Team 17 Digital Limited

Annual Report and the financial statements for the year ended 31 December 2022

Company Number: 02621976

Team 17 Digital Limited

Officers and professional advisers

Company registration number	02621976
Registered office	3 Red Hall Avenue Paragon Business Park Wakefield WF1 2UL
Directors	D Bestwick M Crawford
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL

Team 17 Digital Limited

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Team 17 Digital Limited
Strategic report
For the Year Ended 31 December 2022

Business Review
The ultimate parent company of Team 17 Digital Limited is Team17 Group Plc and the Key Performance Indicators ("KPIs") are primarily reviewed for the Group as a whole. These KPIs can be found in the consolidated financial statements. The KPIs used by the Company are:

Revenue for the year
Revenue for the year ended 31 December 2022 increased to £86.8m (2021: £86.3m).

Gross Profit %
This increased to 52% in the year ended 31 December 2022 from 50% in the year ended 31 December 2021.

Profit before tax
This decreased to £26.5m in the year ended 31 December 2022 from £30.9m for the year ended 31 December 2021. As a percentage of revenue this decreased to 31% from 36%.

Cash and cash equivalents
The balance of cash and cash equivalents at 31 December 2022 increased to £19.8m from £11.2m at 31 December 2021.

Principal risks and uncertainties
Effectively managing our risks
Team 17 Digital Limited is operating in a competitive and dynamic growth market and as such faces a number of strategic and operational risks. Senior management actively manages the Company's risk register which is regularly reviewed by the Board. The identified risks are up to date with the Company's operations and wider environment. The risks are appropriately scored, and the mitigations are evaluated and tested.

The key business and financial risks for the Company can be found on pages 24 to 25 in the consolidated financial statements of the ultimate parent company Team17 Group Plc.

Section 172 statement
Details of the Company's compliance with S172 of Companies Act 2006 can be found on pages 26 to 28 in the consolidated financial statements of the ultimate parent company Team17 Group Plc.

This report was approved by the board on 18 May 2023 and signed on its behalf.

M Crawford
Director

Team 17 Digital Limited
Directors' report
For the Year Ended 31 December 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities
The principal activity of the Company was that of the development and publishing of video games for the digital and physical market.

Future developments
Trading for the period from 31 December 2022 to the date of this document has continued to be positive and is consistent with the Board's expectations and profitability and cash generation remain encouraging.

The Company continued to release new games during 2022, with further releases planned during the course of 2023. Through its Greenlight process the Company continues to review and sign new titles to its games label, in addition to maximising the revenue opportunity provided by its substantial back catalogue.

Results and dividends
The profit before taxation was £26.5m (2021: £30.9m). The directors have not recommended the payment of a dividend (2021: £Nil).

Political donations
There were no (2021: £Nil) political donations made during the year.

Research and development
The vast majority of the Company's capital investment is to develop its own and third-party co-developed titles that are released in future years. As such there is no significant investment in research and development.

Directors
The directors who served during the year and up to the date of signing the financial statements:

D Bestwick
M Crawford

Directors' indemnity insurance
The ultimate parent company, Team17 Group Plc, has in place ongoing qualifying third-party indemnity provisions for the benefit of the Directors that have been in place for the current and prior year and up to the date of this report.

Going concern
Management has produced a forecast that has also been sensitised to reflect a severe but plausible downside scenario, which has been reviewed by the Directors. This demonstrates the Company is forecast to generate profits and cash in the year ending 31 December 2023 and beyond and that the Company has sufficient cash reserves to enable the Company to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

As such, the Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

Directors' responsibilities statement
The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards; comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Team 17 Digital Limited
Directors' report (continued)
For the Year Ended 31 December 2022

Directors' responsibilities statement (continued)
Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

Directors' confirmations
In the case of each director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Financial risk management
Information regarding the risks and uncertainties of the Company are included on pages 24 to 25 in the consolidated financial statements of the ultimate parent company Team17 Group Plc.

Greenhouse gas emissions
Details of Team 17 Digitals emission releasing activities can be found in the Team 17 Group Plc financial statements on pages 22 to 23.

Post balance sheet event
On 28 March 2023 Debbie Bestwick MBE announced her intention to step down from her position as Director of the Company once a suitable successor can be found. The intention is for Debbie to transition into a non-executive role of Team17 Group Plc, remaining on the board to provide ongoing mentorship, support and guidance to the Board and the senior management team, ensuring Team17 Group continues to benefit from her wealth of business and gaming sector experience.

