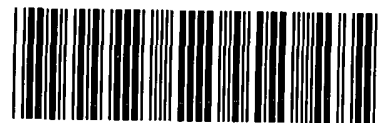


Registered number: 06751125

RAILSIMULATOR.COM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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RAILSIMULATOR.COM LIMITED

COMPANY INFORMATION

Directors

P S Jackson
C N McMicking
J L Rissik
M H Storey
G L Johnson-Brown
R C M O'Farrell
N W Field

Registered number

06751125

Registered office

3rd Floor North, Fitted Rigging House
Anchor Wharf
The Historic Dockyard
Chatham
Kent
ME4 4TZ

Independent auditors

BDO LLP
31 Chertsey Street
Guildford
Surrey
GU1 4HD

RAILSIMULATOR.COM LIMITED

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RAILSIMULATOR.COM LIMITED

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

Introduction

The Directors are pleased to present the strategic report of Railsimulator.com Limited and its subsidiary company (the "Group"), and the audited financial statements for the year ending 31 March 2022.

Strategy and Business Model

Railsimulator.com Limited, which trades as Dovetail Games, develops and publishes high quality entertainment simulation experiences for enthusiasts in the rail and fishing verticals.

The Group operates a premium Games as a Service business model by publishing a series of high fidelity simulation game franchises that each include an extensive catalogue of downloadable content ('DLC') available to players, comprising over 900 items in total.

Principal products of the Group are:

Trains

Train Sim World
Train Simulator Classic

DLC Catalogue (as of March 2022): 883

Fishing

Bassmaster Fishing
Fishing Sim World
The Catch: Carp and Coarse
Euro Fishing

DLC Catalogue (as of March 2022): 43

Platforms for both are: PC, Microsoft Xbox One, Microsoft Xbox S and X, Sony PlayStation 4 and Sony PlayStation 5.

Collaboration with the leading real-world brands and individuals in the Group's verticals is integral to its focus on highly authentic simulation experiences. Third party technology providers are used in the development and delivery of the Group's games, including the Unreal engine which is incorporated into a number of products.

Games for PC are sold principally through Steam, a video game digital distribution platform operated by Valve Corporation. Games for Microsoft Xbox and Sony PlayStation are sold through the distribution platforms operated by Microsoft and Sony respectively. Physical copies of the Group's games are distributed to retailers by third party wholesalers.

The strategy of the Group is to continue to develop highly authentic simulation experiences, expand the catalogue of content available to players, and grow the number of players enjoying its products by offering rich and highly engaging digital hobbies that are relevant to an increasing number of people globally.

RAILSIMULATOR.COM LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

Business review

During the financial year the Covid-19 pandemic continued to unfold with tragic consequences around the world. The Group continued to operate successfully in a remote and hybrid working environment, thanks to the hard work, adaptability, and resilience of our staff, partners, and suppliers.

Over the financial year ending 31 March 2022 the team successfully released 121 items including ground-breaking new content for our Train Sim World and Train Simulator Classic franchises, and Bassmaster Fishing, a wholly new product within our fishing franchise.

As the pandemic subsided and public health restrictions were relaxed a year-on-year reduction in video games sales was observed across the Group's major markets. In common with the wider video games industry the Group has seen a reduction in players' spending relative to the unprecedented levels experienced in 2020 at the height of the pandemic. Whilst this contributed to a reduction in revenues in the year, the Group's KPIs remain strong compared to pre-pandemic levels and importantly average player numbers continued to grow.

The Directors believe that excluding the transient effect of the pandemic the Group has continued to grow revenues on an underlying basis.

Going concern

The Board of Directors have assessed a period of not less than 12 months from the date of these financial statements. The Board are of the view that the Group will continue to meet its liabilities as they fall due and therefore that the going concern basis of preparation is appropriate. For further details see note 2.3 within accounting policies.

Financial key performance indicators

The results for the year and the financial position as at the year-end are as shown in the following financial statements. The Group uses a range of performance indicators to monitor and manage its activities effectively and the most significant of these are:

	2022	2021
Revenue (£'000s)	14,164	15,386
Gross Margin (%)	84.6%	85.4%
Underlying EBITDA (£'000s) *	7,334	9,194
Underlying EBIT (£'000s) *	2,511	4,805
Paying Monthly Active Users ('000s)	247	243

* Underlying EBITDA and EBIT include video games tax credit and exclude certain non-operating expenses (such as monitoring fees) and exceptional items (note 13).

As described in note 32, the Group has made two changes in accounting policies. Revenue is now accounted for net of distribution costs, resulting in a reduction in reported revenue and cost of sales with no effect on gross profit. Eligible software development costs are now capitalised and subsequently amortised.

