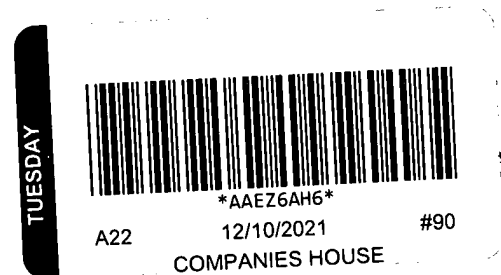


Company Registration No. 08815227 (England and Wales)

Cloud Imperium UK Ltd.

**Annual report and
group financial statements
for the year ended 31 December 2020**



Cloud Imperium UK Ltd.

Company information

| | |
|----------------------------|---|
| Directors | Ortwin Freyermuth Christopher Roberts Erin Roberts Ezer Klein Marc Nitsche Sandi Roberts |
| 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 2020.

Principal Activities

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

Fair review of the business

As reported on the profit and loss account on page 12, the Group has achieved record turnover in 2020 at £31.7m (2019: £23.1m) following the success of the quarterly releases of Star Citizen and an increase in user engagement in videogaming during the pandemic. Costs have risen to £32.1m (2019: £30.5m) as the Group continues to progress the development and publishing of the games. Other income is marginally lower at £5m (2019: £5.4m) but despite this the Group has achieved a profit of £4.8m (2019: £1.9m loss).

The exceptional performance in 2020 is testament to the company's continued objective of developing and delivering a AAA gaming experience. The impact of global lockdowns due to the coronavirus pandemic has enabled the group to benefit from growth in new users. The business continues to invest in Squadron 42, set within the larger Star Citizen universe, in line with the revenue raised and its operating reserves. It continues to progress game development through Cloud Imperium Games Limited and publishing activities through Roberts Space Industries International Limited.

The economic and competitive environment is expected to remain challenging during the year ahead as the pandemic enters its next phase, exposing the economic impact and presenting new challenges as lockdown restrictions ease following the global roll out of vaccines. Whilst monitoring and being prepared for what may come, the directors have little influence over the macro risks presenting themselves in these unprecedented times. The exceptional performance enjoyed by Cloud imperium and indeed many video game developers and publishers in 2020 has strengthened the financial position of the group. Going forward the directors are aiming to minimize risks with continued improvements to build robustness and added features and through the strengthening of the underlying technology, in part buoyed by securing perpetual use of the Cryengine through a deal with Crytek reached during the year reported on.

By focusing in upon the micro challenges of the project, accelerating its investment into its development and publishing teams, and taking a mid- rather than short-term view of its finances and objectives, the directors are confident that the business model will continue to operate efficiently and effectively. This investment will help sustain its competitive position within the industry and continue the significant progress made during 2020 and leading into 2021 and to date.

Principal risks and uncertainties

The key business risks affecting the Company are competition in the marketplace, 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.

A risk that presented itself in 2020 was the global COVID-19 pandemic. Whilst the Company quickly and successfully transitioned to a work-from-home model during 2020, the uncertain duration of the pandemic, especially should it persist into and past 2021, could represent a risk to long-term development. The Company has invested into its technology and systems to improve remote working in our collaborative industry.

Unlike in many other industries COVID-19 had a positive impact on user engagement and revenue for us as we offered an outlet for people suffering restricted social activities during the pandemic lockdowns. As these restrictions ease we expect this impact to lessen, although we are working hard to build on the positive impact experienced during 2020, entertaining the many new players entering our ecosphere.

s172 statement

The directors of Cloud Imperium UK Limited 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 2020.

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, suppliers, customers, communities, and society as a whole.

Our strategy focuses on creating ambitious, imaginative, and relevant video games for the global markets we service.

To do this, we need to develop and maintain strong client relations. We value all our suppliers and contractors and are committed to developing production talent.

The Company's approach encourages the involvement of local industries and enables us to support the communities around us.

Key performance indicators

Key performance indicators are monitored on a regular basis. For development these are focused on 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.

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 group'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 2020 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 most recent 12-month period where data was available. Comparative information has not been disclosed as this the group's first year of mandatory reporting.

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 Limited's group activities:

Scope 1 emissions: 70.6 tCO2e
Scope 2 emissions: 139.8 tCO2e
Emissions intensity ratio: 6.28 tCO2e per £m Turnover
Energy consumption: 931,317 Wh

Energy Efficiency Action

Cloud Imperium is committed to year-on-year improvements in their operational efficiency, although noting that this year is likely to be unrepresentative due to the enforced lockdown, office downtime, and curtailed travel between offices arising from the COVID-19 pandemic.

