Warchest Limited

Directors' Report and Financial Statements

Year Ended

31 December 2022

Company Number 07783664

Warchest Limited

Company Information

Directors	C Tak Ho Eddie B J Hopkinson G R Jenkins R Jolly J Ning P Smith
Company secretary	B J Hopkinson
Registered number	07783664
Registered office	Royal Court 81 Tweedy Road Bromley Kent BR1 1RG
Independent auditor	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

Warchest Limited

Contents

Warchest Limited

Directors' report
For the year ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the Company is undertaking video game development work for fellow group companies where there are sufficient commercial drivers to do so. The Company also processes the Video Games Tax Relief incentive, a scheme which HMRC introduced to promote British heritage in the games industry.

Directors

The Directors who served during the year were:

C Tak Ho Eddie
J Bares (resigned 11 July 2023)
B J Hopkinson
G R Jenkins
R Jolly
J Ning

The following Director has appointed after the period end:

P Smith (appointed 11 July 2023)

Going concern

The Company generated operating losses for the year of £1,425,304 (2021: £7,976,516). At the reporting date, the Company has net current liabilities of £13,871,014 (2021: £12,503,953). Within net current liabilities is an amount of £15,982,798 (2021: £14,408,969) owed to a fellow subsidiary undertaking, Splash Damage Limited ("Splash").

The Directors have performed an assessment of going concern, giving due consideration to the Company's historical and current situation. With the video game under development, costs will be incurred and no revenue will be generated in the next 12 months. The Company's forward-looking projections have been considered, including a cash flow forecast for a period including 12 months from the date of approval of these financial statements. These cash flow forecasts show that the Company has access to financial support from its intermediate holding company, Proxima Beta Pte. Limited, for the period of the forecasts.

A letter of support has been received from Proxima Beta Pte. Limited, confirming it will provide financial support to Warchest Limited in order for the Company to be able to continue trading and meet its debts as they fall due for a period of at least 12 months from the date of signing this report or until such time as sufficient funds are available.

Based on the above, the Directors consider that the Company will be a going concern for a period of at least 12 months from the date of approval of these financial statements and have therefore prepared the financial statements on a going concern basis. Whilst the Directors have every reason to believe that this support extended by Proxima Beta Pte. Limited will be forthcoming, they recognise that the letter of support does not represent a legally binding contract which therefore indicates that a material uncertainty exists which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Directors' indemnities

Qualifying third party indemnity provisions for the benefit of the Company's Directors remain in force at the date of this report.

Warchest Limited

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

Subsequent events

There were no significant post balance sheet events.

Disclosure of information to auditor

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's auditor is 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's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 29 February 2024 and signed on its behalf.

B J Hopkinson
Director

Directors' responsibilities statement
For the year ended 31 December 2022

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of Warchest Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Warchest Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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 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 to the members of Warchest Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Financial Statements, 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.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on:
- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be Companies Act 2006, FRS101, the Companies Act 2006 and tax related legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Health and Safety legislation and Bribery Act 2010.

Our procedures in respect of the above included:
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:
- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

Fraud (continued)

Based on our risk assessment, we considered the areas most susceptible to fraud to be the manual override of controls and fraudulent revenue recognition.

Our procedures in respect of the above included:
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias.
- Revenue transactions sampled to ensure recognised in the correct accounting period and in accordance Financial Reporting Standard 101.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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 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.

DocuSigned by:
Owen Pettifor
823F4A29B9CA448...
Owen Pettifor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
UK

Date: 29 February 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Warchest Limited

Statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	-	1,130,341
Cost of sales		-	(68,911)
Gross profit		-	1,061,430
Other operating income	5	**1,093,167**	782,661
Administrative expenses		**(2,518,471)**	(9,820,607)
Operating loss	6	**(1,425,304)**	(7,976,516)
Tax on loss	9	-	727,172
Loss for the financial year		**(1,425,304)**	(7,249,344)

There was no other comprehensive income for 2022 and 2021.

The notes on pages 11 to 25 form part of these financial statements.