RAILSIMULATOR.COM LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are in the opinion of the directors:

- Global macroeconomic performance and its effect on consumer spending are uncertainties to which the Group is exposed as a participant in the computer games market. At present macroeconomic uncertainty is elevated, in particular due to the economic effects of the COVID-19 pandemic and the ongoing conflict in Ukraine. The Directors believe that the Group's premium games as a service model inherently mitigates macroeconomic risks to some extent, as the market for DLC is less exposed to economic conditions than new game sales. Furthermore, the Group constantly monitors market conditions and has flexibility to adjust its strategy to reflect changing market conditions.
- The Group's continued ability to attract, retain, and motivate the talented team members necessary to deliver high quality simulation experiences is important to Group's ongoing success. To maintain its position in the labour market the Group invests to develop a distinctive culture and a strong employee value proposition.
- As the computer games market evolves continuously the Group is exposed to the risk of an adverse change in the competitive position of its products within their respective vertical markets. Continuous investment in features, content, and technology to maintain and strengthen the differentiation of its products is a high priority for the Group, together with ongoing market and community engagement to understand the needs of its current and future customers.
- Distribution to the video games market is concentrated in a small number of digital storefronts. The failure of a storefront or a material change in the business model of a platform operator could impact the Group's ability to market its products. These digital storefronts are operated by large well-capitalised enterprises with good credit standing. The Group publishes across five digital storefronts providing diversification, and also maintains close working relationships with platform operators in order to understand their commercial agenda and reflect this in the Group's strategy.
- The Group is inherently exposed to cybersecurity risks due to the digital nature of its business. Measures are in place to mitigate these risks including internal procedures, regular external penetration testing, and relevant insurance.
- As the Group sells globally generating revenues in many currencies it is exposed to change in foreign exchange rates, primarily the Euro and US Dollar. The Group operates a hedging programme that mitigates the short-term uncertainty of FX rates, and maintains flexibility in its operating model to adjust to changing FX rates in the medium and long term.
- The Group is subject to the general risks of war and conflict in respect of both its operations and the players of its products around the globe. In relation to the ongoing conflict in Ukraine the Group is not materially exposed, as it does not have operations or material business relationships in zones subject to conflict or sanctions.
- Cost inflation is a normal business risk to which the Group is subject and elevated cost inflation, if sustained poses a risk to the Group's cost structure. The Group takes steps through its operating model to manage costs within the context of the markets in which it operates.

This report was approved by the board on

08-Jul-2022

and signed on its behalf.

DocuSigned by:

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C N McMicking
Director

RAILSIMULATOR.COM LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

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

Principal activity

The principal activity of the Group during the year was the creation of realistic simulation video games.

Business review

A review of the business and its principal risks and uncertainties is set out in the Group strategic report on pages 1 to 3 of these financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £1,455,575 (2021 - £4,179,123).

The directors do not recommend payment of a final dividend for the year (2021 - £Nil).

Interim dividends were declared and paid during the year totalling £3,450,803 (2021 - £2,731,262). See note 12 for further details.

RAILSIMULATOR.COM LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Directors

The directors who served during the year were:

P S Jackson
C N McMicking
J L Rissik
M H Storey
G L Johnson-Brown
R C M O'Farrell
N W Field (appointed 28/06/2021)

Disclosure of information to auditors

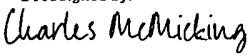
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditors

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

This report was approved by the board on 08-Jul-2022 and signed on its behalf.

DocuSigned by:

43ADB886BD8440E...
C N McMicking
Director

RAILSIMULATOR.COM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAILSIMULATOR.COM LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and;
- the Parent Company financial statements have been properly in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Railsimulator.com Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated statement of profit and loss and other comprehensive income, the Consolidated statement of financial position, the Consolidated cash flow statement, the Consolidated statement of changes in equity, the Company statement of financial position, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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 Group's or the parent 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.

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

RAILSIMULATOR.COM LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAILSIMULATOR.COM LIMITED
(CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent 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 Group and parent Company or to cease operations, or have no realistic alternative but to do so.

RAILSIMULATOR.COM LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAILSIMULATOR.COM LIMITED
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 Group 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:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK GAAP, the Companies Act 2006), Corporation Tax legislation and VAT legislation. We understood how Railsimulator.com Limited is complying with those legal and regulatory frameworks by making enquiries to management and corroborated these enquiries through our review of submitted returns, board minutes, and correspondence with regulatory bodies.

We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur by discussing with management to understand where it is considered there was a susceptibility of fraud. We considered the internal control environment and how management oversees the implementation of controls. In areas of the financial statements where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing a sample of journal entries and considering the reasonableness of assumptions and methods applied in areas of the financial statements subject to a high degree of estimation uncertainty. These procedures were designed to provide reasonable assurance that the financial statements were free of fraud or error.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

RAILSIMULATOR.COM LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAILSIMULATOR.COM LIMITED
(CONTINUED)**

Use of our report

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

DocuSigned by:

Nick Poulter

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

Date: 08 July 2022

RAILSIMULATOR.COM LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £	As restated 2021 £
Turnover	4	14,163,980	15,386,288
Cost of sales		(2,182,925)	(2,243,039)
Gross profit		11,981,055	13,143,249
Administrative expenses		(11,040,316)	(10,178,259)
Other operating income	5	1,494,960	1,355,407
Operating profit excluding exceptionals	6	2,435,699	4,320,397
Exceptional expenses	13	(865,562)	-
Operating profit including exceptionals		1,570,137	4,320,397
Interest receivable and similar income	10	231	1,400
Interest payable and similar expenses	9	(114,793)	(142,674)
Profit before tax		1,455,575	4,179,123
Tax on profit	11	-	-
Profit for the financial year		1,455,575	4,179,123

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2022 (2021: £NIL).

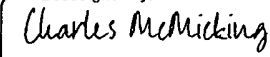
The notes on pages 21 to 46 form part of these financial statements.

