Splash Damage Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 04208076

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Splash Damage Limited

Company Information

Directors	G Jenkins A Xu Yiran J Kong R Jolly B Hopkinson
Company secretary	B Hopkinson
Registered number	04208076
Registered office	Royal Court 81 Tweedy Road Bromley Kent BR1 1RG
Independent auditor	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD

Splash Damage Limited

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Splash Damage Limited

Strategic report
For the year ended 31 December 2019

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Review of the business

The continuous rate of growth in the market has been strong due to new technologies arising and the Directors expect this to continue. The Directors recognise that this is a competitive market and believe their investment in Research and Development will enable the Company to continue to achieve growth in the medium and long term.

Sales prospects continue to be strong, with the Company consistently being asked to provide proposals for additional content in existing games or for new games. The Company has seen an increase in trading with group members, in developing content for existing IP and new IP owned whilst continuing to substantially grow revenue with recently won projects.

Although there is uncertainty as to the outcome of the Covid-19 situation globally, the fact that the Company was able to quickly adapt and create a new strategy for the year meant the impact to date has been successfully contained. As an example, the Company delivered game development on time. In addition, the Company has not needed to utilise the furlough scheme or had any redundancies as a result of Covid-19. Two games released in the recent months has also meant that the Company has experienced an emphasis on solid growth level of demand for the Company's products.

The business continues to develop existing games that are already 'live' and on the market, and thus require updates to improve playability and longevity, as well as developing new games for publishers. The Company has commenced development of its own games, which will then be brought to market, either by selling rights to external publishers, or by using related parties to self-publish the games.

The Company remains committed to investing in Research and Development and Intellectual Property, which is enhanced for digital distribution.

The Directors believe that the Company will continue to fulfil its remaining contracts over the forthcoming year and increase their market share. The Directors will continue to work towards ensuring profitability is met in line with current year and further grow profitability in years to come by maintaining work-for-hire projects which have a longer-term sustainable revenue stream to support the future plans of the business, which support investment own IP's.

As such, the Company along with its fellow subsidiaries have continued to invest in the new premises with capacity for expansion and now has the support and state of the art infrastructure to build on in the coming years. The Company along with the fellow subsidiaries provide a one stop solution for creating and developing IP and live support, which is carried out for group companies and external third parties.

Key performance indicators

The key performance indicators are considered to be turnover, operating profit and net profit after tax. Turnover for the year decreased to £23.3m (2018: £25.5m), with operating loss increasing to £12.1m (2018: operating loss of £8.1m). Net loss has increased to £13.6m (2018: loss of £8.7m).

In 2018, the adoption of IFRS 9 (Expected Credit Losses) gave rise to an adjustment of £12.7m in administration costs, in relation to intercompany balances at the year end. This IFRS 9 provision was increased during the year by a further £4.4m. However, during 2020, the group company has continued to proactively repay the balance owed to the Company, utilising revenue received from two new game development agreements.

Following the implementation of the new management team, the Company has reviewed its portfolio and following a strategic review, made the decision to impair a number of its intangible assets causing a one-time adjustment of £11.7m.

Key performance indicators (continued)

Therefore, the underlying performance of the company excluding these items shows a profit. The decrease in turnover is mainly due to timing of when the latest Agreement was signed, leading the associated revenues to be recognised in the following year.

Events since the end of the year and going concern

Since the year end the Company has been impacted by the recent COVID-19 pandemic and restrictions imposed by governments around the world to travel and working practices.

As set out on page 11 the Company incurred a loss in the year of £13,635,059 (2019: £8,714,610), and has net current liabilities of £911,670 (2019: net current assets of £17,995,014). Within net current liabilities is an amount of £3,376,626 (2018: £2,260,394) owed to the Company's ultimate parent entity, Leyou Technologies Holdings Limited ("Leyou"). Leyou has provided a letter of support to the Company confirming its intention not to recall its debt until such time as the Company is able to repay it without detriment to its ongoing trade and to provide additional working capital funding as necessary for at least the next twelve months from the date of approval of these financial statements.

The Directors have performed an assessment of going concern, giving due consideration to the Company's historical and current trading, together with its forward-looking projections, taking into account the above letter of support extended by Leyou. These forward-looking projections include a cash flow forecast for a period including 12 months from the date of approval of these financial statements. Those cash flow forecasts show that the Company is able to continue to operate within the existing facilities available and without further funding being required, for the period of the forecasts.

