

COMPANY REGISTRATION NUMBER: 06751125

Railsimulator.com Limited
Financial Statements
31 March 2023



Railsimulator.com Limited

Financial Statements

Year ended 31 March 2023

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	6
Independent auditor's report to the members	9
Consolidated statement of comprehensive income	13
Consolidated statement of financial position	14
Company statement of financial position	15
Consolidated statement of changes in equity	16
Company statement of changes in equity	17
Consolidated statement of cash flows	18
Notes to the financial statements	19

Railsimulator.com Limited

Officers and Professional Advisers

The board of directors

J L Rissik
G L Johnson-Brown
R C M O'Farrell
N W Field

Registered office

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

Auditor

BDO LLP
Statutory Auditor
31 Chertsey Street
Guildford
Surrey
GU1 4HD

Railsimulator.com Limited

Strategic Report

Year ended 31 March 2023

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 2023.

Strategy and business model

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

The Group operates a premium Games as a Service business model by publishing a series of high fidelity simulation game franchises that includes 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

Fishing

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

Tabletop Games

CATAN: Console Edition

The Group's products are published on leading games platforms including Windows PC, Microsoft Xbox, Sony PlayStation, and Nintendo Switch.

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

Strategic Report *(continued)*

Year ended 31 March 2023

Business review

During the year, the Group successfully released new base games for the established Train Sim World and Train Simulator Classic franchises. CATAN : Console Edition was also successfully released as the first product in the new tabletop games vertical.

Regular releases of DLC continued for the Group's franchises, driving growth in DLC sales and continued player engagement.

As a result revenues grew 11 percent year on year. Profitability also increased with EBITDA and EBIT growing +17% and +23% percent respectively.

During the period exceptional costs totalling £710,747 were in relation to the acquisition of the Group by Focus Entertainment S.A., potential equity financing, and operational restructuring. These were partly offset by a release of a historical provision resulting in net exceptional items totalling £525,747.

This compares to the prior period in which non-recurring professional costs totalling £865,562 were incurred in relation to potential equity financing of the Group.

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 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:

	2023	2022
Revenue (£'000s)	15,789	14,164
Gross Margin (%)	84.8%	84.6%
Underlying EBITDA (£'000s) *	8,694	7,334
Underlying EBIT (£'000s) *	3,175	2,511
Paid Monthly Active Users ('000s)	244	247

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

Railsimulator.com Limited

Strategic Report *(continued)*

Year ended 31 March 2023

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 due to the economic effects of the ongoing conflict in Ukraine and other factors. 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 the behaviour of its players and has flexibility to adjust its strategy to reflect changing market conditions.
- The continued ability to attract, retain, and motivate the talented team members necessary to deliver high quality products 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 security 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 maintains flexibility in its operating model to adjust to changing FX rates.
- 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 Ukraine or The Russian Federation.
- The Group is exposed to the effects of general price and wage inflation on the operating costs incurred in the course of its business. To the extent that such cost inflation cannot be recovered from the Group's customers it presents a risk to the financial performance of the Group. As the Group occupies a leading position in its primary vertical market and maintains flexibility in its operating cost base the Directors believe that it has a degree of flexibility to mitigate these risks.

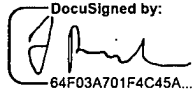
Railsimulator.com Limited

Strategic Report *(continued)*

Year ended 31 March 2023

22-Sep-2023

This report was approved by the board of directors on and signed on behalf of the board by:

DocuSigned by:

64F03A701F4C45A...

J L Rissik
Director

Registered office:
3rd Floor North
Fitted Rigging House
Anchor Wharf
The Historic Dockyard
Chatham, Kent
United Kingdom
ME4 4TZ

Railsimulator.com Limited

Directors' Report *(continued)*

Year ended 31 March 2023

The directors present their report and the financial statements of the group for the year ended 31 March 2023.

Principal activities

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

Directors

The directors who served the company during the year were as follows:

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

P S Jackson, C N McMicking, and M H Storey resigned as directors on 20 April 2023.

Dividends

No dividend was paid during the year.

