ANNUAL REPORT AND ACCOUNTS 2019

Team17 is a leading video games label and creative partner for independent ("indie") developers. The team develops and publishes games, helping independent developers from all backgrounds to bring quality gaming experiences to all players globally.

The Group creates award winning owned first party and third party IP – through partnering with indie developers globally – in the development and publishing of games across multiple platforms typically for a fixed revenue share.

Team17 is a highly successful games publisher, focussed on maximising a game's commercial success and creating long term game franchises.

The Group focuses on premium, rather than free to play games, and has launched over 100 games, including the iconic and well-established Worms franchise, as well as Overcooked and The Escapists.

STRATEGIC REPORT

CORPORATE GOVERNANCE

GROUP FINANCIAL STATEMENTS

COMPANY FINANCIAL STATEMENTS

HIGHLIGHTS OF THE YEAR

+43%
Revenue £61.8m (2018 £43.2m)

+44%
Adjusted EBITDA* £22.1m (2018: £15.3m)

+49%
Gross profit £29.5m (2018: £19.8m)

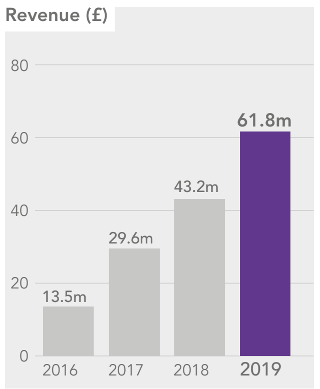
£41.9m
Cash and cash equivalents (2018: £23.5m)

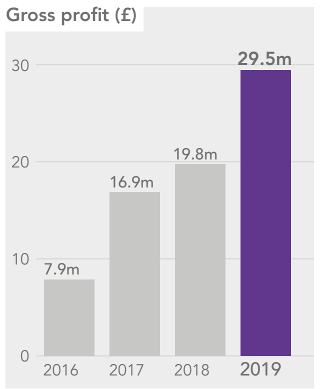
48%
Gross profit margin (2018: 46%)

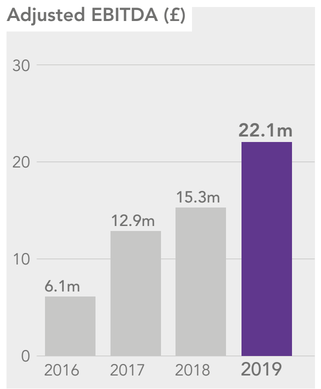
13.6p
Adjusted Earnings per share** (2018: 8.1p)

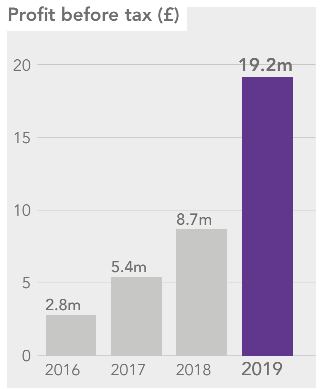
*Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation of brands and impairment of intangible assets (excluding capitalised development costs), exceptional items, share based payment costs and one-off amortisation accounting estimation change relating to prior periods. Exceptional items are those items believed to be exceptional in nature by virtue of their size and or incidence.

**Adjusted earnings per share is calculated by dividing the adjusted profit after tax by the weighted average number of ordinary shares in issue since admission to trading on AIM as adjusted for the dilutive effect of share options