The financial statements on pages 7 to 25 were approved by the Board of Directors on 18 May 2023 and signed on its behalf by:

M Crawford
Director

Independent auditors' report to the members of Team 17 Digital Limited

For the Year Ended 31 December 2022

Report on the audit of the financial statements

Opinion

In our opinion, Team 17 Digital Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and the financial statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2022; Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Team 17 Digital Limited

For the Year Ended 31 December 2022

Strategic report and Directors' report

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 year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to overstatement of revenue and profits through posting of journal entries and bias in significant accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understanding and evaluating management's processes and controls designed to prevent and detect irregularities and non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Challenging assumptions made by management in the selection and application of significant accounting judgements and estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and the consolidation journals; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Team 17 Digital Limited

For the Year Ended 31 December 2022

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Rebecca Gissing (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
18 May 2023

Team 17 Digital Limited
Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	4	**86,844**	86,291
Cost of sales		**(41,758)**	(43,253)
Gross profit		**45,086**	43,038
Administrative expenses		**(17,519)**	(12,111)
Operating profit	5	**27,567**	30,927
Finance income	8	**11**	10
Finance costs	9	**(1,115)**	(39)
Profit before taxation		**26,463**	30,898
Tax on profit	10	**(2,445)**	(4,901)
Profit and total comprehensive income for the financial year		**24,018**	25,997

All amounts relate to continuing operations.

There were no other comprehensive income transactions in the year and therefore a Statement of Other Comprehensive Income has not been presented.

The notes on pages 10 to 25 form part of these financial statements.

Team 17 Digital Limited
Registered Number: 02621976

Statement of Financial Position
At 31 December 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Investments	11		19,218		-
Intangible assets	12		71,142		20,478
Tangible assets	13		1,524		1,436
Right-of-use assets	14		1,108		1,276
			92,992		23,190
Current assets					
Trade and other receivables	15	34,099		75,544	
Cash and cash equivalents	16	19,840		11,246	
Deferred tax asset	20	1,005		314	
		54,944		87,104	
Creditors: amounts falling due within one year					
Trade and other payables	17	(20,862)		(14,504)	
Lease liabilities	18	(43)		(136)	
		(20,905)		(14,640)	
Net current assets			34,039		72,464
Total assets less current liabilities			127,031		95,654
Creditors: amounts falling due after more than one year					
Lease liabilities	18	(1,129)		(1,191)	
Provision for liabilities		(140)		(109)	
Contingent consideration	19	(6,915)		-	
			(8,184)		(1,300)
Net assets			118,847		94,354
Capital and reserves					
Called up share capital	21		-		-
Share premium account	21		6		6
Profit and loss account	21		118,841		94,348
Total Equity			118,847		94,354

The notes on pages 10 to 25 form part of these financial statements.

The financial statements on pages 7 to 25 were approved by the board of directors and authorised for issue on 18 May 2023, and were signed on its behalf by:

M Crawford
Director

Team 17 Digital Limited
Statement of Changes in Equity
For the year ended 31 December 2022

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total Equity £'000
At 1 January 2021	-	6	68,228	68,234
Profit for the year	-	-	25,997	25,997
Share based compensation	-	-	123	123
At 31 December 2021	-	6	94,348	94,354
Profit for the year	-	-	24,018	24,018
Share based compensation	-	-	475	475
At 31 December 2022	**-**	**6**	**118,841**	**118,847**

The notes on pages 10 to 25 form part of these financial statements.

1. **General information**

Team 17 Digital Limited is a private company limited by shares and incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is 3 Red Hall Avenue, Paragon Business Park, Wakefield, WF1 2UL. The registered number of the Company is 02621976.

The principal activity of the company is that of the development and publishing of video games for the digital and physical market.

2. **Significant Accounting Policies**

Basis of preparation

The financial statements have been prepared under the historical cost convention 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 judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

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 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"; and
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements"
- The requirements of IAS 7 "Statements 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
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 "Impairment of Assets"
- 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 Paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payments

The financial information has been prepared on a going concern basis and under the historical cost convention. The principal accounting policies adopted are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The financial information is presented in sterling and has been rounded to the nearest thousand (£'000).