Although there is uncertainty as to the outcome of the COVID-19 situation globally, the fact that the Company was able to quickly adapt and create a new strategy for the year meant the impact to date has been successfully contained. As an example, the Company continued to deliver game development on time. In addition, the Company has not needed to utilise the furlough scheme or had any redundancies as a result of COVID-19.

Based on the above, the Directors consider that the Company will be a going concern for a period of at least 12 months from the date of approval of these financial statements and have therefore prepared the financial statements on a going concern basis.

Whilst the Directors have every reason to believe that the support extended by Leyou will be forthcoming, they recognise that the letter of support does not represent a legally binding contract which therefore indicates that a material uncertainty exists which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Whilst the Company has a net current liability position, this is representative of expected credit loss provisions recognised against intercompany balances owed by its fellow UK group companies, whereby the Company has applied the rules of IFRS 9. The value of the provision is £17.1m at the year end. The Directors have taken a prudent approach and at the time of signing of these financial statements, £2.2m has already been repaid post year end. This is as a result of the noted UK group companies signing game development projects with world class partners paying contractual fees. The Directors foresee this to continue and so expect that the provision will be materially reduced by the end of 2020, which will aid the Company's return to a net current asset position.

At the date of signing these financial statements, the Company has signed and is in the process of signing further game development work with world class partners, which result in continuous multi-year revenue streams.

Principal risks and uncertainties

The Directors have set out below the main risks facing the business. In order to mitigate and monitor such risks, internal processes are in place.

Cancellation

The risk of project cancellation and customer confidence is managed by providing high quality products on time and to customer specifications.

Employees

The Company has an in-depth recruiting policy to ensure employees are loyal, self-reliant and trusting as well as demonstrating mastery in their specific field. The risk and uncertainty are in retaining these employees and finding them to cement the future success of the Company. Therefore, the Company has a need to provide excellent working conditions and competitive packages which demonstrates the Company's commitment to its employees.

Employees Engagement Statement

The Directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, in line with Section 172 of the Companies Act 2006.

In doing so, the Directors have regard (amongst other matters) to the likely consequences of any decision in the long term; the interests of employees; the need to foster relationships with suppliers, customers and other key stakeholders. The impact of its operations on the community and the environment; the maintaining of a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

The Board receives regular updates in relation to employee's engagement, in addition to the results from the Employee survey and regular Splash Leadership Q&A Sessions. This structure enables a channel for employees to express their views and to get both formal and informal feedback from the Senior Management team.

Bonus schemes are also in place to encourage the employees' involvement in the Company's performance. To ensure employee wellbeing, the Company has setup a Wellbeing Program that includes personal support for employees and additional Training and Workshops for Managers.

This report was approved by the board on 8/10/2020

R Jolly
Director

Splash Damage Limited

Directors' report
For the year ended 31 December 2019

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

Principal activity

The principal activity of the Company in the year under review was that of the development of computer games for different hardware platforms, including consoles, personal computers and mobile devices.

Research and development activities

The Company is a technology based company in the video gaming sector. It is vital in this industry to remain ahead of the game and focus on technology development. Therefore, the Company continues to invest heavily in innovation, especially around research and development. This is important to increase the Company's mastery and cement the relationships with current world class partners whom the Company seeks to continue to work with, as well as finding potential new world class partners to support the growth plans.

The Company continues to support innovation which is recognised as research and development expenditure. The expenditure relating to research and development is charged to the profit and loss account in the year in which it is incurred.

Results and dividends

The loss for the year, after taxation, amounted to £13,635,059 (2018: loss of £8,714,610).

The Directors do not recommend the payment of a dividend (2018: £Nil).

Future developments

The Directors expect the general level of activity to remain in line with 2019 in the forthcoming years. This is as a result of new games in development by fellow group companies, along with our attractiveness to world class partners, who constantly engage us to work on their IP's and titles. We have a longstanding relationship with key publishers in the games industry, who have demonstrated a willingness to continue to work with us in the future and to grow their commitment with us.

The gaming industry is continuing its global growth with the United Kingdom becoming a lot more attractive to world class publishers, due to the welcome introduction of video game development tax reliefs. This makes UK companies much more competitive and appealing on the global platform, from which we hope to capitalise and enjoyed growth of the back of.