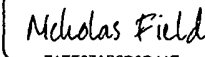
RAILSIMULATOR.COM LIMITED
REGISTERED NUMBER: 06751125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 £	As restated 2021 £
Fixed assets			
Intangible assets	15	7,484,836	6,404,805
Tangible assets	16	444,722	422,532
		<u>7,929,558</u>	<u>6,827,337</u>
Current assets			
Debtors: amounts falling due within one year	18	3,709,249	3,503,804
Cash at bank and in hand	19	1,383,280	5,257,592
		<u>5,092,529</u>	<u>8,761,396</u>
Creditors: amounts falling due within one year	20	(2,429,926)	(2,627,735)
Net current assets		<u>2,662,603</u>	<u>6,133,661</u>
Total assets less current liabilities		<u>10,592,161</u>	<u>12,960,998</u>
Creditors: amounts falling due after more than one year	21	(1,700,007)	(2,177,785)
Provisions for liabilities			
Other provisions	23	(185,000)	(185,000)
		<u>(185,000)</u>	<u>(185,000)</u>
Net assets		<u><u>8,707,154</u></u>	<u><u>10,598,213</u></u>
Capital and reserves			
Called up share capital	24	13,803	13,664
Share premium account	25	167,296	68,085
Profit and loss account	25	8,526,055	10,516,464
		<u>8,707,154</u>	<u>10,598,213</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 08-Jul-2022

DocuSigned by:

 43ADB86BD8440E...
C N McMicking
 Director

DocuSigned by:

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N W Field
 Director

The notes on pages 21 to 46 form part of these financial statements.

RAILSIMULATOR.COM LIMITED
REGISTERED NUMBER: 06751125

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

			2022 £	As restated 2021 £
	Note			
Fixed assets				
Intangible assets	15		7,484,836	6,404,805
Tangible assets	16		444,722	422,532
Investments	17		1	1
			<u>7,929,559</u>	<u>6,827,338</u>
Current assets				
Debtors: amounts falling due within one year	18	3,750,998	3,503,803	
Cash at bank and in hand	19	1,383,280	5,257,592	
		<u>5,134,278</u>	<u>8,761,395</u>	
Creditors: amounts falling due within one year	20	(2,485,022)	(2,627,735)	
Net current assets			<u>2,649,256</u>	<u>6,133,660</u>
Total assets less current liabilities			<u>10,578,815</u>	<u>12,960,998</u>
Creditors: amounts falling due after more than one year	21		(1,700,007)	(2,177,785)
Provisions for liabilities				
Provision	23	(185,000)	(185,000)	
			<u>(185,000)</u>	<u>(185,000)</u>
Net assets			<u><u>8,693,808</u></u>	<u><u>10,598,213</u></u>
Capital and reserves				
Called up share capital	24		13,803	13,664
Share premium account	25		167,296	68,085
Profit and loss account			8,512,709	10,516,464
			<u><u>8,693,808</u></u>	<u><u>10,598,213</u></u>

RAILSIMULATOR.COM LIMITED
REGISTERED NUMBER: 06751125

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2022

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

DocuSigned by: 08-Jul-2022

Charles McMicking

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C N McMicking

Director

DocuSigned by:

Nicholas Field

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N W Field

Director

The notes on pages 21 to 46 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2021	13,664	68,085	10,516,464	10,598,213
Comprehensive income for the year				
Profit for the year	-	-	1,455,575	1,455,575
Total comprehensive income for the year	-	-	1,455,575	1,455,575
Dividends	-	-	(3,450,803)	(3,450,803)
Shares issued during the year	139	99,211	-	99,350
Credit to equity for equity settled share based payment	-	-	4,819	4,819
Total transactions with owners	139	99,211	(3,445,984)	(3,346,634)
At 31 March 2022	13,803	167,296	8,526,055	8,707,154

The notes on pages 21 to 46 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2020 (as previously stated)	10,418	1,055,489	25,028	1,090,935
Change in accounting policies	-	-	5,869,089	5,869,089
At 1 April 2020 (as restated)	10,418	1,055,489	5,894,117	6,960,024
Comprehensive income for the year				
Profit for the year	-	-	4,179,123	4,179,123
Total comprehensive income for the year	-	-	4,179,123	4,179,123
Dividends	-	-	(2,731,262)	(2,731,262)
Shares issued during the year	4,946	2,162,282	-	2,167,228
Shares cancelled during the year	(1,700)	-	-	(1,700)
Transfer from share premium account to profit and loss account	-	(3,149,686)	3,149,686	-
Credit to equity for equity settled share based payment	-	-	24,800	24,800
Total transactions with owners	3,246	(987,404)	443,224	(540,934)
At 31 March 2021	13,664	68,085	10,516,464	10,598,213

The notes on pages 21 to 46 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2021	13,664	68,085	10,516,464	10,598,213
Comprehensive income for the year				
Profit for the year	-	-	1,442,229	1,442,229
Total comprehensive income for the year	-	-	1,442,229	1,442,229
Contributions by and distributions to owners				
Dividends	-	-	(3,450,803)	(3,450,803)
Shares issued during the year	139	99,211	-	99,350
Credit to equity for equity settled share based payment	-	-	4,819	4,819
Total transactions with owners	139	99,211	(3,445,984)	(3,346,634)
At 31 March 2022	13,803	167,296	8,512,709	8,693,808