Adoption of New and Revised Standards

There following standards and interpretations were applied for the reporting period commencing 1 January 2022 but have not resulted in a change of accounting policies:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Annual Improvements to IFRS Standards 2018-2020

Reclassification of comparatives

The Company previously presented its deferred tax assets within Fixed Assets in the Company Statement of Financial Position. Management have recognised the deferred tax assets within Current Assets to comply with the company law presentation. Prior year comparatives as at 31 December 2021 have been restated to conform with current year presentation. There is no change to the Statement of Comprehensive Income or to the Statement of Changes in Equity.

2. Significant Accounting Policies (continued)

Going concern

Management has produced a forecast that has also been sensitised to reflect a severe but plausible downside scenario, which has been reviewed by the Directors. This demonstrates the Company is forecast to generate profits and cash in the year ending 31 December 2023 and beyond and that the Company has sufficient cash reserves to enable the Company to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

As such, the Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

Share based Compensation

The Company has awarded share options to various employees. The only performance criteria included on these options is for the employee to remain in the company for a specified period of time. The fair value has been estimated based on the share price at award date.

The fair value of these options is recognised as an expense in the Statement of Comprehensive Income over the vesting period of the options with a corresponding credit included within retained earnings. Employers' national insurance due on the share options are included over time within the Statement of Comprehensive Income based on the estimated number of shares expected to vest multiplied by the balance sheet date share price whilst the credit is included within trade and other payables. The accumulated share option value is adjusted for any lapsed share options on a monthly basis.

Brands

Where an acquisition of IP does not fall under the scope of IFRS 3 "Business Combinations', it is accounted for under IAS 38 "Intangible Assets'. The cost of such intangible assets is the purchase price plus any directly attributable cost of preparing the asset for its intended use. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. An asset is only recognised if the following conditions are met:

- it meets the definition of an intangible asset under IAS 38 "Intangible Assets';
- the asset is separable or arises from contractual or legal rights;
- sufficient information exists to measure reliably the fair value of the asset.

Development costs

All internally generated intangible assets are measured on initial recognition at cost. Development costs are the only identified category of internally generated intangible assets that meet criteria for capitalisation under IAS 38 Intangible Assets. Costs that do not meet the criteria are recognised as an expense in the period when they are incurred.

These are internally generated intangible assets arising from the Company's development activities and are recognised only if all of the following conditions are met:

- it meets the definition of an intangible asset under IAS 38 "Intangible Assets';
- completion of the intangible asset is technically feasible so that it will be available to generate economic benefits;
- the Company intends to complete the intangible asset and has the ability to generate probable future economic benefits that will flow to the Company;
- the expenditure attributable to the intangible asset during its development can be measured reliably; and
- the Company has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Costs consist of internal salary costs, advances payable to external developers under development agreements and other external payments. Costs are recognised as an intangible asset throughout the development up until its release. Where development costs incurred do not meet the recognition criteria set out above, expenditure is recognised as an expense in the period in which it is incurred.

Development costs are disposed of at the date that Team17's rights to distribute the games are sold or forfeited.

2. Significant Accounting Policies (continued)

Development Costs (continued)
Amortisation
The useful lives of intangible assets are assessed as either finite or indefinite and at the year end date no intangible assets are accorded an indefinite life other than goodwill.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Amortisation is calculated over the estimated useful lives of the assets as follows:
- Brands – 10 to 15 years straight line
- Development costs – over the period of expected benefit

Amortisation on development costs
Amortisation of development costs commences upon completion of the asset. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in cost of sales for development costs.

Amortisation on brands
The useful economic life of a brand asset is assessed at the point of acquisition based on forecasted benefits and then reassessed each year for any changes to this life. Amortisation commences at the point of acquisition and is recognised in the Statement of Comprehensive Income in administrative expenses for brand assets. Amortisation is calculated over the estimated useful life of the brand which is 10 to 15 years straight line.

Impairment of non-financial assets
The Company assesses at least every year whether there is an indication that an asset may be impaired. If any indication exists, or when impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2. Significant Accounting Policies (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost includes the original price of the asset and the cost attributable to bringing the asset to its current working condition for its intended use. Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset which is reviewed on an annual basis.