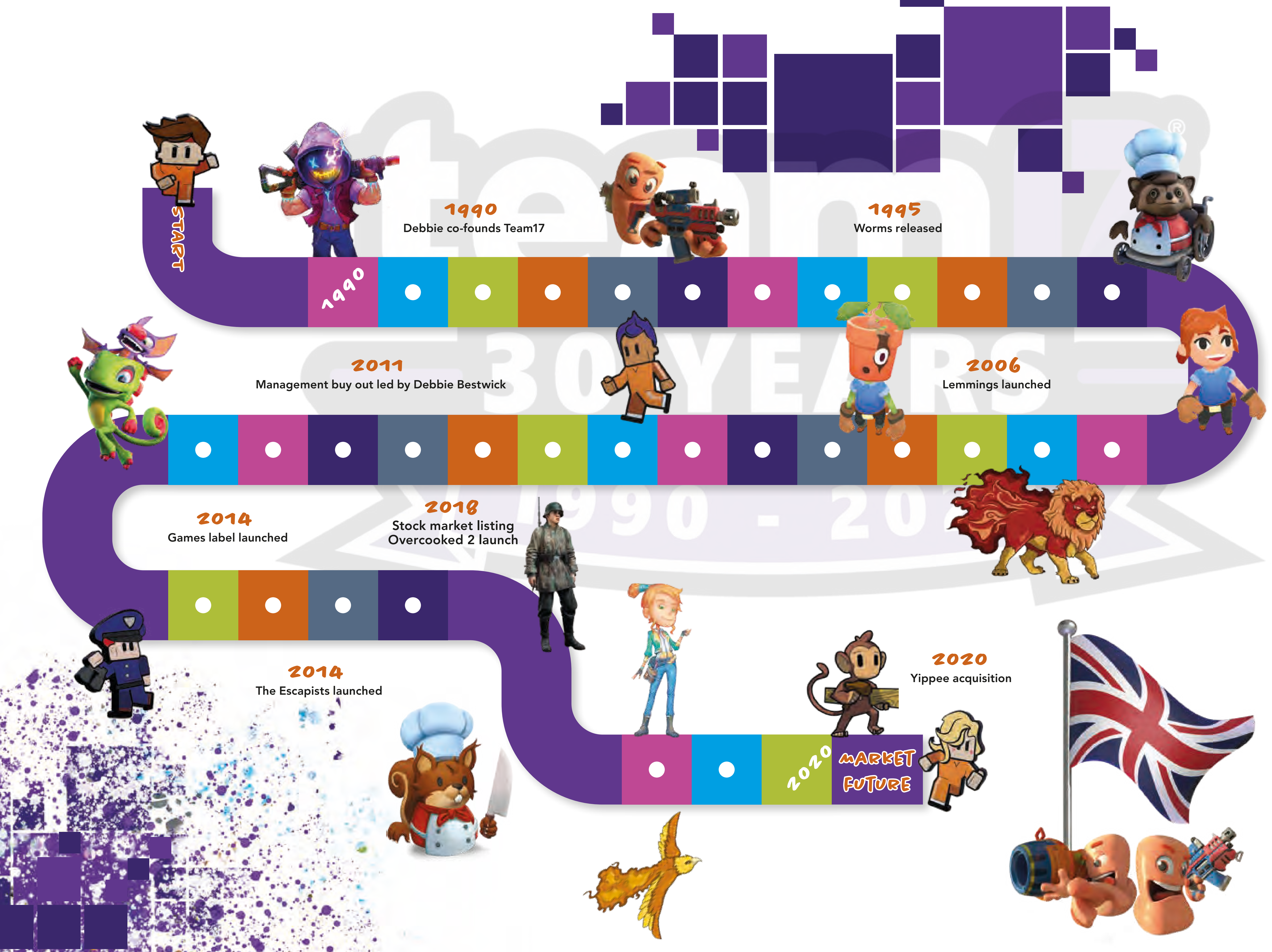








- Portfolio continued to grow strongly in 2019 with 7 new game launches and growing back catalogue with over 300 Digital Revenue Lines.
- Development studio moved to new Wakefield premises in November with significantly improved working environment and medium-term expansion capacity.
- Headcount increased 20% to 200 at the end of the year (2018: 167) reflecting further investment across all areas of the business.
- Board strengthened with the appointment of Jennifer Lawrence and Martin Hellawell as Non-Executive Directors.
- Solid 2020 pipeline of game launches planned with 10 titles already announced including Moving Out, Main Assembly and a new Worms title.
- Continued industry recognition, with wins for Yoku's Island Express (Bafta: Best Debut Game) and Overcooked! 2 (Develop: Star Game of the Year) and numerous nominations across the portfolio during 2019.



1990 – 2020

1990
Debbie co-founds Team17

1991
Team17 launches first game

1995
Worms released

2006
Lemmings launched

2011
Management buy out led by Debbie Bestwick

2014
Games label launched
The Escapists launched

2016
Overcooked launched

2017
The Escapists 2 launched

2018
Stock market listing
Overcooked 2 launched
My Time at Portia launched

2020
Yippee acquisition
10 new titles announced for release

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

Debbie Bestwick MBE
Chief Executive Officer

Chris Bell
Non-Executive Chairman

" We are delighted to report another record performance in 2019, underpinned by positive momentum across our portfolio of games "

Introduction

We are delighted to report another record performance in 2019, underpinned by positive momentum across our portfolio of games. The strength of our portfolio model is central to our business as we continue to build on our strong track record, delivering another record financial performance in which we delivered revenues of £61.8m up 43% (2018: £43.2m), record gross profit up 49% to £29.5m (2018: £19.8m) and adjusted EBITDA of £22.1m (2018: £15.3m) up 44%.

In 2019, we saw a consistent performance across our portfolio from both newly launched titles and our back catalogue, which includes all games released on a platform prior to the first day of the current financial year. Team17 has launched (all games released prior to the first day of the current financial period) over 100 games into their back catalogue, culminating in over 300 Digital Revenue Lines from which our commercial team generate back catalogue revenues. We published 7 new game releases in 2019 comprising 6 new Intellectual Property ("IP") games alongside 1 new game set in the same universe but not a sequel. Additionally, 2 existing games were launched on new platforms, and we continued to release new paid and free downloadable content ("PDLC" and "FDLC") at optimal stages during the lifecycle to further enhance the value and extend the lifecycle of games that form part of the back catalogue.

Importantly, our significant back catalogue portfolio continues to underpin growth, with £43.7m (71%) of revenues derived from this channel in 2019 (2018: £22.3m) with the remainder comprising of newly launched games.

Our vision for the business remains clear, guided by the following key growth priorities:

- Continue to leverage our 'greenlight' process which underpins the Group's portfolio-based model of first and third party IP[4]
- Ongoing investment in both creative and commercial talent that can support new releases and extend the life of our growing back catalogue
- Continue to be at the forefront of new business models and new platforms focussing on return on investment
- Seek further opportunities to expand the Group's operational/development studio base through ongoing investment
- Seek further opportunities to grow the Group via acquisitions where it brings long term Group value

On behalf of everyone at Team17, we'd like to thank all our label partners and shareholders for their support and contribution to our journey thus far.

Game Development and launches

Our portfolio continued to grow strongly in 2019, launching 7 new games. Additionally, we continued to release new paid and free downloadable content at optimal stages during the lifecycle to further enhance the value and extend the lifecycle of games that form part of the back catalogue:

- *Genesis Alpha One* – launched on the Epic Game store in January and on PlayStation 4 and Xbox One
- *Hell Let Loose* – the 100-person WW2 simulation shooter, launched into early access on the Valve's Steam store in June 2019, achieving number 1 globally within 3 hours of launch
- *Golf With Your Friends franchise* – joined the label in February 2019. Our team and creative developers will be working to grow this franchise further on consoles in 2020
- *Blasphemous* – launched on Valve's Steam store and console in September 2019, achieving number 2 globally on Steam within hours of launch
- Also launched *Automachef* (July), *Monster Sanctuary* (August), *Yooka Laylee & the Impossible Lair* (October) and a number of back catalogue lifecycle additional content updates for our portfolio of games.

We have a solid pipeline of games scheduled for release in 2020, with more new original game IP launches than in any previous year. We have invested strongly in our people and headcount over the last 12 months to best prepare for this, however it is important to note new IP is incredibly difficult to forecast accurately, specifically in new genres and on new hardware, so we reiterate we will continue to take a cautious line on revenue forecasts relating to new IP, as we have done in previous years. Our portfolio model, managed through our commercial greenlight investment appraisal of any third party IP and the strengths of our lifecycle management de-risk new IP over the lifecycle of a digital game.

10 titles have been announced so far, including ***Moving Out*** launching 28 April 2020, a new Worms title, ***Hammerting***, ***Neon Abyss***, ***Going Under***, ***Rogue Heroes: Ruins of Talos***, ***Main Assembly***, ***The Survivalists***, ***Ageless and Golf With Your Friends*** on console.

Revenues in 2020 are expected to be more heavily weighted to H2 compared with 2019 due to the impact of new releases. Release dates will be announced at the time that is best for the games and the business.

The pedigree of Team17 has continued to be recognised within the video games sector over the course of 2019, with a number of nominations and awards for games within its portfolio, including, Yoku's Island Express being awarded the BAFTA for Best Debut Game in April 2019, and Overcooked! 2 being awarded Game of the Year at the Develop: Star Awards in July 2019.

30 years of Team17

This year, we'll celebrate 30 years in the games industry; an achievement that can only come in the fast paced and constantly evolving games industry by investing in a process of continual innovation and improvement and reacting in an agile manner to technological change. Since formation in 1990, we have demonstrated an impressive track-record of developing and successfully bringing video games to market across a wide range of platforms. Central to this is ensuring our games remain relevant through utilising downloadable content and sequels, further extending the lifecycle of key titles across many transition periods in hardware and business models.

