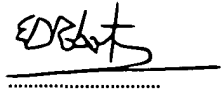
In the case of each director in office at the date the directors' report is approved:

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

Cloud Imperium Games Limited

Directors' report (continued)
For the year ended 31 December 2022

On behalf of the board



Erin Roberts
Director

Date: 1 March 2024

Cloud Imperium Games Limited

Directors' responsibilities statement For the year ended 31 December 2022

The directors are responsible for preparing the Annual report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Cloud Imperium Games Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cloud Imperium Games Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2022; Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, including relating to unusual postings to profit and loss, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions made by management in the selection and application of significant accounting judgements and estimates; and
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Dev Solanki (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
1 March 2024

Cloud Imperium Games Limited**Statement of Comprehensive Income
For the year ended 31 December 2022**

		2022	2021
	Notes	£	£
Turnover	3	39,992,145	32,399,349
Cost of sales	4	(40,396,321)	(31,539,424)
Gross (loss)/profit		(404,176)	859,925
Administrative expenses		368,634	(1,054,201)
Other operating income	6	6,948,322	5,847,496
Operating profit	5	6,912,780	5,653,220
Interest receivable and similar income		35,542	-
Profit before taxation		6,948,322	5,653,220
Tax on profit	9	-	-
Profit for the financial year		6,948,322	5,653,220

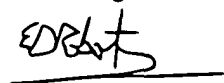
The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

Cloud Imperium Games Limited

**Balance Sheet
As at 31 December 2022**

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10	8,676,500		1,213,994	
Investments	11		10		-
		8,676,510		1,213,994	
Current assets					
Debtors	13	23,158,598		11,262,888	
Cash at bank and in hand		5,148,039		5,958,780	
		28,306,637		17,221,668	
Creditors: amounts falling due within one year	14	(15,983,637)		(4,384,474)	
Net current assets		12,323,000		12,837,194	
Net assets		20,999,510		14,051,188	
Capital and reserves					
Called up share capital	16	100		100	
Retained earnings	16	20,999,410		14,051,088	
Total equity		20,999,510		14,051,188	

The financial statements were approved by the board of directors and authorised for issue on 1 March 2024 and are signed on its behalf. The notes on pages 14 to 27 form part of these financial statements



Erin Roberts
Director

Company Registration No. 08703814

Cloud Imperium Games Limited

**Statement of Changes in Equity
For the year ended 31 December 2022**

	Share capital £	Retained Earnings £	Total £
Balance at 1 January 2021	100	8,397,868	8,397,968
Year ended 31 December 2021:			
Profit for the year	-	5,653,220	5,653,220
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	100	14,051,088	14,051,188
Year ended 31 December 2022:			
Profit for the year	-	6,948,322	6,948,322
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	<hr/> <hr/> 100	<hr/> <hr/> 20,999,410	<hr/> <hr/> 20,999,510

Cloud Imperium Games Limited

Notes to the financial statements For the year ended 31 December 2022

1 Accounting policies

Company information

Cloud Imperium Games Limited is a private company limited by shares incorporated in England and Wales. The registered office is Manchester Goods Yard, 6 Goods Yard Street, Manchester, United Kingdom, M3 3BG.

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. The principal accounting policies adopted are set out below.

This 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 consolidated 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:

- 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 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Cloud Imperium UK Ltd. These consolidated financial statements are available from its registered office, Manchester Goods Yard, 6 Goods Yard Street, Manchester, United Kingdom, M3 3BG.

Restatement

The directors and key management personnel remuneration note has been restated to separately present the key management personnel remuneration in accordance with Section 33 of FRS 102. Refer to note 8 for the disclosure.

1 Accounting policies (continued)

1.2 Going concern

Management has prepared group cash flow forecasts for at least 12 months from the date of approval of these financial statements which indicate that, taking account of a severe but plausible downside scenario, the group and company will have sufficient funds to meet its liabilities as they fall due for the next 12 months. The cash flow forecasts have been reviewed by the Directors.

