

Build A Rocket Boy Ltd.

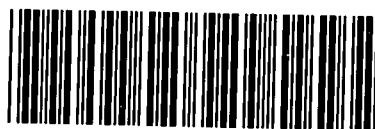
**Annual Report and Consolidated Financial
Statements**

Year Ended

31 December 2019

Company Number SC537252

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Build A Rocket Boy Ltd.

Company Information

Directors	L P Benzies T M Campbell K Waardahl Q Zhang Y Zhu S E Englehardt C J Robichaud
Registered number	SC537252
Registered office	29 Constitution Street Edinburgh EH6 7BS
Auditors	Chiene + Tait LLP 61 Dublin Street Edinburgh EH3 6NL

Build A Rocket Boy Ltd.

Contents

	Page
Group Strategic Report	1
Directors' Report	2 - 3
Independent Auditors' Report	4 - 6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Company Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10 - 11
Company Statement of Changes in Equity	12 - 13
Consolidated Statement of Cash Flows	14
Analysis of Net Debt	15
Notes to the Financial Statements	16 - 33

Build A Rocket Boy Ltd.

Group Strategic Report For the Year Ended 31 December 2019

Introduction

As a new, independent video game development company, the directors of Build A Rocket Boy ("BARB") consider the financial results to be in line with expectations. The Group has invested its funds into securing game development talent, developing core technology, improving company infrastructure and innovating gameplay and features for its first game project, Everywhere.

Business review

The project continues to improve in features and visual fidelity. The Group headcount grew from 93 to 153. The Group also successfully integrated several co-development relationships that will accelerate the production of the game.

Principal risks and uncertainties

The Group also needs to focus additional efforts on technology and innovation to realize the vision of the game, putting pressure on tech partnerships and recruitment. The Group has several senior technical and leadership hires to fill across the business. Competition for this level of talent is high. To mitigate this risk, BARB will hire a dedicated, experienced internal recruiter and will continue to find suitable outsource & co-development partners.

The goal of a game launch in Q4 2021 remains viable. However, given the ambition of the game and the complexity of the technology development, there is risk that the game will need more development time to complete.

Financial key performance indicators

As the group is in the development, and therefore pre-revenue, stage the directors consider the key financial performance indicators to be successful funding rounds and the level of tax credit achieved through Video Game Tax Relief (VGTR). BARB successfully completed a Series A funding round in 2019. BARB also secured its first VGTR tax credit from HMRC. BARB is working with its tax & legal advisors to optimise its ability to claim further tax relief in future years.


Other key performance indicators

BARB will be entering into its Series B funding round in 2020. A successful outcome here is currently the best test for the ultimate potential for success of our first project in the marketplace. Strong interest and a successful close will be a good indicator of confidence.

This report was approved by the board on

14 December 2020

and signed on its behalf.


T M Campbell
Director

Build A Rocket Boy Ltd.

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the consolidated financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 for the Group's financial statements and then apply them consistently;
- make judgments 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 will continue in business.

The directors are 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The Group's principal activity for the year was that of game development.

Results and dividends

The loss for the year, after taxation, amounted to £10,608,683 (2018 - loss £7,058,652).

No dividends were declared for or during the financial year ended 31 December 2019 (2018 - Nil)

Directors

The directors who served during the year were:

L P Benzies
T M Campbell
K Waardahl
Z Cao (resigned 7 May 2020)

Research and development activities

During the year, research and development activities in relation to video game development were undertaken incurring costs of £2,712,991 (2018 - £301,758).

Build A Rocket Boy Ltd.

Directors' Report (continued) For the Year Ended 31 December 2019

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

On 12 May 2020, 1,730,769 series B shares were issued raising £15,299,998 and on 12 - 14 August 2020, 1,971,662 series B shares were issued raising £17,429,492.

Auditors

The auditors, Chiene + Tait LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14 December 2020

and signed on its behalf.



T M Campbell
Director

Build A Rocket Boy Ltd.

Independent Auditor's report to the Members of Build A Rocket Boy Ltd. For the year ended 31 December 2019

Opinion

We have audited the financial statements of Build A Rocket Boy Ltd ('the parent company') and its subsidiaries ('the group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity and consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and for the group's results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

Build A Rocket Boy Ltd.