Future developments

The Directors expect the Group to continue to grow and develop its business in the forthcoming years by adding to its catalogue of products, expanding the audience for its products by widening their distribution, increasing the engagement of its users by developing richer experiences, and benefiting from the continued growth of relevant video games platforms globally. The Directors further expect the Group to continue to benefit from tax incentives in relation to video game development provided by the UK Government.

Events after the end of the reporting period

On the 20 April 2023 the entire issued share capital of Railsimulator.com Limited, was acquired by Dovetail Games Holding Ltd., an entity controlled by Focus Entertainment S.A., a major computer games publisher headquartered in Paris, France, and quoted on the Euronext Growth market. As a result the company became an indirect subsidiary of Focus Entertainment S.A.

Further particulars are detailed in note 31 to the financial statements.

Directors' responsibilities statement

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

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

Railsimulator.com Limited

Directors' Report *(continued)*

Year ended 31 March 2023

Directors' responsibilities statement (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Financial risk management objectives and policies

The Group makes use of financial instruments, other than derivatives, comprising cash, borrowings from its parent company, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are currency risk, credit risk, and liquidity risk. The Group has no interest in the trade of financial instruments or derivatives.

Currency Risk

The Group maintains bank balances in Pounds Sterling, United States Dollars, and Euros. It issues sales invoices and makes supplier payments in the same currencies. The currency mix of receipts and payments differs, and therefore the Group is exposed to transactional foreign exchange risk. The Group maintains flexibility in its operating model to adjust to changing FX rates.

Credit Risk

The Group is exposed to credit risk through trade debtors due from its customers. The Group operates customer acceptance and credit control processes in order to manage this risk.

Liquidity Risk

The Group seeks to manage liquidity risk by ensuring that sufficient liquid funds are available to meet its expected cash needs.

Interest Rate Risk

During the year the Group held bank loans of £3,220,421 (2022 - £2,151,167) which bore an interest rate of 4.25% over 3-month LIBOR but changed to 4.25% over SONIA (reducing to 3.5% if conditions are met). These were subsequently repaid in full post year end and replaced with funding from the parent company. The parent company loans are under long-term agreements with an agreed interest rate which subsequently mitigates the Group's exposure to interest rate risk.

Railsimulator.com Limited

Directors' Report *(continued)*

Year ended 31 March 2023

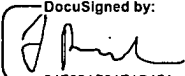
Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

22-Sep-2023

This report was approved by the board of directors on and signed on behalf of the board by:

DocuSigned by:

64F03A701F4C45A...

J L Rissik
Director

Registered office:
3rd Floor North
Fitted Rigging House
Anchor Wharf
The Historic Dockyard
Chatham, Kent
United Kingdom
ME4 4TZ

Railsimulator.com Limited

Independent Auditor's Report to the Members of Railsimulator.com Limited

Year ended 31 March 2023

Opinion

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 2023 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared 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 subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 are 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, 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 or 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 Auditor's Report to the Members of Railsimulator.com Limited (continued)

Year ended 31 March 2023

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 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 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 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Railsimulator.com Limited

Independent Auditor's Report to the Members of Railsimulator.com Limited (continued)

Year ended 31 March 2023

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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. A sample of revenue items were agreed to supporting documentation to ensure that revenue was appropriately recognised in terms of UK GAAP and no evidence of fraud or management override noted.

Railsimulator.com Limited

Independent Auditor's Report to the Members of Railsimulator.com Limited (continued)

Year ended 31 March 2023

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Mark Hutton

1429F7C410A143B...

Mark Hutton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Guildford, UK

22 September 2023

.....
Date

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

Railsimulator.com Limited**Consolidated Statement of Comprehensive Income****Year ended 31 March 2023**

	Note	2023 £	2022 £
Turnover	4	15,789,041	14,163,980
Cost of sales		(2,397,038)	(2,182,925)
Gross profit		13,392,003	11,981,055
Administrative expenses		(12,980,710)	(11,905,878)
Administrative expenses before exceptional items		(12,454,963)	(11,040,316)
Exceptional items	9	(525,747)	(865,562)
Other operating income	5	2,237,722	1,494,960
Operating profit	6	2,649,015	1,570,137
Other interest receivable and similar income	10	3,409	231
Interest payable and similar expenses	11	(269,863)	(114,793)
Profit before taxation		2,382,561	1,455,575
Tax on profit	12	—	—
Profit for the financial year and total comprehensive income		<u>2,382,561</u>	<u>1,455,575</u>

All the activities of the group are from continuing operations.