Our games label launched its first game in 2014 and the label now accounts for 83% of total revenue. Of the games label revenues, co-development accounts for 67% and we continue to ensure we strike the right balance between a fun engaging game for consumers and commercial success across a wide range of game genres. Whilst innovations in middleware have lowered the barrier to entry, cost of creating quality content and digital distribution continues to open up new markets, and the ability to select commercially viable opportunities continues to differentiate Team17.

Our strategy remains the same as when we listed in 2018. We look to work with great games makers from around the world to help enhance their creations via our internal development talent. Simultaneously, we continue to develop our own first party IP – such as ***Worms***, ***The Escapists*** and ***The Survivalists*** – and our commercial team bring all IP to market via blue chip games channels and distribution partners in the best possible way to achieve our commercial targets across our portfolio.

In November 2019, we moved our Development Studio to new premises in Wakefield, which has significantly improved the working environment and will allow us to expand in the medium term. This continuous investment in our people and facilities is fundamental to the culture we have created and will remain at the forefront as we continue to grow.

" We look forward to another year of continued growth with a solid pipeline of new game launches and consistent performance from the back catalogue "

Post year end, we were delighted to announce the acquisition of Yippee Entertainment Limited ("Yippee"), for a total consideration of circa £1.4m. Yippee is a UK based, multi-award-winning software developer, and its integration into the Group will enable Team17 to establish a second UK studio, therefore accelerating our recruitment plans in the North West. Manchester offers us a ready-made studio infrastructure within MediaCityUK that can tap into a surrounding population of experienced development talent, with 400,000 students within an hour.

Market dynamics

The video games market continues to see significant growth and opportunities, with a recent report from gaming analytics firm, Newzoo, estimating the market will grow to $196bn by 2022 with a CAGR of 9.0%[5].

The industry continues to evolve and over the next 12 months we will see a slight transition period as last generation consoles come to an end, with the expectation at the time of this report, of the introduction of next generation consoles in late 2020. This transition we believe will be far smoother than in previous cycles for Team17 due to our platform agnostic and portfolio approach.

With the next generation consoles expected to launch towards the end of the year, the global games market is predicted to grow by 8.2% in 2020 (2019: 9.6%)[5]. Console growth is the second largest market segment making up 32% with global revenues in 2019 of $48bn. The console segment is expected to grow to $61bn between 2018 and 2022 with a CAGR of 9.7%[5] following the launch of the new consoles.

Outlook

Team17 continue to build on strong foundations, as demonstrated by the expansion of our operational base and the further growth of our portfolio and back catalogue. Our pipeline for 2020 remains solid, and we look forward to launching several new titles and further digital content throughout the current financial year.

COVID-19 is already having a major impact on a global scale to the way people live their lives and how businesses operate. At the time of this report, Team17 have already tested and initiated "working from home capability" across all three of our operational sites, to facilitate that secure remote working can continue to support the development and promotion of our existing back catalogue and planned new releases.

Our HR team and management teams are working together to support our Teamsters to ensure that they are ready and prepared for the challenges of working at home and in isolation and we continue to monitor the impact of the imposed containment measures. Many of our 3rd party developers are small operations working in isolation already and any that were part of bigger operations have now all moved to working remotely. 91% of our business is generated through digital sales which means that they are not impacted by any physical supply chain issues related to COVID-19. We will continue to monitor the situation on a daily basis as the containment measures impact the way we operate and will keep our shareholders updated with any significant changes.

We remain focused on utilising our existing, very efficient business model to identify, develop and publish new titles and have utilised our cash position by further investing across our business, as evidenced in our new Wakefield facility, the acquisition of Yippee and investment in people. We continue to evaluate a number of further growth initiatives.

We are immensely proud of the collective achievements of all our people, past and present over the last three decades. Our Teamsters are fundamental to the ongoing success of our business and remain central to all our future growth priorities.

Team17 is in great health and strategically well positioned with our portfolio to drive growth in the year ahead. The board remains confident in continuing to deliver shareholder value in 2020 and well beyond.

Debbie Bestwick MBE
Chief Executive Officer

Chris Bell
Non-Executive Chairman
15 April 2020

[4] First party IP are games owned exclusively by Team17 and third party IP relates to games owned by external developers

[5] Market data sourced from 2019 newzoo Global Games Market Report https://newzoo.com/products/reports/global-games-market-report/

TEAM17 PORTFOLIO

Team17 is a premium global video games label. Alongside developing our own IP, Team17 partners with indie developers around the globe to publish games in a genre agnostic fashion. Team17's aim is to bring high-quality games to market that are leading in their respective genre. We apply our expertise in product incubation, go-to-market execution and lifecycle management skills to maximise the opportunity for commercial success for every game we launch.

Product acquisition: identifying and partnering with highly creative indie developers, leveraging the Group's highly selective 'greenlight' process to identify, screen and appraise potential titles

IP & product incubation: a 100+ employee internal creative development studio providing essential resources including additional code, art, audio, design, quality assurance, usability, release management, cross-platform development and support services

Go-to-market execution: Team17 uses the experience, skill-set and know-how within its separate commercial team to create consumer awareness and discoverability on digital distribution platforms through sales, marketing, events, public relations, social channels and community marketing

Lifecycle management: maximising long-term enhanced revenue of games through dynamic price management, incremental downloadable content, promotional planning and strategic additional platform releases.

1990 – 1996

1991
Full Contact
Alien Breed

1992
Project-X
Assassin
Alien Breed Special Edition

1993
Superfrog
Body Blows
Alien Breed II The Horror Continues
F17 Challenge
Overdrive

1994
Arcade Pool
Alien Breed: Tower Assault
Ultimate Body Blows
Apidya
Super Stardust

1995
All Terrain Racing
Alien Breed 3D
Kingpin: Arcade Sports Bowling
Worms

1996
X2
Worms Reinforcements
The Speris Legacy
World Rally Fever
Alien Breed 3D II: The Killing Grounds


Alien Breed 1991


Ultimate Body Blows 1994


Worms 1995

1997 – 2004

1997
Worms: The Director's Cut
Worms 2

1998
Nightlong: Union City Conspiracy
Addiction Pinball

1999
Worms Armageddon
Phoenix
Arcade Pool 2

2000
No new launches

2001
Worms World Party
Stunt GP

2002
Worms Blast
Worms for Sky Digital

2003
Worms 3D

2004
Worms Forts: Under Siege

2005
Worms 4 Mayhem


Addiction Pinball 1998


Worms Armageddon 1999


Worms Forts 2004

2006 – 2012

2006
Worms Open Warfare
Lemmings
Army Men: Major Malfunction

2007
Lemmings 2
Worms Open Warfare 2

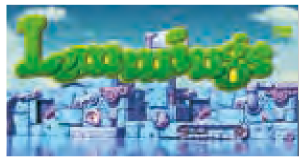
2008
Worms: A Space Oddity

2009
Leisure Suit Larry: Box Office Bust
Worms 2: Armageddon
Alien Breed Evolution
Alien Breed: Impact

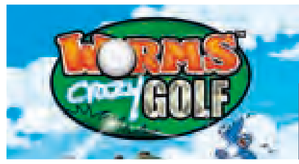
2010
Worms Reloaded
Alien Breed 2: Assault
Worms Battle Islands
Alien Breed 3: Descent