Independent Auditor's report to the Members of Build A Rocket Boy Ltd. For the year ended 31 December 2019 (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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.

Other Matters

The financial statements of the company for the year ended 31 December 2018 were not subject to an audit as, in the opinion of the directors, the company was exempt from audit under the provisions of section 477 of the Companies Act 2006.

Responsibilities of directors

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

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

Build A Rocket Boy Ltd.

Independent Auditor's report to the Members of Build A Rocket Boy Ltd. For the year ended 31 December 2019 (continued)

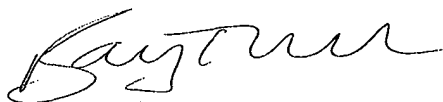
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



For and on behalf of
Barry Truswell CA (Senior Statutory Auditor)
Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

17 December 2020

Build A Rocket Boy Ltd.

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Cost of sales		(7,946,529)	(4,217,931)
Gross loss		(7,946,529)	(4,217,931)
Administrative expenses		(4,771,418)	(3,944,138)
Other operating income	4	1,151	5,896
Operating loss	5	(12,716,796)	(8,156,173)
Interest receivable and similar income	9	2,226	1,662
Interest payable and expenses	10	(38,865)	(952)
Loss before taxation		(12,753,435)	(8,155,463)
Tax on loss	11	2,144,752	1,096,811
Loss for the financial year		(10,608,683)	(7,058,652)
Currency translation differences		140,812	(315,708)
Other comprehensive income for the year		140,812	(315,708)
Total comprehensive income for the year		(10,467,871)	(7,374,360)
(Loss) for the year attributable to:			
Owners of the parent Company		(10,608,683)	(7,058,652)
		(10,608,683)	(7,058,652)
Total comprehensive income for the year attributable to:			
Owners of the parent Company		(10,467,871)	(7,374,360)
		(10,467,871)	(7,374,360)

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

The notes on pages 16 to 33 form part of these financial statements.

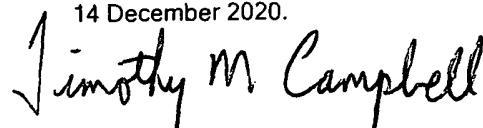
Build A Rocket Boy Ltd.
Registered number: SC537252

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	133,333	151,532
Tangible assets	13	1,736,707	1,189,103
		<u>1,870,040</u>	<u>1,340,635</u>
Current assets			
Debtors: amounts falling due within one year	15	2,873,430	1,705,189
Cash at bank and in hand	16	1,075,177	6,204,463
		<u>3,948,607</u>	<u>7,909,652</u>
Creditors: amounts falling due within one year	17	(10,004,254)	(8,941,208)
Net current liabilities		<u>(6,055,647)</u>	<u>(1,031,556)</u>
Total assets less current liabilities		<u>(4,185,607)</u>	<u>309,079</u>
Provisions for liabilities			
Deferred tax	18	(12,037)	(38,852)
		<u>(12,037)</u>	<u>(38,852)</u>
Net (liabilities)/assets		<u><u>(4,197,644)</u></u>	<u><u>270,227</u></u>
Capital and reserves			
Called up share capital	19	1	1
Share premium account	20	17,246,563	11,246,563
Foreign exchange reserve	20	(174,896)	(315,708)
Profit and loss account	20	(21,269,312)	(10,660,629)
		<u><u>(4,197,644)</u></u>	<u><u>270,227</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

14 December 2020.



T M Campbell
Director

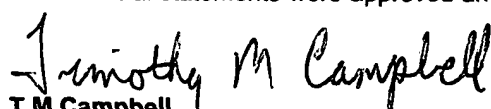
The notes on pages 16 to 33 form part of these financial statements.