The notes on pages 19 to 40 form part of these financial statements.

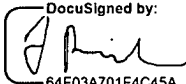
Railsimulator.com Limited

Consolidated Statement of Financial Position

31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	15	8,441,799	7,484,836
Tangible assets	16	341,064	444,722
		<u>8,782,863</u>	<u>7,929,558</u>
Current assets			
Debtors: due within one year	18	5,352,664	3,709,249
Cash at bank and in hand		<u>2,491,127</u>	<u>1,383,280</u>
		7,843,791	5,092,529
Creditors: amounts falling due within one year	19	<u>(2,770,022)</u>	<u>(2,429,926)</u>
Net current assets		<u>5,073,769</u>	<u>2,662,603</u>
Total assets less current liabilities		<u>13,856,632</u>	<u>10,592,161</u>
Creditors: amounts falling due after more than one year	20	(2,757,449)	(1,700,007)
Provisions	21	—	(185,000)
Net assets		<u>11,099,183</u>	<u>8,707,154</u>
Capital and reserves			
Called up share capital	23	13,813	13,803
Share premium account	25	170,786	167,296
Profit and loss account	25	10,914,584	8,526,055
Shareholders funds		<u>11,099,183</u>	<u>8,707,154</u>

These financial statements were approved by the board of directors and authorised for issue on 22-Sep-2023, and are signed on behalf of the board by:

DocuSigned by:

 64F03A701F4C45A...
 J L Rissik
 Director

DocuSigned by:

 F1EE87AB6D0D41E...
 N W Field
 Director

Company registration number: 06751125

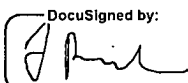
The notes on pages 19 to 40 form part of these financial statements.

Railsimulator.com Limited
Company Statement of Financial Position
31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	15	8,441,799	7,484,836
Tangible assets	16	341,064	444,722
Investments	17	1	1
		<u>8,782,864</u>	<u>7,929,559</u>
Current assets			
Debtors: due within one year	18	5,542,073	3,750,998
Cash at bank and in hand		2,459,435	1,383,280
		<u>8,001,508</u>	<u>5,134,278</u>
Creditors: amounts falling due within one year	19	<u>(4,668,443)</u>	<u>(2,485,022)</u>
Net current assets		<u>3,333,065</u>	<u>2,649,256</u>
Total assets less current liabilities		<u>12,115,929</u>	<u>10,578,815</u>
Creditors: amounts falling due after more than one year	20	<u>(2,757,449)</u>	<u>(1,700,007)</u>
Provisions	21	<u>—</u>	<u>(185,000)</u>
Net assets		<u><u>9,358,480</u></u>	<u><u>8,693,808</u></u>
Capital and reserves			
Called up share capital	23	13,813	13,803
Share premium account	25	170,786	167,296
Profit and loss account	25	9,173,881	8,512,709
Shareholders funds		<u><u>9,358,480</u></u>	<u><u>8,693,808</u></u>

The profit for the financial year of the parent company was £655,204 (2022: £1,442,229).

These financial statements were approved by the board of directors and authorised for issue on 22-Sep-2023, and are signed on behalf of the board by:

DocuSigned by:

 64F03A701F4C45A...
 J L Rissik
 Director

DocuSigned by:

 F1EE87AB600D41E...
 N W Field
 Director

Company registration number: 06751125

The notes on pages 19 to 40 form part of these financial statements.