The notes on pages 21 to 46 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2020 (as previously stated)	10,418	1,055,489	25,028	1,090,935
Change in accounting policies	-	-	5,869,089	5,869,089
At 1 April 2020 (as restated)	10,418	1,055,489	5,894,117	6,960,024
Comprehensive income for the year				
Profit for the year (as restated)	-	-	4,179,123	4,179,123
Total comprehensive income for the year	-	-	4,179,123	4,179,123
Contributions by and distributions to owners				
Dividends	-	-	(2,731,262)	(2,731,262)
Shares issued during the year	4,946	2,162,282	-	2,167,228
Shares cancelled during the year	(1,700)	-	-	(1,700)
Transfer from share premium account to profit and loss account	-	(3,149,686)	3,149,686	-
Credit to equity for equity settled share based payment	-	-	24,800	24,800
Total transactions with owners	3,246	(987,404)	443,224	(540,934)
At 31 March 2021	13,664	68,085	10,516,464	10,598,213

The notes on pages 21 to 46 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

	2022	<i>As restated</i>
	£	2021
		£
Cash flows from operating activities		
Profit after tax for the financial year	1,455,575	4,179,123
Adjustments for:		
Amortisation of intangible assets	4,388,954	3,906,469
Depreciation of tangible assets	179,698	156,970
Profit on disposal of tangible assets	-	(415)
Interest paid	114,793	133,674
Interest received	(231)	(1,400)
Taxation credit shown within other operating income	(1,437,553)	(1,355,332)
(Increase)/decrease in debtors	(123,224)	24,232
(Decrease)/increase in creditors	(182,302)	250,861
Increase in provisions	-	185,000
Corporation tax received	1,355,332	1,195,597
Share based payment expense	4,819	24,800
Net cash generated from operating activities	5,755,861	8,699,579
Cash flows from investing activities		
Purchase of intangible fixed assets	(5,468,985)	(4,442,186)
Purchase of tangible fixed assets	(201,888)	(137,356)
Sale of tangible fixed assets	-	1,078
Interest received	231	1,400
Net cash from investing activities	(5,670,642)	(4,577,064)
Cash flows from financing activities		
Issue of ordinary shares (further details shown in note 24)	99,350	2,167,228
Ordinary E shares cancelled	-	(1,700)
Repayment of loans	(493,285)	(393,048)
Dividends paid	(3,450,803)	(2,731,262)
Interest paid	(114,793)	(133,674)
Net cash used in financing activities	(3,959,531)	(1,092,456)
Net (decrease)/increase in cash and cash equivalents	(3,874,312)	3,030,059
Cash and cash equivalents at beginning of year	5,257,592	2,227,533
Cash and cash equivalents at the end of year	1,383,280	5,257,592

RAILSIMULATOR.COM LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

	2022 £	<i>As restated</i> <i>2021</i> £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,383,280	5,257,592
	<u>1,383,280</u>	<u>5,257,592</u>

The notes on pages 21 to 46 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2022

	At 1 April 2021 £	Movements £	At 31 March 2022 £
Cash at bank and in hand	5,257,592	(3,874,312)	1,383,280
Debt due after 1 year	(2,177,785)	477,778	(1,700,007)
Debt due within 1 year	(466,667)	15,507	(451,160)
	<u>2,613,140</u>	<u>(3,381,027)</u>	<u>(767,887)</u>

The notes on pages 21 to 46 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. General information

Railsimulator.com Limited which trades as Dovetail Games is a private company limited by shares and is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the Group's operations and its principal activity is set out in the director's report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Change of accounting policies

The Group has changed the following accounting policies during the year ending 31 March 2022:

- **Revenue**
The directors have reflected on the terms under which games are sold via the Group's principal distributors. Having considered certain key indicators, the directors consider that in order to present revenue in a manner that is more consistent with other companies within the sector, it is appropriate to regard the Group's distributors as its customers and to account for revenue therefore, net of distribution costs. This has the effect of reducing reported revenue with no effect on gross profit, net profit or net assets. This represents a key judgment, as set out in note 3.
- **Software development**
FRS 102 allows a choice as to whether eligible software development costs are capitalised. Historically these have been expensed to the income statement, however, now the directors have decided it is appropriate to capitalise eligible software development costs.

The prior year has been re-stated to reflect these changes and further details are shown within note 32.

The following principal accounting policies have been applied:

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its subsidiary ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

2.3 Going concern

The Board of Directors have assessed a period of not less than 12 months from the date of these financial statements. Taking the actual and expected financial performance, financial position, liquidity, and maturity of debt facilities of the Group into account, the Board of Directors are of the view that the Group will continue to meet its liabilities as they fall due and therefore that the going concern basis of preparation is appropriate.

In forming this view the Group has prepared forecasts of future revenues, profits, cashflows, and net assets that take into account a range of factors including conditions in the computer games market, the performance of the Group's games franchises, and macroeconomic conditions.

The Group has performed scenario and sensitivity analysis to quantify the potential impact on its business of a range of potential adverse events including adverse variances in the sales performance or release schedule of certain products and franchises, and external events such as adverse changes in foreign exchange rates. The headroom available to financial covenants under the Group's current loan agreements has also been considered.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.4 Revenue

Revenue includes income from the sale of games and downloadable content for the Group's games. The Group develops, produces and sells video games to digital and physical distributors, who are considered to be the Group's customers when assessing revenue recognition.

The majority of the Group's revenue is received from third party distributors who have a licence to sell the Group's games to consumers. Revenue is recognised at the point at which the distributor sells the content to the consumer. The transaction price is the amount the Group is entitled to in accordance with the contractual agreement with the third party distributor.