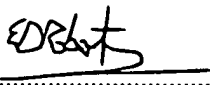
The group is continually reviewing its energy consumption with the aim of delivering on-going reductions in emissions and thereby reducing its emissions intensity ratio. The Company also aims to reduce its Scope 2 emissions (the purchasing of energy) too by improving energy management structure through staff energy awareness training. In 2020, we have continued to encourage staff to use public transport and car share wherever possible and promote digital meetings to reduce energy consumption. We also have ongoing recycling initiatives across our office network – including the phasing of our single-use plastics, and recycling paper and print cartridges – to reduce our carbon footprint.

Outlook

The business performance has in the first half of 2021 been strong, building on the increased user engagement during 2020. However, understandably, and in common with many other video games companies, not to the same intensity as the lockdown-induced home audience created by measures arising at the outset of the pandemic. Nevertheless, engagement is still strong and the Company continues to invest in its technology and workforce to deliver more content to its growing consumer base.

The gaming market is experiencing strong growth and the business is confident it will continue with its expansion plans and delivery of future releases during the next 12 months and beyond. Whilst the world faces great economic uncertainty, confidence in the gaming industry remains high and the directors believe the group is well-positioned to weather Brexit and the Covid-19 fallout as local governments continue with fiscal and monetary programmes to help stabilise economies.

On behalf of the board



Erin Roberts
Director

Date: 30/09/2021

Cloud Imperium UK Ltd.

Directors' report

For the year ended 31 December 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

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
Marc Nitsche
Sandi Roberts

Results and dividends

The results for the year are set out on page 12.

Ordinary dividends were paid amounting to £1,007,559. 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.

The group 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.

Cloud Imperium UK Ltd.

Directors' report (continued)
For the year ended 31 December 2020

Business relationships

The business is committed to delivering an ambitious, AAA video gaming experience through its working titles Squadron 42 and Star Citizen. This is only achievable by maintaining strong client relations with all of our valued suppliers and contractors who are committed to supporting the development of our ground breaking video games.

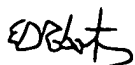
Auditor

Saffery Champness LLP have expressed their willingness to continue in office.

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: 30/09/2021

**Directors' responsibilities statement
For the year ended 31 December 2020**

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.

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 2020 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and the parent 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

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

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

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

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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 7, 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 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 parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the group and parent company 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.

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent company by discussions with directors and updating our understanding of the sector in which the group and parent company operates.

Laws and regulations of direct significance in the context of the group and parent company include The Companies Act 2006, and UK Tax legislation, specifically legislation relating to creative industry tax credits.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of group and parent financial statement disclosures. We reviewed the parent company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance. We have reviewed management's assessment of how the group, and production, comply with the relevant laws and regulations governing access to the creative industry tax credits.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

Cloud Imperium UK Ltd.

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

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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 is available on the Financial Reporting Council's website at: <https://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 parent 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 parent company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent 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

Date: **11/10/2021**

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 2020

| | Notes | 2020 £ | 2019 £ |
|---|-------|------------------|--------------------|
| Turnover | 3 | 31,762,819 | 23,115,290 |
| Cost of sales | | (29,180,404) | (26,939,933) |
| Gross profit/(loss) | | 2,582,415 | (3,824,643) |
| Administrative expenses | | (2,916,285) | (3,539,506) |
| Other operating income | 8 | 4,976,404 | 5,401,946 |
| Operating profit/(loss) | 4 | 4,642,534 | (1,962,203) |
| Share of results of associates and joint ventures | | 95,028 | 3,304 |
| Interest receivable and similar income | 9 | 25,414 | 48,114 |
| Interest payable and similar expenses | 10 | - | (22,096) |
| Profit/(loss) before taxation | | 4,762,976 | (1,932,881) |
| Tax on profit/(loss) | 11 | - | - |
| Profit/(loss) for the financial year | | 4,762,976 | (1,932,881) |

Profit/(loss) 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.

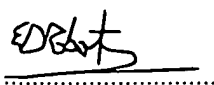
The income statement has been prepared on the basis that all operations are continuing operations.

Cloud Imperium UK Ltd.

Group statement of financial position
As at 31 December 2020

| | Notes | £ | 2020 £ | £ | 2019 £ |
|--|-------|-------------|--------------------------|-------------------|--------------------------|
| Fixed assets | | | | | |
| Intangible assets | 13 | | 2,606,097 | | 815,510 |
| Tangible assets | 14 | | 829,225 | | 985,354 |
| Investments | 15 | | 824,134 | | 829,961 |
| | | | <u>4,259,456</u> | | <u>2,630,825</u> |
| Current assets | | | | | |
| Stocks | 19 | 78,398 | | - | |
| Debtors | 20 | 10,667,327 | | 7,410,253 | |
| Cash at bank and in hand | | 20,693,698 | | 19,044,997 | |
| | | | <u>31,439,423</u> | <u>26,455,250</u> | |
| Creditors: amounts falling due within one year | 21 | (7,269,835) | | (4,198,300) | |
| Net current assets | | | <u>24,169,588</u> | | <u>22,256,950</u> |
| Total assets less current liabilities | | | <u>28,429,044</u> | | <u>24,887,775</u> |
| Creditors: amounts falling due after more than one year | 22 | | - | | (214,148) |
| Net assets | | | <u><u>28,429,044</u></u> | | <u><u>24,673,627</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 24 | | 117 | | 117 |
| Share premium account | | | 22,669,908 | | 23,669,908 |
| Profit and loss reserves | | | 5,759,019 | | 1,003,602 |
| Total equity | | | <u><u>28,429,044</u></u> | | <u><u>24,673,627</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 30/09/2021 and are signed on its behalf by:



