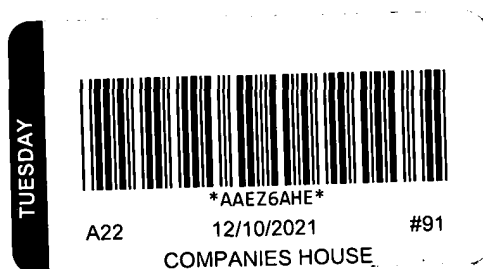


Company Registration No. 08703814 (England and Wales)

**Cloud Imperium Games Limited**

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



**Cloud Imperium Games Limited**

**Contents**

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	<b>Page</b>
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 26

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## **Cloud Imperium Games Limited**

### **Company information**

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<b>Directors</b>	Ortwin Freyermuth Christopher Roberts Erin Roberts
<b>Company number</b>	08703814
<b>Registered office</b>	Freedom House Church Street Wilmslow Cheshire SK9 1AX
<b>Independent auditors</b>	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE

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## **Cloud Imperium Games Limited**

### **Strategic report**

**For the year ended 31 December 2020**

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The directors present the strategic report for the year ended 31 December 2020.

#### **Principal Activities**

Established since September 2013 Cloud Imperium Games Limited operates from the UK as a wholly owned subsidiary of its parent, Cloud Imperium UK Limited. Its principal activity continues to be video game production, being the largest game development facility within the Cloud Imperium Group, and it continues to focus upon the Squadron 42 game, whilst providing support and input into the Star Citizen game universe.

#### **Business Review**

As reported on the profit and loss account on page 10, the Company turnover has increased in 2020 to £26.4m (2019: £20.8m), up 26.7% reflecting the increased development costs in the year as the Company continues to advance the Squadron 42 Game.

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

The economic and competitive environment is expected to remain challenging during the year ahead particularly as the pandemic enters its next phase with lockdown restrictions easing following the global roll out of vaccines. However, the directors are aiming to minimize such macro risks whilst focusing in upon the micro challenges of the project and are confident that the current business model will continue to operate efficiently and effectively.

#### **Principal risks and uncertainties**

The key business risks affecting the Company continues to be competition in the marketplace, reduction in market demand and the cost of development resource required to deliver the game.

The Company's management mitigate these risks by regular monitoring of numerous key performance indicators. Production meetings occur daily with weekly key stage reviews and regular other strategic and operational business reviews.

#### **Key performance indicators**

Key performance indicators are monitored on a regular basis. For Cloud Imperium Games these are focused around deliverable targets over a specified time period, to measure labour efficiencies and the quality and quantity of output against internal targets and benchmarked comparators.

## Cloud Imperium Games Limited

### Strategic report (continued)

For the year ended 31 December 2020

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#### Financial Risk Management

The Company is exposed to a limited number of financial risks as it simply invoices its parent for development work completed.

The Company has adequate financing facilities in place via cash generated from operating activities and banking facilities to meet its funding requirements.

#### Our People

The Company maintains the belief that its people are crucial to the business as it continues to grow the development team and support staff and infrastructure required to create this substantial and ambitious game.

#### Covid-19

Since the outbreak of Covid-19, even more focus has been placed on the health, safety and welfare of our workforce. The company promptly migrated all employees across all operations to remote working, in line with UK and German government guidance. The professionalism and ability of all employees to transition to working from home resulted in minimal initial disruption to the development of the game with key milestones still being achieved as planned. However, like all creative and collaborative undertakings, remote working presents certain challenges in the medium to longer term and we will be looking to return to the studio when it is safe and advisable to do so for the benefits that result from collaborating in close proximity to co-workers.

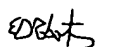
The business has not made use of any specific initiatives, including the Job Retention Scheme, that have been introduced by government during the Covid-19 pandemic. Instead, the business has continued to invest in its infrastructure and its innovative and talented workforce throughout.

