London Digital Games

Single company (S)EIS

Summary

The company's investment strategy is to develop a portfolio of video game projects based on licensed intellectual property aimed at consoles and personal computers.

	Positives	Issues
Why Invest	**Strategy:** Create three video games with budgets of £800,000 to £1.2m.	**Diversification:** With an expected portfolio of three games, diversification for investors will be limited.
The Team	**Team:** The two Directors and the Advisor each have over 30 years experience in the game industry.	**One key individual:** The Creative Director is the key individual in determining the success of the company.

Nuts & Bolts

- **Duration:** Investment to be closed in tranches when aggregate investment reaches £1m, 2m & £4m.
- **Diversification**: The aim is to invest in 3 separate projects.
- **Valuation:** As an unquoted company there will be little or no change in the valuation, though revenue will be transparent and investors will receive annual updates on progress.

Specific Issues

- **Management:** The company will be managed by two Directors, with much of the work subcontracted, most likely to subsidiaries of Catalis SE.
- **Performance fee:** Subject to a threshold of £1.20 for each £1 invested. Above this the management team receives 30% of the return.

Consultant information

Scheme assets	£0m
Scheme target	£4m
EIS assets	£0m
Total FUM	NA
Launch date	2017

Risks

- **Target returns:** There is no target return for the company. Each project on a stand-alone basis would be medium to high risk, though there is some revenue protection.
- **Revenue risk:** This will be mitigated by Video Games Tax Relief will being used to offset the expenses for each company, for a total of 20% of the development expenditure. Curve, the expected publisher, will provide a minimum revenue assurance of approximately 50% of the aggregate investment into LDG.

Analyst

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Table of Contents

Factsheet

London Digital Games Limited		
Product name		London Digital Games Limited
Product manager		NA
Product consultant		Catalis SE
Tax eligibility		SEIS / EIS
Target return		Not given
Target income		None
Type of product		Single company EIS
Term		3-4 years
Sectors		Media
Diversification		
Number of companies		1 (3 subsidiaries)
(Expected) Gini coefficient		1
Fees	**Amount**	**Paid by**
Initial fees	5.00% (excl VAT)	Investee company
Annual fees	1.50% (excl VAT)	Investee company
Performance fee	30%	Investor share of proceeds over £1.20
Exit fee	NA	
Advisor fee facilitation		Yes
Advisor fee amounts		As agreed with investor
HMRC Approved fund?		No
Advance Assurance from HMRC		Yes
Reporting		Annually
Minimum investment		£10,000
Current funds raised		£0m
Fundraising target		£4m in current financial year
Closing date(s)		Three tranches when aggregate investment reaches £1m, £2m and £4m
Expected exit method		Trade Sale / IPO / MBO

Source: London Digital Games Limited, Hardman & Co research

Fund Aims

London Digital Games is a single company (S)EIS which will invest in three video game productions. There is no target return, though performance fees are payable once a £1.20 return is achieved. Returns will be focussed on capital gains and investors are unlikely to receive any dividends.

There are two parties involved in the company:

- **Directors**: there are two executive directors.
- **Catalis SE**: the expected developer and publisher of the games.

Although this is a single company EIS, its structure has much in common with funds and the report structure reflects that.

Summary of Risk Areas

Note: There are generic risks from investing in EIS or unquoted companies in addition to the specific ones commented on below. Comments on relative risk refer to other EIS investments and not to wider investments.

Investments

Portfolio Risk

The company is expected to invest into three games of approximately similar size. The performance of each game is likely to be largely independent of the others. Expected returns are skewed.

No target return is given. Each individual project is medium to high risk, though the Video Game Tax Relief and revenue assurance from Curve significantly mitigate that.

Sourcing and External Oversight

Sourcing will be the responsibility of the Directors supported by Catalis. Negotiations are already open to license appropriate IP with one contract agreed. With only three games proposed, LDG should be able to source adequate projects.

The development and publishing of each game will probably be done by the Catalis Group. The Directors are independent of Catalis and will provide appropriate monitoring and oversight. Poor performance from Catalis could result in them being replaced.

Ongoing Support and Monitoring

Ongoing payments to Catalis during development are subject to the achievement of contracted milestones which will be largely assessed by the Directors. Publishing payments are a proportion of sales. The Directors will contribute towards the marketing plan.