Erin Roberts
Director

Company Registration No. 08815227

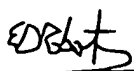
Cloud Imperium UK Ltd.

Company statement of financial position
As at 31 December 2020

| | Notes | £ | 2020 £ | £ | 2019 £ |
|--|-------|------------|-------------------|-------------------|-------------------|
| Fixed assets | | | | | |
| Intangible assets | 13 | | 2,606,097 | | 815,510 |
| Investments | 15 | | 1,288,863 | | 1,288,863 |
| | | | <u>3,894,960</u> | | <u>2,104,373</u> |
| Current assets | | | | | |
| Debtors | 20 | 17,339,618 | | 14,447,202 | |
| Cash at bank and in hand | | 15,766 | | 5,796,571 | |
| | | | <u>17,355,384</u> | <u>20,243,773</u> | |
| Creditors: amounts falling due within one year | 21 | (841,237) | | (717,332) | |
| Net current assets | | | <u>16,514,147</u> | | <u>19,526,441</u> |
| Total assets less current liabilities | | | <u>20,409,107</u> | | <u>21,630,814</u> |
| Creditors: amounts falling due after more than one year | 22 | | - | | (214,148) |
| Net assets | | | <u>20,409,107</u> | | <u>21,416,666</u> |
| Capital and reserves | | | | | |
| Called up share capital | 24 | | 117 | | 117 |
| Share premium account | | | 22,669,908 | | 23,669,908 |
| Profit and loss reserves | | | (2,260,918) | | (2,253,359) |
| Total equity | | | <u>20,409,107</u> | | <u>21,416,666</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 profit for the year was £0 (2019 - £1,823,527 loss).

The financial statements were approved by the board of directors and authorised for issue on 30/09/2021..... 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 2020

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|----------------------------|-------------------------------|-------------|
| Balance at 1 January 2019 | | 111 | 16,717,614 | 2,936,483 | 19,654,208 |
| Year ended 31 December 2019: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (1,932,881) | (1,932,881) |
| Issue of share capital | 24 | 6 | 6,952,294 | - | 6,952,300 |
| Balance at 31 December 2019 | | 117 | 23,669,908 | 1,003,602 | 24,673,627 |
| Year ended 31 December 2020: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 4,762,976 | 4,762,976 |
| Dividends | 12 | - | - | (1,007,559) | (1,007,559) |
| Reduction of shares | 24 | - | (1,000,000) | 1,000,000 | - |
| Balance at 31 December 2020 | | 117 | 22,669,908 | 5,759,019 | 28,429,044 |

Cloud Imperium UK Ltd.

Company statement of changes in equity
For the year ended 31 December 2020

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|--|-------|-----------------------|----------------------------------|-------------------------------------|-------------|
| Balance at 1 January 2019 | | 111 | 16,717,614 | (429,832) | 16,287,893 |
| Year ended 31 December 2019: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (1,823,527) | (1,823,527) |
| Issue of share capital | 24 | 6 | 6,952,294 | - | 6,952,300 |
| Balance at 31 December 2019 | | 117 | 23,669,908 | (2,253,359) | 21,416,666 |
| Year ended 31 December 2020: | | | | | |
| Profit and total comprehensive income for the year | | - | - | - | - |
| Dividends | 12 | - | - | (1,007,559) | (1,007,559) |
| Reduction of shares | 24 | - | (1,000,000) | 1,000,000 | - |
| Balance at 31 December 2020 | | 117 | 22,669,908 | (2,260,918) | 20,409,107 |

Cloud Imperium UK Ltd.

