

Company Registration No. 08703814 (England and Wales)

Foundry 42 Limited

**Annual report and financial statements
for the period ended 31 December 2017**



Foundry 42 Limited

Company information

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

Foundry 42 Limited

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Foundry 42 Limited

Strategic report

For the period ended 31 December 2017

The directors present the strategic report for the period ended 31 December 2017.

Principal Activities

Established since September 2013 Foundry 42 Limited operates mainly in the UK, invoicing its UK parent Cloud Imperium Games Limited and its principal activity continues to be video game production and development. It is the largest production and development facility within the Cloud Imperium Games Group having continued to grow during the period as it progresses principally the Squadron 42 game with support and input into the Star Citizen Game universe.

Business Review

As reported on the profit and loss account on page 7, the Company has increased turnover by 13% on an annualised basis compared to the prior year, although this reflects the increase in costs in the period, 13% annualised compared to the prior year. The Company has continued to grow its development resource to deliver the technology, design and content required for the game and the wider Star Citizen universe. Operating profit, after the games tax credit, which has been and remains an important factor in the business, has consequently increased to £622,948 (June 2017: £561,037).

This period reflects the Company's continued objective of planned and sustainable growth as it spends on fundamental areas within the business that will enhance the game and create a platform for future development and deployment. The Company continues to invest in innovation, research and development to deliver the game envisioned by Chris Roberts, the designers and all those contributing to its progress.

The economic and competitive environment is expected to remain challenging during the period ahead but the directors are confident that the current business model will continue to operate efficiently and effectively and with continued investment into the infrastructure of the development team the Company will maintain its competitive position within the industry and progress the game development.

Principal risks and uncertainties

The key business risks affecting the Company are competition in the market place, reduction in market demand and the cost of the development resource required for delivering the game.

The Company's management mitigate these risks by monitoring numerous key performance indicators and by carrying out regular strategic and operational business reviews.

Key performance indicators

Key performance indicators are monitored on a regular basis. For this development Company specifically these are focused around labour efficiencies and the quality and quantity of output against benchmarked comparators and the development objectives of the business. The business regularly scrutinizes, reviews and explores development schedules and customer service levels and satisfaction for both internal and external goals.

Foundry 42 Limited

Strategic report (continued)

For the period ended 31 December 2017

Financial Risk Management

The Company does not actively use financial instruments as part of its financial risk management. The Company is exposed to a limited number of financial risks as it invoices its parent for 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 the key to the long-term success of the business. The Company has continued to carefully and selectively invest in engineers, designers, artists, animators, production managers, audio experts, musicians and other support staff together with the managerial infrastructure to support this growing group of people. To create the great games being developed takes skills and dedication and the future success of this venture is down to the quality and commitment of the people engaged in that process.

On behalf of the board



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Erin Roberts

Director

12 JUL 2018
.....

Foundry 42 Limited

Directors' report

For the period ended 31 December 2017

The directors present their annual report and financial statements for the period ended 31 December 2017.

Principal activities

The principal activity of the company was that of video game production and development.

Directors

The directors who held office during the period 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 period are set out on page 8.

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 aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

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

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

There is no employee share scheme at present, but the directors are considering the introduction of such a 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.

Foundry 42 Limited

Directors' report (continued)

For the period ended 31 December 2017

Statement of directors' responsibilities

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:

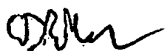
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

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: 12 July 2018

Foundry 42 Limited

Independent auditor's report

To the members of Foundry 42 Limited

Opinion

We have audited the financial statements of Foundry 42 Limited (the 'company') for the period ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the period 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.

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.

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

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

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

Foundry 42 Limited

**Independent auditor's report (continued)
To the members of Foundry 42 Limited**

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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial period 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, 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.

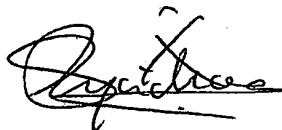
Foundry 42 Limited

Independent auditor's report (continued)
To the members of Foundry 42 Limited

Auditor's responsibilities for the audit of the financial statements

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

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



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

17/07/18
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Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Foundry 42 Limited

**Statement of total comprehensive income
For the period ended 31 December 2017**

		Period ended 31 December 2017 £	Period ended 30 June 2017 £
Turnover	4	9,326,490	8,160,545
Cost of sales		(10,293,711)	(9,159,044)
Gross loss		(967,221)	(998,499)
Administrative expenses		(279,006)	(255,442)
Other operating income	6	1,877,709	1,814,978
Operating profit	3	631,482	561,037
Interest payable and similar expenses	7	(8,534)	-
Profit before taxation		622,948	561,037
Taxation	10	-	-
Profit for the financial period		622,948	561,037
Total comprehensive income for the period		622,948	561,037

