

Company Registration No. 08815227 (England and Wales)

Cloud Imperium Games UK Limited
Annual report and
group financial statements
for the year ended 31 December 2016



Cloud Imperium Games UK Limited

Company information

Directors	Ortwin Freyermuth Christopher Roberts Erin Roberts
Company number	08815227
Registered office	Freedom House Church Street Wilmslow Cheshire United Kingdom SK9 1AX
Independent auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE

Cloud Imperium Games UK Limited

Contents

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 6
Group statement of comprehensive income	7
Group statement of financial position	8
Company statement of financial position	9 - 10
Group statement of changes in equity	11
Company statement of changes in equity	12
Group statement of cash flows	13
Notes to the financial statements	14 - 31

Cloud Imperium Games UK Limited

Strategic report

For the year ended 31 December 2016

The directors present the strategic report for the year ended 31 December 2016.

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

Fair review of the business

As reported on the profit and loss account on page 7, the Group turnover has increased by 15% since 2015 to £15.1m but net costs, at £14.2m, were only 12% above the previous year, after taking out the impact last year of the 'profit on sale' of Intellectual Property, being the US rights to Squadron 42 sold to Cloud Imperium Games Inc, in exchange for the non-US rights to Star Citizen coming the opposite way.

This year reflects the Company's main objective of planned and sustainable growth as it invests into the Squadron 42 and Star Citizen games in line with the revenue coming in, progressing the game development through Foundry 42 and the publishing activities through Roberts Space Industries International.

The economic and competitive environment is expected to remain challenging during the year ahead but the directors are confident that the current business model will continue to operate efficiently and effectively, with continued investment into the development and publishing activities the Company will maintain its competitive position within the industry and the significant progress made in 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 publishing and development resource required for delivering the game.

The Company's management mitigate these risks by monitoring numerous key performance indicators, mainly within the publishing and development entities feeding into the Company and by carrying out regular strategic and operational business reviews.

Key performance indicators

Key performance indicators are monitored on a regular basis. For development these are focused around labour efficiencies and the quality and quantity of output against benchmarked comparators and the development objectives of the business. For publishing, looking at customer satisfaction, service levels, minimized downtime time and customer engagement against comparators and internal goals.

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, collecting revenue from its publishing subsidiary and using this to pay for development through its development subsidiary. The Company has adequate financing facilities in place via cash generated from operating activities and banking facilities to meet its funding requirements.

Cloud Imperium Games UK Limited

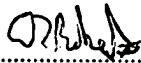
Strategic report (continued)

For the year ended 31 December 2016

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 a game as ambitious as that being developed was never going to be easy but the success to date and the belief in the future success of this venture is down to the skill and expertise of the people engaged in that process.

On behalf of the board



Erin Roberts

Director
18th October 2017

Cloud Imperium Games UK Limited

Directors' report

For the year ended 31 December 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the company and group continued to be that of video games production, development and publishing.

Directors

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

Ortwin Freyermuth
Christopher Roberts
Erin Roberts

Results and dividends

The results for the year are set out on page 7.

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

Auditors

Saffery Champness LLP were appointed as auditors to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Cloud Imperium Games UK Limited

Directors' report (continued)

For the year ended 31 December 2016

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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

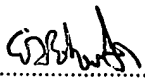
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

Statement of disclosure to auditors

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 auditors of the company and group are 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 auditors of the company and group are aware of that information.

On behalf of the board



Erin Roberts

Director

15th October 2017

Cloud Imperium Games UK Limited

Independent auditors' report

To the members of Cloud Imperium Games UK Limited

We have audited the financial statements of Cloud Imperium Games UK Limited for the year ended 31 December 2016 set out on pages 7 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 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.

Opinion on other matter 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 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.