Financial risk management objectives and policies

The Company's activities expose it to several financial risks including credit risk, cash flow risk and liquidity risk.

The Company does not use derivative financial instruments for speculative purposes.

Foreign currency and interest risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Employee involvement

The Company has an equal opportunities policy regarding employees and promotes policies and practices that keep all employees informed on employee interests and company matters. The employee numbers are shown in note 8 to the financial statements.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the prior year and remain in force at the date of this report.

Directors

The Directors who served during the year were:

G Jenkins
A Xu Yiran
J Kong
R Jolly
B Hopkinson (appointed 1 October 2019)
R Farrow (resigned 20 March 2019)

Disclosure of information to auditor

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

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

Auditor

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

This report was approved by the board on 8/10/2020 and signed on its behalf.

R Jolly
Director

Directors' responsibilities statement
For the year ended 31 December 2019

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

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

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

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

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

Splash Damage Limited

Independent auditor's report to the members of Splash Damage Limited

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Opinion

We have audited the financial statements of Splash Damage Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Material uncertainty related to going concern

We draw attention to note 2.6, which indicates the Directors' considerations over going concern and, in particular that the Company is reliant on financial support from their ultimate parent entity, Leyou Technologies Holdings Limited, which is not legally binding. As stated in note 2.6, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

BDO LLP

Nick Poulter (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Guildford
United Kingdom

Date: 8/10/2020

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

Splash Damage Limited

Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	**23,285,497**	25,532,303
Cost of sales		**(10,892,717)**	(11,149,417)
Gross profit		**12,392,780**	14,382,886
Distribution costs		**(216,410)**	(707,347)
Administrative expenses		**(24,298,283)**	(21,788,084)
Other operating income	5	**4,336**	3,225
Operating loss	6	**(12,117,577)**	(8,109,320)
Interest receivable and similar income	10	**5**	12,821
Interest payable and expenses	11	**(438,297)**	(29,306)
Loss before tax		**(12,555,869)**	(8,125,805)
Tax on loss	12	**(1,079,190)**	(588,805)
Loss for the financial year		**(13,635,059)**	(8,714,610)

There was no other comprehensive income for 2019 (2018:£Nil).

The notes on pages 14 to 39 form part of these financial statements.

Splash Damage Limited
Registered number: 04208076

Statement of Financial Position
As at 31 December 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	13		**4,021,516**		-
Tangible assets	14		**6,209,339**		62,400
Investments	15		**101**		102
			10,230,956		62,502
Current assets					
Debtors: amounts falling due after more than one year	16	**-**		5,910	
Debtors: amounts falling due within one year	16	**5,608,760**		22,042,279	
Cash at bank and in hand	17	**1,834,163**		1,990,216	
		7,442,923		24,038,405	
Creditors: amounts falling due within one year	18	**(8,354,593)**		(6,043,391)	
Net current (liabilities)/assets			**(911,670)**		17,995,014
Total assets less current liabilities			**9,319,286**		18,057,516
Creditors: amounts falling due after more than one year	19		**(4,896,829)**		-
Net assets			**4,422,457**		18,057,516
Capital and reserves					
Called up share capital	22		**113**		113
Share premium account	23		**585,603**		585,603
Profit and loss account	23		**3,836,741**		17,471,800
Total equity			**4,422,457**		18,057,516

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8/10/2020

R Jolly
Director

The notes on pages 14 to 39 form part of these financial statements.

Splash Damage Limited

Statement of Changes in Equity
For the year ended 31 December 2019

	Called up share capital	Share premium account	Profit and loss account	Total shareholder's funds
	£	£	£	£
At 1 January 2018	113	585,603	26,186,410	26,772,126
Comprehensive income for the year				
Loss for the year	-	-	(8,714,610)	(8,714,610)
Total comprehensive income for the year	-	-	(8,714,610)	(8,714,610)
Total transactions with owners	-	-	-	-
At 1 January 2019	113	585,603	17,471,800	18,057,516
Comprehensive income for the year				
Loss for the year	-	-	(13,635,059)	(13,635,059)
Total comprehensive income for the year	-	-	(13,635,059)	(13,635,059)
Total transactions with owners	-	-	-	-
At 31 December 2019	113	585,603	3,836,741	4,422,457

The notes on pages 14 to 39 form part of these financial statements.