Cloud Imperium UK Ltd, the immediate parent company, has also indicated its intention not to seek repayment of the amounts advanced to the company and will also provide additional funding to the company as needed.

Based on the going concern assessment performed, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Turnover

Revenue is generated from the development and the grant of rights to the videogame. Turnover is recognised at the fair value of the consideration received or receivable for services provided and is shown net of VAT and other sales related taxes.

1.4 Cost of Sales

Cost of Sales are recognised at the fair value of the consideration paid or payable for goods or services provided in the normal course of business, and is shown net of VAT. Cost of sales includes employment costs inclusive of employment taxes, social security contributions, pensions costs and staff benefits.

1.5 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 improvements	20%
Fixtures, fittings & equipment	33.3%
Computer equipment	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 credited or charged to the Statement of Comprehensive Income.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

1 Accounting policies (continued)

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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.

1.8 Cash and cash equivalents

Cash and cash equivalents 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.

1.9 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

1 Accounting policies (continued)

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.

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 company 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 company 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.

Derecognition of financial liabilities

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

1.10 Equity instruments

Equity instruments issued by the company 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 company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1 Accounting policies (continued)

1.11 Taxation

The tax expense represents the sum of the tax currently recoverable and deferred tax.

Current tax

The tax currently recoverable is based on relievable losses arising in the year as the result of video game tax relief legislation. Relievable losses differ from net losses as reported in the profit and loss account because they include an additional deduction relating to qualifying video game development expenditure and exclude items of income or expense that are taxable or deductible in other years, as well as items that are never taxable or deductible. The company's tax position is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 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.

1.13 Retirement benefits

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

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received. Government grants related to development costs are recognised in the statement of comprehensive income within other operating income over the periods in which the related production costs are incurred and for which the grant is intended to compensate.

Cloud Imperium Games Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

1 Accounting policies (continued)

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 in the period are included in profit or loss.

1.17 Consolidated financial statements

The company is a wholly owned subsidiary of its ultimate parent, Cloud Imperium UK Ltd. It is included in the consolidated financial statements of Cloud Imperium UK Ltd. which are publicly available. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Cloud Imperium UK Ltd. The consolidated financial statements of Cloud Imperium UK Ltd. are publicly available and can be obtained from Cloud Imperium UK Ltd., Manchester Goods Yard, 6 Goods Yard Street, Manchester, M3 3BG.

2 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 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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Video games tax relief estimate

The key accounting estimate within the financial statements for this company is the valuation of the video games tax relief available. The estimate is based on the assessment of the value of qualifying expenditure as per HMRC legislation and guidance plus assessment of the qualification of the underlying game as eligible for the tax relief.

In the directors' opinion, there were no other critical judgements or other estimation uncertainties in these financial statements.

3 Turnover

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

	2022	2021
	£	£
Turnover analysed by class of business		
Videogame Development Services	39,992,145	32,399,349

Cloud Imperium Games Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2022**3 Turnover (continued)**

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	39,992,145	32,399,349

4 Cost of Sales

	2022	2021
	£	£
Employment costs	29,667,682	25,356,229
Establishment costs	5,681,710	1,966,406
IT costs	2,402,420	1,494,468
Development contracted services costs	632,867	1,692,111
Other costs	2,011,642	1,030,210
	<u>40,396,321</u>	<u>31,539,424</u>

5 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(2,255,723)	132,637
Fees payable to the company's auditors for the audit of the company's financial statements	35,000	27,500
Depreciation of owned tangible fixed assets	1,859,818	890,122
Profit/loss on disposal of tangible fixed assets	(5,979)	249
Operating lease charges	<u>3,334,131</u>	<u>938,918</u>

During the year ended 31 December 2022, fees payable to the company's auditors and associates for non-audit services was £nil (2021: £nil)

6 Other operating income

Included in other operating income is the video games tax credit payable to the company of £6,948,322 (2021: £5,653,220).