Periodically, the Group enters into contracts for a fixed amount of revenue in exchange for making a game available to a third-party games platform for their customers to use for an agreed period of time, with minimal future performance obligations arising for the Group. The fixed amount is recognised upon satisfying the performance obligation of providing the game licence to the relevant games platform, being the date the game is first made available on the platform. To the extent that such platform licences include an element of variable consideration this is recognised when received, unless it is able to be reliably estimated.

Revenue from pre-orders is normally deferred, then recognised when the Group meets its performance obligations upon commercial release of the game.

For royalties receivable, income is recognised in the period in which it is earned.

Video games tax relief credit

Video games tax relief credits ('VGTR') are only recognised where it is the directors' belief that a tax credit will be recoverable. This is based upon the Group's experience at obtaining the required certification to facilitate its titles in development to qualify for VGTR and success at previous claims. VGTR is recognised in other operating income in the Statement of Comprehensive Income.

2.5 Finance costs

Finance costs are charged to profit or loss 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.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.6 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

All foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.

2.7 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold property improvements	- 7 years
Fixtures and fittings	- 5 years
Office equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)**2.8 Impairment of tangible fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated if any such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

2.9 Intangible assets: Software development

Expenditure on internally developed software products and substantial enhancements to existing software products is recognised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to develop the product to be used or sold;
- There is an intention to complete and use or sell the product;
- The Group is able to use or sell the product;
- Use or sale of the product will generate future economic benefits;
- Adequate resources are available to complete the development; and
- Expenditure on the development of the product can be measured reliably.

The capitalised expenditure represents costs directly attributable to the development of the asset from the point at which the above criteria are met up to the point at which the product is ready for use. If the qualifying conditions are not met, such development expenditure is recognised as an expense in the period which it is incurred.

Development costs largely relate to employment costs of internal development teams and amounts paid to external service providers.

Capitalised development expenditure is reviewed at the end of each accounting period for the conditions set out above and indicators of impairment. Intangible assets that are not yet available for use are tested for impairment annually by comparing their carrying amount with their recoverable amount based on cash flow forecasts for the relevant products.

Costs are amortised upon release of the relevant item over its estimated useful life. The amortisation period is determined by the type of item, ranging from 1 to 4 years. Amortisation is calculated to reflect the pattern of consumption of future economic benefits of the relevant item which is either time-weighted to reflect its expected sales profile or if this is not possible on a straight-line basis.

Amortisation is recognised within the General Administrative Expenses within the Statement of Comprehensive Income.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Financial instruments

The Group enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to/from related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)**2.11 Financial instruments (continued)**

flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The Group does not currently apply hedge accounting for foreign exchange derivatives.

2.12 Debtors

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

2.13 Cash and cash equivalents

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

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.16 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.17 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.18 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)**2.19 Employee benefits****Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

2.20 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.22 Interest income

Interest income is recognised in profit or loss using the effective interest method.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that *probably requires settlement* by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

2.24 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

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

In the application of applying the accounting policies, which are detailed in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amount of income, expenditure, assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgments

In the course of preparing these financial statements, judgments have been made in the process of applying the accounting policies that have had a significant effect in the amounts recognised in the financial statements. The following are areas requiring the use of judgments that may significantly impact the financial statements.

Revenue recognition

The directors have reviewed the contractual agreements with its distributors. This is a material judgment as the disclosure of revenue is significantly different between a principal and agent. The directors have concluded that the end third-party distributors are responsible for fulfilling the contract and have discretion in setting prices for end users. As such, the directors have assessed under FRS 102 from Contracts with Customers that it is appropriate to treat the Distributor as the Group's customer.

Capitalisation of development expenditure

The directors have to make judgments as to whether development expenditure has met the criteria for capitalisation or whether it should be expensed in the year. Development expenditure is capitalised only when it can be demonstrated that the criteria are met.

Estimates

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

Share based payment charge

In relation to equity-settled remuneration schemes, employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant, based on certain assumptions. Further details are shown in note 2.16 within accounting policies and note 26 in these financial statements.

Measurement, useful lives and impairment of intangible assets

After assessing the carrying value of each intangible asset which is not yet ready for use at the reporting date, which is shown net of any impairment charge posted, the directors are confident that the forecast cash generation is in excess of the intangible asset held. The forecast cash generation is taken from the Group's forecasts which cover the trading expectations for a minimum of two years after the reporting date. The forecast revenue and cash generation from each intangible asset are separately identifiable within the forecasts. The forecast cash generation represents significant assumptions regarding its commercial performance, should the assumptions prove to be significantly incorrect there would be a risk of material adjustment in the financial year following the release of that product.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**3. Judgments in applying accounting policies (continued)***Amortisation of capitalised development costs*

Capitalised development costs are amortised upon release of the relevant item over its estimated useful life as per the accounting policy. The amortisation period is determined for each type of item and ranges from 1 to 4 years. Amortisation is calculated to reflect the pattern of consumption of future economic benefits of the relevant item which is either revenue-weighted to reflect the expected sales profile or on straight-line basis. This policy is reviewed periodically and adjusted as needed to reflect changes in the underlying product lifecycle.

Items are classified as either core games, content, or core technology. Within each franchise core games are typically superseded by a new iteration after a period and for this reason are normally amortised over 12 months from release. Content typically remains on sale for the life of the franchise and is not usually superseded by a subsequent release. Sales are expected to decline over time as content ages, and therefore amortisation is weighted based on expected revenue. Weightings for the existing catalogue are 65% in the first year of release, 20-25% in the second year, 10-15% in the third year. Core technology that is common across a franchise is amortised on a straight-line basis over 4 years. Further details are shown in note 14 within these financial statements.