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2. Accounting policies (continued)

2.3 Adoption of new and revised standards

New Standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Company that have been adopted in the annual financial statements for the year ended 31 December 2019 which have had a material impact on the Company.

- IFRS 16 Leases (replaces IAS 17)

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 which have had a material impact on the Company.

New standards impacting the Company that have been adopted in the annual financial statements for the year ended 31 December 2019 which have had no material impact on the Company are:

- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

The new standard, IFRS 16, has replaced the previously applicable standard, IAS 17 with effect from 1 January 2019. The scope of IFRS 16 includes all rental and lease arrangements, sub-letting arrangements and sale-and-leaseback transactions.

The purpose of the new standard is to account for all obligations arising from rental and lease arrangements. The principal innovation of IFRS 16 as compared to IAS 17 relates to lessee accounting. Going forward, lessees will no longer be required to classify leases as either operating or finance leases. Instead, the lessee must recognise a liability as at the date on which the lessor transfers the asset to the lessee for use as well as a corresponding right-of-use asset, which is generally equal to the present value of the future lease payments plus directly attributable costs. During the term of the lease, the lease liability is adjusted using a model based on financial mathematics, while the usage right is amortised.

The new standard has materially affected EBITDA, EBITA, EBIT, EBT and EAT: the future lease payments attributable to leases to be recognised are no longer reported as a lease expense. These leases are recognised through profit or loss by amortising the recognised right-of-use asset and discounting the lease liability.

The Company has applied the standard from the mandatory effective date on 1 January 2019 using the modified retrospective approach. The lease liability must be measured as at the date of first-time application, being 1 January 2019, using the present value of the lease payments still outstanding as at the transition date, applying the incremental borrowing rate. The right-of-use asset is recognised at the same amount less amounts recognised as provisions if the lease is an onerous contract as defined in IAS 37. Any difference is recognised in retained earnings.

On transition to IFRS 16, the Company has elected to apply the exemption available for leases previously classified as operating leases under IAS 17 not to recognise right-of-use assets and lease liabilities for leases with less than 12 months of remaining lease term at the date of application.

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations (continued)

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

Statement of Financial Position (extract)

	31 December 2018 As originally presented £	IFRS 16 £	1 January 2019 Adjusted balance £
Fixed assets			
Tangible assets	62,400	6,256,687	6,319,087
Investments	102	-	102
	-	6,256,687	6,256,687
Current assets			
Debtors	22,048,189	-	22,048,189
Cash at bank and in hand	1,990,216	-	1,990,216
Total current assets	24,038,405	-	24,038,405
Creditors: amounts falling due within one year	(6,043,391)	(1,227,136)	(7,270,527)
Total assets less current liabilities	17,995,014	5,029,551	23,024,565
Creditors: amounts falling due after more than one year	-	(5,029,551)	(5,029,551)
Net assets	18,057,516	-	18,057,516
Capital and reserves			
Called up share capital	113	-	113
Share premium account	585,603	-	585,603
Profit and loss account	17,471,800	-	17,471,800
	18,057,516	-	18,057,516

2. Accounting policies (continued)

Reconciliation of minimum lease commitment to lease liabilities

	At 1 January 2019 £
Minimum operating lease commitments at 31 December 2018	7,404,968
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(854,503)
Lease liabilties at 1 January 2019	6,550,465

The adjustments as a result of the adoption of IFRS 16 noted in the Statement of Financial Position (extract) above, also include a £293,778 re-classification of accruals in respect of lease incentives (rent free periods) which were previously recognised within current liabilities and accordingly netted against the right of use assets upon adoption of IFRS 16.

The weighted average incremental borrowing rate applied to lease liabilities as at the date of application was 5.0%.

2.5 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

2.6 Going concern

Since the year end the Company has been impacted by the recent COVID-19 pandemic and restrictions imposed by governments around the world to travel and working practices.