2011
Worms Ultimate Mayhem
Worms Crazy Golf

2012
Worms for Facebook
Worms Revolution


Lemmings 2006


Alien Breed 2: Assault 2010


Worms Crazy Golf 2011

2013 – 2016

2013
Alien Breed HD
Superfrog HD
Worms Clan Wars
Worms 3

2014
Worms Battlegrounds
Flockers
Light
The Escapists
Overruled!
Schrodinger's Cat and the Raiders of the Lost Quark
Hay Ewe

2015
LA Cops
(R)evolve
Worms World Party Remastered
Beyond Eyes
Sheltered
The Escapists: The Walking Dead
Penarium
Worms 4

2016
OlliOlli2: XL Edition
Not A Hero: Super Snazzy Edition
10 Minute Tower
Overcooked
Worms WMD
Lethal VR


The Escapists 2014


Beyond Eyes 2015


Lethal VR 2016

2017 – 2020

2017
Yooka-Laylee
Aven Colony
Interplanetary: Enhanced Edition
The Escapists 2

2018
Forged Battalion
My Time At Portia
Raging Justice
Yoku's Island Express
Mugsters
Overcooked 2
Sword Legacy: Omen
Planet Alpha

2019
Yooka-Laylee Impossible Lair
Blasphemous
Automachef
The Room
Mugsters

2020
Main Assembly
Moving Out
Golf With Your Friends (console version)
Rogue Heroes: Ruins of Talos
The Survivalists
Going Under
Neon Abyss
Ageless
Hammerting
A new Worms title


Yoku's Island Express 2018


Overcooked 2 2018


The Survivalists 2020

THE MARKET OPPORTUNITY

The gaming industry has undergone significant growth in recent years. Total gaming revenue in 2019 was **$152.1** billion, an increase of **9.6%** versus 2018. By 2022, the global games market is expected to grow to **$196.0** billion with a CAGR of **9.0%**.

$61.1 bn

Console expected to grow to $61.1 billion by 2022

200 m

200 million active users on Steam and Epic Games Store.

Source: https://www.theverge.com/2020/1/14/21064951/epic-game-store-users-number-cross-play-revenue-valve-steam

Distribution platforms

PC games	$32.2 bn
Smartphone games	$54.9 bn
Tablet games	$13.6 bn
Console games	$47.9 bn
Browser PC games	$3.5 bn

Market data sourced from 2019 newzoo Global Games Market Report https://newzoo.com/ products/reports/global-games-market-report/

The flags represent the locations of Team17's 3rd party development partners.

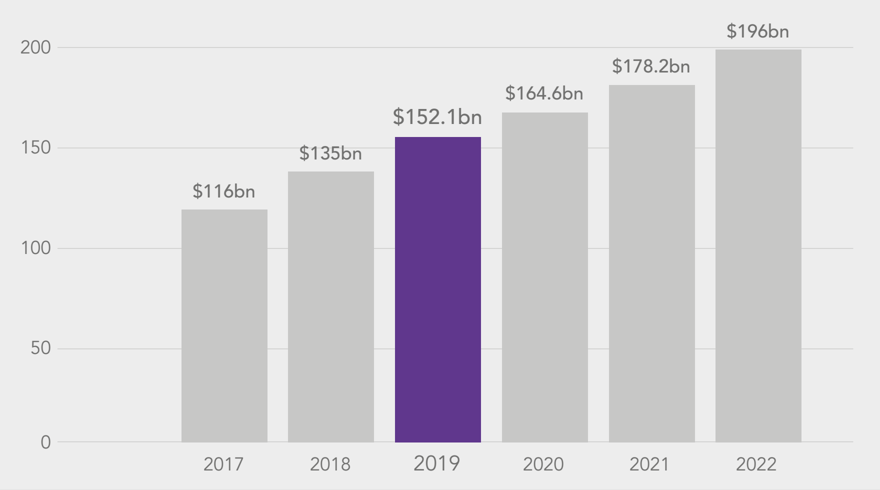
11.7%

North America revenues grew 11.7% in 2019 to $39.6 billion vs 2018

11.5%

Europe, Middle East and Africa revenues grew 11.5% in 2019 to $34.7 billion vs 2018

Global games market (billion)



Market opportunity

- Emergence of more revenue channels as the market starts to mature e.g. premium, games as a service, subscription, rental
- Digital distribution platforms Steam and Epic Games store boast a combined total of 200 million active users
- Launch of next generation consoles (Xbox Series X) and (PlayStation 5) later this year

OUR PEOPLE

"The new offices are modern and vibrant, and truly reflect the business that Team17 has become"

2019 saw our headcount increase by more than 20% as we continue to set ourselves up for organic growth and our expanding portfolio of games.

Our acquisition of Yippee Entertainment on the 2 January 2020 was an exciting milestone, increasing our studio capacity and providing access to a new talent pool in the North West.

Over in Yorkshire, we moved our teams in Wakefield to much larger premises to provide a more modern working environment with space to collaborate and create, as well as room for continued expansion.

We pride ourselves in looking after all of our people so that they feel proud to work here and can enjoy contributing to our many successes. We do this by keeping our work interesting and varied; by helping everyone to have a sense of belonging and purpose; and by genuinely caring and being supportive when life throws a challenge in whatever form that takes.

Teamsters have the freedom to create their own social clubs, and currently these range from board and video game groups, to five-a-side football, to film clubs. These are fully inclusive and supported by us whether that be providing football kits, board games or simply the space for gatherings.

Our Team17 Engagement Committee (TEC) keeps us on our toes by suggesting ways for improving life here for everyone, be that about our working environment, how to maintain our culture, how to make us an even better company – you name it – nothing is off the table for discussion.

We also try to do our bit for the wider community by fundraising for various charities. Charities we have supported include TheRockinR, Special Effects, 2buWakefield, the Community Action Programme (CAP) and the World Wildlife Fund.

Currently just under half of our employees make regular contributions to the Team17 share incentive savings scheme.