Warchest Limited
Registered number: 07783664

Statement of financial position
As at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	10		**33,846**		41,379
Current assets					
Debtors: amounts falling due within one year	11	**2,482,066**		2,489,135	
Cash and cash equivalents	12	**17,320**		3,807	
		2,499,386		2,492,942	
Creditors: amounts falling due within one year	13	**(16,370,400)**		(14,996,895)	
Net current liabilities			**(13,871,014)**		(12,503,953)
Net liabilities			**(13,837,168)**		(12,462,574)
Capital and reserves					
Called up share capital	14		**1**		1
Share premium account	15		**55,594**		55,594
Share-based payment reserve	15		**50,710**		-
Profit and loss account	15		**(13,943,473)**		(12,518,169)
Total equity			**(13,837,168)**		(12,462,574)

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 February 2024

B J Hopkinson
Director

The notes on pages 11 to 25 form part of these financial statements.

Warchest Limited

Statement of changes in equity
For the year ended 31 December 2022

	Called up share capital	Share premium account	Share-based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	1	55,594	-	(5,268,825)	(5,213,230)
Comprehensive loss for the year					
Loss for the year	-	-	-	(7,249,344)	(7,249,344)
Total comprehensive loss for the year	-	-	-	(7,249,344)	(7,249,344)
At 31 December 2021 and 1 January 2022	1	55,594	-	(12,518,169)	(12,462,574)
Comprehensive loss for the year					
Loss for the year	-	-	-	(1,425,304)	(1,425,304)
Total comprehensive loss for the year	-	-	-	(1,425,304)	(1,425,304)
Contributions by and distributions to owners					
Share-based payment (note 16)	-	-	50,710	-	50,710
Total transactions with owners	-	-	50,710	-	50,710
At 31 December 2022	1	55,594	50,710	(13,943,473)	(13,837,168)

The notes on pages 11 to 25 form part of these financial statements.

1. General information

Warchest Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company information page and the nature of the Company's operations and its principal activities are set out in the Directors' report.

The policies have been consistently applied to all the years presented, unless otherwise stated.

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 101 (FRS 101) 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2. Accounting policies (continued)

2.3 Adoption of new and revised standards

New standards, interpretations and amendments effective from 1 January 2022

The following amendments are effective for the period beginning 1 January 2022:

- Onerous contracts – Costs of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

None of these amendments had any impact on the Company.

2.4 Going concern

The Company generated operating losses for the year of £1,425,304 (2021: £7,976,516). At the reporting date, the Company has net current liabilities of £13,871,014 (2021: £12,503,953). Within net current liabilities is an amount of £15,982,798 (2021: £14,408,969) owed to a fellow subsidiary undertaking, Splash Damage Limited ("Splash").

The Directors have performed an assessment of going concern, giving due consideration to the Company's historical and current situation. With the video game under development, costs will be incurred and no revenue will be generated in the next 12 months. The Company's forward-looking projections have been considered, including a cash flow forecast for a period including 12 months from the date of approval of these financial statements. These cash flow forecasts show that the Company has access to financial support from its intermediate holding company, Proxima Beta Pte. Limited, for the period of the forecasts.

A letter of support has been received from Proxima Beta Pte. Limited, confirming it will provide financial support to Warchest Limited in order for the Company to be able to continue trading and meet its debts as they fall due for a period of at least 12 months from the date of signing this report or until such time as sufficient funds are available.

Based on the above, the Directors consider that the Company will be a going concern for a period of at least 12 months from the date of approval of these financial statements and have therefore prepared the financial statements on a going concern basis. Whilst the Directors have every reason to believe that this support extended by Proxima Beta Pte. Limited will be forthcoming, they recognise that the letter of support does not represent a legally binding contract which therefore indicates that a material uncertainty exists which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

2. Accounting policies (continued)

2.5 Turnover

Under IFRS 15, the Company recognises turnover when (or as) a performance obligation is satisfied, when services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service that is distinct or a series of services that are substantially the same.

Control is transferred over time and turnover is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates and enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Otherwise, turnover is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Company's right to consideration in exchange for services that the Company has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Company's obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contract work

For contract work, advances received from publishers are recognised as turnover based on the percentage of completion basis. Contractual amounts are received upon successful completion of contractual milestones. Contract execution payments, received in advance of services being rendered at the beginning of each contract, are recognised as deferred income. Royalties are received from publishers on a quarterly basis alter the launch of the product, to the extent that the Company is entitled in accordance with the contracts with the respective customers.

2. Accounting policies (continued)

2.6 Intangible assets

Trademarks

Trademarks are recorded at cost less accumulated amortisation and any related government assistance. Amortisation of intangible assets is calculated over their estimated useful lives of ten years using the straight-line method. Provision is made for any impairment.

