

THE HOUSE OF LANNISTER

Seasons Ending 4 and 3 Financial Statements



Compilation Report

Dear Shareholders of The House of Lannister,

We have compiled the accompanying balance sheet of The House of Lannister, Inc. as of the end of Seasons 4 and 3. The House of Lannister refused to provide budget to prepare the related statements of income, retained earnings, and cash flows for the year then ended. We have not audited the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the Seven Kingdoms of Westeros.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Seven Kingdoms of Westeros and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the Westeros Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements adhering to Iron Throne Accounting Principles without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Michael Whitmire, CEO

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April 25th, 2016

Prepared by:

#FloQast



The House of Lannister, Inc.

Balance Sheet

Seasons Ended 4 and 3

	<u>Season Ended 4</u>	<u>Season Ended 3</u>
ASSETS		
Current Assets:		
Gold and Gold Equivalents	\$ 447,120,000	\$ 1,270,670,328
Accounts Receivable	190,093,750	171,084,375
Inventory	1,190,000	1,150,000
Other Receivables	1,065,600,000	1,042,560,000
Total Current Assets	<u>1,704,003,750</u>	<u>2,485,464,703</u>
Standing Army	2,715,625,000	2,613,750,000
Weapons, Armor and Equipment	105,000,000	91,000,000
Fixed Assets	16,774,400	19,434,400
Property	4,450,000,000	8,450,000,000
Intangible Assets	4,050,000,000	4,050,000,000
Total Assets	<u>\$ 13,041,403,150</u>	<u>\$ 17,709,649,103</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	\$ 58,190,000	\$ 27,750,000
Accrued Payroll	450,000,000	150,000,000
Accrued Interest	540,000,000	357,500,000
Deferred Revenue	629,119,792	566,207,813
Iron Bank of Braavos - current	864,000,000	-
Total Current Liabilities	<u>2,541,309,792</u>	<u>1,101,457,813</u>
Notes Payable	9,936,000,000	7,150,000,000
Shareholders' Equity:		
Retained Earnings	564,093,358	9,458,191,291
Total Shareholders' Equity	<u>564,093,358</u>	<u>9,458,191,291</u>
Total Liabilities and Shareholders' Equity	<u>\$ 13,041,403,150</u>	<u>\$ 17,709,649,103</u>

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The House of Lannister, Inc.

Notes to Consolidated Financial Statements
Seasons Ended 4 and 3

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the Financial Reporting Framework for Enterprise-Sized Royal Houses by the Westeros Institute of Certified Accountants. The Iron Bank of Braavos has applied additional provisions requiring this special purpose compliance report meet Iron Throne Accounting Principles ("ITAP") requirements.

The accounting principles comprising the framework are appropriate for the preparation and presentation of Enterprise-Sized Royal Houses, based on the needs of the financial statement users and cost and benefit considerations.

Nature of Operations

The House is engaged in running a multi-century empire. Our empire consists of the largest standing army in the land as well as the highest producing farmlands and gold mines known to the kingdom. The House engages in significant farming, primarily as a means to support its military and peasant populations. Additionally, the House offers protective services to neighboring Houses for an annual fee determined based on the wealth and political influence of the House.

Use of Estimates

The preparation of financial statements in conformity with ITAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Assets, Liabilities and Equity Classification

The House includes in current assets and liabilities retainage amounts receivable and payable under vendor contracts, which may extend beyond one year. A one-year time period is used as the basis for classifying all other current assets and liabilities.

Gold and Gold Equivalents

Gold and gold equivalents includes estimates regarding the amount of precious metals on hand with nobility. ITAP recognizes this estimate to be highly risky and prone to fraud.

Accounts Receivable

Accounts receivable from providing defense contracts are based on fixed annual prices. The House provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and

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existing economic conditions. Normal contracts receivable are due 30 days after the start of the protection period. Receivables past due more than 120 days are considered delinquent.

Inventory

Inventory consists of food held for the peasants. Food earmarked for peasant consumption is valued at cost under ITAP.

Other Receivables

Other receivables are loans made to houses. The Seven Kingdoms of Westeros Lending Regulators ("SKLR") prohibit interest on inter-House lending arrangements and limits principal payment calls to 25% per quarter.

Weapons, Armor, and Equipment and Fixed Assets

Weapons, Armor, and Equipment and Fixed Assets are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

Property

Property includes lands used to produce resources of value and buildings that provide protection. Land producing regions are valued based on annual production outputs. Buildings and structures providing protection require the use of a 3rd party valuation firm for balance sheet inclusion.

Deferred Revenue

Revenues from annual fixed price defense contracts are recognized monthly regardless of the level of protection provided in any given month. For revenue recognition purposes the contractual balance must be collected before recognition can begin.