Cloud Imperium Games Limited**Notes to the financial statements (continued)****For the year ended 31 December 2022****7 Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Development	479	432
Publishing, Community & Marketing	55	39
Support	39	35
Total	<u>573</u>	<u>506</u>

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	24,716,344	21,330,360
Social security costs	3,306,676	2,600,809
Other pension costs	1,644,662	1,425,060
	<u>29,667,682</u>	<u>25,356,229</u>

8 Directors' and Key Management Personnel remuneration

	2022	2021
	£	£
Remuneration for qualifying services	372,625	397,905
Company pension contributions to defined contribution schemes	18,150	15,750
	<u>390,775</u>	<u>413,655</u>

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

	2022	2021
	£	£
Remuneration for qualifying services	372,625	397,905
Company pension contributions to defined contribution schemes	18,150	15,750
	<u>390,775</u>	<u>413,655</u>

8 Directors' and Key Management Personnel remuneration (continued)

Remuneration for key management personnel (which includes Directors remuneration) are:

	2022 £	2021 £
Remuneration for qualifying services	880,201	906,455
Company pension contributions to defined contribution schemes	77,068	80,489
	<u>957,269</u>	<u>986,944</u>

See basis of preparation of financial statements (Note 1.1) for further details of the restatement.

9 Tax on profit

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

	2022 £	2021 £
Profit before taxation	<u>6,948,322</u>	<u>5,653,220</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	1,320,181	1,074,112
Enhanced losses arising from the video game tax relief	(8,301,833)	(6,570,908)
Difference between the video game tax relief rate at which credit is claimed and corporation tax rate	(1,667,598)	(1,444,331)
Permanent capital allowances in excess of depreciation	(415,923)	43,789
Deferred tax not recognised	2,785,330	3,288,852
Remeasurement of deferred tax for changes in tax rates	(668,479)	(2,044,734)
Tax credit included in other operating income	<u>6,948,322</u>	<u>5,653,220</u>
Taxation charge for the year	<u>-</u>	<u>-</u>

The Finance Act 2023, which was substantively enacted on 10 January 2023, included provisions to increase the rate of UK corporation tax to 25% with effect from 1 April 2023 from 19%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Cloud Imperium Games Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

10 Tangible assets

	Leasehold improvements	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2022	737,246	1,451,364	3,134,034	5,322,644
Additions	3,993,283	3,996,216	1,425,960	9,415,459
Disposals	(725,102)	(83,506)	-	(808,608)
At 31 December 2022	4,005,427	5,364,074	4,559,994	13,929,495
Accumulated depreciation and impairment				
At 1 January 2022	595,777	1,193,507	2,319,366	4,108,650
Depreciation charged in the year	377,978	608,329	873,511	1,859,818
Eliminated in respect of disposals	(634,059)	(81,414)	-	(715,473)
At 31 December 2022	339,696	1,720,422	3,192,877	5,252,995
Carrying amount				
At 31 December 2022	3,665,731	3,643,652	1,367,117	8,676,500
At 31 December 2021	141,469	257,857	814,668	1,213,994

11 Investments

	Notes	2022 £	2021 £
Investments in subsidiaries	12	10	-

Movements in fixed asset investments

	Shares in subsidiaries £
Cost or valuation	
At 1 January 2022	-
Additions	10
At 31 December 2022	10
Carrying amount	
At 31 December 2022	10
At 31 December 2021	-

Cloud Imperium Games Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

12 Subsidiaries

These financial statements are separate company financial statements for Cloud Imperium Games Limited.

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Gemini 42 Productions Limited	Manchester Goods Yard, 6 Goods Yard Street, Manchester, England, M3 3BG	Ordinary	100.00	-

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

Name of undertaking	Capital and Reserves	Profit/(Loss)
	£	£
Gemini 42 Productions Limited	8,202	8,192

13 Debtors

	2022	2021
Amounts falling due within one year:	£	£
Corporation tax recoverable	12,601,156	5,652,834
Amounts owed by group undertakings	120,356	432
Other debtors	8,882,470	4,239,525
Prepayments and accrued income	1,554,616	1,370,097
	<u>23,158,598</u>	<u>11,262,888</u>

Amounts due from group undertakings due within one year are unsecured, interest free and repayable on demand.