Build A Rocket Boy Ltd.
Registered number: SC537252

Company Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	132,971	149,676
Tangible assets	13	1,319,216	749,337
Investments	14	8,627	8,624
		<u>1,460,814</u>	<u>907,637</u>
Current assets			
Debtors: amounts falling due within one year	15	7,247,695	3,574,748
Cash at bank and in hand	16	528,393	5,725,870
		<u>7,776,088</u>	<u>9,300,618</u>
Creditors: amounts falling due within one year	17	(14,748,056)	(8,724,339)
Net current (liabilities)/assets		<u>(6,971,968)</u>	<u>576,279</u>
Total assets less current liabilities		<u>(5,511,154)</u>	<u>1,483,916</u>
Provisions for liabilities			
Deferred taxation	18	-	(38,319)
		<u>-</u>	<u>(38,319)</u>
Net assets excluding pension asset		<u>(5,511,154)</u>	<u>1,445,597</u>
Net (liabilities)/assets		<u><u>(5,511,154)</u></u>	<u><u>1,445,597</u></u>
Capital and reserves			
Called up share capital	19	1	1
Share premium account	20	17,246,563	11,246,563
Profit and loss account brought forward		(9,800,967)	(3,489,670)
Loss for the year		(12,956,751)	(6,311,297)
Profit and loss account carried forward	20	(22,757,718)	(9,800,967)
		<u><u>(5,511,154)</u></u>	<u><u>1,445,597</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


T M Campbell
Director

14 December 2020.

The notes on pages 16 to 33 form part of these financial statements.

Build A Rocket Boy Ltd.

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	1	11,246,563	(315,708)	(10,660,629)	270,227
Comprehensive income for the year					
Loss for the year	-	-	-	(10,608,683)	(10,608,683)
Currency translation differences	-	-	140,812	-	140,812
Total comprehensive income for the year	-	-	140,812	(10,608,683)	(10,467,871)
Shares issued during the year	-	6,000,000	-	-	6,000,000
Total transactions with owners	-	6,000,000	-	-	6,000,000
At 31 December 2019	1	17,246,563	(174,896)	(21,269,312)	(4,197,644)

The notes on pages 16 to 33 form part of these financial statements.

Build A Rocket Boy Ltd.

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 November 2017	1	-	-	(3,601,977)	(3,601,976)
Comprehensive income for the period					
Loss for the period	-	-	-	(7,058,652)	(7,058,652)
Currency translation differences	-	-	(315,708)	-	(315,708)
Total comprehensive income for the period	-	-	(315,708)	(7,058,652)	(7,374,360)
Shares issued during the period	-	11,246,563	-	-	11,246,563
Total transactions with owners	-	11,246,563	-	-	11,246,563
At 31 December 2018	1	11,246,563	(315,708)	(10,660,629)	270,227

The notes on pages 16 to 33 form part of these financial statements.

Build A Rocket Boy Ltd.

Company Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	1	11,246,563	(9,800,967)	1,445,597
Comprehensive income for the period				
Loss for the year	-	-	(12,956,751)	(12,956,751)
Total comprehensive income for the year	-	-	(12,956,751)	(12,956,751)
Contributions by and distributions to owners				
Shares issued during the year	-	6,000,000	-	6,000,000
Total transactions with owners	-	6,000,000	-	6,000,000
At 31 December 2019	1	17,246,563	(22,757,718)	(5,511,154)

The notes on pages 16 to 33 form part of these financial statements.

Build A Rocket Boy Ltd.

Company Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 November 2017	1	-	(3,489,670)	(3,489,669)
Comprehensive income for the period				
Loss for the period	-	-	(6,311,297)	(6,311,297)
Total comprehensive income for the period	-	-	(6,311,297)	(6,311,297)
Contributions by and distributions to owners				
Shares issued during the period	-	11,246,563	-	11,246,563
Total transactions with owners	-	11,246,563	-	11,246,563
At 31 December 2018	1	11,246,563	(9,800,967)	1,445,597

The notes on pages 16 to 33 form part of these financial statements.

Build A Rocket Boy Ltd.

Consolidated Statement of Cash Flows For the Year Ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(10,608,683)	(7,058,652)
Adjustments for:		
Amortisation of intangible assets	20,423	17,491
Depreciation of tangible assets	288,585	152,760
Interest paid	38,865	952
Interest received	(2,226)	(1,662)
Taxation charge	(2,144,752)	(1,096,811)
(Increase)/decrease in debtors	(147,454)	1,413,546
Increase/(decrease) in creditors	2,237,882	(6,228,245)
Corporation tax received	1,097,150	-
Foreign translation	140,812	(315,708)
Net cash generated from operating activities	(9,079,398)	(13,116,329)
Cash flows from investing activities		
Purchase of intangible fixed assets	(2,224)	(129,568)
Purchase of tangible fixed assets	(725,739)	(925,653)
Interest received	2,226	1,662
Net cash from investing activities	(725,737)	(1,053,559)
Cash flows from financing activities		
Issue of ordinary shares	6,000,000	11,246,563
Loans due from/(repaid to) directors	(1,285,082)	8,534,501
Interest paid	(38,865)	(952)
Net cash used in financing activities	4,676,053	19,780,112
Net (decrease)/increase in cash and cash equivalents	(5,129,082)	5,610,224
Cash and cash equivalents at beginning of year	6,204,259	594,035
Cash and cash equivalents at the end of year	1,075,177	6,204,259
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,075,177	6,204,463
Bank overdrafts	-	(204)
	1,075,177	6,204,259