Group statement of cash flows
For the year ended 31 December 2020

| | | 2020 | 2019 |
|---|-------------|--------------------|--------------------|
| | Notes | £ | as restated £ |
| Cash flows from operating activities | | | |
| Cash generated from/(absorbed by) operations | 30 | 4,318,986 | (4,501,947) |
| Interest paid | | - | (22,096) |
| Income taxes received | | - | 3,845,836 |
| Income taxes paid | | (7,036) | (4,063) |
| Net cash inflow/(outflow) from operating activities | | 4,311,950 | (682,270) |
| Investing activities | | | |
| Purchase of intangible assets | (2,064,144) | - | - |
| Purchase of tangible fixed assets | (508,863) | (877,111) | (877,111) |
| Proceeds on disposal of tangible fixed assets | 9,393 | 1,200 | 1,200 |
| Dividends received from associates | 15,606 | - | - |
| Purchase of associates | - | (826,657) | (826,657) |
| Interest received | 25,414 | 48,114 | 48,114 |
| Net cash used in investing activities | | (2,522,594) | (1,654,454) |
| Financing activities | | | |
| Proceeds from issue of shares | 866,904 | 6,185,092 | 6,185,092 |
| Share issue costs | - | (99,696) | (99,696) |
| Dividends paid to equity shareholders | (1,007,559) | - | - |
| Net cash (used in)/generated from financing activities | | (140,655) | 6,085,396 |
| Net increase in cash and cash equivalents | | 1,648,701 | 3,748,672 |
| Cash and cash equivalents at beginning of year | | 19,044,997 | 15,296,325 |
| Cash and cash equivalents at end of year | | 20,693,698 | 19,044,997 |

The prior year comparative has been restated for presentational reasons in relation to the taxation credited and received in the year. There is no effect on profit or loss for the current or prior year.

Cloud Imperium UK Ltd.

Company statement of cash flows
For the year ended 31 December 2020

| | | | 2020 | | 2019 |
|---|-------|-------------|-------------|-----------|-----------|
| | Notes | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash (absorbed by)/generated from operations | 28 | | (3,617,026) | | 164,202 |
| Interest paid | | | - | | (22,096) |
| Net cash (outflow)/inflow from operating activities | | | (3,617,026) | | 142,106 |
| Investing activities | | | | | |
| Purchase of intangible assets | | (2,064,144) | | - | |
| Purchase of associates | | - | | (826,657) | |
| Interest received | | 25,414 | | 48,114 | |
| Dividends received | | 15,606 | | - | |
| Net cash used in investing activities | | | (2,023,124) | | (778,543) |
| Financing activities | | | | | |
| Proceeds from issue of shares | | 866,904 | | 6,185,092 | |
| Share issue costs | | - | | (99,696) | |
| Dividends paid to equity shareholders | | (1,007,559) | | - | |
| Net cash (used in)/generated from financing activities | | | (140,655) | | 6,085,396 |
| Net (decrease)/increase in cash and cash equivalents | | | (5,780,805) | | 5,448,959 |
| Cash and cash equivalents at beginning of year | | | 5,796,571 | | 347,612 |
| Cash and cash equivalents at end of year | | | 15,766 | | 5,796,571 |

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 2020

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 consolidated group financial statements consist of the financial statements of the parent company Cloud Imperium UK Ltd. together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2020. 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 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. 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.

Investments in joint ventures and associates are carried in the group statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

Notes to the financial statements (continued)

For the year ended 31 December 2020

1 Accounting policies (continued)

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group 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.

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 and associate undertakings represents the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired.

Goodwill arising from the acquisition of subsidiary undertakings is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill arising from the acquisition of associates is not disclosed separately but is held within the carrying amount of the investment. Subsequently, this is 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.

Notes to the financial statements (continued)

For the year ended 31 December 2020

1 Accounting policies (continued)

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; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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:

| | |
|-----------------------|------------------------|
| Patents & licences | 10 years straight line |
| Intellectual Property | 10 years straight line |

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

1 Accounting policies (continued)

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.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

1 Accounting policies (continued)

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 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash at bank and in hand

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.

1.12 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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

1 Accounting policies (continued)

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.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

1 Accounting policies (continued)

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 group's contractual obligations expire or are discharged or cancelled.

1.13 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.

1.14 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 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 leased asset are consumed.

Notes to the financial statements (continued)
For the year ended 31 December 2020

1 Accounting policies (continued)

1.17 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.

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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Capitalisation of development expenditure

The game development costs incurred have been written off to the profit and loss account and not capitalised as an intangible asset on the basis that the group cannot fully satisfy all of the conditions required by Section 18, paragraph 18.8H of FRS 102.

Revenue recognition

The group has determined it most appropriate to recognise any pledge receipts as revenue to match against the development costs incurred on the game. Any pledge receipts that have not yet been spent on the development of the game are treated as deferred revenue until said funds are deployed on the game development.

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 game tax relief estimate

The key accounting estimate within the financial statements for this group 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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

3 Turnover and other revenue

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Sales | 31,762,819 | 23,115,290 |
| | <u>31,762,819</u> | <u>23,115,290</u> |
| | | |
| | 2020 | 2019 |
| | £ | £ |
| Other significant revenue | | |
| Interest income | 25,414 | 48,114 |
| | <u>25,414</u> | <u>48,114</u> |

In the opinion of the Directors, analysis of turnover based on geographical location would be seriously prejudicial to the interests of the Group, therefore this has not been disclosed.