Exits

Cash will naturally accrue in LDG as sales are made, with revenues fading over 1-2 years. The most likely exit is via a trade sale. There is a market for games so this should be readily achieved. If a game is very successful, then other options may become available.

Directors / Catalis

Team

The two Directors are very experienced in the games industry. It should be noted that the Creative Director, Matthew Woodley, is the key person and LDG's success is very dependent on his ability to execute well.

The Catalis Group is well established, with Curve in particular having a good market reputation.

Track Record

The Directors have been involved in several major video game successes, though mostly within companies. Kuju, the developer has produced over 125 games, but mostly under contract and can only evidence revenue for ten. These have produced a median return of 1.88 times invested capital.

Regulation

Company

Advance Assurance has been received from HMRC.

Other parties

Single company EIS so not applicable.

Risk Analysis / Commentary

Although LDG is a new venture in the video games space, the directors bring a deep experience of the industry. The corporate structure that is being used is sensible, with the subcontracting of development services on fixed price contracts moving some of the operational risk away from shareholders and onto Kuju / Catalis. Kuju's history is primarily as a contracted developer should also give investors comfort.

The use of Video Game Tax Relief and the revenue assurance from Curve also give significant downside protection to investors. We do note that the Catalis balance sheet is not strong, though the likelihood of full payment being made under the assurance is remote.

With a portfolio of three games the expected diversification is limited, though there is an intention to have some variety in the types of games. The use of licensed IP also helps reduce risk, albeit with an extra cost. However, the prospects for each production are independent of the others. Returns in this area tend be skewed and investors may only need one good success to achieve a reasonable return.

Investment Process

Investors who lack familiarity with the video game market may wish to read the background given in Appendix 3 before reading the description of the company's process.

Deeper dig into process

London Digital Games (LDG) is aiming to produce three games for the PC and console markets, each with a budget of between £800,000 and £1.2m. The company's process for each game will follow six distinct stages.

Catalis SE, which is strongly linked with LDG, has three relevant subsidiaries:

- **Kuju**: games development
- **Testronic Laboratories**: software testing
- **Curve**: games publishing

Further background on Catalis SE is given in Appendix 1.

1. Concept development

LDG is intending to primarily create games that are based on licensed intellectual property (IP). Typically, that will be from a television programme or film, but other sources are possible too. For example, in the past Kuju has developed games based on the Zumba franchise.

This is likely to give several advantages over using original concepts. Firstly, there is an established framework, such as characters and storylines, that can be used in the game. Secondly there is a (possibly prospective) fan base to who the game may appeal. Finally, the entity from which the IP is being licensed will likely do supporting marketing. This latter is a factor in the selection criteria – the brand owner should be willing to put some of their own marketing muscle behind the game, although it is expected that would mostly be through its wider activities rather than game specific efforts.

Typically, around 10% of the budget will go towards the license. This will usually have a fixed fee element, which may around £100,000-£200,000 with a profit share that is usually a percentage in the teens.

It is possible that an original concept may be commissioned, but it would have to be exceptionally attractive for that to happen and it is unlikely that will happen for the first three games. There is something of a trade off in revenue terms – the biggest hits tend to be original concepts, but also have a greater risk of doing badly.

LDG have a list of criteria that they would look for any game to have. These include looking at the demographics of the brand and how they would fit with a games potential audience – for example, an older audience may not be too keen on a first-person shooter. The potential audience should be engaged with the brand and have some disposable income. The brand should also be extendable to a great game that resonates with the existing audience. Overall, although there is a blend of data and art in terms of selecting appropriate IP and putting together the basic game concept, the data side has increased in importance in each years and the selection process will reflect that.

Responsibility for this stage is primarily with the Executive Producer, Matthew Woodley, with some assistance from Kuju. We understand that negotiations have been opened for a couple of potential licenses and have been progressing well and it is likely that a project will rapidly move to the Greenlight stage once the capital is available.

Agreement has been reached on the first IP licence. This will be a game based on the Netflix show *Narcos*. This series dramatises the drug wars of the 1980s, particularly focussing on Pablo Escobar. The plan for the game is it will be a ‘brutal tactical action shooter for 1 or 2 players’.

2. Greenlight

Once a proposal has been pulled together there is a formal review process involving both the Directors. As well as the creative and commercial potential, the game’s eligibility for Video Games Tax Relief will be assessed. There also has to be agreement from Catalis SE to allow Curve to fulfil its revenue assurance.