Cloud Imperium Games UK Limited

Independent auditors' report (continued)

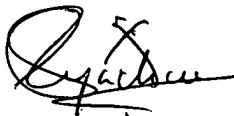
To the members of Cloud Imperium Games UK Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

19/10/17

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Cloud Imperium Games UK Limited

**Group statement of comprehensive income
For the year ended 31 December 2016**

		2016	2015
	Notes	£	£
Turnover	3	15,132,933	13,118,083
Cost of sales		(17,119,248)	(14,984,884)
Gross loss		<u>(1,986,315)</u>	<u>(1,866,801)</u>
Administrative expenses		(701,947)	(161,344)
Other operating income		3,609,735	3,115,774
Operating profit	4	<u>921,473</u>	<u>1,087,629</u>
Interest receivable and similar income	8	1,171	1,104
Interest payable and similar expenses	9	(38)	(41)
Profit before taxation		<u>922,606</u>	<u>1,088,692</u>
Taxation	10	(233)	(194)
Profit for the financial year		<u><u>922,373</u></u>	<u><u>1,088,498</u></u>

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

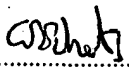
The income statement has been prepared on the basis that all operations are continuing operations.

Cloud Imperium Games UK Limited

Group statement of financial position
As at 31 December 2016

	Notes	£	2016 £	£	2015 £
Fixed assets					
Goodwill	11		243,089		324,119
Other intangible assets	11		1,223,267		1,359,185
Total intangible assets			1,466,356		1,683,304
Tangible assets	12		732,933		645,094
			2,199,289		2,328,398
Current assets					
Debtors	15	4,499,848		4,694,810	
Cash at bank and in hand		5,370,013		3,707,227	
		9,869,861		8,402,037	
Creditors: amounts falling due within one year	16	(8,147,063)		(7,911,875)	
Net current assets			1,722,798		490,162
Total assets less current liabilities			3,922,087		2,818,560
Creditors: amounts falling due after more than one year	17		(891,479)		(710,325)
Net assets			3,030,608		2,108,235
Capital and reserves					
Called up share capital	19		100		100
Share premium account			198,000		198,000
Profit and loss reserves			2,832,508		1,910,135
Total equity			3,030,608		2,108,235

The financial statements were approved by the board of directors and authorised for issue on 18th October 2017 and are signed on its behalf by:


Erin Roberts
Director

Cloud Imperium Games UK Limited

**Company statement of financial position
As at 31 December 2016**

	Notes	£	2016 £	£	2015 £
Fixed assets					
Intangible assets	11		1,223,267		1,359,185
Investments	13		440,001		440,001
			<u>1,663,268</u>		<u>1,799,186</u>
Current assets					
Debtors	15	2,139,533		-	
Cash at bank and in hand		5,544		1,101	
		<u>2,145,077</u>		<u>1,101</u>	
Creditors: amounts falling due within one year	16	<u>(2,748,103)</u>		<u>(626,563)</u>	
Net current liabilities			<u>(603,026)</u>		<u>(625,462)</u>
Total assets less current liabilities			<u>1,060,242</u>		<u>1,173,724</u>
Creditors: amounts falling due after more than one year	17		<u>(891,479)</u>		<u>(710,325)</u>
Net assets			<u><u>168,763</u></u>		<u><u>463,399</u></u>
Capital and reserves					
Called up share capital	19		100		100
Share premium account			198,000		198,000
Profit and loss reserves			(29,337)		265,299
Total equity			<u><u>168,763</u></u>		<u><u>463,399</u></u>

Cloud Imperium Games UK Limited

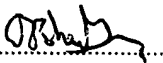
Company statement of financial position (continued)

As at 31 December 2016

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £294,636 (2015 - £265,299 profit).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 15th October 2017 and are signed on its behalf by:



Erin Roberts
Director

Company Registration No. 08815227

Cloud Imperium Games UK Limited

**Group statement of changes in equity
For the year ended 31 December 2016**

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2015	100	198,000	821,637	1,019,737
Year ended 31 December 2015:				
Profit and total comprehensive income for the year	-	-	1,088,498	1,088,498
Balance at 31 December 2015	100	198,000	1,910,135	2,108,235
Year ended 31 December 2016:				
Profit and total comprehensive income for the year	-	-	922,373	922,373
Balance at 31 December 2016	100	198,000	2,832,508	3,030,608

Cloud Imperium Games UK Limited

**Company statement of changes in equity
For the year ended 31 December 2016**

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2015	100	198,000	-	198,100
	<hr/>	<hr/>	<hr/>	<hr/>
Year ended 31 December 2015:				
Profit and total comprehensive income for the year	-	-	265,299	265,299
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	100	198,000	265,299	463,399
	<hr/>	<hr/>	<hr/>	<hr/>
Year ended 31 December 2016:				
Loss and total comprehensive income for the year	-	-	(294,636)	(294,636)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	100	198,000	(29,337)	168,763
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Cloud Imperium Games UK Limited

Group statement of cash flows
For the year ended 31 December 2016

		2016		2015	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	21		1,590,906		7,516,908
Interest paid			(38)		(41)
Income taxes refunded/(paid)			661,008		(3,115,774)
			<hr/>		<hr/>
Net cash inflow from operating activities			2,251,876		4,401,093
Investing activities					
Purchase of intangible assets		-	(1,359,185)		
Proceeds on disposal of intangibles		-	654,612		
Purchase of tangible fixed assets		(590,261)	(641,996)		
Interest received		1,171	1,104		
		<hr/>	<hr/>		
Net cash used in investing activities			(589,090)		(1,345,465)
Net cash used in financing activities			-		-
			<hr/>		<hr/>
Net increase in cash and cash equivalents			1,662,786		3,055,628
Cash and cash equivalents at beginning of year			3,707,227		651,599
			<hr/>		<hr/>
Cash and cash equivalents at end of year			5,370,013		3,707,227
			<hr/> <hr/>		<hr/> <hr/>

Cloud Imperium Games UK Limited

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies

Company information

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

The group consists of Cloud Imperium Games UK Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

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

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

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

Cloud Imperium Games UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

1 Accounting policies (continued)

1.2 Basis of consolidation

In the group company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The group financial statements incorporate those of Cloud Imperium Games UK Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2016. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

1.3 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.

Cloud Imperium Games UK Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2016**

1 Accounting policies (continued)

1.4 Turnover

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

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings represents the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

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

Intellectual Property	10 years straight line
-----------------------	------------------------

1.7 Tangible fixed assets

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

Cloud Imperium Games UK Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2016**

1 Accounting policies (continued)

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

Leasehold improvements	20%
Fixtures and fittings	33.3%
Computers	50%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1 Accounting policies (continued)

1.9 Impairment of fixed assets

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 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.

1.11 Financial instruments

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

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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

1 Accounting policies (continued)

Basic financial assets

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

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

1 Accounting policies (continued)

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.

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

1.12 Equity instruments

Equity instruments issued by the group 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 group.

1.13 Taxation

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

1 Accounting policies (continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end 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.

1.14 Employee benefits

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

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

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

1.15 Retirement benefits

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

1.16 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 income statement for the period.

Cloud Imperium Games UK Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2016**

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

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

	2016	2015
	£	£
Turnover		
Sales	15,132,933	13,118,083
	<u> </u>	<u> </u>
Other significant revenue		
Interest income	1,171	1,104
	<u> </u>	<u> </u>

Turnover analysed by geographical market

	2016	2015
	£	£
United Kingdom	15,132,933	13,118,083
	<u> </u>	<u> </u>

4 Operating profit

	2016	2015
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(257,182)	194,037
Depreciation of owned tangible fixed assets	502,421	359,036
Amortisation of intangible assets	216,949	81,030
Profit on disposal of intangible assets	-	(654,612)
	<u> </u>	<u> </u>