Railsimulator.com Limited
Consolidated Statement of Changes in Equity
Year ended 31 March 2023

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
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 paid and payable	14	—	—	(3,450,803)	(3,450,803)
Equity-settled share-based payments		—	—	4,819	4,819
Shares issued in year		139	99,211	—	99,350
Total investments by and distributions to owners		139	99,211	(3,445,984)	(3,346,634)
At 31 March 2022		13,803	167,296	8,526,055	8,707,154
Comprehensive income for the year					
Profit for the year		—	—	2,382,561	2,382,561
Total comprehensive income for the year		—	—	2,382,561	2,382,561
Equity-settled share-based payments		—	—	5,968	5,968
Shares issued in year		10	3,490	—	3,500
Total investments by and distributions to owners		10	3,490	5,968	9,468
At 31 March 2023		<u>13,813</u>	<u>170,786</u>	<u>10,914,584</u>	<u>11,099,183</u>

The notes on pages 19 to 40 form part of these financial statements.

Railsimulator.com Limited
Company Statement of Changes in Equity
Year ended 31 March 2023

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
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
Dividends paid and payable	14	—	—	(3,450,803)	(3,450,803)
Equity-settled share-based payments		—	—	4,819	4,819
Shares issued in the year		139	99,211	—	99,350
Total investments by and distributions to owners		139	99,211	(3,445,984)	(3,346,634)
At 31 March 2022		13,803	167,296	8,512,709	8,693,808
Comprehensive income for the year					
Profit for the year		—	—	655,204	655,204
Total comprehensive income for the year		—	—	655,204	655,204
Equity-settled share-based payments		—	—	5,968	5,968
Shares issued in the year		10	3,490	—	3,500
Total investments by and distributions to owners		10	3,490	5,968	9,468
At 31 March 2023		<u>13,813</u>	<u>170,786</u>	<u>9,173,881</u>	<u>9,358,480</u>

The notes on pages 19 to 40 form part of these financial statements.

Railsimulator.com Limited
Consolidated Statement of Cash Flows
Year ended 31 March 2023

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	2,382,561	1,455,575
<i>Adjustments for:</i>		
Depreciation of tangible assets	188,378	179,698
Amortisation of intangible assets	5,330,781	4,388,954
Impairment of intangible assets	42,688	–
Other interest receivable and similar income	(3,409)	(231)
Interest payable and similar expenses	269,863	114,793
Loss on disposal of tangible assets	448	–
Share-based payment expense	5,968	4,819
Provisions and employee benefits	(185,000)	–
Taxation credit shown within other operating income	(2,204,148)	(1,437,553)
<i>Changes in:</i>		
(Increase)/ decrease in trade and other debtors	(876,820)	(123,224)
Increase/ (decrease) in trade and other creditors	283,385	(182,302)
Cash generated from operations	5,234,695	4,400,529
Tax received	1,437,553	1,355,332
Net cash from operating activities	<u>6,672,248</u>	<u>5,755,861</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(87,583)	(201,888)
Proceeds from sale of tangible fixed assets	2,415	–
Purchase of intangible fixed assets	(6,330,432)	(5,468,985)
Interest received	3,409	231
Net cash used in investing activities	<u>(6,412,191)</u>	<u>(5,670,642)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	3,500	99,350
Proceeds from borrowings	3,500,000	–
Repayments of borrowings	(2,448,335)	(493,285)
Interest paid	(207,375)	(114,793)
Dividends paid	–	(3,450,803)
Net cash from/(used in) financing activities	<u>847,790</u>	<u>(3,959,531)</u>
Net increase/(decrease) in cash and cash equivalents	1,107,847	(3,874,312)
Cash and cash equivalents at beginning of year	1,383,280	5,257,592
Cash and cash equivalents at end of year	<u>2,491,127</u>	<u>1,383,280</u>

The notes on pages 19 to 40 form part of these financial statements.

Railsimulator.com Limited
Notes to the Financial Statements
Year ended 31 March 2023

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. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies.

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.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

Consolidation

The financial statements consolidate the financial statements of Railsimulator.com Limited and all of its subsidiary undertakings, as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

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.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Revenue recognition

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 Company'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 Company is entitled to in accordance with the contractual agreement with the third party distributor.

Periodically, the Company 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 Company. 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-order sales is 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.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

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.

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.

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.

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.

Foreign currencies

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.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

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.

Operating leases

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.

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.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

Intangible assets

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 Company 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.