As set out on page 11 the Company incurred a loss in the year of £13,635,059 (2019: £8,714,610), and has net current liabilities of £911,670 (2019: net current assets of £17,995,014). Within net current liabilities is an amount of £3,376,626 (2018: £2,260,394) owed to the Company's ultimate parent entity, Leyou Technologies Holdings Limited ("Leyou"). Leyou has provided a letter of support to the Company confirming its intention not to recall its debt until such time as the Company is able to repay it without detriment to its ongoing trade and to provide additional working capital funding as necessary for at least the next twelve months from the date of approval of these financial statements.

The Directors have performed an assessment of going concern, giving due consideration to the Company's historical and current trading, together with its forward-looking projections, taking into account the above letter of support extended by Leyou. These forward-looking projections include a cash flow forecast for a period including 12 months from the date of approval of these financial statements. Those cash flow forecasts show that the Company is able to continue to operate within the existing facilities available and without further funding being required, for the period of the forecasts.

2. Accounting policies (continued)

2.6 Going concern (continued)

Although there is uncertainty as to the outcome of the COVID-19 situation globally, the fact that the Company was able to quickly adapt and create a new strategy for the year meant the impact to date has been successfully contained. As an example, the Company continued to deliver game development on time. In addition, the Company has not needed to utilise the furlough scheme or had any redundancies as a result of COVID-19.

Based on the above, the Directors consider that the Company will be a going concern for a period of at least 12 months from the date of approval of these financial statements and have therefore prepared the financial statements on a going concern basis.

Whilst the Directors have every reason to believe that the support extended by Leyou will be forthcoming, they recognise that the letter of support does not represent a legally binding contract which therefore indicates that a material uncertainty exists which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

2.7 Turnover

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

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

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

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

2. Accounting policies (continued)

2.7 Turnover (continued)

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

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

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

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

(a) Contract work

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

(b) Interest income

Interest income mainly represents interest income from intercompany loans and is recognised using the effective interest method.

2. Accounting policies (continued)

2.8 Intangible assets

Trademarks

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

Game development

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

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

Development costs include the employee costs incurred as a result of developing games and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Costs associated with maintaining the games are recognised as an expense as incurred. No amortisation is provided for games under development until completion. Amortisation commences when construction-in-progress is transferred to intangible assets and ready for their intended use. Game intellectual properties are amortised using the straight-line method over their useful lives of the games of not more than 6 years.

2.9 Tangible fixed assets

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of comprehensive income during the relevant periods in which they are incurred.

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

2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

The estimated useful lives range as follows:

Leasehold improvements	-	3 years
Fixtures and fittings	-	4 years
Office equipment	-	4 years
Computer equipment	-	2 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Debtors

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

2.12 Cash and cash equivalents

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

2.13 Financial instruments

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

Financial assets

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

Loans and receivables

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

2. Accounting policies (continued)

2.13 Financial instruments (continued)

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

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

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

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

Financial liabilities

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

At amortised cost

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

2.14 Creditors

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

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

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

2.16 Finance costs

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

2.17 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.18 Current and deferred taxation

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

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

2. Accounting policies (continued)

2.18 Current and deferred taxation (continued)

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

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

2.19 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

2. Accounting policies (continued)

2.19 Leases (continued)

The lease liability is presented within notes 18, 19 & 20 of these financial statements.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in note 14.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Tangible fixed assets policy.

2. Accounting policies (continued)

2.19 Leases (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative expenses" in the Statement of comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

3. Judgements in applying accounting policies (continued)

Key sources of estimation uncertainty:

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

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

- **Determination of incremental borrowings rates used to discount lease liabilities**
  Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities (note 20) and the corresponding right-of-use assets (note 14).

  To determine the incremental borrowing rate the Company uses recent third-party financing as a starting point, and adjusts this for conditions specific to the lease such as its term and security.

  The Company used incremental borrowing rates specific to each lease which ranged between 2.65% and 6.71%.