Notes Payable and Accrued Interest

The SKLR requires the use of simple interest on long-term lending. SKLR limits accrued interest to 12 months of interest payments, encouraging the debtor to make annual payments. SKLR limits principal calls to 10% per month.

Income Taxes

The Lannisters do not pay income taxes.

Evaluation of Subsequent Events

The House has evaluated subsequent events through the end of Season 5, which is the date the financial statements were available to be issued.



2. GOLD AND GOLD EQUIVALENTS

The Lannister family houses most of its Gold Dragons and other precious metals in the vault at Casterly Rock Treasury, which contained coinage valued at \$375.5M and \$1.1B as of the ends of Seasons 4 and 3, respectively.

Gold representing at least 17.5% of the Casterly Rock Treasury balance is required for deposit with the Bank of the South to maintain access to a \$2B credit facility. The house had coinage on deposit with the bank valued at \$58.1M and \$210.3M as of the ends of Seasons 4 and 3, respectively. Terms of the credit facility also require a minimum of deposit of \$70M. As of the end of the 4th Season, the House of Lannister has \$58.1M on deposit with the Bank of the South and, as such, was in violation of the credit facility covenant 4(c). \$15M was subsequently delivered to the Bank of the South. The House is in good standing with the Bank of the South and has access to the credit facility as of the date of this report.

We estimate the members of the House to hold approximately \$13.4M and \$8.7M as of the ends of Seasons 4 and 3, respectively. ITAP requires disclosure that these estimates are based on interviews with nobility and may not fairly represent metals held.

The House held Gold and Gold Equivalents worth a total of \$447.1M and \$1.3B as of the ends of Seasons 4 and 3, respectively. The decrease in Gold and Gold Equivalents is mainly due to a decrease in gold production from our various mines, interest payments on debt to the Iron Bank of Braavos and awesome parties thrown to appease the peasants.

	<u>SE-4</u>	<u>SE-3</u>
Casterly Rock Treasury	\$ 375,580,800	\$ 1,051,626,240
Bank of the South	58,125,600	210,325,248
Petty Metals	13,413,600	8,718,840
Total Gold	<u>\$ 447,120,000</u>	<u>\$ 1,270,670,328</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable relate to annual protection fees due and payable within 30 days of the end of Season 4. See deferred revenue for more information. Accounts receivable were \$193.4M and \$174M as of the ends of Seasons 4 and 3, respectively. Delinquent receivables are pursued aggressively, often by violence. Based on historical payment records the Houses Marbrand and Lorch are both expected to pay for protection services on time.

	<u>SE-4</u>	<u>SE-3</u>
House Marbrand	\$ 138,125,000	\$ 124,312,500
House Lorch	55,250,000	49,725,000
Total Accounts Receivable	<u>\$ 193,375,000</u>	<u>\$ 174,037,500</u>

4. INVENTORY

Inventory consists of food held for the peasants. Food inventory had a fair market value of \$1.2M and \$1.2M as of the ends of Seasons 4 and 3, respectively.

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Further information regarding inventory held at the ends of Seasons 4 and 3, respectively, can be found in the accounts payable footnote.

5. OTHER RECEIVABLES

The SKLR prohibits interest on inter-House lending arrangements. The House of Lannister has made strategic loans to other Houses in times of need in exchange for implied political clout. Principal may be called in 25% increments quarterly. To date, the House has not called on payments in order to maintain a level of political control over the weaker Houses.

	<u>SE-4</u>	<u>SE-3</u>
House of Baratheon	\$ 864,000,000	\$ 864,000,000
House Frey	144,000,000	144,000,000
House Tyrell	57,600,000	34,560,000
Total Other Receivables	<u>\$ 1,065,600,000</u>	<u>\$ 1,042,560,000</u>

6. STANDING ARMY

ITAP requires Houses to capitalize "at the ready" armies based on fair market value. Troops are capitalized based on annual compensation less a skill discount. The House must fairly assess the skill of its soldiers based on historical performance and apply a discount. Generals' salaries may be capitalized to the extent they were planning for battles that occurred in the fiscal year. The mighty Lannister Army has a fair market value of \$2.7B and \$2.6B as of the ends of Seasons 4 and 3, respectively.

The Lannister Army Generals consisted of 250 generals and 220 generals at the end of Seasons 4 and 3, respectively, with an average of 25 years of battle experience. During the 4th and 3rd Seasons 25% of their time went towards planning for battles that occurred during the season. As a result of the Generals' experience and historical success no skill discount has been applied.