4 Operating profit/(loss)

| | 2020 | 2019 |
|--|------------------|------------------|
| | £ | £ |
| Operating profit/(loss) for the year is stated after charging/(crediting): | | |
| Exchange losses/(gains) | 95,236 | (14,626) |
| Depreciation of owned tangible fixed assets | 655,209 | 561,483 |
| Loss/(profit) on disposal of tangible fixed assets | 390 | (82) |
| Amortisation of intangible assets | 273,558 | 216,948 |
| Operating lease charges | 833,402 | 765,092 |
| | <u>1,757,895</u> | <u>1,533,026</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 loss of £95,236 (2019 - gain of £14,626).

5 Auditor's remuneration

| | 2020 | 2019 |
|---|---------------|---------------|
| | £ | £ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 12,000 | 12,000 |
| Audit of the financial statements of the company's subsidiaries | 41,828 | 25,000 |
| | <u>53,828</u> | <u>37,000</u> |

Notes to the financial statements (continued)
For the year ended 31 December 2020

6 Employees

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

| Group | | Company | |
|---------------|---------------|----------------|---------------|
| 2020 | 2019 | 2020 | 2019 |
| Number | Number | Number | Number |
| 432 | 391 | - | - |
| | | | |

Their aggregate remuneration comprised:

| | Group | | Company | |
|-----------------------|--------------|-------------|----------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Wages and salaries | 18,187,655 | 17,623,737 | 109,162 | 70,046 |
| Social security costs | 2,176,470 | 1,899,474 | - | - |
| Pension costs | 1,083,500 | 790,832 | - | - |
| | | | | |
| | 21,447,625 | 20,314,043 | 109,162 | 70,046 |

7 Directors' remuneration

| | 2020 | 2019 |
|---|-------------|-------------|
| | £ | £ |
| Remuneration for qualifying services | 401,484 | 353,238 |
| Group pension contributions to defined contribution schemes | 12,875 | 10,187 |
| | | |
| | 414,359 | 363,425 |

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

| | 2020 | 2019 |
|---|-------------|-------------|
| | £ | £ |
| Remuneration for qualifying services | 292,322 | 283,192 |
| Group pension contributions to defined contribution schemes | 12,875 | 10,187 |

Notes to the financial statements (continued)
For the year ended 31 December 2020

8 Other operating income

Included in other operating income is the video games tax credit payable to the group of £4,731,677 (2019: £4,519,115).

9 Interest receivable and similar income

| | 2020 | 2019 |
|---------------------------|---------------|---------------|
| | £ | £ |
| Interest income | | |
| Interest on bank deposits | 25,414 | 48,114 |
| | <u>25,414</u> | <u>48,114</u> |

Investment income includes the following:

| | | |
|--|---------------|---------------|
| Interest on financial assets not measured at fair value through profit or loss | 25,414 | 48,114 |
| | <u>25,414</u> | <u>48,114</u> |

10 Interest payable and similar expenses

| | 2020 | 2019 |
|--|-------------|---------------|
| | £ | £ |
| Interest on financial liabilities measured at amortised cost: | | |
| Other interest on financial liabilities | - | 22,096 |
| | <u>-</u> | <u>22,096</u> |

Notes to the financial statements (continued)
For the year ended 31 December 2020

11 Taxation

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

| | 2020 £ | 2019 £ |
|---|-------------|-------------|
| Profit/(loss) before taxation | 4,762,976 | (1,932,881) |
| Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | 904,965 | (367,247) |
| Tax effect of expenses that are not deductible in determining taxable profit | (5,353,506) | (4,132,971) |
| Tax effect of income not taxable in determining taxable profit | (1,082,724) | (1,084,667) |
| Unutilised tax losses carried forward | - | 884,505 |
| Permanent capital allowances in excess of depreciation | 20,479 | (177,974) |
| Income not taxable | 4,725,777 | 4,519,444 |
| Adjust closing deferred tax to average rate of 19.00% | - | 42,835 |
| Adjust opening deferred tax to average rate of 19.00% | - | (7,069) |
| Deferred tax not recognised | 1,141,964 | 323,144 |
| Remeasurement of deferred tax for changes in tax rates | (356,955) | - |
| Taxation charge for the year | - | - |

12 Dividends

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| Recognised as distributions to equity holders: | | |
| Interim paid | 1,007,559 | - |

Notes to the financial statements (continued)
For the year ended 31 December 2020