#### Outlook

The Cloud Imperium Group has experienced a strong start to FY21, although the 'lockdown' effect of Covid-19 on revenue has subsided a little as the impact of the vaccinations program has eased restrictions and opened up alternative avenues of entertainment hitherto restricted to our customers.

This is a common experience for many companies in the global gaming market but overall the underlying gaming market indicators are strong and the business remains confident to continue with its expansion plans and investment in its technology and workforce. Whilst the world faces great economic uncertainty, confidence in the gaming industry remains high and the Directors believe the group is well-positioned to weather Brexit and the Covid-19 fall out as local governments continue with fiscal and monetary programmes to help stabilise economies.

On behalf of the board



Erin Roberts

Director

30/09/2021

## **Cloud Imperium Games Limited**

### **Directors' report**

**For the year ended 31 December 2020**

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

#### **Principal activities**

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

#### **Directors**

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

Ortwin Freyermuth  
Christopher Roberts  
Erin Roberts

#### **Results and dividends**

The results for the year are set out on page 10.

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

#### **Disabled persons**

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

#### **Employee involvement**

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

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

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

#### **Auditor**

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

**Cloud Imperium Games Limited**

**Directors' report (continued)**

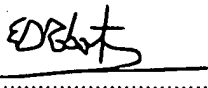
**For the year ended 31 December 2020**

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**Statement of disclosure to auditor**

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

On behalf of the board



Erin Roberts  
**Director**

Date: 30/09/2021

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

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

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



## **Cloud Imperium Games Limited**

### **Independent auditor's report**

#### **To the members of Cloud Imperium Games Limited**

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#### **Opinion**

We have audited the financial statements of Cloud Imperium Games Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

## **Cloud Imperium Games Limited**

### **Independent auditor's report (continued)**

#### **To the members of Cloud Imperium Games Limited**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

**Independent auditor's report (continued)**

**To the members of Cloud Imperium Games Limited**

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**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.

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

Identifying and assessing risks related to irregularities:

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

Laws and regulations of direct significance in the context of the company include The Companies Act 2006 and UK Tax legislation.

**Audit response to risks identified**

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

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

**Cloud Imperium Games Limited**

**Independent auditor's report (continued)**

**To the members of Cloud Imperium Games Limited**

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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

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

Date: 11/10/2021

**Chartered Accountants**  
**Statutory Auditors**

71 Queen Victoria Street  
London  
EC4V 4BE

**Cloud Imperium Games Limited**

**Statement of comprehensive income  
For the year ended 31 December 2020**

		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>4</b>	26,358,931	20,826,552
Cost of sales		(26,038,630)	(25,830,068)
<b>Gross profit/(loss)</b>		<u>320,301</u>	<u>(5,003,516)</u>
Administrative expenses		(565,028)	(426,980)
Other operating income	<b>7</b>	4,976,404	5,401,946
<b>Profit/(loss) before taxation</b>		<u>4,731,677</u>	<u>(28,550)</u>
Tax on profit/(loss)	<b>9</b>	-	-
<b>Profit/(loss) for the financial year</b>		<u><u>4,731,677</u></u>	<u><u>(28,550)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

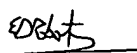
**Cloud Imperium Games Limited**

**Balance sheet**

**As at 31 December 2020**

	Notes	£	2020 £	£	2019 £
<b>Fixed assets</b>					
Tangible assets	8		816,939		979,559
<b>Current assets</b>					
Debtors	10	11,182,307		11,041,237	
Cash at bank and in hand		4,272,996		4,706,171	
		15,455,303		15,747,408	
<b>Creditors: amounts falling due within one year</b>	11	(7,874,274)		(13,060,676)	
<b>Net current assets</b>			7,581,029		2,686,732
<b>Total assets less current liabilities</b>			8,397,968		3,666,291
<b>Capital and reserves</b>					
Called up share capital	12		100		100
Profit and loss reserves			8,397,868		3,666,191
<b>Total equity</b>			8,397,968		3,666,291