Game development and assets

Development costs that are directly attributable to the design and testing of identifiable and unique games controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing games and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Costs associated with maintaining the games are recognised as an expense as incurred, i.e. "bug fixing". No amortisation is provided for games under development until completion. Amortisation commences when construction-in-progress is transferred to intangible assets and ready for their intended use. Game intellectual properties are amortised using the straight-line method over their useful lives of the games of not more than 7 years.

2.7 Impairment of assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. Impairment losses are recognised in the Statement of comprehensive income.

2.8 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. Accounting policies (continued)

2.9 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.

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables at amortised cost.

Loans and receivables

Loans and receivables at amortised costs are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through the Statement of comprehensive income. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flow that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, the expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining useful life of the exposure, irrespective of the timing of the default.

For trade debtors, the Company applies the simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company will assess based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Accounting policies (continued)

2.10 Financial Instruments (continued)

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

Financial liabilities at amortised cost including trade creditors and amounts owed to group undertakings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 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 the Statement of comprehensive income.

2. Accounting policies (continued)

2.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of comprehensive income 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 Company in independently administered funds.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income 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 operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

In assessing any uncertainty over income tax treatments, the Company considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by the Company in its income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Video game tax relief

The process of claiming Video Game Tax Relief requires estimates to be accrued at the period end. Whilst the Company undertakes a detailed exercise involving external professional support in calculating the accrual, these claims are subject to review and approval by HMRC prior to payment.

2. Accounting policies (continued)

2.15 Share-based transactions – equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, it has linked to the price of the shares of the parent Company.

3. Judgements 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, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these financial statements, the Directors have had to make the following judgement:

- **Asset impairment**

  Determine whether there are indicators of impairment of the Company's intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Key sources of estimation uncertainty:

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

- **Provision for impairment of trade and intra-group receivables**
  Impairment of trade and intra-group receivables is made based on an assessment of the recoverability of the receivables. Provision is made in accordance with the expected credit loss model of IFRS 9. The calculation of expected credit losses requires management's judgement and estimates. Where the actual outcome or further expectation is different from the original estimate, such differences will impact the carrying value of the receivables, and the amount of impairment provision or write-back of provision for trade and intra-group receivables in the year in which such estimate has been changed.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued):

- **Intangible assets**
  Useful life is a key judgement for intangible assets. Intangible assets are impaired over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- **Bonus accrual**
  Factors taken into consideration are wide ranging and may include targets at a corporate level in conjunction with targets aimed at particular departments or teams, and their individual performance.

4. Turnover

The turnover is attributable to the Company's principal activity of game development.

All turnover arose within the United Kingdom.

At the current year end and prior year end there were no contract assets, contract liabilities or trade debtors.

5. Other operating income

	2022 £	2021 £
Management recharges	**1,093,167**	782,661

6. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Amortisation of intangible assets	**7,533**	8,110
Impairment of intangible assets	**-**	7,590,050
Exchange differences	**335**	25,304
Defined contribution pension cost	**69,006**	59,114

7. Employees

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

	2022 £	2021 £
Wages and salaries	**1,511,737**	1,556,310
Social security costs	**243,625**	136,759
Cost of defined contribution scheme	**69,006**	59,114
Share-based payment	**50,710**	-
	1,875,078	1,752,183

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

	2022 No.	2021 No.
Administration staff	**9**	10

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	**262,492**	200,922
Company contributions to defined contribution pension schemes	**15,750**	8,000
Directors pension costs - defined benefit schemes	**33,975**	-
	312,217	208,922

The highest paid Director received remuneration of £262,492 (2021: £200,922).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £15,750 (2021: £8,000).

Retirement benefits were accruing to one Director in respect of a defined contribution pension scheme in 2022 and 2021.

There is one Director included in the share-based payment scheme.

9. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on losses for the year	-	(727,172)
Taxation on loss on ordinary activities	-	(727,172)

Factors affecting tax credit for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	**(1,425,304)**	(7,976,516)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	**(270,808)**	(1,515,537)
Effects of:		
Fixed asset difference (intangibles)	-	1,442,109
Expenses not deductible for tax purposes	**11,599**	210
Losses eliminated	-	1,147,800
Income not taxable for tax purposes	**(18)**	-
Other tax adjustment, relief and transfers	-	552,650
Group relief surrendered	-	2,482,374
Video game tax relief credit	-	(727,172)
Remeasurement of deferred tax for changes in tax rates	**(81,861)**	(23,484)
Video game development tax profit adjustment	-	22,798
Movement in deferred tax not recognised	**341,088**	(4,108,920)
Total tax credit for the year	-	(727,172)

9. Taxation (continued)

Factors that may affect future tax charges

At 31 December 2022, the Company did not have any tax losses carried forward (2021: £287,357, at a corporate tax rate of 19%). The losses have not been recognised due to the uncertainty over the period in which they would be realised. All taxable losses for the current year have been surrendered via group relief.