Contracts will be agreed. It is anticipated that for most or all of the games the developer will be Kuju and the publisher will be Curve. There may be a game where one or the other is not used, and we understand this is more likely in the case of Kuju. Reasons may include that another developer already has a very good game engine that fits the intended IP or there is another developer with better skills in an area.

There will be some attempt to diversify the projects. The aim is to make them different types and have some different audience appeal, though with up to three games there is a limit to what diversification can be achieved. It should also be noted that is unlikely that all three games will have equal budgets, so there may be some variation in the weight of investor exposure to each project. Each will probably be in the range of £800,000 to £1.2m.

3. Production

LDG will set up a subsidiary for the development of each game. This will take on a dedicated team for the project. Assuming Kuju is the developer then the core staff will be drawn from them, though this will be complemented by specialists where required. The day to day production process will be the responsibility of Kuju while being overseen by the Executive Producers. In particular, all contracts will be on a fixed price with Kuju and LDG will not bear any costs from delays or overruns.

Overall the three games will require the secondment of over one third of Kuju’s staff. While this is within Kuju’s capacity, the availability of appropriate staff may be affected by their overall workload. This may be another reason why Kuju may not be the chosen developer.

It is anticipated that the development for each game will take 12 to 18 months. Over the course of this period there are various milestones that will be written into the contracts. These will be

- **Pre-production**: plan the game and create a basic prototype.
- **First playable**: short snap shot with limited levels but most functionality.
- **Alpha**: Start to end version with almost full functionality but limited graphics.
- **Beta**: All ready bar final bugs.
- **Gold master**: release version.

These will be important for Kuju as the cash for the next stage will only be released once the preceding milestone has been achieved. We understand this principle will be strictly adhered to. Responsibility for assessing the milestones will sit with the Directors, though this may be aided by the producer who has day to day responsibility for each game.

Achievement of the milestones is not simply a matter of having functionality right. The Creative Director says he is focussed on making each game excellent and will be pushing the development team to achieve that. Given how competitive the market is, quality has to be a prime consideration and it is good to see the management focussing on it.

It is at this stage that Testronic's services may be used. This is a relatively small part of the budget and will be a fixed fee with payment subject to deliverables. Their role is to independently make sure that the games have full functionality on each platform, an essential step to being accepted on the major digital platforms such as Xbox and PlayStation.

Testronic and Curve would also do some of the localisation. For many games and places this is limited to simply translating scripts. However, in the Far East, particularly China, there may be cultural contexts which need to be incorporated.

4. Publishing

As indicated above, the publisher for all the games is most likely to be Curve. Distribution will be almost entirely digital. To date the company has marketed indie games, most of which have been smaller than the intended LDG projects. Despite that it has top tier relationships with most of the major platforms, including the ability to publish on the new Nintendo Switch which not everyone has access to yet.

The Directors will require Curve to produce a marketing plan for review prior to each game being published. It will be expected that Curve will report to LDG's management on a regular basis about recent activity, results and future plans. Given the experience of the board it is to be expected that they will contribute ideas towards the plans as well.

Curve are supplying a revenue assurance by which they will fill any shortfall if total revenues 24 months after launch are less 50% of the total aggregate investment into LDG. This is supported by the parent company, Catalis. It is unlikely that all games will be complete flops so the effective risk to Curve is smaller than this might seem. Just one successful game would exceed that.

However, it should be noted that, although unlikely, in the worst case this would be £2m and would be a significant strain on the Catalis SE balance sheet (see Appendix 1). We have been told that the profits from the development stage will be earmarked to give some added security. We also note that the company has been on an improving financial trend in recent years.

The expected revenue pattern for each game is typical for the industry, with premium pricing at release, an average of 60% of total revenues received in the first year and increasing discounts as it ages over the next 12-24 months. As would be expected, more successful games will have a longer expected lifespan. Curve, as is usual for publishers, will be paid by a share of the revenue and, in effect, are only paid if they are successful.

5. Post-Launch Support

Increasingly the industry is supporting successful games with add-ons, such as extra levels. With a well-built game these can be relatively cheap to create and, hence, be quite profitable. Any decision on this will sit with the Directors as this will mean reinvesting some of the cash generated by the game.