Video games tax relief credit

The Group claims Video Games Tax Relief ('VGTR') in its Corporation Tax returns. External advisors are used to assist with preparing the claims. The claims for the year are included in these financial statements, however, this is subject to review and approval by HM Revenue & Customs. It is recognised on the directors' belief that a tax credit will be recoverable.

VGTR is included within other operating income within the income statement.

Further details are included within note 2.4 within accounting policies and note 11.

Useful lives and residual values of property, plant and equipment

Depreciation is provided on all property, plant and equipment to write down the cost to residual value, on a straight line basis over their useful lives. The residual value and the useful life of each asset is reviewed at each financial period end and are based on management's best estimate at the reporting date.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Group.

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	2,603,977	2,818,188
Rest of Europe	143,046	419,546
Rest of the world	11,416,957	12,148,554
	<u>14,163,980</u>	<u>15,386,288</u>

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

5. Other operating income

	2022 £	2021 £
Other operating income	-	75
Government grants receivable	57,407	-
Video games tax relief credit	1,437,553	1,355,332
	<u>1,494,960</u>	<u>1,355,407</u>

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Research & development charged as an expense	135,159	105,399
Depreciation of tangible fixed assets	179,698	156,970
Amortisation of intangible assets	4,388,954	3,906,469
Fees payable to the auditor and its associates for the audit of the annual financial statements	37,400	24,700
Exchange differences	(37,349)	(41,966)
Defined contribution pension cost	166,895	144,930
Operating lease payments	196,199	196,278

7. Employees

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	6,717,005	6,688,613	6,717,005	6,688,613
Social security costs	724,374	641,897	724,374	641,897
Cost of defined contribution scheme	166,895	144,930	166,895	144,930
Amounts capitalised to intangible assets (note 15)	(3,532,745)	(3,254,534)	(3,532,745)	(3,254,534)
	<u>4,075,529</u>	<u>4,220,906</u>	<u>4,075,529</u>	<u>4,220,906</u>

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Employees	188	157	188	157
	<u>188</u>	<u>157</u>	<u>188</u>	<u>157</u>

8. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	785,145	1,599,549
Group contributions to defined contribution pension schemes	22,745	21,587
Amounts capitalised to intangible assets (note 15)	(117,546)	(293,420)
	<u>690,344</u>	<u>1,327,716</u>

During the year retirement benefits were made to 5 directors (2021 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £179,740 (2021 - £458,648).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,175 (2021 - £6,606).

The directors are considered to be the key management personnel of the Group.

9. Interest payable and similar expenses

	2022	2021
	£	£
Bank interest	114,793	133,674
Other loan interest payable	-	9,000
	<u>114,793</u>	<u>142,674</u>

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

10. Interest receivable and similar income

	2022 £	2021 £
Bank interest	231	1,400
	<u>231</u>	<u>1,400</u>

11. Taxation

	2022 £	2021 £
Group video games tax relief credits repayable	(1,437,553)	(1,355,332)
Group video games tax relief credits classified as other operating income	1,437,553	1,355,332
Total current tax	<u>-</u>	<u>-</u>

The Company video games tax relief credit on its own was £1,424,207 (2021 - £1,355,332).

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	1,455,575	4,179,123
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	276,559	811,335
Effects of:		
Fixed asset differences	(11,508)	3,891
Expenses not deductible for tax purposes	7,552	37,008
Non-taxable income	(282,675)	(286,449)
Other permanent differences	(16,111)	(174,467)
Video game development tax profit adjustment	8,593	(1,191,581)
Deferred tax not recognised	(408,365)	(110,702)
Remeasurement of deferred tax for changes in tax rates	(666,499)	-
Difference between the rate of corporation tax and the rate of relief under the video games tax credit	(345,099)	(325,279)
Reclassification of video games tax relief credit to other operating income	1,437,553	1,355,332
Change in accounting policies (see note 32)	-	(119,088)
Total tax charge for the year	-	-

Factors that may affect future tax charges

From April 2023 the main rate of corporation tax will increase from 19% to 25%.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**12. Dividends**

	2022 £	2021 £
Ordinary 1		
Dividends paid 29 May 2020 (£1 per share)	-	904,561
Dividends paid 4 September 2020 (£1 per share)	-	906,061
Dividends paid 7 May 2021 (£1.20 per share)	1,104,002	-
Dividends paid 30 September 2021 (£1.30 per share)	1,196,001	-
A1 Ordinary		
Dividends paid 29 May 2020 (£2 per share)	-	766,756
Dividends paid 7 May 2021 (£1.20 per share)	460,054	-
Dividends paid 30 September 2021 (£1.30 per share)	498,391	-
A2 Ordinary		
Dividends paid 29 May 2020 (£2 per share)	-	153,884
Dividends paid 7 May 2021 (£1.20 per share)	92,330	-
Dividends paid 30 September 2021 (£1.30 per share)	100,025	-
	<u>3,450,803</u>	<u>2,731,262</u>

13. Exceptional items

	2022 £	2021 £
Project related costs	865,562	-
	<u>865,562</u>	<u>-</u>

The exceptional item in the year ending 31 March 2022 relates to non-recurring professional costs in relation to potential equity financing for the Group.

14. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £1,442,229 (2021 - £4,179,123).