Cloud Imperium Games UK Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

5 Auditors' remuneration

	2016	2015
	£	£
Fees payable to the company's auditors and associates:		
For audit services		
Audit of the financial statements of the group and company	5,750	5,036
Audit of the financial statements of the company's subsidiaries	12,019	25,000
	<u>17,769</u>	<u>30,036</u>

6 Employees

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

	Group 2016 Number	2015 Number	Company 2016 Number	2015 Number
	<u>221</u>	<u>132</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Wages and salaries	8,628,080	5,116,040	-	-
Social security costs	1,017,386	581,032	-	-
Pension costs	275,451	220,758	-	-
	<u>9,920,917</u>	<u>5,917,830</u>	<u>-</u>	<u>-</u>

7 Directors' remuneration

	2016	2015
	£	£
Remuneration for qualifying services	230,000	152,750
Company pension contributions to defined contribution schemes	6,000	40,165
	<u>236,000</u>	<u>192,915</u>

Cloud Imperium Games UK Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

7 Directors' remuneration (continued)

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

	2016	2015
	£	£
Remuneration for qualifying services	230,000	152,750
Company pension contributions to defined contribution schemes	6,000	40,165
	<u>236,000</u>	<u>192,915</u>

8 Interest receivable and similar income

	2016	2015
	£	£
Interest income		
Interest on bank deposits	1,171	1,104
	<u>1,171</u>	<u>1,104</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	1,171	1,104
	<u>1,171</u>	<u>1,104</u>

9 Interest payable and similar expenses

	2016	2015
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	38	41
	<u>38</u>	<u>41</u>

10 Taxation

	2016	2015
	£	£
Current tax		
UK corporation tax on profits for the current period	233	194
	<u>233</u>	<u>194</u>

Cloud Imperium Games UK Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

10 Taxation (continued)

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

	2016	2015
	£	£
Profit before taxation	922,606	1,088,692
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	184,521	220,460
Tax effect of expenses that are not deductible in determining taxable profit	(3,528,071)	(2,986,417)
Tax effect of income not taxable in determining taxable profit	(663,891)	(591,997)
Unutilised tax losses carried forward	641,186	343,624
Permanent capital allowances in excess of depreciation	47,034	(101,250)
Income not taxable	3,319,454	3,115,774
Taxation charge for the year	233	194

Cloud Imperium Games UK Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2016**

11 Intangible fixed assets

Group	Goodwill	Intellectual Property	Total
	£	£	£
Cost			
At 1 January 2016 and 31 December 2016	405,149	1,359,186	1,764,335
Amortisation and impairment			
At 1 January 2016	81,030	-	81,030
Amortisation charged for the year	81,030	135,919	216,949
At 31 December 2016	162,060	135,919	297,979
Carrying amount			
At 31 December 2016	243,089	1,223,267	1,466,356
At 31 December 2015	324,119	1,359,185	1,683,304
Company		Intellectual Property	
			£
Cost			
At 1 January 2016 and 31 December 2016			1,359,186
Amortisation and impairment			
At 1 January 2016			-
Amortisation charged for the year			135,919
At 31 December 2016			135,919
Carrying amount			
At 31 December 2016			1,223,267
At 31 December 2015			1,359,185

Cloud Imperium Games UK Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

12 Tangible fixed assets

Group	Leasehold Fixtures and improvements		Computers	Total
	£	£	£	£
Cost				
At 1 January 2016	205,657	221,675	720,704	1,148,036
Additions	88,899	195,058	306,304	590,261
At 31 December 2016	294,556	416,733	1,027,008	1,738,297
Depreciation and impairment				
At 1 January 2016	57,975	65,688	379,280	502,943
Depreciation charged in the year	54,401	97,715	350,305	502,421
At 31 December 2016	112,376	163,403	729,585	1,005,364
Carrying amount				
At 31 December 2016	182,180	253,330	297,423	732,933
At 31 December 2015	147,682	155,989	341,423	645,094

The company had no tangible fixed assets at 31 December 2016 or 31 December 2015.