While some of this can be planned in advance, much depends on monitoring the communities that follow the games. Both Curve and the Directors will be doing this, and this can provide good guidance about what content to generate. For example, if a character is proving popular then it may be advantageous to give them a strong role in an add-on. It should be noted that not all of these communities are easy to access or follow so guidance may be weak and it is still possible to misjudge things.

We note that the Information Memorandum says that there may be additional marketing costs incurred directly. Usually these are borne by the publisher and funded from their margin. We understand such extra costs are unlikely, but if they are incurred there would be a renegotiation with Curve to offset them.

6. Spin-Offs and Sequels

The intention is to provide investors an exit within 3-4 years, which naturally fits the production and sales cycle for a game (12-18 months to develop and a 12 to 24-month sales period). It may still be sensible to start work on a spin-off or sequel within the company's lifespan.

This is only the case where the success of a game justifies a follow on. Usually the IP licence will be for longer than the 3-4-year period – if a game is a success then that allows the follow-on, if it isn't successful the IP will have little immediate value to anyone else.

Starting a follow on has a couple of other advantages. It allows LDG to keep the development team together, which could be attractive to a buyer. A sequel should not appear too long after the original, and starting work on it while the previous game is still receiving good revenue gives more flexibility over when it is published. It may also give investors the option of not selling the company and keeping their investment for longer if they wish to keep their rights to future games.

It should be highlighted that while management are hoping to achieve this, and believe in their ability to do so, it is inevitably uncertain whether any follow-ons will be made. This is not something investors should factor into their core investment decision. This would require further rigorous assessment from the Directors.

Decision Making

The decision making for LDG will mostly sit with the two Directors. Of these, Matthew Woodley (the Creative Director) is the key individual, both in terms of project selection and for ongoing oversight. However, the Chairman will have to agree all major decisions and the CEO of Catalis will also act as an advisor. Although Matthew Woodley will be paid for three days per week, in practice his commitment will be greater in the early stages.

As Curve is providing a revenue assurance, Catalis will have a say in the Greenlight process.

Governance and Post-investment Monitoring

Advance assurance has been received from HMRC.

Cash will be held in the parent company bank account. It will be paid down to the subsidiary for each game on the achievement of the milestones.

For each title an interim certificate confirming the eligibility for Video Game Tax Relief will be obtained before starting full production. It is expected that this will give net payment/relief of 20% of the production budget (investors should note that this is not the same as the capital invested into LDG).

Information on revenue and expenditure will be supplied through the annual accounts. We note this is less frequent than most EIS offers, but we understand there may be scope to give information more often.

Ultimately there is a market for games that have passed the peak of their revenue cycle. Many games continue to accrue small levels of income for some time, with belated buying of add-ons or bundling into discount packages. The value of these is generally small relative to the earlier revenue. Trade sale is the most likely option, but greater success may lead to others such as share buybacks, dividend payments, an MBO or, in extreme, an IPO.

Track Record

As a new company London Digital Games does not have a track record. The two directors have considerable experience, both on game design and publishing, though much of that has been as part of larger companies so it is difficult to identify specific achievements. Despite that, it is clear that they have played leading roles in several very successful projects in the past and have the skills to manage LDG.

Historically Kuju has been primarily a developer of games on a commissioned fixed fee basis, which is close to the role it will have for London Digital. Although the company has developed over 120 games in total, it only has ten for which it can confirm its revenues. Of these only four had budgets in a comparable range to LDG.

With those caveats, the average revenue return over the ten games was 3.48 times development cost, with a median of 1.88 times. There were two games where revenue did not exceed the capital invested, which were the only two not based on licensed IP. As is normal the return profile is skewed, with only three games exceeding the mean return.

Fees

The fees for the Fund are set out in the table on page 3 and are all payable by the companies.

- **Fundraising fee**: payable to LGBR Capital to cover the marketing costs. Any fee to advisors will be paid from this.
- **Advisor charge**: this is payable to Catalis SE for administrative and corporate services.

- **Performance fee**: this is calculated at 30% of the investors' share of profits above the target £1.20 for each £1 invested on a per company basis. It is shared between the directors and key staff on each project.

In addition to the cost above the company will bear Directors Fees of £70,000 per annum plus some residual corporate costs. There is no fee payable to the special advisor.

In addition to the above, the majority of the work will be subcontracted to subsidiaries of Catalis. The Directors expect these to be on normal commercial terms, which would mean Catalis will make a normal profit margin on the work.