Depreciation is calculated over the estimated useful lives of the assets as follows:

- Short-term leasehold property – straight-line over the life of the lease
- Plant and machinery - 3 years straight-line
- Fixtures and fittings - 6 years straight-line
- Motor vehicles - 5 years straight-line

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

Trade and other receivables
Trade receivables are initially recognised at their transaction price. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Trade and other receivables are measured at amortised cost less provision for expected credit losses.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 90 days past due.

IFRS 16 "Leases"
A lease liability reflecting future lease payments and a right-of-use asset for lease contracts are recognised at the lease commencement date. The value of the assets and liabilities recognised is calculated from the total of the future lease payments discounted for the incremental borrowing rate at the date of application. Interest on the lease liability is calculated on a monthly basis and recognised in the Statement of Comprehensive Income. The right-of-use assets created are depreciated over the length of the lease and the depreciation is included in the Statement of Comprehensive Income. Lease incentives affect the total of the future lease payments and therefore are included within the right-of-use assets and lease liabilities recognised at the commencement date.

The incremental borrowing rate is decided on through discussion with our bankers and comparison to other businesses in the industry.

Right-of-use assets
Right-of-use assets are recognised where the Company is a lessee. The amount recognised as an addition is the total of the future lease payments discounted for the incremental borrowing rate at the date of application. Depreciation is calculated on a straight-line basis over the length of the contract taking into consideration any break clauses included within the lease.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
In accordance with IFRS 9, "Financial Instruments" the Company has classified its financial assets as "Financial assets at amortised cost". The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

2. Significant Accounting Policies (continued)

Financial assets (continued)
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets carried at amortised cost
This category applies to trade and other receivables due from customers in the normal course of business. All amounts which are not interest bearing are stated at their recoverable amount, being invoice value less provision for any expected credit losses. These assets are held at amortised cost.

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:
(i) the asset is held within a business model with the objective of collecting the contractual cash flows; and
(ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost comprise current trade and other receivables due from customers in the normal course of business and cash and cash equivalents.

The Company does not hold any material financial assets at fair value through other comprehensive income or at fair value through profit or loss. The Company does not hold any derivatives and does not undertake any hedging activities.

Trade receivables are initially recognised at their transaction price. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Other financial assets are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Trade and other receivables are measured at amortised cost less provision for expected credit losses.

Cash and cash equivalents
Cash and short-term deposits in the Statement of Financial Position comprise cash at banks, cash on hand and short-term deposits held with banks with a maturity of three months or less from inception.

Subsequent Measurement
Impairment of financial assets
The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets measured at amortised cost. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For other financial assets at amortised cost, the Company determines whether there has been a significant increase in credit risk since initial recognition. The Company recognises 12-month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

Expected credit losses incorporate forward-looking information, take into account the time value of money when there is a significant financing component and are based on days past due; the external credit ratings of its customers; and significant changes in the expected performance and behaviour of the borrower.

Financial assets are written off when there is no reasonable expectation of recovery. Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the Income Statement.

Financial liabilities
Initial recognition and measurement
All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The Company's financial liabilities consist of trade and other payables.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

This category generally applies to interest-bearing loans and borrowings.

2. Significant Accounting Policies (continued)

Financial liabilities (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured using the directors' best estimate of the expenditure required to settle the obligation at the year end date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Foreign currency

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the Statement of Comprehensive Income.

Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held and administered separately from those of the Company. Contributions payable for the year are charged in the Statement of Comprehensive Income. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The Company has no further payment obligations once contributions have been paid.

Revenue recognition

Revenue includes income from the release of full games, downloadable content ("DLC") and early access versions of games. The Company designs, produces and sells video games based on its own and third party intellectual property to both end consumers and digital and physical distributors, who are considered to be the Company's customers when assessing revenue recognition.

Digital and Physical Revenue

The majority of the Company's revenue is in the form of royalties received from third party digital distributors who have a license to sell the Company's own and third party titles games to consumers or sales to physical distributors at a fixed price. Revenue is recognised at the point at which the content is sold to the distributor or to the consumer and the performance obligation is satisfied. The customer is considered the platform who supplies the title to the end consumer and a platform for the game to run on and therefore revenue is recognised net of platform fees.