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



Erin Roberts  
Director

**Company Registration No. 08703814**

**Cloud Imperium Games Limited**

**Statement of changes in equity**

**For the year ended 31 December 2020**

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	Share capital	Profit and loss reserves	Total
	£	£	£
<b>Balance at 1 January 2019</b>	100	3,694,741	3,694,841
<b>Year ended 31 December 2019:</b>			
Loss and total comprehensive income for the year	-	(28,550)	(28,550)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2019</b>	100	3,666,191	3,666,291
<b>Year ended 31 December 2020:</b>			
Profit and total comprehensive income for the year	-	4,731,677	4,731,677
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2020</b>	<u>100</u>	<u>8,397,868</u>	<u>8,397,968</u>

## **1 Accounting policies**

### **Company information**

Cloud Imperium Games Limited is a private company limited by shares incorporated in England and Wales. The registered office is Freedom House, Church Street, Wilmslow, Cheshire, United Kingdom, SK9 1AX.

### **1.1 Accounting convention**

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

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

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

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

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

The financial statements of the company are consolidated in the financial statements of Cloud Imperium UK Ltd. These consolidated financial statements are available from its registered office, Freedom House, Church Street, Wilmslow, Cheshire, SK9 1AX.

Under FRS 102 (section 1), the company is exempt from the requirement to prepare a cash flow statement on the ground that its parent company (Cloud Imperium UK Ltd.) included the company's cash flow in its own published consolidated statements.



Notes to the financial statements (continued)

For the year ended 31 December 2020

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**1 Accounting policies (continued)**

**1.2 Going concern**

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

**1.3 Turnover**

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

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

**1.4 Tangible fixed assets**

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

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

Land and buildings Leasehold	20%
Fixtures, fittings & equipment	33.3%
Computer equipment	50%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

**1.5 Impairment of fixed assets**

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

**1 Accounting policies (continued)**

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

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

**1.6 Cash and cash equivalents**

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

**1.7 Financial instruments**

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

***Basic financial assets***

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

***Other financial assets***

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

**1 Accounting policies (continued)**

***Impairment of financial assets***

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

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

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

***Derecognition of financial assets***

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

***Basic financial liabilities***

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

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

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

***Derecognition of financial liabilities***

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

**1.8 Equity instruments**

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

**1 Accounting policies (continued)**

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

**1.9 Taxation**

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

***Current tax***

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

***Deferred tax***

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

**1.10 Employee benefits**

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

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

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

**1.11 Retirement benefits**

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

**1 Accounting policies (continued)**

**1.12 Leases**

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

**1.13 Government grants**

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

**1.14 Foreign exchange**

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

**2 Critical accounting judgements and key sources of estimation uncertainty**

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

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

**Key sources of estimation uncertainty**

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

*Video games tax relief estimate*

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

**Cloud Imperium Games Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2020**

**3 Operating profit/(loss)**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(108,105)	(154,759)
Fees payable to the company's auditors for the audit of the company's financial statements	25,000	25,000
Depreciation of owned tangible fixed assets	648,461	557,078
(Loss)/profit on disposal of tangible fixed assets	390	(82)
Operating lease charges	833,402	765,092
	<u>          </u>	<u>          </u>

**4 Turnover and other revenue**

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Turnover analysed by class of business</b>		
Sale of Video Game Rights	26,358,931	20,826,552
	<u>          </u>	<u>          </u>
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Turnover analysed by geographical market</b>		
United Kingdom	26,358,931	20,826,552
	<u>          </u>	<u>          </u>

**5 Employees**

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Total	432	391
	<u>          </u>	<u>          </u>
	432	391
	<u>          </u>	<u>          </u>

Notes to the financial statements (continued)