The fees and charges are quoted net of VAT. Where investee companies have sufficient VATable revenue the VAT can be offset, but where a project is unsuccessful that may not be the case.

Fundraising targets

The minimum size of the fund will be £2m, with a target fundraise of £4m by the 31 March 2017 and a maximum fund size of £5m. Closes will take place in three tranches, with the first close when aggregate fund raising reaches £1m, the second at £2m and the final around £4m.

The minimum subscription is £10,000, with higher amounts in multiples of £5,000.

Directors and advisors

London Digital Games Limited has two Directors who are veterans of the gaming industry, each with over 30 year's experience in the gaming industry. Travis Winstanley, an employee of Catalis, is currently a director but will retire on completion of the fundraising.

Catalis SE is a gaming-sector specialist whose service covers all aspects of game development, testing and publishing. It employs 500 staff worldwide. It owns three subsidiaries which likely to perform the main services to the group: Kuju (a multi-platform games developer of over 125 titles), Curve Digital (a games publisher) and Testronic Laboratories (quality assurance service provider).

Key People

Ian Livingstone CBE – Chair, London Digital Games Limited

A co-founder of *Games Workshop* and co-creator of *Fighting Fantasy*, he also launched *Dungeons & Dragons* in Europe. In 1984 he designed *Eureka*, an early computer game. The game's publishing house, Domark, later merged with EIDOS, of which Ian later became Chairman. In 2012 he was listed as the 16th most influential person in the UK's digital economy from the Wired 100 list. He currently sits on the boards of various sector specific bodies as Chair and Vice-Chair and is an advisor to the British Council. He has also received a BAFTA Special Award.

Matthew Woodley – Executive Producer, London Digital Games Limited

He started his professional career as a game reviewer, later holding various senior publishing and development positions at Eidos, GT Interactive, SEGA and Electronic Arts. He has successfully created his own video game, been a consultant to the British Government, and assisted numerous start-ups with raising funds and in developing their product design and marketing strategies.

Dominic Wheatley – CEO, Catalis SE, Special Advisor to LDG

As founder and CEO of game publisher Domark, he oversaw the merger with EIDOS plc and its subsequent IPO. EIDOS has published, amongst others, *Lara Croft: Tomb Raider* and *Championship Manager* and games based on *Star Wars*, *Formula* 1 and *James Bond*. He has been CEO of Catalis SE since 2014 and overseen many acquisitions and exits within the industry, most recently Curve Digital (bought 2016) and Testronic Belgium (sold 2015).

Appendix 1 – Due Diligence Summary

Summary of core due diligence questions		
Company		**Validated by**
Company	London Digital Games Limited	
Founded	2016	Hardman & Co
Type	Limited Company	Hardman & Co
Ownership	London Digital Games Limited 100% owned by Ian Livingstone CBE	Hardman & Co
CRN	10107461	Hardman & Co
Solvency	NA	
EISA member	No	Hardman & Co
Consultant		
Company	Catalis SE	Information Memorandum
Founded	2000	Hardman & Co
Type	Limited Company	Hardman & Co
Ownership	Listed Company (DAX: XAE2)	Hardman & Co
FCA Registration	No	Hardman & Co
Solvency	NA	
EISA Member	No	Hardman & Co

Source: Hardman & Co research

Regulation

This will be a single company EIS where investors get shares in London Digital Games Limited. Incorporated on 6 April 2016, there are no accounts currently available. Ownership currently sits with a Director. There will be only one share class. Advance assurance has been received.

Catalis SE is listed on the Frankfurt Stock Exchange (DAX), XETRA (XETR), Stuttgart (SWB), Munich (MUN), Berlin (BER), and Dusseldorf (DUS) exchanges. The company has had some difficulties over the last few years and was stretched financially. Since Dominic Wheatly took over as CEO thee years ago the company has been slowly improving its position, partially through the sale of assets.

As of the latest available accounts (30 June) it had total equity of €3.1m, with €5.0m of goodwill and €900,000 of intangible assets. Results for the first half of 2016 showed an operating loss of €488,000 and loss for the period of €1.1m. From reading the accounts it would seem that Catalis would not have the financial strength to undertake the LDG projects without other financing.

Appendix 2 – Example Fee Calculations

This calculates the estimated amounts payable both directly and indirectly under certain assumptions. It should be noted that this only takes account of the explicit fees - Catalis will also receive payments for services on normal commercial terms.