The notes on pages 16 to 33 form part of these financial statements.

Build A Rocket Boy Ltd.

Consolidated Analysis of Net Debt For the Year Ended 31 December 2019

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	6,204,463	(5,129,286)	1,075,177
Bank overdrafts	(204)	204	-
Debt due within 1 year	(8,533,872)	1,285,082	(7,248,790)
	<u>(2,329,613)</u>	<u>(3,844,000)</u>	<u>(6,173,613)</u>

The notes on pages 16 to 33 form part of these financial statements.

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Build A Rocket Boy Limited is a private company, limited by shares, and is registered and incorporated in Scotland under the Companies Act. The registered office address is provided in the company information and the group's principal activity is set out in the directors' report.

The financial statements are rounded to the nearest £.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 06 June 2016.

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes continued operational existence for the foreseeable future.

At balance sheet date, the Group had consolidated net current liabilities of £6,055,647 (2018 - £1,031,556) and net liabilities of £4,197,644 (2018 - £270,227 net assets). The Company and its subsidiaries are reliant upon the support of the majority shareholder and director, L P Benzies. L P Benzies has agreed not to seek repayment of his loan for a minimum period of 12 months from the date of signing these financial statements and that he will continue to financially support the Company and its subsidiaries for the foreseeable future.

On 12 May 2020, the Company issued 1,730,769 series B shares raising £15,299,998 and on 12 - 14 August 2020, the Company issued 1,971,662 series B shares raising £17,429,492.

On this basis, the directors consider that the going concern basis continues to be appropriate and accordingly the financial statements have been prepared on a going concern basis and do not include any adjustments that would result if the creditors withdrew their financial support and if the Company and its subsidiaries were unable to continue as a going concern.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.10 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Trademarks	-	10 % Straight line
Licences	-	10 % Straight line

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	10% Straight line
Motor vehicles	-	20% Straight line
Office equipment	-	10% Straight line
Computer equipment	-	20% Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.18 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, directors are required to make judgments, estimates and assumptions about the carrying amounts 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.

4. Other operating income

	2019 £	2018 £
Sundry income	1,151	5,896
	<u>1,151</u>	<u>5,896</u>

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Research & development charged as an expense	2,712,991	301,758
Foreign exchange gains/losses	131,144	48,664
Other operating lease rentals	333,105	320,286
Depreciation and Amortisation	<u>309,008</u>	<u>170,251</u>

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>16,500</u>	<u>-</u>

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	5,457,169	3,917,476	-	252,209
Social security costs	374,902	266,694	-	30,624
Cost of defined contribution scheme	229,380	150,664	-	10,667
	<u>6,061,451</u>	<u>4,334,834</u>	<u>-</u>	<u>293,500</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2019 No.	Group 2018 No.	Company 2019 No.	Company 2018 No.
Employees (including directors)	<u>136</u>	<u>89</u>	<u>4</u>	<u>4</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	742,218	437,305
Company contributions to defined contribution pension schemes	24,057	10,667
	<u>766,275</u>	<u>447,972</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £513,204 (2018 - £212,096).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2018 - £NIL).