INVESTING IN TALENT

Acquisition of Yippee (January 2020)

- Multi- award-winning games developer.
- Based in MediaCityUK, Manchester
- Focused on creation of third-party games alongside its own IP
- Seamless integration with existing capabilities and business model at Team17

New Wakefield hub

- Significantly improved working environment
- Sufficient capacity for medium-term expansion
- Aligned to ongoing investment in facilities to attract high quality creative talent

"The TEC team gives us a voice and an influence in decisions about how the company is run day-to-day, for example how the new Wakefield studio was designed and the creation of gender neutral bathrooms"

"I've been with Team17 since the very beginning when we'd be packing games in the warehouse ready for posting out to people. Seeing how far this company has come to date is phenomenal and incredibly inspiring"

"This is an environment where you can not only have your voice heard but also properly listened to. The LGBTQ+ network at Team17 has really grown because of this, and we're now starting to make our voices heard outside the company too"

CHIEF FINANCIAL OFFICER'S REVIEW

Mark Crawford
Interim Chief Financial Officer

" Team17 has delivered another strong financial performance with Group revenues growing 43% to £61.8m "

Performance overview
Building on our successful IPO in 2018, Team17 has delivered another strong financial performance with Group revenues growing 43% to £61.8m (2018: £43.2m) for the year to 31 December 2019. The Group's share of third-party sales continues to build and at year end represented 83% of total revenues (2018: 74%). These results demonstrate the growing strength of our games label business in identifying, increasingly co-developing, publishing and extending the lifecycle of first and third party titles.

The Group launched 7 new games in 2019, which contributed to the overall new release revenues representing 29% of total revenues for the period. The back catalogue continues to perform strongly, with the focus on further extending the lifecycle value of our portfolio. The proportion of revenue coming from new releases compared to our back catalogue will vary from year to year and is dependent on the number, timing and scale of new game releases. This sales mix will impact the scale of both revenue and profit for the Group across the 12 months cycle and is systematic of managing a growing portfolio business.

Gross profit continued to grow during the year, up 49% to £29.5m (2018: £19.8m), with gross margins increasing by 2 percentage points to 48% (2018: 46%) despite the higher mix of third party sales (revenue from games which the Group does not own the IP for), which was driven by a greater proportion of co-developed titles with improved commercial terms. In addition, other cost of sales grew at a lower rate than revenue contributing to the overall improved gross margin.

Administrative expenses grew by 45% to £10.6m (2018: £7.3m excluding one off IPO costs of £2.6m incurred last year) predominantly reflecting the increased investment in the team with a 20% increase in total headcount at year end to 200 (2018: 167). Since recruitment was predominantly second half loaded, this resulted in a 14% increase in average headcount rising to 173 during the period (2018: 152).

In addition, the annualised impact of the IPO contributed to the increase in overheads as a result of the normalisation of directors' remuneration compared to pre-IPO being heavily dividend weighted. Legal and professional costs of £0.3m (2018: £0.1m) also increased year on year due to: full year PLC costs; the finalisation of the Deferred Bonus Share Plan and Share Incentive Plan; and one-off costs associated with the acquisition of Yippee announced on 2 January 2020.

The resulting operating profit for the period was £19.0m which grew 52% compared to the previous year, when excluding the one-off IPO costs in 2018 (2018: £12.5m).

Development costs capitalised during the period were £3.2m which is comparable to the normalised costs in the prior year (2018: £3.0m excluding exceptional adjustments of £0.9m relating to a change in accounting estimates). This demonstrates the continued investment in future titles alongside ongoing development investment to support live games, the latter being fully expensed in the period.

Adjusted EBITDA grew by 44% to £22.1m (2018: £15.3m) with the adjusted EBITDA margin expressed as a percentage of revenue holding steady at 35.8% (2018: 35.4%), demonstrating the continued strong underlying profit growth of the business. Adjusted EBITDA includes add backs of £0.9m (2018: £0.4m) for share based payment charges associated with share awards used to reward and incentivise Team17 employees.

Team17 is effectively debt free (apart from the lease liabilities now included following adoption of IFRS 16 this year). As a result we generated net finance income of £0.2m driven by bank interest earned during the period in comparison to the prior year net finance costs of £1.2m, which related to interest on the loan notes held by Directors of the Company and LDC, which were repaid in full at the IPO.

The effective tax rate (or taxation divided by profit before tax) for the year was 13.3% (2018: 17.2%) reflecting the impact of Video Games Tax Relief (VGTR) and adjustments made to the tax treatment of IPO costs from the prior year.

Statement of Financial Position
Cash generated from operations rose to £25.1m (2018: £17.5m) resulting in a net increase of £18.3m (2018: £15.1m) in cash and cash equivalents, taking these to £41.9m (2018: £23.5m), which includes £3.2m (2018: £3.2m) held in the Employee Benefit Trust (EBT) and used to support share awards to reward and incentivise Team17 employees. Team17 remains highly cash generative with an operating cash conversion of 103% (2018: 107%) and the Board expects the Group to remain significantly cash generative in 2020.

Team17 is well positioned in terms of its existing cash reserves and solid cash conversion, generated from 91% digital sales to be able to support the current anticipated impact and operational demands of COVID-19.

The Statement of Financial Position now carries net book intangible asset values as at 31 December 2019 of £21.1m (2018: £21.1m) and £16.0m (2018: £17.8m) for goodwill and brands respectively and reviewed every six months for impairment. In addition, £2.8m net book value of intangible assets relates to capitalised development costs on titles launched within the last two years (2018: £2.7m).

Trade and other receivables rose to £11.5m (2018: £8.1m) in line with the increase and mix in revenues compared to the prior year. Trade and other payables are £11.7m (2018: £8.0m) and are directly related to the revenue growth which has driven higher accruals and deferred income.

" Team17 remains highly cash generative with an operating cash conversion of 103% "

During the year the Development studio moved to new leased premises in Wakefield. The capitalised costs for this were £1.0m, with the new studio creating a better working environment and ensuring that our facilities support the current and medium-term growth needs of the business.

For the first time, the Group has adopted IFRS 16 which means that leases are now recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. The adoption of the policy resulted in the capitalisation of £1.6m of right-of-use assets and corresponding lease liabilities of £1.6m split between current and non-current liabilities during the period.

Share Issues
During the year, the Group implemented a Deferred Bonus Share Plan for its senior management and an All Employee Share incentive plan. These were funded from the EBT so do not represent a dilution impact on shares. This means that all current employees that were employed during the year of the IPO are now shareholders. In addition, currently just under half of our employees make regular contributions to the share incentive plan under the tax efficient share savings scheme and continue to grow their shareholding in the Group.