Amortisation

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 Administrative Expenses within the Statement of Comprehensive Income.

Development costs	-	1 to 4 years
-------------------	---	--------------

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

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.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

Taxation *(continued)*

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

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- 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.

Tangible 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

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.

Leasehold 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.

Interest income

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

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Impairment of 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.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

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.

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.

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.

Provisions

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.

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 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 Company 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.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

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.

Judgements and key sources of estimation uncertainty

In the application of applying the accounting policies, 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.

Judgements

In the course of preparing these financial statements, judgements 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 judgements that may significantly impact the financial statements.

Revenue recognition

The directors have reviewed the contractual agreements with its distributors. This is a material judgement 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 judgements 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:

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

Estimates *(continued)*

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 within accounting policies and note 24 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.

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 16 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 the accounting policies and note 12.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

3. Accounting policies *(continued)*

Estimates *(continued)*

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. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2023	2022
	£	£
United Kingdom	2,791,633	2,603,977
Europe	128,879	143,046
Rest of the World	12,868,529	11,416,957
	<u>15,789,041</u>	<u>14,163,980</u>

5. Other operating income

	2023	2022
	£	£
Government grant income	31,703	57,407
Other operating income	2,206,019	1,437,553
	<u>2,237,722</u>	<u>1,494,960</u>

Other operating income includes an amount of £2,204,148 (£1,437,553) in respect of Video Games Tax Relief credit.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

6. Operating profit

Operating profit is stated after charging/crediting:

	2023	2022
	£	£
Amortisation of intangible assets	5,330,781	4,388,954
Depreciation of tangible fixed assets	188,378	179,698
Impairment of intangible assets recognised in:		
Administrative expenses	42,688	—
Loss on disposal of tangible fixed assets	448	—
Foreign exchange differences	(83,327)	(37,349)
Research & development charged as an expense	278,123	135,159
Fees payable to the auditor and its associates for the audit of the annual financial statements	55,000	37,400
Fees payable to the auditor and its associates for the other services to the group:		
- Tax advice services	11,051	70,418
- Transactional services	148,626	202,875
- Other assurance services	—	22,625
Defined contribution pension cost	199,788	166,895
Operating lease payments	194,355	196,199

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

7. Staff costs

Aggregate payroll costs are stated after amounts capitalised to intangible assets. Details of payroll costs before adjustments for capitalised amounts, are shown below:-

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Wages and salaries	7,317,254	6,717,005	7,317,254	6,717,005
Social security costs	774,707	724,374	774,707	724,374
Cost of defined contribution scheme	183,794	166,895	183,794	166,895
Amounts capitalised	(4,094,559)	(3,532,745)	(4,094,559)	(3,532,745)
	<u>4,181,196</u>	<u>4,075,529</u>	<u>4,181,196</u>	<u>4,075,529</u>

The average number of persons employed by the group during the year, including the directors, amounted to:

	Group 2023 No.	Group 2022 No.	Company 2023 No.	Company 2022 No.
Employees	<u>181</u>	<u>188</u>	<u>181</u>	<u>188</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2023 £	2022 £
Directors' emoluments	955,427	785,145
Company contributions to defined contribution pension plans	<u>24,579</u>	<u>22,745</u>
	<u>980,006</u>	<u>690,344</u>

During the year 1 director (2022: 1) was issued share options under long term incentive schemes. No directors exercised share options during the year (2022: 3).

The number of directors who accrued benefits under company pension plans was as follows:

	2023 No.	2022 No.
Defined contribution plans	<u>5</u>	<u>5</u>

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

8. Directors' remuneration *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	2023	2022
	£	£
Aggregate remuneration	211,844	179,740
Company contributions to defined contribution pension plans	5,226	5,175
	<u>217,070</u>	<u>184,915</u>

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

9. Exceptional items

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Exceptional items	710,747	865,562	710,747	865,562
Movement in provision for exceptional costs	(185,000)	—	(185,000)	—
	<u>525,747</u>	<u>865,562</u>	<u>525,747</u>	<u>865,562</u>

Exceptional items include non-recurring professional and other costs in relation to the acquisition of the Group by Focus Entertainment S.A. and potential equity financing of the Group, restructuring costs, and the release of the provision referred to in note 21.