13 Fixed asset investments

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Unlisted investments	-	-	440,001	440,001

Cloud Imperium Games UK Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

13 Fixed asset investments (continued)

Movements in fixed asset investments
Company

Investments
other than
loans
£

Cost or valuation

At 1 January 2016 and 31 December 2016

440,001

Carrying amount

At 31 December 2016

440,001

At 31 December 2015

440,001

14 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	888,361	537,808	2,139,533	-
Equity instruments measured at cost less impairment	-	-	440,001	440,001
Carrying amount of financial liabilities				
Measured at amortised cost	7,894,230	7,699,630	3,351,871	1,056,671

15 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Corporation tax recoverable	3,319,220	3,980,461	-	-
Amounts due from group undertakings	-	-	1,806,551	-
Other debtors	1,072,748	658,179	332,982	-
Prepayments and accrued income	107,880	56,170	-	-
	4,499,848	4,694,810	2,139,533	-

Cloud Imperium Games UK Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

16 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	156,028	272,483	22,581	19,975
Amounts due to group undertakings	-	-	2,432,061	321,871
Other taxation and social security	1,144,312	922,570	287,711	280,217
Other creditors	4,148,668	4,159,959	-	-
Accruals and deferred income	2,698,055	2,556,863	5,750	4,500
	<u>8,147,063</u>	<u>7,911,875</u>	<u>2,748,103</u>	<u>626,563</u>

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Other creditors	<u>891,479</u>	<u>710,325</u>	<u>891,479</u>	<u>710,325</u>

18 Retirement benefit schemes

	2016	2015
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>275,451</u>	<u>220,758</u>

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

19 Share capital

	Group and company	
	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

A description of the voting rights attached to the ordinary shares can be found in the Articles of Association.

Cloud Imperium Games UK Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

20 Related party transactions

Roberts Space Industries Corporation	2016	2015
	£	£
Balance brought forward	(4,120,206)	(239,987)
Costs recharged in the year	15,132,933	15,310,157
Costs settled in the year	(12,338,220)	(19,190,376)
	<hr/>	<hr/>
Amounts due to Roberts Space Industries Corporation as at 31 December 2016	<u>(1,325,493)</u>	<u>(4,120,206)</u>
Cloud Imperium Games, LLC	2016	2015
	£	£
Balance brought forward	-	-
Costs incurred on behalf of Cloud Imperium Games, LLC	332,982	-
Funding provided in the year	-	(3,923,594)
Costs recharged in the year	(1,482,242)	3,923,594
	<hr/>	<hr/>
Amounts due from Cloud Imperium Games, LLC as at 31 December 2016	<u>(1,149,260)</u>	<u>-</u>
Cloud Imperium Games Texas, LLC	2016	2015
	£	£
Balance brought forward	-	-
Costs recharged in the year	(1,303,386)	-
	<hr/>	<hr/>
Amounts due from Cloud Imperium Games Texas, LLC as at 31 December 2016	<u>(1,303,386)</u>	<u>-</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 and the UK Group.

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

Cloud Imperium Games UK Limited

**Notes to the financial statements (continued)
For the year ended 31 December 2016**

21 Cash generated from group operations

	2016	2015
	£	£
Profit for the year after tax	922,373	1,088,498
Adjustments for:		
Taxation charged	233	194
Finance costs	38	41
Investment income	(1,171)	(1,104)
Gain on disposal of intangible assets	-	(654,612)
Amortisation and impairment of intangible assets	216,949	81,030
Depreciation and impairment of tangible fixed assets	502,421	359,036
Movements in working capital:		
(Increase) in debtors	(586,650)	(475,720)
Increase in creditors	536,713	7,119,545
Cash generated from operations	1,590,906	7,516,908