2. Significant Accounting Policies (continued)

Revenue recognition (continued)

Licence Revenue

The Company receives revenue where the Company agrees to make a game available to a third-party platform for their customers to download for an agreed period of time for a fixed fee and with minimal future performance obligations required by the Company. The third-party platform is considered to be the Company's customer as they control the distribution of the title to the consumer during the agreed period. These contracts are determined as right to use contracts in accordance with IFRS 15 and the fixed fee is recognised on the date the content is delivered to and accepted by the third party. Any additional revenue earned based on volume of sales in these contracts are recognised as usage-based royalties when usage occurs. If any contract includes a break clause then the revenue recognised excludes the amount that would be foregone if the break clause was exercised. The remaining revenue is recognised at the later of, the initial contract term has completed, termination clause has expired and all performance obligations have been met.

Royalties

Revenue from the distribution of third party titles generates an onward royalty to licensors of intellectual property rights included within the Company's products, these royalties are recognised as a cost of sale in line with the timing of associated revenues.

Finance income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

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.

Taxation

Current tax

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

Video Games Tax Relief ("VGTR")

VGTR tax credits are included within current tax. They are only recognised where the Directors believe that a tax credit will be recoverable. This is based upon the Company's experience of obtaining the required certification to facilitate its titles in development to qualify for VGTR and success of previous submitted claims. An estimate is made throughout the year, and a tax receivable off-set against the income tax liability recognised, based on qualifying expenditure during the year.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates and laws that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. Key sources of estimation, uncertainty and significant accounting judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Development Costs Capitalisation and Impairment (Judgement)

The Company invests heavily in research and development. The identification of development costs that meet the criteria for capitalisation is dependent on management's judgement and knowledge of the work done together with any agreements made with the rights holders of a specific game. Judgements are based on the information available at each period end. Economic success of any development is assessed and a review for indicators of impairment is completed by product at each period-end date. The net book values of the development cost intangible assets at 31 December 2022 are £20,687,000 (2021: £9,678,000). Intangible assets are subject to amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, for example, a decision to suspend a self-published title under development. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use calculated using the discounted cash flows method. For the purposes of assessing impairment, assets are reviewed by project for which there are separately identifiable cashflows.

Useful life of intangible assets (estimate)

Amortisation of intangible assets is calculated over the useful economic lives of the assets. The estimates of useful economic lives are reviewed at least annually for any changes to this estimate.

Revenue Recognition (Judgement)

In applying IFRS 15, the Company is required to make a judgement on whether certain revenue contracts provide either a right to use or right to access the IP. The Company considers that its revenue contracts to date provide a mix of right to use and right to access the asset and all new contracts are reviewed against the criteria to ensure the correct treatment is applied. Where contracts are determined to provide a right to use, revenue is recognised at the point where the performance obligation is satisfied. Where a contract provides a right to access revenue is recognised over the contract term.

In determining the revenue recognition treatment, the Company also needs to assess whether they are acting as an agent or a principal in each contract when providing goods or services to a customer. Each contract is different and where the Company acts as an agent, the Company recognises revenue net of selling costs and when the Company is a principal it recognises revenue gross of selling costs.

Performance obligations are reviewed on a contract by contract basis and there is judgement required in applying the allocation of consideration across the elements of the contract.

Some revenue contracts with customers include a right to return physical games. A provision for returns is held within the balance sheet for the expected value of returns after the balance sheet date based on sales recognised before the balance sheet date. The value of the returns is estimated based on historical return rates from customers.

Measurement of acquired intangibles (Estimate)

Contingent consideration is due on the acquisition of IP based on certain financial targets being met. In order to assess the fair value of this consideration, management have assessed the likelihood of targets being met. For any earnouts based on future accounting periods, management have reviewed a risk weighted forecast for the periods. This will be reassessed at each reporting date and any movements in the fair value of the consideration amount will be recognised in the Statement of Profit or Loss.

The value of the intangible assets acquired are estimated using forecasts and apply an appropriate discount rate for the calculation. Management utilises external valuation support to assist with these estimations. Further details of these discount rates for acquisitions that occurred during the year are included within note 12.

3. Key sources of estimation, uncertainty and significant accounting judgements (continued)

Share based payment valuations (Estimate)

Included in the calculation of share based payments under IFRS 2 is an estimate of how many share options are expected to vest at the end of the performance period. The group provides nil cost options to employees with a mixture of the following performance criteria:

Performance criteria	Estimation method
Requirement to remain employed for the length of the vesting period	Retention rates have been assessed and estimated by business and these have been applied to the awards based on the recipients of the awards.
Non-market performance targets such as EPS	Forecasts are reviewed for the performance period and compared to the targets to estimate the likelihood of the options vesting

4. Revenue

All revenue was generated by the sale of goods.