For the year ended 31 December 2020

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**5 Employees (continued)**

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	16,972,370	16,136,199
Social security costs	2,176,470	1,899,474
Pension costs	1,083,500	790,832
	<u>20,232,340</u>	<u>18,826,505</u>

**6 Directors' remuneration**

	2020	2019
	£	£
Remuneration for qualifying services	291,905	283,192
Company pension contributions to defined contribution schemes	13,292	10,187
	<u>305,197</u>	<u>293,379</u>

**7 Other operating income**

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

**Cloud Imperium Games Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2020**

**8 Tangible fixed assets**

	Land and buildings Leasehold	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2020	661,580	1,173,752	1,720,694	3,556,026
Additions	13,357	69,949	412,318	495,624
Disposals	-	(4,812)	(10,112)	(14,924)
At 31 December 2020	674,937	1,238,889	2,122,900	4,036,726
<b>Depreciation and impairment</b>				
At 1 January 2020	410,621	765,067	1,400,779	2,576,467
Depreciation charged in the year	95,266	210,001	343,194	648,461
Eliminated in respect of disposals	-	(4,423)	(718)	(5,141)
At 31 December 2020	505,887	970,645	1,743,255	3,219,787
<b>Carrying amount</b>				
At 31 December 2020	169,050	268,244	379,645	816,939
At 31 December 2019	250,959	408,685	319,915	979,559



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

9 Taxation

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

	2020 £	2019 £
Profit/(loss) before taxation	4,731,677	(28,550)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	899,019	(5,425)
Tax effect of expenses that are not deductible in determining taxable profit	(5,377,471)	(4,135,883)
Tax effect of income not taxable in determining taxable profit	(1,079,759)	(1,084,667)
Unutilised tax losses carried forward	-	884,505
Permanent capital allowances in excess of depreciation	20,478	(177,974)
Income not taxable	4,731,677	4,519,444
Deferred tax not recognised	1,120,109	-
Remeasurement of deferred tax for changes in tax rates	(314,053)	-
Taxation charge for the year	-	-

10 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	-	9,600
Corporation tax recoverable	9,251,111	4,519,434
Amounts due from fellow group undertakings	454,940	4,827,508
Other debtors	669,695	661,396
Prepayments and accrued income	806,561	1,023,299
	11,182,307	11,041,237

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

**11 Creditors: amounts falling due within one year**

	2020	2019
	£	£
Trade creditors	653,037	1,034,836
Amounts owed to parent undertakings	5,927,214	9,512,242
Taxation and social security	652,909	696,122
Other creditors	448,301	1,672,087
Accruals and deferred income	192,813	145,389
	<u>7,874,274</u>	<u>13,060,676</u>

**12 Share capital**

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

**13 Retirement benefit schemes**

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

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

**14 Financial commitments, guarantees and contingent liabilities**

Coutts & Co. holds a charge over all the company's right, title and interest in and to the Video Game in relation to a loan facility. As at the reporting date, the balance of the loan was £nil (2019: £nil).

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

**Cloud Imperium Games Limited****Notes to the financial statements (continued)****For the year ended 31 December 2020****15 Operating lease commitments****Lessee**

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

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

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

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

Cloud Imperium Games Corporation	2020 £	2019 £
Balance brought forward as at 1 January 2020	-	-
Transactions in period	158,823	-
Amounts due (to)/from Cloud Imperium Games Corporation as at 31 December 2020	<u>158,823</u>	<u>-</u>

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

**Cloud Imperium Games Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2020**

**16 Related party transactions (continued)**

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

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

<b>Cloud Imperium Games, LLC</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Balance brought forward as at 1 January 2020	(906,808)	(136,715)
Transactions in period	829,407	(770,093)
Amounts due (to)/from Cloud Imperium Games, LLC as at 31 December 2020	<u>(77,401)</u>	<u>(906,808)</u>

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

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

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

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

**Cloud Imperium Games Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2020**

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**17 Ultimate controlling party**

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

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