Dividend
The Group continues to focus on retaining cash generated from operations to further invest in the business and its growth plans and as such the Directors do not propose a dividend at this time.

Events After the Reporting Date
On 2 January 2020, Team17 announced the acquisition of Yippee Entertainment Limited ("Yippee") for a total consideration of circa £1.4m. The acquisition consideration was satisfied through a combination of cash and shares.

Mark Crawford
Interim Chief Finance Officer
15 April 2020

Key performance indicators for the period ended 31 December 2019

	FY19	FY18	Growth
Revenue (£m)	61.8	43.2	43%
Gross profit (£m)	29.5	19.8	49%
Gross profit margin	48%	46%	
Operating profit (excluding exceptional costs) (£m)	19.0	12.5	52%
EBITDA (£m)	21.2	12.0	77%
Adjusted EBITDA (£m)	22.1	15.3	44%
Profit before tax (£m)	19.2	8.7	121%
Profit after tax (£m)	16.6	7.2	131%
Basic and diluted EPS	12.9 pence	6.1 pence	111%
Basic and diluted adjusted EPS	13.6 pence	8.1 pence	68%
Cash and cash equivalents (£m)	41.9	23.5	78%
Operating cash conversion	103%	107%	

PRINCIPAL RISKS AND UNCERTAINTIES

Effectively managing our risks

Team17 Group plc is operating in a competitive and dynamic growth market and as such faces a number of strategic and operational risks. Senior management actively manage the Group's risk register which is regularly reviewed by the Board. The identified risks are up to date with the Group's operations and wider environment. The risks are appropriately scored, and the mitigations are evaluated and tested.

The key business and financial risks for the Group are:

Strategic risks

Market growth and disruption – the Group operates in a dynamic industry that has seen consistent growth over many years and increasing levels of competition as the number of new games released grows year on year. This competition is multifaceted, ranging in size, sophistication and capability from large competitors to independent games developers who choose to self-publish. Slower than expected market growth or a failure to remain competitive would adversely affect the Group's performance.

- The Group has longevity and an entrenched position in the industry today. Its portfolio approach, rigorous greenlight process and active lifecycle management of its games provide the Group with confidence that it will continue to release popular games and optimise their commercial success.

Strategic risks (continued)

Technological change – the industry has seen some major shifts over the past few years with the shift to digital distribution along with the development of middleware such as Unity and Unreal. Ongoing technological change in both the development and distribution of games is to be expected and the Group will need to adapt quickly to these changes in order to remain competitive.

- The Group has a track record of being one of the first to market across new platforms and distribution channels and remains platform agnostic with no dependency on any specific platform partner. The Group invests in upskilling its workforce to be at the forefront of technological developments. It is therefore able to anticipate changes in technology and delivery and be agile and adaptable in order that it can react swiftly to changes as they emerge and exploit these as opportunities.

Dependence on concentrated customer base – the Group serves a small number of customers who utilise their proprietary distribution platforms to provide the Group's games to end consumers. Any adverse changes in the status of the Group's relationship with its customers could negatively impact financial performance.

- As a result of developing a commercially successful games portfolio over a long period, the Group has developed heavily entrenched partnerships with its customers over more than 20 years that deliver commercial value on both sides. The Group will continue to invest in these relationships to ensure enduring partnerships that grow and prosper.

Dependence on key titles to generate significant share of Group revenue – The Group has historically been reliant on a subset of successful titles to generate a large share of its revenues. Should the Group fail to competently manage the lifecycle of its core games this may adversely affect it financial results.

- The Group has expanded its portfolio of successful titles over recent years and a core part of its strategy is focussed on continuing to do this in the future. It has a track record of developing franchises with long lifecycles and multiple follow on titles – it's greenlight process is directed at identifying future titles with this same potential.

Operational risks

The ability to recruit and retain key and skilled personnel – The achievement of the Group's business plan is dependent on the availability of key skills and experience across its workforce. Loss of key personnel could adversely affect and impact the Group's ability to meet its strategic ambitions.

- Although there will inevitably be some level of staff turnover, the Board believes that the variety of work available for staff along with its strong collaborative environment, high quality leadership and competitive benefits packages make Team17 a place where talented individuals want to build their careers. The Group also has a proactive approach to recruitment and is particularly focussed on partnering with a number of academic institutions providing a graduate intake each year. The Group is proud of how it continues to successfully develop staff internally and also maintains a succession plan to mitigate the impact should any key personnel choose to leave. Investment has been made in the HR leadership and Talent Acquisition to support identifying, developing and retaining our staff.

IT security – The business is dependent on the security, integrity and operational performance of the system and products it offers as well as the platform partners we work with. A security breach could significantly impact the business and its ability to execute on its plans.

- The Group regularly reviews its IT and security provisions and invests to ensure they are industry leading and in line with best practice.

Intellectual property – The core assets of the Group are the intellectual property it owns and that of the third-party developers on whose behalf it publishes. Any infringement to this intellectual property by unauthorised third parties may prove damaging and adversely impact the Group's performance.

- The Group legally protects its own-and third-party partner intellectual property. It also proactively scans for any potential infringements and rigorously challenges these where appropriate.

Financial / Economic risks

Currency risk – The Group's cost base is predominantly in Pounds Sterling (GBP) whilst its revenue is generated globally, with the largest share being received in US Dollars (USD). As such there is a risk that the Group's financial performance could be adversely affected by unfavourable movements in foreign exchange.

- While the longer-term risks of transacting globally cannot be avoided, the Group continually reviews its foreign exchange exposure and where appropriate puts in place forward contracts to minimise exposure where possible. Pricing in different markets can also be flexed if required to minimise margin pressure.

Brexit – Following the exit of the European Union there continues to be significant uncertainty around the impact of the exit following the transition period but it is likely to result in change to the UK's economic relationships with other countries and may impact the Group's ability to hire and retain staff from European Union countries which may deplete the available talent resource pool.

- The Group remains proactive in monitoring legislative changes to its industry and is preparing accordingly for any detrimental impact of Brexit.

COVID-19 – the Pandemic virus is impacting all companies, employees, suppliers and customers on a worldwide basis and provides significant uncertainty over the ability for companies to operate. As a result, it may impact suppliers and customers behaviours due to the isolation measures taken by individual governments as well as the disease impact of the virus on the general population. The virus impacts the Group's ability to work within the three physical offices and therefore may impact the staff's ability to develop and promote new titles as well as manage the on-going promotion of its back catalogue.

- The Group has already engaged in testing and have established "working from home" capability across all sites with secure remote access to allow the continued development and promotion of game titles. The Group will continue to monitor the situation regarding the wider impact of the virus both on internal productivity as well as the supply chain for new technology delivery and constantly changing consumer behaviour patterns.