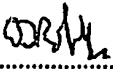
The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

Foundry 42 Limited

**Balance sheet
As at 31 December 2017**

		31 December 2017		30 June 2017	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9		823,579		770,510
Current assets					
Debtors	11	7,055,222		6,213,354	
Cash at bank and in hand		305,840		146,624	
		<u>7,361,062</u>		<u>6,359,978</u>	
Creditors: amounts falling due within one year	13	<u>(3,941,900)</u>		<u>(3,510,695)</u>	
Net current assets			<u>3,419,162</u>		<u>2,849,283</u>
Total assets less current liabilities			<u>4,242,741</u>		<u>3,619,793</u>
Capital and reserves					
Called up share capital	14		100		100
Profit and loss reserves			4,242,641		3,619,693
Total equity			<u>4,242,741</u>		<u>3,619,793</u>

The financial statements were approved by the board of directors and authorised for issue on ~~12 July 2018~~ and are signed on its behalf by:


.....
Erin Roberts
Director

Company Registration No. 08703814

Foundry 42 Limited

**Statement of changes in equity
For the period ended 31 December 2017**

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2017	100	3,058,656	3,058,756
Period ended 30 June 2017:			
Profit and total comprehensive income for the period	-	561,037	561,037
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2017	100	3,619,693	3,619,793
Period ended 31 December 2017:			
Profit and total comprehensive income for the period	-	622,948	622,948
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	<u>100</u>	<u>4,242,641</u>	<u>4,242,741</u>

Foundry 42 Limited

Notes to the financial statements For the period ended 31 December 2017

1 Accounting policies

Company information

Foundry 42 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 Games UK Limited. 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 Games UK Limited) included the company's cash flow in its own published consolidated statements.

Foundry 42 Limited

**Notes to the financial statements (continued)
For the period ended 31 December 2017**

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:

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.

Foundry 42 Limited

**Notes to the financial statements (continued)
For the period ended 31 December 2017**

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 at bank and in hand 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.

Foundry 42 Limited

Notes to the financial statements (continued)
For the period ended 31 December 2017

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.

Foundry 42 Limited

**Notes to the financial statements (continued)
For the period ended 31 December 2017**

1 Accounting policies (continued)

Other financial liabilities

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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 direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

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.

Foundry 42 Limited

**Notes to the financial statements (continued)
For the period ended 31 December 2017**

1 Accounting policies (continued)

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.

1.12 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 are included in the profit and loss account for the period.

Foundry 42 Limited

Notes to the financial statements (continued)
For the period ended 31 December 2017

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.

3 Operating profit

	Period ended 31 December 2017	Period ended 30 June 2017
Operating profit for the period is stated after charging/(crediting):	£	£
Exchange losses/(gains)	(12,397)	(21,829)
Fees payable to the company's auditors for the audit of the company's financial statements	8,000	8,000
Depreciation of owned tangible fixed assets	279,655	267,429
Profit on disposal of tangible fixed assets	(752)	-
	<u> </u>	<u> </u>

4 Turnover and other revenue

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

	Period ended 31 December 2017	Period ended 30 June 2017
Turnover	£	£
	9,326,490	8,160,545
	<u> </u>	<u> </u>

Turnover analysed by geographical market

	Period ended 31 December 2017	Period ended 30 June 2017
United Kingdom	£	£
	9,326,490	8,160,545
	<u> </u>	<u> </u>

Foundry 42 Limited

Notes to the financial statements (continued)
For the period ended 31 December 2017

5 Directors' remuneration

	Period ended 31 December 2017 £	Period ended 30 June 2017 £
Remuneration for qualifying services	109,674	110,417
Company pension contributions to defined contribution schemes	5,000	7,760
	<u>114,674</u>	<u>118,177</u>

6 Other operating income

Included in other operating income is the video games tax credit payable to the company of £1,877,709 (June 2017: £1,814,978) .