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

15. Intangible assets

Group and Company

	Software Development £
Cost	
At 1 April 2021 - Restated	25,281,294
Additions	5,468,985
At 31 March 2022	30,750,279
Amortisation	
At 1 April 2021 - Restated	18,876,489
Charge for the year	4,388,954
At 31 March 2022	23,265,443
Net book value	
At 31 March 2022	7,484,836
At 31 March 2021	6,404,805

Software development costs relate to the direct employment and overhead costs of the internal development teams, and other external software development costs. Amortisation of software development costs commences upon release of the game and is recognised within administrative expenses in the Statement of Comprehensive Income. Included within software development costs as at 31 March 2022 is £1,170,193 (2021 - £2,198,266) relating to intangible assets under production for which amortisation has not yet commenced.

See note 2.1 within accounting policies for details relating to the change in the accounting policy for software development. The impact of this change to the year ending 31 March 2021 is stated in note 32.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

16. Tangible fixed assets

Group and Company

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 April 2021	283,107	169,194	773,996	1,226,297
Additions	34,440	21,589	145,859	201,888
At 31 March 2022	317,547	190,783	919,855	1,428,185
Depreciation				
At 1 April 2021	92,267	110,437	601,061	803,765
Charge for the year	42,289	22,727	114,682	179,698
At 31 March 2022	134,556	133,164	715,743	983,463
Net book value				
At 31 March 2022	182,991	57,619	204,112	444,722
At 31 March 2021	190,840	58,757	172,935	422,532

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

17. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 April 2021	1
At 31 March 2022	<u>1</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
Dovetail Games (Scotland) Limited	Video games development	Ordinary	100%

The registered office address is 10th Floor, 133 Finnieston Street, Glasgow, Scotland, G3 8HB.

The aggregate of the share capital and reserves as at 31 March 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Dovetail Games (Scotland) Limited	13,347	13,346

The subsidiary company started trading during the period ending 31 March 2022. Prior to this it was dormant.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

18. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	1,621,504	1,816,003	1,621,504	1,816,003
Amounts owed by group undertakings	-	-	68,442	-
Other debtors	1,620,711	1,412,434	1,594,018	1,412,433
Prepayments and accrued income	467,034	275,367	467,034	275,367
	<u>3,709,249</u>	<u>3,503,804</u>	<u>3,750,998</u>	<u>3,503,803</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2021 - £Nil).

Within other debtors is an amount of £1,437,553 (2021 - £1,355,332) which represents Video Games Tax Relief due to the Group. The amount due to the Company is £1,424,207 (2021 - £1,355,332).

Accrued income included within prepayments and accrued income above totals an amount of £77,386 (2021 - £54,854).

19. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	1,383,280	5,257,592	1,383,280	5,257,592
	<u>1,383,280</u>	<u>5,257,592</u>	<u>1,383,280</u>	<u>5,257,592</u>

20. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank loans	451,160	466,667	451,160	466,667
Trade creditors	669,066	203,298	657,432	203,298
Amounts owed to group undertakings	-	-	66,730	-
Other taxation and social security	192,447	167,399	192,447	167,399
Other creditors	8,964	4,525	8,964	4,525
Accruals	1,108,289	1,785,846	1,108,289	1,785,846
	<u>2,429,926</u>	<u>2,627,735</u>	<u>2,485,022</u>	<u>2,627,735</u>

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**21. Creditors: Amounts falling due after more than one year**

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank loans	1,700,007	2,177,785	1,700,007	2,177,785
	<u>1,700,007</u>	<u>2,177,785</u>	<u>1,700,007</u>	<u>2,177,785</u>

Total bank loans are secured over the assets of the Company to the amount of £2,151,167 (2021 - £2,644,452).

Included within creditors: amounts falling due after more than one year is an amount of £1,697,840 (2021 - £2,177,785) in respect of liabilities payable or repayable in instalments which fall due for payment after two years but within five years from the reporting date.

22. Financial instruments

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>3,061,694</u>	<u>7,130,505</u>	<u>3,130,136</u>	<u>7,130,505</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>3,928,522</u>	<u>4,633,596</u>	<u>3,983,618</u>	<u>4,633,596</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors and certain other debtors.

Financial liabilities measured at amortised cost comprise of bank loans, trade creditors, other creditors, other loans and accruals.

At the year-end of 31 March 2022 the Group had not recognised any financial derivatives (2021: £Nil).

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

23. Provisions

Group

	£
At 1 April 2021	185,000
At 31 March 2022	<u>185,000</u>

A provision was recognised in the prior year ending 31 March 2021 in relation to historical employment arrangements including applicable taxes and costs that represent the Directors best estimate of the expense in relation to these matters. The Directors have considered the provision afresh at 31 March 2022 and concluded that there is no change to their estimate of the expected liability.

Company

	£
At 1 April 2021	185,000
At 31 March 2022	<u>185,000</u>

24. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
920,001 (2021 - 906,061) Ordinary 1 shares of £0.01 each	9,200.01	9,060.61
383,378 (2021 - 383,378) A1 Ordinary shares of £0.01 each	3,833.78	3,833.78
76,942 (2021 - 76,942) A2 Ordinary shares of £0.01 each	769.42	769.42
	<u>13,803.21</u>	<u>13,663.81</u>

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

24. Share capital (continued)

During the year ending 31 March 2022, the following Ordinary 1 shares were issued by the Company:

Date	Number of shares	Price paid per share
30 April 2021	8,500	£5.00
30 April 2021	2,990	£10.00
30 April 2021	2,450	£11.00

In the prior year, on 20 May 2020 1,700 E shares were cancelled with the subscription funds returned in full to the holders of these shares.