The Lannister Army consists of approximately 60,000 standing troops. The Lannister Army has performed exceptionally well historically and, as such, only a 0% skill discount rate has been applied. During Season 4, however, our army suffered significant losses, which required the onboarding of new soldiers. The troop loss in addition to the desire to increase headcount from 52,000 troops to 60,000 has caused an overall decline in average experience. As such, a discount of 10% has been applied for Season ended 4. We anticipate the rate to decline to 0% once again in Season 5.

<u>Season Ended 4</u>	<u>Generals</u>	<u>Troops</u>	<u>Season Ended 3</u>	<u>Generals</u>	<u>Troops</u>
Employees	250	60,000	Employees	220	52,000
Annual Salary	\$ 250,000	\$ 50,000	Annual Salary	\$ 250,000	\$ 50,000
Total Annual Cost	62,500,000	3,000,000,000	Total Annual Cost	55,000,000	2,600,000,000
Capitalization Rate	25%	100%	Capitalization Rate	25%	100%
Skill Discount Rate	0%	10%	Skill Discount Rate	0%	0%
Capitalizable Value	\$ 15,625,000	\$ 2,700,000,000	Standing Army Value	\$ 13,750,000	\$ 2,600,000,000
Standing Army Value SE-4	<u>\$ 2,715,625,000</u>		Standing Army Value SE-3	<u>\$ 2,613,750,000</u>	

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7. WEAPONS, ARMOR AND EQUIPMENT

Weapons, armor and equipment are recorded at cost less depreciation as determined by ITAP guidelines. The mighty Lannister Army possessed WA&E valued at \$105M and \$91M as of the ends of Seasons 4 and 3, respectively.

	<u>SE-4</u>	<u>SE-3</u>
Weapons	\$ 54,000,000	\$ 46,800,000
Armor	27,000,000	23,400,000
Equipment	24,000,000	20,800,000
Total WA&E	<u>\$ 105,000,000</u>	<u>\$ 91,000,000</u>

8. FIXED ASSETS

Our capitalization threshold is \$1,500. The majority of fixed assets relate to farm equipment and peasant homes. Fixed assets are recorded at cost less depreciation as determined by ITAP guidelines.

The Lannister peasants possessed fixed assets valued at \$16.8M and \$19.4M as of the ends of Seasons 4 and 3, respectively.

	<u>SE-4</u>	<u>SE-3</u>
Farm Equipment	\$ 18,000,000	\$ 18,000,000
Peasant Homes	9,000,000	9,000,000
Dishware	400,000	380,000
Miscellaneous	1,400,000	1,200,000
	<u>28,800,000</u>	<u>28,580,000</u>
Less: Accumulated Depreciation	(9,145,600)	(6,287,600)
Less: Depreciation Expense	(2,880,000)	(2,858,000)
Total Fixed Assets, net	<u>\$ 16,774,400</u>	<u>\$ 19,434,400</u>

9. PROPERTY

The House of Lannister's property includes vast lands across the Westernlands. Major properties include the farmlands, gold mines and the Casterly Rock estate.

The farmlands are able to provide sustenance for all of our nobility and peasants, eliminating the need to rely on food imports. ITAP requires farmland to be valued based on annual production capacity. The farms produce roughly \$2,000 worth of food per person, per year. The population has remained steady as of the past two seasons. As such, the value of farmland has remained at \$200M.

The gold mines continue to decline in production. The further decline warranted a 50% markdown in valuation. Our various gold mines had a fair market value of \$4B and \$8B as of the ends of Seasons 4 and 3, respectively.

Casterly Rock has been valued at \$250M by Baratheon and Stark, LLP, an independent valuation firm.

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	<u>SE-4</u>	<u>SE-3</u>
Farmlands	\$ 200,000,000	\$ 200,000,000
Gold Mines	4,000,000,000	8,000,000,000
Casterly Rock	<u>250,000,000</u>	<u>250,000,000</u>
Total Property	<u>\$ 4,450,000,000</u>	<u>\$ 8,450,000,000</u>

10. INTANGIBLE ASSETS

The saying "A Lannister Always Pays His Debts" is valued at \$4B by Baratheon and Stark, LLP, an independent valuation firm. The basis of the valuation was the House's ability to borrow money based on its name. We expect the value to decrease substantially upon release of this report.

The Royal Seal is associated with the name Lannister. The Seal has been valued at \$50M by Baratheon and Stark, LLP, an independent valuation firm.

	<u>SE-4</u>	<u>SE-3</u>
"A Lannister Always Pays His Debts"	\$ 4,000,000,000	\$ 4,000,000,000
The Royal Seal	<u>50,000,000</u>	<u>50,000,000</u>
Total WA&E	<u>\$ 4,050,000,000</u>	<u>\$ 4,050,000,000</u>

11. ACCOUNTS PAYABLE

The House of Lannister's accounts payable related solely to agreements with food vendors. The house has entered into exclusive arrangements with vendors partially owned by the house to maintain profits and provide entertainment for the masses. Under the exclusive arrangements, vendors are required to consistently provide enough food for the masses. The penalty for failure to meet food quota is death.