10. Other interest receivable and similar income

	2023	2022
	£	£
Interest on cash and cash equivalents	<u>3,409</u>	<u>231</u>

11. Interest payable and similar expenses

	2023	2022
	£	£
Interest on banks loans and overdrafts	<u>269,863</u>	<u>114,793</u>

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

12. Tax on profit

	2023 £	2022 £
Group Video Games Tax Relief credits repayable	(2,204,148)	(1,437,553)
Group Video Games Tax Relief credits classified as other operating income	2,204,148	1,437,553
Total current tax	<u>—</u>	<u>—</u>

The Company Video Games Tax Relief credit on its own was £457,030 (2022 - £1,424,207).

The Group has unused corporation tax losses carried forward at the year-end of £5,359,705 (2022 - £7,925,391).

Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the year is lower than (2022: lower than) the standard rate of corporation tax in the UK of 19% (2022: 19%).

	2023 £	2022 £
Profit on ordinary activities before taxation	2,382,561	1,455,575
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	452,687	276,559
Effects of:		
Fixed asset differences	14,413	(11,508)
Expenses not deductible for tax purposes	1,028,271	7,552
Non-taxable income	(418,788)	(282,675)
Other permanent differences	(6,004)	(16,111)
Video game development tax profit adjustment	(2,259,104)	8,593
Deferred tax not recognised	(487,480)	(408,365)
Remeasurement of deferred tax for change in tax rate	—	(666,499)
Difference between the rate of corporation tax and the rate of relief under the video games tax credit	(528,143)	(345,099)
Reclassification of video games tax credit to other operating income	2,204,148	1,437,553
Tax on profit	<u>—</u>	<u>—</u>

Factors that may affect future tax charges

From April 2023 the main rate of corporation tax will increase from 19% to 25%. The Group claims Video Games Tax Credit and has losses carried forward of £5,887,407 (2022 - £7,925,391). As a result, it is anticipated that the increase will not have a material impact.

13. 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 £655,204 (2022 - £1,442,229).

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

14. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2023	2022
	£	£
Ordinary 1	–	2,300,003
A1 Ordinary	–	958,445
A2 Ordinary	–	192,355
	<u>–</u>	<u>3,450,803</u>

15. Intangible assets

Group and company	Development costs £
Cost	
At 1 April 2022	30,750,279
Additions	6,330,432
At 31 March 2023	<u>37,080,711</u>
Amortisation	
At 1 April 2022	23,265,443
Charge for the year	5,330,781
Impairment losses	42,688
At 31 March 2023	<u>28,638,912</u>
Carrying amount	
At 31 March 2023	<u>8,441,799</u>
At 31 March 2022	<u>7,484,836</u>

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 2023 is £1,384,027 (2022 - £1,170,193) relating to intangible assets under production for which amortisation has not yet commenced.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

16. Tangible assets

Group and company	Leasehold improve- ments £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 April 2022	317,547	190,783	919,855	1,428,185
Additions	—	686	86,897	87,583
Disposals	—	(367)	(3,130)	(3,497)
At 31 March 2023	<u>317,547</u>	<u>191,102</u>	<u>1,003,622</u>	<u>1,512,271</u>
Depreciation				
At 1 April 2022	134,556	133,164	715,743	983,463
Charge for the year	45,364	25,039	117,975	188,378
Disposals	—	(12)	(622)	(634)
At 31 March 2023	<u>179,920</u>	<u>158,191</u>	<u>833,096</u>	<u>1,171,207</u>
Carrying amount				
At 31 March 2023	<u>137,627</u>	<u>32,911</u>	<u>170,526</u>	<u>341,064</u>
At 31 March 2022	<u>182,991</u>	<u>57,619</u>	<u>204,112</u>	<u>444,722</u>

17. Investments

The group has no investments.