4. Turnover

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

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	**4,440,050**	10,644,363
Rest of EU	**-**	3,422,998
USA	**18,845,447**	11,464,942
	23,285,497	25,532,303

5. Other operating income

	2019 £	2018 £
Other income	**4,336**	3,225

6. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	**1,778,572**	108,551
Impairment of intangible assets	**11,708,825**	126
Operating lease - rental expense	**-**	421,194
Operating lease charges - equipment	**-**	1,414,559
Short term lease expense	**291,985**	-

7. Auditor's remuneration

	2019 £	2018 £
Fees for auditing financial statements	**24,688**	25,000
Fees for non-audit services	**26,330**	14,400
	51,018	39,400

8. Employees

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

	2019 £	2018 £
Wages and salaries	**12,222,153**	12,285,755
Social security costs	**1,365,120**	1,357,575
Cost of defined contribution scheme	**968,439**	653,457
	14,555,712	14,296,787

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

	2019 No.	2018 No.
Admin staff	**24**	28
Development staff	**268**	292
	292	320

9. Directors' remuneration

	2019 £	2018 £
Director's emoluments	**183,226**	348,258
Cost of defined contribution scheme	**10,875**	21,924
	194,101	370,182

During the year retirement benefits were accruing to 1 Director (2018 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £183,226 (2018 - £201,385).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £10,875 (2018 - £14,093).

Key management personnel are the same as executive Directors.

10. Interest receivable and similar income

	2019 £	2018 £
Other interest receivable	**5**	12,821

11. Interest payable and expenses

	2019 £	2018 £
Bank interest payable	**100,004**	29,306
Interest on lease liabilities	**338,293**	-
	438,297	29,306

12. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on losses for the year	**35,534**	714,259
Adjustments in respect of previous periods	**1,037,746**	(70,858)
Total current tax	**1,073,280**	643,401
Deferred tax		
Origination and reversal of timing differences	**5,910**	(54,596)
Total deferred tax	**5,910**	(54,596)
Taxation on loss on ordinary activities	**1,079,190**	588,805

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	**(12,558,251)**	(8,125,805)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	**(2,386,068)**	(1,543,903)
Effects of:		
Fixed asset differences	**-**	22,368
Expenses not deductible for tax purposes	**3,161,584**	2,378,713
Other tax adjustments, reliefs and transfers	**35,322**	(17,263)
Income not taxabale for tax purposes	**(85,394)**	-
Tax rate changes	**1,142**	6,424
Adjustments to tax charge in respect of prior periods - deferred tax	**2,604**	-
Adjustments to tax charge in respect of prior periods	**1,037,746**	(70,858)
Group relief claimed	**(687,746)**	(186,676)
Total tax charge for the year	**1,079,190**	588,805

Factors that may affect future tax charges

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred taxes are calculated based on the rates enacted in respect of future periods as at the reporting date.

13. Intangible assets

	Games development £	Trademarks £	Total £
Cost			
At 1 January 2019	-	1,376	1,376
Additions	15,730,341	-	15,730,341
At 31 December 2019	15,730,341	1,376	15,731,717
Amortisation			
At 1 January 2019	-	1,376	1,376
Impairment loss	11,708,825	-	11,708,825
At 31 December 2019	11,708,825	1,376	11,710,201
Net book value			
At 31 December 2019	4,021,516	-	4,021,516
At 31 December 2018	-	-	-

The Company conducted a strategic review and concluded that a number of the games development intangible assets that were purchased were no longer the most attractive option to pursue. Accordingly, the decision to pivot attention away from these assets has resulted in a £11.7m impairment charge being recorded in the Statement of comprehensive income during the year, with the recoverable value of these particular games determined to be £Nil in the absence of further investment.

Splash Damage Limited

Notes to the financial statements
For the year ended 31 December 2019

14. Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Office equipment £	Computer equipment £	Right-of-use asset £	Total £
Cost						
At 1 January 2019	162,689	251,427	110,253	405,883	-	930,252
Effect of adoption of IFRS 16	-	-	-	-	6,256,687	6,256,687
At 1 January 2019 (adjusted balance)	162,689	251,427	110,253	405,883	6,256,687	7,186,939
Additions	-	-	-	12,170	1,695,401	1,707,571
Disposals	-	-	-	(38,747)	-	(38,747)
At 31 December 2019	162,689	251,427	110,253	379,306	7,952,088	8,855,763
Depreciation						
At 1 January 2019	160,635	248,831	108,955	349,431	-	867,852
Charge for the year	2,054	-	505	15,554	1,760,459	1,778,572
At 31 December 2019	162,689	248,831	109,460	364,985	1,760,459	2,646,424
Net book value						
At 31 December 2019	-	2,596	793	14,321	6,191,629	6,209,339
At 31 December 2018	2,054	2,596	1,298	56,452	-	62,400

15. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2019	102
Disposals	(1)
At 31 December 2019	101

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Demolition Games Limited	Royal Court, 81 Tweedy Road, Bromley, Kent, England, BR1 1RG	Development activities for a video gaming project	Ordinary	100%
Splash Damage Denver Limited	Royal Court, 81 Tweedy Road, Bromley, Kent, England, BR1 1RG	Dormant	Ordinary	100%
War Damage Limited	Royal Court, 81 Tweedy Road, Bromley, Kent, England, BR1 1RG	Disssolved	Ordinary	100%

All entities are directly held by Splash Damage Limited.