Basic Assumptions	
Term	3.5 years
Investor amount	£100,000
Scheme investment	£4,000,000
VAT is reclaimable by investee companies.	

Source: Hardman & Co research

Calculations

		Hardman Standard			Target
Gross Return		-50%	0%	50%	88%
Amount (pre tax relief)		£100,000	£100,000	£100,000	£100,000
Initial Fees	**Rate**				
Fundraising	5.0% (excl VAT)	£5,000	£5,000	£5,000	£5,000
Net investment		£95,000	£95,000	£95,000	£95,000
Annual Fees					
From company					
Advisor Charge	1.5% pa (excl VAT)	£5,250	£5,250	£5,250	£5,250
Directors Fees	£70,000 pa (pro-forma)	£6,125	£6,125	£6,125	£6,125
Gross fund after investment return		£41,813	£83,625	£125,438	£157,215
Exit fees					
Performance	30%	£0	£0	£1,631	£11,165
Net amount to investor		£41,813	£83,625	£123,806	£146,051
Gain (pre tax relief)		-£58,188	-£16,375	£23,806	£46,051
Gain (post tax relief)		-£29,688	£12,125	£52,306	£74,551
Total fees paid		£16,375	£16,375	£18,006	£27,540

Source: Hardman & Co research

Note: The LDG policy of ensuring that production costs are 70% covered by tax relief and the revenue assurance from Curve mean a -50% return is highly unlikely, but we include it for consistency across products. The 88% target return is based on the median return from Kuju's supplied past performance.

Appendix 3 – Gaming Industry

Some investors will not be familiar with the gaming industry. In this appendix we give a very brief overview of some of the relevant features of the market.

Size of Market

The industry is now very big. Forecast revenue for 2016 was $90-$100bn, making it by some measures twice the size of the film industry. There are approximately 2.1bn players of games. The old stereotypical view of a game player as a teenage boy has long since gone – most game players are adults, which is important as they tend to have higher disposable income.

The industry splits into three natural segments – dedicated consoles, computers and mobile devices. In revenue terms the split is roughly 29% for consoles, 32% computers and 39% mobile, with phones being the majority and roughly 27% of the total. At the moment phones are by far the fastest growing segment at around 24% per annum, with both consoles and computers being low single digit.

Dynamics of Market

Although the mobile area is growing the fastest, in some senses it is also the most competitive with game releases around 25,000 per month on the iOS store. The barriers to entry for the console market are much higher so there are much fewer products – current estimates are around 1300 for the PS4.

The revenue model has changed sharply over recent years. The mobile market is now dominated by the Freemium / free-to-play model – a player downloads the basic game for free but has to pay to either get further levels or other enhancements. Ad revenue can also contribute, but is significantly less successful. The console market still supports greater sales of full price products, particularly at launch, though price reductions soon appear. Many games in this market also support add-ons, so the revenue model is more of a hybrid one.

Apple's App Store and Google Play are well known as the being the dominant sources for mobile games. Distribution for PCs has largely moved online too, with the Steam platform now being the largest route with over 125m users and a market share estimated to be 50-75%, though the recent promotion of similar platforms from big distributors may be eroding that.

Indie Games

Most, if not all, the games that EIS and SEIS investors will be have exposure to will be in the independent sector. Similar to the film market, there are some large studios that do everything in house. However, most games are produced by smaller developers. These may be established companies, newer groups that have broken away from a larger company or teams specifically put together for a project.

For these organisations a separate publisher will deal with getting the game to market. They take responsibility for marketing and advertising, dealing with the distribution platforms. There are other functions that are required, such as testing to make sure a game works, getting user feedback and tracking usage. These may be fulfilled by the publisher, the developer or a third party.

Revenue is divided via a waterfall. The actual distributor will take the first cut – for example, it is standard practice for Microsoft and Sony to take a distribution fee of

30% from sales through their digital stores. Apple's App store takes the same percentage. The next slice will go to the publisher, and generally is a similar proportion to the distributor. The residual then goes to the developer.

Developers may also be able to claim Video Games Tax Relief. Like all creative industry tax reliefs, this is subject to a cultural test where the video game must be British and at least 25% of core expenditure in incurred in the EEA. If these are satisfied this allows companies to claim relief of 25% on 80% of the expenditure i.e. an effective relief of 20%. This may be used to secure investor returns or to enlarge the budget for a project.

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