13 Intangible fixed assets

| Group | Goodwill | Patents & licences | Intellectual Property | Total |
|------------------------------------|----------|--------------------|-----------------------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2020 | 405,149 | - | 1,359,186 | 1,764,335 |
| Additions - separately acquired | - | 2,064,144 | - | 2,064,144 |
| At 31 December 2020 | 405,149 | 2,064,144 | 1,359,186 | 3,828,479 |
| Amortisation and impairment | | | | |
| At 1 January 2020 | 405,149 | - | 543,676 | 948,825 |
| Amortisation charged for the year | - | 137,638 | 135,919 | 273,557 |
| At 31 December 2020 | 405,149 | 137,638 | 679,595 | 1,222,382 |
| Carrying amount | | | | |
| At 31 December 2020 | - | 1,926,506 | 679,591 | 2,606,097 |
| At 31 December 2019 | - | - | 815,510 | 815,510 |
| Company | | | | |
| | | Patents & licences | Intellectual Property | Total |
| | | £ | £ | £ |
| Cost | | | | |
| At 1 January 2020 | | - | 1,359,186 | 1,359,186 |
| Additions - separately acquired | | 2,064,144 | - | 2,064,144 |
| At 31 December 2020 | | 2,064,144 | 1,359,186 | 3,423,330 |
| Amortisation and impairment | | | | |
| At 1 January 2020 | | - | 543,676 | 543,676 |
| Amortisation charged for the year | | 137,638 | 135,919 | 273,557 |
| At 31 December 2020 | | 137,638 | 679,595 | 817,233 |
| Carrying amount | | | | |
| At 31 December 2020 | | 1,926,506 | 679,591 | 2,606,097 |
| At 31 December 2019 | | - | 815,510 | 815,510 |

Notes to the financial statements (continued)
For the year ended 31 December 2020

14 Tangible fixed assets

| Group | Leasehold land and buildings | Fixtures and fittings | Computers | Total |
|------------------------------------|------------------------------------|--------------------------|-----------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2020 | 661,580 | 1,153,733 | 1,783,158 | 3,598,471 |
| Additions | 13,357 | 71,166 | 424,340 | 508,863 |
| Disposals | - | (4,812) | (10,112) | (14,924) |
| At 31 December 2020 | 674,937 | 1,220,087 | 2,197,386 | 4,092,410 |
| Depreciation and impairment | | | | |
| At 1 January 2020 | 410,621 | 776,017 | 1,426,479 | 2,613,117 |
| Depreciation charged in the year | 95,266 | 210,986 | 348,957 | 655,209 |
| Eliminated in respect of disposals | - | (4,423) | (718) | (5,141) |
| At 31 December 2020 | 505,887 | 982,580 | 1,774,718 | 3,263,185 |
| Carrying amount | | | | |
| At 31 December 2020 | 169,050 | 237,507 | 422,668 | 829,225 |
| At 31 December 2019 | 250,959 | 377,716 | 356,679 | 985,354 |

The company had no tangible fixed assets at 31 December 2020 or 31 December 2019.

15 Fixed asset investments

| | Notes | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|-----------------------------|-------|--------------------|-----------|----------------------|-----------|
| Investments in subsidiaries | 16 | - | - | 462,206 | 462,206 |
| Investments in associates | 17 | 824,134 | 829,961 | 826,657 | 826,657 |
| | | 824,134 | 829,961 | 1,288,863 | 1,288,863 |

Notes to the financial statements (continued)
For the year ended 31 December 2020

15 Fixed asset investments (continued)

Movements in fixed asset investments
Group

Shares in group
undertakings
and
participating
interests

£

Cost or valuation

At 1 January 2020

829,961

Amortisation

(85,249)

Dividends received

(15,606)

Share of profit

95,028

At 31 December 2020

824,134

Carrying amount

At 31 December 2020

824,134

At 31 December 2019

829,961

Movements in fixed asset investments
Company

Shares in group
undertakings
and
participating
interests

£

Cost or valuation

At 1 January 2020 and 31 December 2020

1,288,863

Carrying amount

At 31 December 2020

1,288,863

At 31 December 2019

1,288,863

Cloud Imperium UK Ltd.

Notes to the financial statements (continued)
For the year ended 31 December 2020

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held | |
|--|--|----------------------|--------|----------|
| | | | Direct | Indirect |
| Cloud Imperium Games Limited | Freedom House, Church Street, Wilmslow, Cheshire, SK9 1AX | Ordinary | 100.00 | - |
| Cloud Imperium Rights Limited | As above | Ordinary | 100.00 | - |
| Roberts Space Industries International Limited | As above | Ordinary | 100.00 | - |
| Roberts Space Industries Germany | Germany | 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) |
|--|----------------------|---------------|
| | £ | £ |
| Cloud Imperium Games Limited | 4,192,631 | 526,340 |
| Cloud Imperium Rights Limited | (1,004) | 249 |
| Roberts Space Industries International Limited | 1 | - |
| Roberts Space Industries Germany | 53,793 | 33,907 |

17 Associates

Separate company financial statements are required to be prepared by law. Financial statements for the Turbulent Media Inc. are prepared and publicly available.