The Company does not provide any information on the geographical location of sales as the majority of revenue is through third party distribution platforms which are responsible for the sales data of consumers.

Four (2021: four) customers each contributed over 10% of the total revenue in 2022 with total revenue derived from these customers being £70,873,000 (2021: £70,244,000).

All committed revenue contracts in progress at the 31 December 2022 are expected to be completed and recognised in revenue within one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. All brought forward accrued income and deferred income has been recognised or released during the year.

The Company's portfolio of games is split between internal IP (those based on IP owned by the Group) and third party IP incurring royalties. Therefore to aid the readers understanding of our results, the split of revenue from these two categories is shown below:

	2022 £'000	2021 £'000
Internal IP	31,428	20,141
Third party	55,416	66,150
	86,844	86,291

5. Operating profit

The operating profit is stated after charging:	2022 £'000	2021 £'000
Amortisation of development costs (note 12)	7,289	5,290
Amortisation of brand	4,118	1,200
Depreciation of tangible assets (note 13)	526	413
Depreciation of right-of-use assets (note 14)	168	148
Management recharges	941	-
Loss on disposal of fixed assets	-	27
Loss on foreign exchange – finance costs	-	149

Fees payable to the Company's auditors for the audit of the Company were £283,000 (2021: £200,000) and were paid by the ultimate parent Company, Team17 Group Plc.

During the year £Nil (2021: £Nil) was paid to the company's auditors for non-audit fees.

6. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, was as follows:

	2022 No.	2021 No.
Development	170	193
Support	88	53
	258	246

The aggregate payroll costs of these persons were as follows:

	2022 £'000	2021 £'000
Wages and salaries	11,611	8,363
Social security costs	1,319	871
Other pension costs	710	389
Share based compensation	475	123
	14,115	9,746

7. Directors' remuneration

There are no directors' emoluments included in the Statement of Comprehensive Income for the year as the directors were remunerated by Team17 Group Plc, the ultimate parent company of the Group. During the year £467,000 (2021: £Nil) was recharged to Team 17 Digital Limited related to time spent by the Directors proving services to the Company.

During the year retirement benefits were accruing to Nil directors (2021: Nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £Nil (2021: £Nil) and company pension contributions of £Nil (2021: £Nil).

8. Finance income

	2022 £'000	2021 £'000
Other interest receivable	11	10

9. Finance costs

	2022 £'000	2021 £'000
Interest payable on lease liabilities	35	39
Interest on contingent consideration	1,080	-
	1,115	39

10. Taxation

	2022 £'000	2021 £'000
Current tax		
Current year tax	4,122	6,133
Video Games Tax Relief claim	(455)	(652)
Adjustments in respect of prior year	(531)	(347)
	3,136	5,134
Deferred tax		
Origination and reversal of temporary differences	(691)	(233)
Total tax charge	2,445	4,901

10. Taxation (continued)

The other adjustments in respect of prior year relates to additional Video Games Tax Relief tax credits claimed on finalisation of the tax computations. The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £'000	2021 £'000
Profit before taxation	26,463	30,898
Taxation using the UK Corporation Tax rate of 19% (2021: 19.00%)	5,028	5,871
Effects of:		
Expenses not deductible for tax purposes	143	29
Video Games Tax Relief	(455)	(652)
Adjustments to tax charge in respect of prior years	(531)	(347)
Change in deferred tax rate	(202)	-
Group relief	(1,538)	-
Total tax charge for the year	2,445	4,901

Deferred taxes at the balance sheet date have been measured using the enacted local tax rates of between 12.5% and 30% (2021: 19%).

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This was substantively enacted on 24 May 2021 as part of Finance Bill 2021.

11. Investments

	Investments £'000
Cost	
At 1 January 2021 & 1 January 2022	-
Additions	19,218
At 31 December 2022	19,218

Acquisition of the Label Inc

On 6 January 2022 Team 17 Digital Limited setup Team17 USA Inc to acquire 100% of the share capital of The Label Inc. As part of the acquisition Team 17 Digital provided a capital contribution to Team17 USA Inc of £19.2m. This balance is not expected to be repaid.