Company	Shares in group under- takings £
Cost	
At 1 April 2022 and 31 March 2023	<u>1</u>
Impairment	
At 1 April 2022 and 31 March 2023	<u>—</u>
Carrying amount	
At 1 April 2022 and 31 March 2023	<u>1</u>
At 31 March 2022	<u>1</u>

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Dovetail Games (Scotland) Limited	Ordinary	100

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

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

17. Investments *(continued)*

The results and capital and reserves for group undertakings not included in the consolidated financial statements are as follows:

	Capital and reserves		Profit for the year	
	2023	2022	2023	2022
	£	£	£	£
Subsidiary undertakings				
Dovetail Games (Scotland) Limited	<u>1,740,704</u>	<u>13,347</u>	<u>1,727,357</u>	<u>13,346</u>

The principal activity of the company was video games development.

18. Debtors

Debtors falling due within one year are as follows:

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	664,449	1,621,504	664,449	1,621,504
Amounts owed by group undertakings	—	—	1,957,240	68,442
Prepayments and accrued income	2,157,711	467,034	2,157,711	467,034
Other debtors	<u>2,530,504</u>	<u>1,620,711</u>	<u>762,673</u>	<u>1,594,018</u>
	<u>5,352,664</u>	<u>3,709,249</u>	<u>5,542,073</u>	<u>3,750,998</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2022 - £Nil).

Within other debtors is an amount of £2,204,148 (2022 - £1,437,553) which represents Video Games Tax Relief due to the Group. The amount due to the Company is £457,030 (2022 - £1,424,207).

Within other debtors is an amount of £243,325 (2022 - £112,677) in respect of Value Added Tax due to the group. The amount due to the company is £222,612 (2022 - £112,677).

Accrued income included within prepayments and accrued income above totals an amount of £1,811,115 (2022 - £77,386).

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

19. Creditors: amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Bank loans and overdrafts	462,972	451,160	462,972	451,160
Trade creditors	570,816	669,066	492,130	657,432
Amounts owed to group undertakings	—	—	2,019,302	66,730
Accruals and deferred income	1,534,095	1,108,289	1,491,900	1,108,289
Social security and other taxes	180,148	192,447	180,148	192,447
Other creditors	21,991	8,964	21,991	8,964
	<u>2,770,022</u>	<u>2,429,926</u>	<u>4,668,443</u>	<u>2,485,022</u>

Total bank loans are secured over the assets of the Company to the amount of £3,220,421 (2022 - £2,151,167).

Included within creditors: amounts falling due after more than one year is an amount of £2,757,449 (2022 - £1,697,840) 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.

Interest was due at 4.25% over 3-month LIBOR but changed to 4.25% over SONIA (reducing to 3.5% if conditions are met) during the year and on amounts repayable after the year end.

The bank loans were repaid in full on 21 April 2023.

20. Creditors: amounts falling due after more than one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Bank loans and overdrafts	<u>2,757,449</u>	<u>1,700,007</u>	<u>2,757,449</u>	<u>1,700,007</u>

21. Provisions

Group and company	Provision £
At 1 April 2022	185,000
Release of provision	(185,000)
At 31 March 2023	<u>—</u>

The provision previously made in relation to historical employment arrangements (including applicable taxes and costs) was released during the year.

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £199,788 (2022: £166,895).

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

23. Called up share capital

Issued, called up and fully paid

	2023		2022	
	No.	£	No.	£
Ordinary 1 shares of £0.01 each	916,001	9,160	920,001	9,200
A1 Ordinary shares of £0.01 each	383,378	3,834	383,378	3,834
A2 Ordinary shares of £0.01 each	81,942	819	76,942	769
	<u>1,381,321</u>	<u>13,813</u>	<u>1,380,321</u>	<u>13,803</u>

On 12 September 2022, 5,000 Ordinary 1 shares were redesignated as A2 Ordinary shares.

During the year ending 31 March 2023, the following Ordinary 1 shares were issued by the Company:

Date	Number of shares	Price paid per share
1 February 2023	1,000	£3.50

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.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

24. Share based payments

As at 31 March 2023, there were 123,733 (2022 - 123,268) share options issued to 39 (2022 - 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 123,733 (2022 - 123,268) share options issued qualified under the EMI scheme.