Cloud Imperium Games Limited**Notes to the financial statements (continued)****For the year ended 31 December 2022****14 Creditors: amounts falling due within one year**

	2022	2021
	£	£
Trade creditors	1,140,231	1,545,310
Amounts owed to parent undertakings	5,102,335	1,085,069
Amounts owed to group undertakings	3,258,731	-
Taxation and social security	599,499	493,158
Other creditors	2,964,374	835,292
Accruals and deferred income	2,918,467	425,645
	<u>15,983,637</u>	<u>4,384,474</u>

Amounts owed to parent and to group undertakings due within one year are unsecured, interest free and repayable on demand.

15 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>1,644,662</u>	<u>1,425,060</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

16 Called up share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Retained Earnings

Retained earnings represents cumulative profits or losses net of dividends paid and other adjustments.

17 Financial commitments, guarantees and contingent liabilities

Coutts & Co. holds a charge over all the company's right, title and interest in and to the Video Game in relation to a loan facility. As at the reporting date, the balance of the loan was £nil (2021: £nil).

National Westminster Bank Plc holds a charge over the company's right, title and interest in and to one of the company's bank accounts in relation to the credit card facilities.

Cloud Imperium Games Limited**Notes to the financial statements (continued)****For the year ended 31 December 2022****18 Operating lease commitments****Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	6,751,683	1,302,829
Between two and five years	30,332,110	15,717,511
In over five years	28,271,325	25,578,504
	<u>65,355,118</u>	<u>42,598,844</u>

19 Related party transactions**Transactions with related parties**

During the year the company entered into the following transactions with related parties:

Cloud Imperium Games Corporation	2022 £	2021 £
Balance brought forward as at 1 January	-	158,823
Transactions in period	-	(158,823)
Amounts due from Cloud Imperium Games Corporation as at 31 December	<u>-</u>	<u>-</u>

The transactions in the prior period relate to the recharge of expenses incurred by the company to Cloud Imperium Games Corporation.

Cloud Imperium Games Texas, LLC	2022 £	2021 £
Balance brought forward as at 1 January	(86,507)	(67,819)
Transactions in period	(869,424)	(18,688)
Amounts due to Cloud Imperium Games Texas, LLC as at 31 December	<u>(955,931)</u>	<u>(86,507)</u>

The transactions in the period relate to the recharge of expenses incurred by Cloud Imperium Games Texas, LLC.

Cloud Imperium Games Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2022**19 Related party transactions (continued)**

Cloud Imperium Games, LLC	2022	2021
	£	£
Balance brought forward as at 1 January	(250,862)	(77,401)
Transactions in period	(1,354,121)	(173,461)
Amounts due to Cloud Imperium Games, LLC as at 31 December	<u>(1,604,983)</u>	<u>(250,862)</u>

The transactions in the period relate to the recharge of expenses incurred by Cloud Imperium Games, LLC.

Roberts Space Industries, LLC	2022	2021
	£	£
Balance brought forward as at 1 January	-	-
Transactions in period	5,365,436	-
Amounts due from Roberts Space Industries, LLC as at 31 December	<u>5,365,436</u>	<u>-</u>

The transactions in the period relate to the intercompany transfers to Roberts Space Industries, LLC.

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

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

The company has taken advantage of the exemption under paragraph 33.1a of FRS 102 from disclosing transactions entered into between two or more members of a group, where any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

20 Ultimate controlling party

The company's parent undertaking is Cloud Imperium UK Ltd., a company registered in England and Wales.

The ultimate controlling party is Christopher Roberts due to his majority shareholding in Cloud Imperium UK Ltd.