Details of the subsidiaries in which the Company holds 100% of the share capital are as follows and there has been no movement during the current or previous year in the proportion of rights held except as disclosed below:

Name of company	Registered address	Principal place of business	Proportion of voting rights and shares held	Activity
Team17 (USA) Inc (incorporated 15 December 2021)	1013 Centre Road, Suite 403S, Wilmington, Delaware 19805, USA	USA	100%	Development and publishing of video games for the mobile market
The Label Inc (acquired 6 January 2022)	PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands	USA	100%	Development and publishing of video games for the mobile market

12. Intangible assets

	Development Costs £'000	Brand £'000	Total £'000
Cost			
At 1 January 2021	21,342	-	21,342
Additions	9,081	12,000	21,081
Disposals	(1,002)	-	(1,002)
At 31 December 2021	29,421	12,000	41,421
Additions	18,298	43,773	62,071
Disposals	(440)	-	(440)
At 31 December 2022	47,279	55,773	103,052
Accumulated amortisation			
At 1 January 2021	15,055	-	15,055
Charge for the year	5,290	1,200	6,490
Disposals	(602)	-	(602)
At 31 December 2021	19,743	1,200	20,943
Charge for the year	7,289	4,118	11,407
Disposals	(440)	-	(440)
At 31 December 2022	26,592	5,318	31,910
Net book value			
At 31 December 2022	20,687	50,455	71,142
At 31 December 2021	9,678	10,800	20,478

Acquisition of Hell Let Loose

On 6 January 2022, Team 17 Digital Limited acquired the Hell Let Loose IP from Black Matter Pty. Ltd., a company incorporated in Australia for a maximum payment of £45.6m. This is made up of an initial cash payment of £18.8m and an issue of shares valued at £11.8m with up to £15m of contingent consideration payable in cash if revenues from the IP exceed certain targets in FY22 and FY23.

The calculation of the number of shares to be issued used the share price several days prior to the acquisition date which has led to a £11.8m valuation of the share issue for accounting purposes. Deferred and contingent consideration has been recognised at present value which has been calculated using a discount rate of 7.2%. Details of the consideration at initial recognition are as follows:

	£'000
Initial cash payment	18,750
Initial share issue	11,795
Contingent consideration	13,228
	43,773

The purchase is not being accounted for as a business combination under IFRS 3 due to the assets being acquired comprising a single group of assets under the concentration test as set out in "Definition of a Business (Amendments to IFRS 3)" by the IASB issued in October 2018. As such the acquisition is considered an asset purchase under IAS 38 "Intangible Assets". Amortisation is calculated over the assets' estimated useful life using the following policy:

- Hell Let Loose Brand 15 years straight-line

13. Tangible assets

	Short-term leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2021	880	1,319	21	242	2,462
Additions	46	486	-	-	532
Disposals	-	(675)	(21)	-	(696)
At 31 December 2021	926	1,130	-	242	2,298
Additions	2	586	-	26	614
At 31 December 2022	928	1,716	-	268	2,912
Accumulated depreciation					
At 1 January 2021	92	927	21	69	1,109
Charge for the year	85	289	-	39	413
Disposals	-	(639)	(21)	-	(660)
At 31 December 2021	177	577	-	108	862
Charge for the year	95	393		38	526
At 31 December 2022	272	970	-	146	1,388
Net book value					
At 31 December 2022	656	746	-	122	1,524
At 31 December 2021	749	553	-	134	1,436

14. Right-of-use assets

	Buildings £'000	Total £'000
Cost		
At 1 January 2021	1,570	1,570
Additions	46	46
At 31 December 2021	1,616	1,616
Disposals	(46)	(46)
At 31 December 2022	1,570	1,570
Accumulated depreciation		
At 1 January 2021	192	192
Charge for the year	148	148
At 31 December 2021	340	340
Charge for the year	168	168
Disposals	(46)	(46)
At 31 December 2022	462	462
Net carrying amount		
At 31 December 2022	1,108	1,108
At 31 December 2021	1,276	1,276

15. Trade and other receivables

Amounts falling due within one year

	2022 £'000	2021 £'000
Trade receivables	2,382	1,170
Accrued income	13,261	12,891
Amounts owed by group undertakings	15,035	59,487
Corporation tax	863	-
Other receivables	1,543	1,433
Prepayments	1,015	563
	34,099	75,544

Amounts owed by group undertakings are unsecured, repayable on demand and are not interest bearing. Trade receivables, accrued income and other receivables are stated after provision for impairment of £Nil (2021: £Nil).

16. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	19,840	11,246

17. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	2,132	2,481
Corporation tax	-	585
Other taxation and social security	662	415
Other payables	604	466
Contingent consideration	7,393	-
Accruals and deferred income	10,071	10,557
	20,862	14,504

Contingent consideration of £6,915,000 (2021: £Nil) due in over one year is included in creditors amounts falling due after more than one year and further details are disclosed in note 19.

18. Lease liabilities

	2022 £'000	2021 £'000
Amounts falling due in under one year	43	136
Amounts falling due in over one year	1,129	1,191
	1,172	1,327

Interest expense during the year on the above lease liabilities included in finance costs was £35,000 (2021: £39,000). The total cash outflow for leases during the year was £155,000 (2021: £218,000).

19. Contingent consideration

	2022 £'000	2021 £'000
Amounts falling due in under one year	7,393	-
Amounts falling due in over one year	6,915	-
	14,308	-

Included within trade and other payables is £7,393,000 (2021: £Nil) of contingent consideration as disclosed in note 17.

19. Contingent consideration (continued)

The movements on contingent consideration are as follows:

	2022 £'000	2021 £'000
At 1 January	-	-
On acquisition	13,228	-
Interest	1,080	-
At 31 December	14,308	-

20. Deferred tax assets

Recognised deferred tax asset/ (liability)	Arising on intangible fixed assets £'000	Accelerated depreciation for tax purposes £'000	Other short-term timing differences £'000	Total £'000
At 1 January 2021	(405)	(169)	655	81
(Charge)/Credit for the year	201	(16)	48	233
At 31 December 2021	(204)	(185)	703	314
Credit/(Charge) for the year	74	(84)	701	691
At 31 December 2022	**(130)**	**(269)**	**1,404**	**1,005**

21. Called up share capital

	2022 £'000	2021 £'000
Authorised, allotted, called up and fully paid		
120,000 (2021: 120,000) Ordinary shares of £0.001 each	-	-

Amounts above are below the rounding off figures applied by the Company in the financial statements for both the current and previous year.

Share Capital
Represents the nominal value of the shares that have been issued.

Share premium account
Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings
Includes all current and prior year retained profits and losses.

22. Share based compensation

The following share schemes have been awarded at 31 December 2022:

	Options outstanding at 1 January 2022	Options awarded	Options forfeit	Options exercised	Options outstanding at 31 December 2022
Free Shares	72,000	51,959	(7,345)	(6,692)	**109,922**
Share Incentive Plan	18,314	11,060	(2,134)	(139)	**27,101**
Nil Cost Options	76,030	73,211	(9,745)	-	**139,496**
Senior Management LTIPs	-	79,500	-	-	**79,500**
Other LTIPs	12,535	-	-	-	**12,535**
	178,879	215,730	(19,224)	(6,831)	**368,554**

All share options have a Nil exercise price and are equity settled with shares in Team17 Group Plc, the Company's ultimate parent company.

23. Related party transactions

As permitted by FRS 101 related party transactions with wholly owned members of the Team17 Group Plc group have not been disclosed.

24. Controlling party

The intermediate parent undertaking is Team 17 Software Limited. The ultimate parent undertaking at 31 December 2022 was Team17 Group Plc by virtue of its holding of 100% of the share capital of the company.

At 31 December 2022 there was not considered to be a single ultimate controlling party of Team 17 Group Plc.

The largest and smallest group of companies for which consolidated financial statements, including the Company, have been prepared as at 31 December 2022 is the group headed by Team17 Group Plc. These financial statements are publicly available from 3 Red Hall Avenue, Paragon Business Park, Wakefield, WF1 2UL.

25. Post balance sheet events

On 28 March 2023 Debbie Bestwick MBE announced her intention to step down from her position as Director of the Company once a suitable successor can be found. The intention is for Debbie to transition into a non-executive role of Team17 Group Plc, remaining on the board to provide ongoing mentorship, support and guidance to the Board and the senior management team, ensuring Team17 Group continues to benefit from her wealth of business and gaming sector experience.