7 Interest payable and similar expenses

	Period ended 31 December 2017 £	Period ended 30 June 2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	8,534	-
	<u>8,534</u>	<u>-</u>

8 Employees

	Period ended 31 December 2017 Number	Period ended 30 June 2017 Number
Total	318	284
	<u>318</u>	<u>284</u>

Foundry 42 Limited

**Notes to the financial statements (continued)
For the period ended 31 December 2017**

8 Employees (continued)

Their aggregate remuneration comprised:

	Period ended 31 December 2017 £	Period ended 30 June 2017 £
Wages and salaries	6,797,215	5,246,276
Social security costs	805,147	652,098
Pension costs	160,991	151,046
	<u>7,763,353</u>	<u>6,049,420</u>

9 Tangible fixed assets

	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost				
At 1 July 2017	417,096	578,357	1,045,835	2,041,288
Additions	97,430	45,448	190,085	332,963
Disposals	-	(136)	(2,411)	(2,547)
At 31 December 2017	<u>514,526</u>	<u>623,669</u>	<u>1,233,509</u>	<u>2,371,704</u>
Depreciation and impairment				
At 1 July 2017	153,913	309,367	807,498	1,270,778
Depreciation charged in the period	48,793	90,228	140,634	279,655
Eliminated in respect of disposals	-	(80)	(2,228)	(2,308)
At 31 December 2017	<u>202,706</u>	<u>399,515</u>	<u>945,904</u>	<u>1,548,125</u>
Carrying amount				
At 31 December 2017	<u>311,820</u>	<u>224,154</u>	<u>287,605</u>	<u>823,579</u>
At 30 June 2017	<u>263,183</u>	<u>268,990</u>	<u>238,337</u>	<u>770,510</u>

Foundry 42 Limited

**Notes to the financial statements (continued)
For the period ended 31 December 2017**

10 Taxation

	Period ended 31 December 2017 £	Period ended 30 June 2017 £
Current tax		
UK corporation tax on profits for the current period	-	-

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

	Period ended 31 December 2017 £	Period ended 30 June 2017 £
Profit before taxation	622,948	561,037
Expected tax charge based on a corporation tax rate of 19.00% (June 2017: 19.50%)	118,360	109,402
Enhanced losses arising from the video games tax credit	(1,758,438)	(1,670,550)
Difference between the rate of corporation tax and the rate of relief under the video games tax credit	(445,060)	(399,397)
Unutilised tax losses carried forward	154,537	121,429
Capital allowances in excess of depreciation	53,034	24,138
Income not taxable	1,877,709	1,814,978
Other non-taxable income	(142)	-
Tax expense for the period	-	-

11 Debtors

	31 December 2017 £	30 June 2017 £
Amounts falling due within one year:		
Corporation tax recoverable	3,693,006	5,134,198
Amount due from parent undertaking	1,939,901	-
Other debtors	1,168,592	814,360
Prepayments and accrued income	253,723	264,796
	7,055,222	6,213,354

Foundry 42 Limited**Notes to the financial statements (continued)
For the period ended 31 December 2017****12 Loans and overdrafts**

	31 December 2017 £	30 June 2017 £
Bank loans	1,538,738	-
Payable within one year	1,538,738	-

The loan is secured by fixed and floating charges over the assets of the company.

13 Creditors: amounts falling due within one year

	31 December 2017 £	30 June 2017 £
Bank loans and overdrafts	1,538,738	-
Trade creditors	464,677	291,207
Amounts due to group undertakings	-	1,065,236
Other taxation and social security	510,727	290,658
Other creditors	1,307,422	1,555,970
Accruals and deferred income	120,336	307,624
	<u>3,941,900</u>	<u>3,510,695</u>

14 Share capital

	31 December 2017 £	30 June 2017 £
Ordinary share capital issued and fully paid 100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

Foundry 42 Limited

**Notes to the financial statements (continued)
For the period ended 31 December 2017**

15 Retirement benefit schemes

	Period ended 31 December 2017 £	Period ended 30 June 2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>160,991</u>	<u>151,046</u>

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

16 Operating lease commitments

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:

	Period ended 31 December 2017 £	Period ended 30 June 2017 £
Within one year	592,829	475,322
Between two and five years	554,648	831,801
	<u>1,147,477</u>	<u>1,307,123</u>

17 Controlling party

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

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

Foundry 42 Limited

**Notes to the financial statements (continued)
For the period ended 31 December 2017**

18 Related party transactions

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	31 December 2017	30 June 2017
	£	£
Robert Space Industries Corporation	18,718	52,916
Cloud Imperium Games LLC	706,890	1,018,889
Cloud Imperium Games Texas, LLC	533,242	458,282
	<u>1,258,850</u>	<u>1,530,087</u>

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

The balance owed at the year end are included within 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.