Details of associates at 31 December 2020 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held |
|----------------------|-------------------|----------------------|--------|
| | | | Direct |
| Turbulent Media Inc. | Canada | Ordinary | 25.00 |

Notes to the financial statements (continued)
For the year ended 31 December 2020

18 Financial instruments

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|---|-----------------------------|-------------------|-------------------------------|-------------------|
| Carrying amount of financial assets | | | | |
| Debt instruments measured at amortised cost | 876,894 | 2,419,551 | 11,746,274 | 10,555,283 |
| Carrying amount of financial liabilities | | | | |
| Measured at amortised cost | 2,315,403 | 2,803,088 | 841,237 | 931,480 |

19 Stocks

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|-------------------------------------|-----------------------------|-------------------|-------------------------------|-------------------|
| Finished goods and goods for resale | 78,398 | - | - | - |

20 Debtors

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|--|-----------------------------|-------------------|-------------------------------|-------------------|
| Amounts falling due within one year: | | | | |
| Trade debtors | - | 9,600 | - | - |
| Unpaid share capital | - | 866,904 | - | 866,904 |
| Corporation tax recoverable | 9,251,111 | 4,519,434 | - | - |
| Amounts owed by group undertakings | - | - | 11,746,274 | 9,512,243 |
| Other debtors | 568,167 | 991,016 | 230 | 176,665 |
| Prepayments and accrued income | 848,049 | 1,023,299 | 39,396 | - |
| | 10,667,327 | 7,410,253 | 11,785,900 | 10,555,812 |
| Amounts falling due after more than one year: | | | | |
| Prepayments and accrued income | - | - | 5,553,718 | 3,891,390 |
| Total debtors | 10,667,327 | 7,410,253 | 17,339,618 | 14,447,202 |

Notes to the financial statements (continued)
For the year ended 31 December 2020

21 Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------------|------------------|------------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Trade creditors | 726,071 | 1,093,498 | 1,377 | 42,071 |
| Amounts owed to group undertakings | - | - | 27,578 | 395,762 |
| Corporation tax payable | 5,776 | 7,036 | - | - |
| Other taxation and social security | 3,464,907 | 1,602,324 | - | - |
| Other creditors | 1,361,169 | 1,222,546 | 798,206 | 166,540 |
| Accruals and deferred income | 1,711,912 | 272,896 | 14,076 | 112,959 |
| | <u>7,269,835</u> | <u>4,198,300</u> | <u>841,237</u> | <u>717,332</u> |

22 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|-----------------|--------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Other creditors | - | 214,148 | - | 214,148 |
| | <u>-</u> | <u>214,148</u> | <u>-</u> | <u>214,148</u> |

23 Retirement benefit schemes

| | 2020 | 2019 |
|---|------------------|----------------|
| | £ | £ |
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>1,083,500</u> | <u>790,832</u> |

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

24 Share capital

| | 2020 | 2019 | 2020 | 2019 |
|-------------------------------|------------------|------------------|-------------|-------------|
| | Number | Number | £ | £ |
| Ordinary share capital | | | | |
| Issued and fully paid | | | | |
| Ordinary shares of 0.01p each | <u>1,171,580</u> | <u>1,171,580</u> | <u>117</u> | <u>117</u> |

During the year, the company transferred £1,000,000 from its share premium account to its profit and loss reserves as a capital reduction transaction.

Notes to the financial statements (continued)
For the year ended 31 December 2020

25 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 the outstanding loan facility. As at the reporting date, the balance of the loan was £nil (2019: £nil).

26 Operating lease commitments

Lessee

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

| | Group | | Company | |
|----------------------------|------------------|------------------|----------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Within one year | 493,851 | 526,089 | - | - |
| Between two and five years | 1,115,318 | 1,588,822 | - | - |
| | <u>1,609,169</u> | <u>2,114,911</u> | <u>-</u> | <u>-</u> |

27 Related party transactions

| Roberts Space Industries Corporation | 2020 | 2019 |
|--|--------------|----------------|
| | £ | £ |
| Balance brought forward | 563,508 | 888 |
| Transactions in period | (558,620) | 562,620 |
| | <u>4,888</u> | <u>563,508</u> |
| Amounts due from/(to) Roberts Space Industries Corporation as at 31 December 2020 | | |

The transactions in the period relate to the settlement of costs recharged from Roberts Space Industries Corp.