9. Interest receivable

	2019 £	2018 £
Other interest receivable	2,226	1,662
	<u>2,226</u>	<u>1,662</u>

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Interest payable and similar expenses

	2019 £	2018 £
Other loan interest payable	38,865	952
	<u>38,865</u>	<u>952</u>

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	(2,117,937)	(730,393)
Adjustments in respect of previous periods	-	(370,685)
	<u>(2,117,937)</u>	<u>(1,101,078)</u>
Deferred tax		
Origination and reversal of timing differences	(26,815)	4,267
Taxation on loss on ordinary activities	<u>(2,144,752)</u>	<u>(1,096,811)</u>

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

11. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(12,753,435)</u>	<u>(8,155,463)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(2,423,153)	(1,549,538)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	47,488	145,425
Capital allowances for year/period in excess of depreciation	8,180	(2,854)
Other tax adjustments, reliefs and transfers	(569,196)	(56,802)
Adjustments to tax charge in respect of previous periods	-	(370,685)
Unrelieved tax losses carried forward	-	836,230
Video game development tax profit adjustment	(1,231,020)	(98,587)
Deferred tax not recognised	2,022,949	-
Total tax charge for the year/period	<u>(2,144,752)</u>	<u>(1,096,811)</u>

Factors that may affect future tax charges

At balance sheet date there were trade losses of £19,434,816 (2018 - £6,777,482) carried forward. In line with applicable accounting standards these losses have not been incorporated into the financial statements. The reversal of current year timing differences will impact future tax charges.

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Intangible assets

Group

	Licences & Trademarks £
Cost	
At 1 January 2019	198,768
Additions	2,224
At 31 December 2019	<u>200,992</u>
Amortisation	
At 1 January 2019	47,236
Charge for the year on owned assets	20,423
At 31 December 2019	<u>67,659</u>
Net book value	
At 31 December 2019	<u><u>133,333</u></u>
At 31 December 2018	<u><u>151,532</u></u>

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Intangible assets (continued)

Company

	Licences & Trademarks £
Cost	
At 1 January 2019	167,050
At 31 December 2019	<u>167,050</u>
Amortisation	
At 1 January 2019	17,374
Charge for the year	16,705
At 31 December 2019	<u>34,079</u>
Net book value	
At 31 December 2019	<u>132,971</u>
At 31 December 2018	<u>149,676</u>

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Tangible fixed assets

Group

	Computer equipment £	Motor vehicles £	Office equipment £	Leasehold imp. £	Total £
Cost or valuation					
At 1 January 2019	705,634	160,087	84,804	517,181	1,467,706
Additions	628,355	-	52,175	155,659	836,189
At 31 December 2019	1,333,989	160,087	136,979	672,840	2,303,895
Depreciation					
At 1 January 2019	216,002	18,143	33,807	10,651	278,603
Charge for the year on owned assets	196,480	12,807	19,870	59,428	288,585
At 31 December 2019	412,482	30,950	53,677	70,079	567,188
Net book value					
At 31 December 2019	921,507	129,137	83,302	602,761	1,736,707
At 31 December 2018	489,632	141,944	50,997	506,530	1,189,103

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Tangible fixed assets (continued)

Company

	Plant and machinery £	Office equipment £	Leasehold imp. £	Total £
Cost or valuation				
At 1 January 2019	249,223	9,517	517,181	775,921
Additions	590,589	3,758	128,082	722,429
At 31 December 2019	839,812	13,275	645,263	1,498,350
Depreciation				
At 1 January 2019	14,552	1,381	10,651	26,584
Charge for the year on owned assets	93,014	1,260	58,276	152,550
At 31 December 2019	107,566	2,641	68,927	179,134
Net book value				
At 31 December 2019	732,246	10,634	576,336	1,319,216
At 31 December 2018	234,671	8,136	506,530	749,337

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	8,624
Additions	3
At 31 December 2019	8,627

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Build A Rocket Boy Games Ltd.	Scotland	Ordinary	100%
Build A Rocket Girl Ltd.	Scotland	Ordinary	100%
Build A Rocket Boy Technologies Ltd.	Scotland	Ordinary	100%
Build A Rocket Boy Kft	Hungary	Ordinary	100%
Build A Rocket Boy Inc.	United States of America	Ordinary	100%
The Silva Factory Limited	Scotland	Ordinary	100%
Everywhere Game Limited	Scotland	Ordinary	100%
BARB Games Ltd.	Scotland	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Build A Rocket Boy Games Ltd.	1,764,776	1,765,308
Build A Rocket Girls Ltd.	1	-
Build A Rocket Boy Technologies Ltd.	(60,759)	(2,052)
Build A Rocket Boy Kft	222,733	62,811
Build A Rocket Boy Inc.	(843,785)	(197,839)
The Silva Factory Limited	1	-
Everywhere Game Limited	1	-
BARB Games Ltd.	1	-