BOARD OF DIRECTORS

Debbie Bestwick MBE
Chief Executive Officer

Debbie Bestwick is an industry leader with over 30 years' experience in the games industry and is one of the founding members of Team17. Initially leading Team17's Sales and Marketing department, Debbie went on to become responsible for all of the commercial and legal aspects of the business, working globally with top tier games distributors, publishers, developers, and licence partners. Debbie became joint CEO in 2009 and sole CEO in 2010, leading the company through its 2011 management buy-out and subsequent sale of a minority stake to LDC in 2016. Debbie was awarded an MBE for services to the video games industry in 2016, was joint winner of the Entrepreneur of the Year UK Disruptor category in 2017 and was awarded the inaugural Outstanding Contribution to the UK Games Industry at the 2017 Golden Joystick Awards. Previously, Debbie has been honoured with the Hall of Fame award at the European Women in Games Conference 2015 and MCV Person of the Year award in 2015. Debbie was central to establishing Team17's games label which has become a key growth driver for Team17.

Mark Crawford
Interim Chief Financial Officer

Mark has over 30 years' experience with a decade at Executive and Board level and is a qualified Chartered Management Accountant. He joined Team17 from TravelUp, a privately-owned online travel business, where he was Chief Financial Officer from 2018. Previously, Mark was Chief Financial Officer of TP Group plc, an AIM-listed specialist technology, energy and defence business, and prior to that held a number of positions with large corporates, including Glaxo Pharmaceuticals, PepsiCo Restaurants, Gondola Restaurants and more recently Kingfisher plc, supporting their major pan-European supply chain and logistics transformation programme.

Chris Bell
Non-Executive Chairman

Chris joined the Board of Directors in 2018, prior to Team17's IPO on AIM. Chris has, since 2015, been Senior Independent Director for The Rank Group Plc, where he also serves on both the Audit Committee and the Nominations Committee. Chris is Non-Executive Chairman of three AIM-listed companies: XL Media plc, TechFinancials, Inc and OnTheMarket plc, all of which he took to market and on which he serves on key governance committees. Chris joined Ladbroke Group plc in 1991, becoming Managing Director of its Racing Division in 1995. In 2000, he became Chief Executive of Ladbrokes Worldwide and joined the Board of the rebranded Hilton Group plc, becoming Chief Executive of Ladbrokes plc, following the sale of the Hilton International Hotel division, until 2010. He has also served as Non-Executive Director at Spirit Pub Company plc (2011 to 2015), Gaming Realms plc (2017 to 2018) and as Senior Independent Director at Quintain Estates and Development plc (2010 to 2015). Prior to joining Ladbrokes plc (formerly Hilton Group plc and Ladbrokes Group plc), Chris held senior marketing positions at Allied Lyons plc.

Penny Judd
Non-Executive Director

Penny joined the Team17 Board in 2018 in advance of the successful IPO on AIM. Penny has over 30 years' experience in Compliance, Regulation, Corporate Finance and Audit. Penny is currently Chair of AIM-listed Plus500 Ltd, and is also a Non-Executive Director of Alpha Financial Markets Consulting plc and AIM-listed TruFin plc. She serves as Chair of the Audit Committee of both companies. Penny was, until June 2016, a Managing Director and EMEA Head of Compliance at Nomura International plc, a position she held for three years. Prior to this, Penny worked at UBS Investment Bank for nine years and held the position of Managing Director, EMEA Head of Compliance. Penny also acted as Head of Equity Markets at the London Stock Exchange and qualified as a Chartered Accountant.

Jennifer Lawrence
Non-Executive Director

Jen was appointed Non-Executive Director in February 2019. Jen has a wealth of experience, having previously held the role of HR Director with Costcutter Supermarkets Group where Jen worked with the executive team responsible for the successful financial and operational running of the business. With over 900 people employed nationwide at Costcutter, Jen was responsible for ensuring the employment base was aligned with delivering strategic objectives. Prior to joining Costcutter, Jen held HR roles with TDX Group, Boots and Boots Opticians. Jen is chair of Team17's remuneration committee.

Martin Hellawell
Non-Executive Director

Martin was appointed Non-Executive Director in September 2019. Martin has significant experience across the capital markets arena with a particular focus on both technology and high growth businesses. Martin is currently Chairman of Softcat plc ("Softcat"), a leading provider of IT infrastructure products and services. He joined Softcat in 2006 as Managing Director. During his tenure, Martin guided Softcat through a significant period of growth culminating in its successful IPO in November 2015. Prior to Softcat, Martin worked at Computacenter plc, where he was part of the team that oversaw Computacenter's IPO in 1998. In August 2019, Martin was also appointed Chairman of Raspberry Pi Trading Limited.

CORPORATE GOVERNANCE

The Board is committed to effective and robust corporate governance and has progressed the Company's corporate governance since Admission.

The Board has agreed to apply the QCA Code. The disclosures required by the QCA Code can be found at https://www.team17group.com/aim-rule-26/corporate-governance. A copy of the QCA Code is available from the QCA website www.theqca.com

In compliance with S172 of Companies Act 2006, the Board recognises the importance of engagement with its stakeholders and the link this has to the long term success of the Group. Through the discussions, presentations and reviews held at the Board meetings throughout the year, the Board are able to ensure that the Group maintains an effective working relationship with a wide range of stakeholders as well as its shareholders. Updates from senior members of the management team provide engagement with the development programs including 3rd party development partners, access to understanding of customer and community programs and insight into the Group's gaming platform partner relationships and future initiatives alongside clear internal employee engagement programs as outlined on pages 10 and 11 of this report for example via the Team17 Engagement Committee (TEC). In addition, the Executive Directors maintain a face to face dialogue with shareholders at least twice a year with external feedback shared directly with the Board. The annual strategic planning and budgeting process also provides the Board with the opportunity to understand and challenge the long term business strategy to help deliver growth and future success of the Group through its team and the products they create, develop and publish.

The Board

Full biographies of the Directors can be found on pages 16 to 17. At the date of this report, the Board comprises one Executive Director and four independent Non-Executive Directors, one of which is the Non-Executive Chairman.

- Debbie Bestwick was appointed as a Director under a service contract dated 17 May 2018. This contract may be terminated by 6 months' notice by either party.
- Jo Jones resigned from her position as a Director on 22 November 2019.
- Christopher Bell was appointed as Chairman under a letter of appointment dated 1 May 2018. Such appointment may be terminated by 3 months' notice by either party.
- Penny Judd was appointed as a Non-Executive Director under a letter of appointment dated 1 May 2018. Such appointment may be terminated by 3 months' notice by either party.
- Jennifer Lawrence was appointed as a Non-Executive Director under a letter of appointment dated 24 February 2019. Such appointment may be terminated by 3 months' notice by either party.
- Martin Hellawell was appointed as a Non-Executive Director under a letter of appointment dated 2 September 2019. Such appointment may be terminated by 3 months' notice by either party.