Notes to the financial statements (continued)
For the year ended 31 December 2020

27 Related party transactions (continued)

| Cloud Imperium Games, LLC | 2020 | 2019 |
|---|-------------------|-------------------|
| | £ | £ |
| Balance brought forward | (160,698) | 163,815 |
| Transactions in period | 83,297 | (324,513) |
| | <u> </u> | <u> </u> |
| Amounts due from/(to) Cloud Imperium Games, LLC as at 31 December 2020 | <u>(77,401)</u> | <u>(160,698)</u> |

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

| Cloud Imperium Games Texas, LLC | 2020 | 2019 |
|---|-------------------|-------------------|
| | £ | £ |
| Balance brought forward | (700,996) | 492,477 |
| Transactions in period | 633,177 | (1,193,473) |
| | <u> </u> | <u> </u> |
| Amounts due from/(to) Cloud Imperium Games Texas, LLC as at 31 December 2020 | <u>(67,819)</u> | <u>(700,996)</u> |

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

| Cloud Imperium Rights, LLC | 2020 | 2019 |
|--|-------------------|-------------------|
| | £ | £ |
| Balance brought forward | (69,202) | - |
| Transactions in period | 68,904 | (69,202) |
| | <u> </u> | <u> </u> |
| Amounts due from/(to) Cloud Imperium Rights, LLC as at 31 December 2020 | <u>(298)</u> | <u>(69,202)</u> |

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

Notes to the financial statements (continued)
For the year ended 31 December 2020

27 Related party transactions (continued)

| Cloud Imperium US, LLC | 2020 | 2019 |
|--|-------------------|-------------------|
| | £ | £ |
| Balance brought forward | - | - |
| Transactions in period | (572,493) | - |
| | <u> </u> | <u> </u> |
| Amounts due from/(to) Cloud Imperium US, LLC as at 31 December 2020 | <u>(572,493)</u> | <u>-</u> |

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

| Cloud Imperium Games Corporation | 2020 | 2019 |
|--|-------------------|-------------------|
| | £ | £ |
| Transactions in period | 158,823 | - |
| Funding provided in the year | - | - |
| Costs recharged in the year | - | - |
| | <u> </u> | <u> </u> |
| Amounts due from/(to) Cloud Imperium Games Corporation as at 31 December 2020 | <u>158,823</u> | <u>-</u> |

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

| Turbulent Media, Inc. | 2020 | 2019 |
|---|-------------------|-------------------|
| | £ | £ |
| Balance brought forward | - | - |
| Transactions in period | (13,957) | - |
| | <u> </u> | <u> </u> |
| Amounts due from/(to) Turbulent Media, Inc. as at 31 December 2020 | <u>(13,957)</u> | <u>-</u> |

The transactions in the period relate to the recharge of expenses incurred by Turbulent Media, Inc.

Notes to the financial statements (continued)
For the year ended 31 December 2020

27 Related party transactions (continued)

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

Turbulent Media, Inc. is considered a related party by virtue of being an associate of the Group.

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

28 Cash (absorbed by)/generated from operations - company

| | 2020 | 2019 |
|---|--------------------|----------------|
| | £ | £ |
| Profit/(loss) for the year after tax | - | (1,823,527) |
| Adjustments for: | | |
| Finance costs | - | 22,096 |
| Investment income | (41,020) | (48,114) |
| Amortisation and impairment of intangible assets | 273,557 | 135,919 |
| Movements in working capital: | | |
| (Increase)/decrease in debtors | (3,759,320) | 1,512,382 |
| (Decrease)/increase in creditors | (90,243) | 365,446 |
| Cash (absorbed by)/generated from operations | <u>(3,617,026)</u> | <u>164,202</u> |

29 Analysis of changes in net funds - company

| | 1 January 2020 | Cash flows | 31 December 2020 |
|--------------------------|-------------------|--------------------|---------------------|
| | £ | £ | £ |
| Cash at bank and in hand | <u>5,796,571</u> | <u>(5,780,805)</u> | <u>15,766</u> |

Notes to the financial statements (continued)
For the year ended 31 December 2020

30 Cash generated from group operations

| | 2020 £ | 2019 £ as restated |
|--|------------------|--------------------------|
| Profit/(loss) for the year after tax | 4,762,976 | (1,932,881) |
| Adjustments for: | | |
| Share of results of associates and joint ventures | (95,028) | (3,304) |
| Finance costs | - | 22,096 |
| Investment income | (25,414) | (48,114) |
| Loss/(gain) on disposal of tangible fixed assets | 390 | (82) |
| Amortisation and impairment of intangible assets | 358,806 | 216,948 |
| Depreciation and impairment of tangible fixed assets | 655,209 | 561,483 |
| Taxation credited | (4,731,677) | (4,519,434) |
| Movements in working capital: | | |
| (Increase) in stocks | (78,398) | - |
| Decrease in debtors | 442,701 | 214,561 |
| Increase in creditors | 1,545,672 | 986,780 |
| Increase in deferred income | 1,483,749 | - |
| Cash generated from/(absorbed by) operations | 4,318,986 | (4,501,947) |

31 Analysis of changes in net funds - group

| | 1 January 2020 £ | Cash flows £ | 31 December 2020 £ |
|--------------------------|------------------------|-----------------|--------------------------|
| Cash at bank and in hand | 19,044,997 | 1,648,701 | 20,693,698 |