Warrant

In the prior year, on the 1 May 2020 a warrant was exercised for 383,377 A1 Ordinary shares of £0.01 each at an amount of £5.22 per share.

Rights attached to shares

Ordinary 1, A1 Ordinary and A2 Ordinary shares rank pari passu in terms of dividend of voting rights. Upon winding up or liquidation of the Company, A1 Ordinary and A2 Ordinary shares shall receive a priority balance of surplus assets.

On the 19 August 2021, the shareholders passed a special resolution and class consents to amend the Company's Articles of Association. These Articles of Association can be found at Companies House.

25. Reserves**Share premium account**

The share premium account includes the premium on issue of equity shares, net of any issue costs.

In the prior year, on the 20 May 2020 a capital reduction following a formal declaration of solvency was completed reducing the share premium account at this date by £3,149,686 and increasing the profit and loss account by the same amount.

Profit and loss account

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

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**26. Share based payments**

As at 31 March 2022, there were 123,268 share options issued to 35 members of staff under the Railsimulator.com Limited EMI Share Option Scheme which was adopted by the Company on 28 January 2010. All of the 123,268 share options issued qualified under the EMI scheme.

At 31 March 2022, the number of vested options was 112,368 (2021 - 122,616) and the number of unvested options was 11,000 (2021 - 8,334). Of the unvested options, 5,445 (2021 - 5,667) are expected to vest within one year.

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	1,318	130,950	768	238,000
Granted during the year	3,000	8,333	2,000	6,000
Forfeited during the year	1,807	(2,075)	1,189	(1,850)
Exercised during the year	1,367	(13,940)	180	(111,200)
Outstanding at the end of the year	1,418	123,268	1,318	130,950

As at 31 March 2022 the Company had issued 4,575 share options to 1 member of staff under the Railsimulator.com Limited Management Unapproved Option Scheme which was adopted by the Company on 20 June 2017. As at 31 March 2022 all 4,575 (2021 - 4,575) share options had vested.

The Company recognised total expenses of £4,819 (2021 - £24,780) related to employee equity settled share based payments transactions in the year. Share options have been valued using the Black Scholes model.

27. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £166,895 (2021 - £144,930). No contributions (2021 - £Nil) were payable to the fund at the reporting date.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**28. Commitments under operating leases**

At 31 March 2022 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

Group	2022 £	2021 £
Not later than 1 year	225,600	192,950
Later than 1 year and not later than 5 years	664,445	780,794
Later than 5 years	-	51,219
	<u>890,045</u>	<u>1,024,963</u>

29. Related party transactions

During the year, £39,167 (2021 - £37,167) was paid to a shareholder and an entity of which a director is also a member of in respect of other services. At the year end, £Nil (2021 - £Nil) was owed to the entity.

During the year, £33,000 (2021 - £33,000) was paid for services to an entity with a common shareholder and director. At the year end, £Nil (2021 - £Nil) was owed to this entity. An amount of £4,750 (2021 - £Nil) was paid for services to another entity that the wife of a Director is a Director of. At the year end, £Nil (2021 - £Nil) was owed to this entity. A director became a director of another entity near the end of the financial year, during the year £40,000 (2021 - £6,500) was paid to this entity for services. At the year end, £Nil (2021 - £Nil) was owed to this entity.

A director of the Group is also a director of The Chatham Historic Dockyard Trust, a company limited by guarantee. This company is the landlord of Railsimulator.com Limited, with the lease having been signed before this director's appointment at the The Chatham Historic Dockyard Trust. No remuneration is received by the director for this role.

During the year the Directors had an interest in dividends of £592,798 (2021 - £443,604). Family members closely connected to the Directors had a further interest in dividends of £125,335 (2021 - £100,268).

During the year dividends were paid to an entity of which a director is a member of totalling £1,150,800 (2021 - £920,640), another entity which another director is also a director and shareholder of totalling £326,068 (2021 - £260,854) and a pension scheme connected to a director of £125,000 (2021 - £100,000).

30. Post balance sheet events

Post year-end in June 2022, a new term loan was put in place with the Group's existing lender refinancing the existing term loan facility. The new term loan has a principal amount of £3.5 million and a term of 5 years.

31. Controlling party

No one individual has control over the Group.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**32. Change of accounting policies**

As per the accounting policies note 2.1 the changes in accounting policies have resulted in the following changes in the previously reported figures for the year ending 31 March 2021:

	<i>2021 new accounting policies £</i>	<i>Movement £</i>	<i>2021 as previously reported £</i>
Revenue accounting policy			
Revenue (Statement of comprehensive income)	15,386,288	(5,911,429)	21,297,717
Cost of Sales (Statement of comprehensive income)	(2,243,039)	5,911,429	(8,154,468)
Software development accounting policy			
Intangible assets (Statement of Financial Position)	6,404,805	6,404,805	-
Profit and loss account (Statement of Financial Position)	(10,516,464)	(6,404,805)	(4,111,659)
Administration expenses (Statement of comprehensive income)	(10,178,259)	535,716	(10,713,975)
Profit for the financial year (Statement of comprehensive income)	4,179,123	535,716	3,643,407

Further details are shown within note 2.1 within accounting policies.