Splash Damage Denver Limited was dissolved 28 January 2020.

War Damage Limited was dissolved 10 December 2019.

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

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Demolition Games Limited	5,003	-
Splash Damage Denver Limited	1	-
War Damage Limited	-	-

16. Debtors

	2019 £	2018 £
Due after more than one year		
Deferred tax asset	-	5,910

	2019 £	2018 £
Due within one year		
Trade debtors	**1,170,922**	481,270
Amounts owed by group undertakings	**3,599,472**	20,599,964
Other debtors	**336,417**	273,435
Prepayments and accrued income	**501,949**	687,610
	5,608,760	22,042,279

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

The impairment loss recognised in the year in respect of bad and doubtful debts was £4,394,072 (2018: £12,718,114).

17. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	**1,834,163**	1,990,216

18. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	**697,151**	519,769
Amounts owed to group undertakings	**3,376,626**	2,260,394
Corporation tax	**1,045,119**	643,726
Other taxation and social security	**697,582**	395,876
Lease liabilites (note 20)	**1,751,914**	-
Other creditors	**17,722**	27,856
Accruals and deferred income	**768,479**	2,195,770
	8,354,593	6,043,391

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

The Company has a mortgage debenture over its assets, however currently no debt is secured as at the year end (2018: £Nil).

19. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Lease liabilities (note 20)	**4,896,829**	-

20. Leases

Company as a lessee

The Company has a portfolio of leases which consists of one lease in respect of the Company's registered office along with a number of individual leases for fixed assets such as fixtures and fittings, computer hardware, office equipment, etc.

Lease liabilities are due as follows:

	2019 £
Not later than one year	1,751,914
Between one year and five years	3,373,957
Later than five years	1,522,872
	6,648,743

The total cash outflow for lease liabilities during the year was £1,933,035.

The Company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Company.

At 31 December 2019 the carrying amounts of lease liabilites are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Company would not exercise its right to exercise any right to break the lease. Total lease liabilities of £1,297,411 are potentially avoidable were the Company to exercise break clauses at the earliest opportunity.

21. Deferred taxation

	2019 £	2018 £
At beginning of year	**5,910**	(48,686)
(Charged)/credited to profit or loss	**(5,910)**	54,596
At end of year	**-**	5,910

The deferred tax liability is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	-	(6,557)
Other timing differences	-	12,467
	-	5,910

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,127,350 (2018 - 1,127,350) Ordinary shares of £0.00010 each	**113**	113

23. Reserves

The Company has the following reserves:

Share premium account

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

Profit and loss account

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

24. Contingent liabilities

The Company acts as a guarantor for the lease commitments of Fireteam Limited, a fellow subsidiary. Fireteam Limited's total lease commitments as at 31 December 2019 were £1,784,105 (2018: £2,381,983).

25. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £968,439 (2018: £653,457). Contributions totalling £89,343 (2018: £Nil) were payable to the fund at the reporting date and are included in creditors.

26. Events after the reporting period

Since the year end the Company has been impacted by the recent COVID-19 pandemic and restrictions imposed by governments around the world to travel and working practices.

The impact of this has been considered in the context of going concern within note 2.6.

27. Related party transactions

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

There have been no transactions with other related parties.

Director's Loan

The Company had previously provided a loan to Paul Wedgwood (who was previously a Director of the Company), bearing interest at the Bank of England base rate. The amount owed to the Company by P. Wedgwood at the end of the financial year totalled £Nil (2018: £520).

28. Controlling party

The Company's immediate parent undertaking is Radius Maxima Limited, a company incorporated in the UK.

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

In the opinion of the Directors, Leyou Technologies Holdings Limited is the Company's ultimate parent company and the majority shareholder Mr K C C Yuk is the ultimate controlling party.