Given the Company incurred losses up to the year end, the Directors consider there to be an element of uncertainty as to whether future revenue will exceed costs to generate sufficient, recurring profits. Accordingly, the Directors have concluded that it is not appropriate to recognise the related deferred tax asset.

The Finance Act 2021 was substantively enacted in May 2021 and increased the corporation tax from 19% to 25% with effect from 1 April 2023. The deferred taxation has been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

10. Intangible assets

	Games development £	Trademarks £	Total £
Cost			
At 1 January 2022	**7,590,050**	**81,385**	**7,671,435**
At 31 December 2022	**7,590,050**	**81,385**	**7,671,435**
Amortisation			
At 1 January 2022	**7,590,050**	**40,006**	**7,630,056**
Charge for the year	**-**	**7,533**	**7,533**
At 31 December 2022	**7,590,050**	**47,539**	**7,637,589**
Net book value			
At 31 December 2022	**-**	**33,846**	**33,846**
At 31 December 2021	-	41,379	41,379

At each year end management assesses each of the intangible assets for indicators of impairment. Where indicators of impairment are observed, the recoverable value of the underlying asset is assessed.

In prior year, as a result of a strategic decision taken by the Board to redeploy resource to other group project, a decision was taken to cease production on the games development project and accordingly, the games development asset has been impaired in full.

11. Debtors: amounts falling due within one year

	2022 £	2021 £
Amounts owed by group undertakings	**13,073**	6,406
Other debtors	**-**	145
Prepayments	**7,096**	20,687
Corporation tax recoverable	**2,461,897**	2,461,897
	2,482,066	2,489,135

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

During the year, the Company recognised bad debt expense of £Nil (2021: £23,413).

Amounts owed by group undertakings is stated net of provision of £Nil (2021 - £Nil).

12. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	**17,320**	3,807

13. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank overdrafts	**-**	117
Trade creditors	**14,748**	22,986
Amounts owed to group undertakings	**15,982,798**	14,408,969
Other taxation and social security	**30,680**	29,989
Other creditors	**568**	2,031
Accruals	**341,606**	532,803
	16,370,400	14,996,895

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Security

The Company has a mortgage debenture over its assets, however no debt is secured as at the year end (2021: £Nil).

14. Share capital

	2022	2021
	£	£
Authorised, allotted, called up and fully paid		
1,085,150 (2021: 1,085,150) Ordinary shares of £0.000001 each	1	1

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. The shares do not confer any rights of redemption.

15. Reserves

The Company has the following reserves:

Share premium account

The share premium account relates to amounts paid for share capital in excess of nominal value.

Share-based payment reserve account

The share-based payment reserve account relates to amounts credited and charged to profit or loss.

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends paid and other adjustments.

16. Share-based payment

A restricted stock unit is the right to receive common share stock of the Company's ultimate parent undertaking. The stock units vest if the employee remains in continuous service for a period of time from the date of grant. The stock units are awarded free of charge to directors and employees.

Restricted stock is issued and outstanding upon grant; holders of restricted stock awards are restricted from selling the shares until such time as they are vested. Upon vesting, the Company will typically withhold shares to satisfy tax liabilities. The restricted stock unit outstanding at the year end amounted to 23,078 (2021: Nil). The weighted average remaining contractual lives of the options were 1.9 years (2021: Nil).

17. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £69,006 (2021: £51,114). Contributions totalling £Nil (2021: £6,162) were payable to the fund at the reporting date and are included in creditors.

18. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 101 section 8(k) not to disclose transactions with Tencent Holdings Limited or other wholly owned subsidiaries within the Group.

19. Controlling party

The Company's immediate parent undertaking is Splash Damage Group Limited, a company incorporated in England and Wales.

The Company's ultimate parent undertaking of the smallest and largest group for which consolidated accounts are prepared is Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange. These consolidated financial statements are available from www.tencent.com.

In the opinion of the Directors, there is no ultimate controlling party.