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

15. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Amounts owed by group undertakings	-	-	4,342,301	2,015,434
Other debtors	2,569,744	1,593,053	2,649,279	1,454,935
Prepayments and accrued income	303,686	112,136	256,115	104,379
	<u>2,873,430</u>	<u>1,705,189</u>	<u>7,247,695</u>	<u>3,574,748</u>

16. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	1,075,177	6,204,463	528,393	5,725,870
Less: bank overdrafts	-	(204)	-	-
	<u>1,075,177</u>	<u>6,204,259</u>	<u>528,393</u>	<u>5,725,870</u>

17. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank overdrafts	-	204	-	-
Trade creditors	701,049	190,760	688,059	144,858
Amounts owed to group undertakings	-	-	5,073,678	1
Other taxation and social security	135,211	69,508	-	-
Other creditors	7,400,635	8,628,325	7,258,379	8,543,461
Accruals and deferred income	1,767,359	52,411	1,727,940	36,019
	<u>10,004,254</u>	<u>8,941,208</u>	<u>14,748,056</u>	<u>8,724,339</u>

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

18. Deferred taxation

Group

	2019 £
At beginning of year	(38,852)
Charged to profit or loss	(11,504)
Utilised in year	38,319
At end of year	(12,037)

Company

	2019 £
At beginning of year	(38,319)
Charged to profit or loss	-
Utilised in year	38,319
At end of year	-

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Accelerated capital allowances	(21,072)	(56,076)	-	(38,319)
Tax losses carried forward	-	15,175	-	-
Other timing differences	9,035	2,049	-	-
	(12,037)	(38,852)	-	(38,319)

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
10,000,000 (2018 - 10,000,000) Ordinary A shares of £0.0000001 each	1	1
2,605,220 (2018 - 1,698,876) Series A shares of £0.0000001 each	-	-
	<u>1</u>	<u>1</u>

Series A shares are entitled to an 8% fixed non-cumulative cash preferential dividend when dividends are paid.

On liquidation or exit Series A shares have priority over Ordinary A shares.

Series A shareholders can convert shares into Ordinary A shares by providing notice in writing to the company or on qualifying public offering.

Refer to Note 20 for details of 2019 share issue.

20. Reserves

Share premium account

During the year, 906,344 series A shares at £0.0000001 were issued for a share price of £6.62 per share.

Foreign exchange reserve

The foreign exchange reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations from their functional currency to GBP.

Profit and loss account

Reflects the retained earnings or losses incurred by the company to date.

21. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £229,380 (2018 - £139,997). Contributions totalling £53,144 (2018 - £12,051) were payable to the fund at the reporting date and are included in creditors.

Build A Rocket Boy Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2019

22. Commitments under operating leases

At 31 December 2019 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2019 £	2018 £
Not later than 1 year	172,683	172,683
Later than 1 year and not later than 5 years	388,537	561,220
	<u>561,220</u>	<u>733,903</u>

23. Related party transactions

At balance sheet date £7,248,790 (2018 - £8,533,872) was owed to L P Benzies. Movement during the year relates to repayment of the loan amounting to £1,285,082. Included in accruals is loan interest amounting to £38,865 (2018 - £Nil).

At balance sheet date £29,657 (2018 - £29,657) was owed to Calex Group Limited, a company wholly owned by L P Benzies.

At balance sheet date £5,772 (2018 - £5,772) was owed by LPBZ Commerical Ltd, a company controlled by L P Benzies.

At balance sheet date £1,347 (2018 - £1,347) was owed by VR-Chitect Ltd, a company controlled by L P Benzies.

At balance sheet date £45 (2018 - £45) was owed to LPBZ Limited, a company controlled by L P Benzies.

At balance sheet date £1,629,960 (2018 - £Nil) was owed to a shareholder for services provided during the year. During the year, the shareholder provided services amounting to £1,629,960 (2018 - £Nil).

Balances and transactions between the Company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and therefore not disclosed in the notes.

24. Post balance sheet events

On 12 May 2020, 1,730,769 series B shares were issued raising £15,299,998 and on 12 - 14 August 2020, 1,971,662 series B shares were issued raising £17,429,492.

25. Controlling party

The ultimate controlling party is L P Benzies.