Accounts payable was \$58.2M and \$27.8M as of the ends of Seasons 4 and 3, respectively. The increase is mainly due to Season 4 parties and parties planned for Season 5.

	<u>SE-4</u>	<u>SE-3</u>
Westernlands Organic Produce	\$ 200,000	\$ 160,000
Plainswomen Cheese Company	150,000	180,000
Lannister's Peasant Grains	400,000	280,000
Brightroar Grassfed Bison	325,000	357,500
A Lannister Always Eats His Broccoli	115,000	172,500
Casterly Party and Catering Company	47,000,000	21,000,000
Mini-rock Entertainment	<u>10,000,000</u>	<u>5,600,000</u>
Total Accounts Payable	<u>\$ 58,190,000</u>	<u>\$ 27,750,000</u>

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12. ACCRUED PAYROLL

Accrued Payroll was \$450M and \$150M as of the ends of Seasons 4 and 3, respectively. The increase is a result of financial strategy to preserve cash to protect against a loan call from the Iron Bank of Braavos.

13. DEFERRED REVENUE

In Season 2 the House of Lannister began charging neighboring Houses annual protection fees to offset the loss in revenue from mine production. Houses who purchase our services receive year-round protection from our armies. Our armies may not be used for offensive purposes under this arrangement. Fees increase 10% each year.

Deferred revenue was \$640M and \$576M as of the ends of Seasons 4 and 3, respectively.

	<u>Date</u>	<u>Annual Fee</u>	<u>SE-4</u>	<u>SE-3</u>
<i>Noble Houses</i>				
Crakehall	6/30/15	\$ 276,250,000	\$ 138,125,000	\$ 124,312,500
Lannister of Lannisport	9/30/15	165,750,000	41,437,500	37,293,750
Lefford	3/31/15	138,125,000	103,593,750	93,234,375
Marbrand	1/31/15	138,125,000	11,510,417	10,359,375
Payne	4/30/15	138,125,000	46,041,667	41,437,500
Spicer	8/31/15	110,500,000	73,666,667	66,300,000
Serrett	3/31/15	110,500,000	82,875,000	74,587,500
Westerling	9/30/15	110,500,000	27,625,000	24,862,500
Yarwyck	6/30/15	110,500,000	55,250,000	49,725,000
<i>Knightly Houses</i>				
Clegane	2/28/15	55,250,000	9,208,333	8,287,500
Hetherspoon	4/30/15	55,250,000	18,416,667	16,575,000
Lorch	1/31/15	55,250,000	4,604,167	4,143,750
Greenfield	4/30/15	27,625,000	9,208,333	8,287,500
Swyft	8/31/15	27,625,000	18,416,667	16,575,000
Total Deferred Revenue			<u>\$ 639,979,167</u>	<u>\$ 575,981,250</u>

14. NOTES PAYABLE AND ACCRUED INTEREST

Notes payable principal was \$10.8B and \$7.2B as of the ends of Seasons 4 and 3, respectively. Accrued interest was \$540M and \$358M as of the ends of Seasons 4 and 3, respectively.

The House of Lannister has incurred significant debt to operate its empire. Additional debt has been required in recent years, primarily as a result of a lack of gold mine production, lavish public expenditures, and the ongoing cost of a standing army with 60,000, the largest in the land.

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The Iron Bank of Braavos recently called in 10% of outstanding principal, representing \$864M. The House plans to call in 25% of outstanding debt from the Houses of Baratheon, Frey and Tyrell. The proceeds combined with immaterial additional gold will allow for payment.

The House is in a position to sell a portion of its vast lands to cover debts owed to the Iron Bank of Braavos and the Faith of the Seven.

Season Ended 4	Principal	Current	Long-term	Interest
Iron Bank of Braavos	\$ 8,640,000,000	\$ 864,000,000	\$ 7,776,000,000	\$ 432,000,000
Faith of the Seven	2,160,000,000	-	2,160,000,000	108,000,000
Total	\$ 10,800,000,000	\$ 864,000,000	\$ 9,936,000,000	\$ 540,000,000
Season Ended 3	Principal	Current	Long-term	Interest
Iron Bank of Braavos	\$ 5,850,000,000	\$ -	\$ 5,850,000,000	\$ 292,500,000
Faith of the Seven	1,300,000,000	-	1,300,000,000	65,000,000
Total	\$ 7,150,000,000	\$ -	\$ 7,150,000,000	\$ 357,500,000

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