At 31 March 2023, the number of vested options was 103,502 (2022 - 112,368) and the number of unvested options was 20,231 (2022 - 11,000). Of the unvested options, 8,133 (2022 - 5,445) are expected to vest within one year.

	Weighted average exercise price (pence) 2023	Number 2023	Weighted average exercise price (pence) 2022	Number 2022
Outstanding at the beginning of the year	1,418	123,268	1,318	130,950
Granted during the year	2,000	24,398	3,000	8,333
Forfeited during the year	1,775	(11,100)	1,807	(2,075)
Exercised during the year	350	(1,000)	1,367	(13,940)
Lapsed during the year	350	(3,500)	—	—
Cancelled during the year	2,000	(8,333)	—	—
	<u>1,510</u>	<u>123,733</u>	<u>1,418</u>	<u>123,268</u>
Outstanding at the end of the year	1,510	123,733	1,418	123,268

As at 31 March 2023, the Company had issued 8,075 (2022 - 4,575) share options to 2 members of staff (with 3,500 options issued to 1 member of staff during the year) under the Railsimulator.com Limited Management Unapproved Option Scheme which was adopted by the Company on 20 June 2017. As at 31 March 2023, 4,575 (2022 - 4,575) share options had vested.

The Company recognised total expenses of £5,968 (2022 - £4,819) related to employee equity settled share based payments transactions in the year. Share options have been valued using the Black Scholes model.

25. Reserves

Share premium account

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

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 *(continued)*

Year ended 31 March 2023

26. Analysis of changes in net debt

	At 1 Apr 2022	Cash flows	At 31 Mar 2023
	£	£	£
Cash at bank and in hand	1,383,280	1,107,847	2,491,127
Debt due within one year	(451,160)	(11,812)	(462,972)
Debt due after one year	(1,700,007)	(1,057,442)	(2,757,449)
	<u>(767,887)</u>	<u>38,593</u>	<u>(729,294)</u>

27. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Not later than 1 year	248,142	225,600	248,142	225,600
Later than 1 year and not later than 5 years	417,302	664,445	417,302	664,445
	<u>665,444</u>	<u>890,045</u>	<u>665,444</u>	<u>890,045</u>

28. Related party transactions

During the year, £41,167 (2022 - £39,167) 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 (2022 - £Nil) was owed to the entity.

During the year, £33,000 (2022 - £33,000) was paid for services to an entity with a common shareholder and director. At the year end, £Nil (2022 - £Nil) was owed to this entity. An amount of £2,375 (2022 - £4,750) was paid for services to another entity that the wife of a Director is a Director of. At the year end, £Nil (2022 - £Nil) was owed to this entity. An entity in which a director is also a director of, £7,000 (2022 - £40,000) was paid to this entity for services. At the year end, £Nil (2022 - - £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 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 £Nil (2022 - £592,798). Family members closely connected to the Directors had a further interest in dividends of £Nil (2022 - £125,335).

During the year, dividends were paid to an entity of which a director is a member of totalling £Nil (2022 - £1,150,800), another entity which another director is also a director and shareholder of totalling £Nil (2022 - £326,068) and a pension scheme connected to a director of £Nil (2022 - £125,000).

Key management are considered to be the directors and their remuneration is disclosed in note 8.

Railsimulator.com Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2023

29. Controlling party

No one individual had control over the Group as at 31 March 2023.

Subsequent to the year end, the Group came under the control of Focus Entertainment S.A. See note 31 for further details.

31. Events after the end of the reporting period

Following the period end, on the 20 April 2023, the entire issued share capital of Railsimulator.com Limited was acquired by Dovetail Games Holding Ltd., an entity controlled by Focus Entertainment S.A., a major computer games publisher headquartered in Paris, France, and quoted on the Euronext Growth market. As a result, the company has become an indirect subsidiary of Focus Entertainment S.A.

As a result of this transaction new ordinary shares were issued (pursuant to exercise of employee share options) for total cash consideration of £1,906,360, funding in the amount of £3,093,640 was provided by the new parent company, and the third party bank debt of the Company was repaid. Details of the exceptional costs incurred in relation to this during the reporting period are set out in note 9.