The Chairman and the CEO have separate and clearly defined roles. The Chairman is responsible for overseeing the Board and the CEO is responsible for implementing the stated strategy of the Company and for its operational performance.

The Chairman is committed to ensuring that the Board comprises sufficient Non-Executive Directors to establish an independent oversight which is challenging and constructive in its operation. The Board believes that all of the Non-Executive Directors are of sufficient experience and quality to bring an expert and objective dimension to the Board. The Company ensures that the Non-Executive Directors are enabled to call on specialist external advice where necessary.

Directors are expected to attend Board and Committee meetings and to devote enough time to the Company and its business in order to fulfil their duties as Directors.

Board and committee attendance

Director	Position	Board: Max possible attendance	Board: Meetings attended	Committee: Nominations	Committee: Audit and Risk	Committee: Remuneration	Committee: Independence
Chris Bell	NED/ Chairman	9	9	2	2	1	✓
Debbie Bestwick	CEO	9	8	2	1	–	×
Jo Jones[1]	CFO	7	7	–	2	–	×
Penny Judd	NED	9	9	2	2	1	✓
Jennifer Lawrence[2]	NED	7	6	2	1	1	✓
Martin Hellawell[3]	NED	2	2	1	–	–	✓

([1]Jo Jones resigned on 22 November 2019)
([2]Jennifer Lawrence appointed 24 February 2019)
([3]Martin Hellawell appointed [2] September 2019)

Board meetings

The Board meets on a regular basis throughout the calendar year and as required on an ad hoc basis with a mandate to consider strategy, operational and financial performance and internal controls. In advance of each meeting, the Chairman sets the agenda, with the assistance of the Company Secretary. Directors are provided with appropriate and timely information, including board papers distributed in advance of the meetings. Those papers include reports from the executive team and other operational heads.

The Company Secretary produces full minutes of each meeting, including a log of actions to be taken. The Chairman then follows up on each action at the next meeting, or before if appropriate.

The Board committees are comprised solely of Non–Executive Directors with the CEO and CFO invited to attend committee meetings as considered appropriate by the chair of the committee.

Matters reserved for the Board

Matters reserved for the decision of the Board include:

- approving the Group's strategic aims and objectives;
- reviewing performance against the Group's strategic aims, objectives and business plans;
- overseeing the Group's operations;
- approving changes to the Group's capital, corporate, management or control structures;
- approving results announcements and the annual report and financial statements;
- approving the dividend policy;
- declaring the interim dividend and recommending the final dividend and any special dividend;
- approving any significant changes in accounting policies;
- approving the treasury policy;
- approving the Group's risk appetite and principal risk statements;
- reviewing the effectiveness of the Group's risk and control processes;
- approving major capital projects and material contracts or arrangements;
- approving all circulars, prospectuses and admission documents;
- ensuring a satisfactory dialogue with shareholders;
- establishing Board committees and approving their terms of reference;
- approving delegated levels of authority;
- approving changes to the Board and its committees;
- determining the remuneration policy for the Directors and other senior executives;
- providing a robust review of the Group's corporate governance arrangements; and
- approving all Board mandated policies.

Committees

The Board has in place Audit, Nomination and Remuneration Committees, which comply with the stated terms of reference for each committee. The reports of the Audit and Remuneration Committees can be found on pages 20 to 21.

Nomination Committee

The Nomination Committee leads the process for board appointments and makes recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee meets as and when necessary, but at least once a year. The Nomination Committee comprises Debbie Bestwick, Chris Bell, Penny Judd, Jennifer Lawrence (since appointed on 24 February 2019), Martin Hellawell (since appointed on 2 September 2019) and is chaired by Chris Bell.

Election and re-election of the Directors

As Martin Hellawell was appointed since the most recent AGM he will be offered for election. The Board will operate a staged retirement by rotation process for existing Directors and therefore Debbie Bestwick and Penny Judd will stand for re-election this year.

Support for Directors

Each Director has access to the advice and support of the Company Secretary, who ensures compliance with the Board's procedures and advice as to applicable rules and regulations. The Company also provides professional training for the Directors where necessary (at the Company's expense).

Internal control

The Board is ultimately responsible for maintaining the Company's risk framework system of internal control and for reviewing the effectiveness of such system. No system can be perfect, but the Board considers the Company's systems manage risks appropriately in order that the Company can achieve its business objectives.

Board evaluation

The Board considers it important to evaluate its performance and at each meeting of the Board includes an agenda item to evaluate whether the meeting was successful. With the appointment of Martin Hellawell during the year, the Board is now established, comprised of a Chair, three Non Executive Directors and one Executive Director with a comprehensive search and review ongoing to secure a permanent Chief Financial Officer. The Board has commenced a formal evaluation process of its performance and application in line with the QCA Code recommendations.

Corporate Culture

The Board places significant importance on the promotion of ethical values and good behaviour within the Company and takes ultimate responsibility for ensuring that these are promoted and maintained throughout the organisation and that they guide the Company's business objectives and strategy. The central role that sound ethical values and behaviour plays within the Company is enshrined in the Employee Handbook, which promotes this culture through all aspects of the business, from initial recruitment and hiring to career advancement. The Employee Handbook also sets out the Company's requirements and policies on such matters as whistleblowing, communication and general conduct of employees.

Relations with shareholders

The Board considers it important to maintain an open dialogue with the Company's shareholders and to keep those shareholders fully informed of the strategy, operational developments and prospects. The Company keeps investors informed of its progress through announcements and updates as to financial and operational progress.

The executive Board met formally with shareholders at conferences in September 2019 and March 2020 and formal investor roadshows around the interim results and release of final results.

Annual General Meeting

The AGM is currently planned to be held at 11a.m on Tuesday 19th May. The Notice of AGM, setting out the resolutions proposed, is contained in a separate document and is available on the Company's website https://www. team17group.com.

AUDIT COMMITTEE REPORT

Members of the Committee
- Penny Judd (Chair)
- Christopher Bell
- Jennifer Lawrence (since joining 24 February 2019)
- Martin Hellawell (since joining 2 September 2019)

Dear Shareholder

I am pleased to present the report of the Audit Committee for the year ended 31 December 2019. The Terms of Reference for the Committee were created at admission and are reviewed annually.

Role of the committee
The Audit Committee has the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. Chaired by Penny Judd, the Committee is attended by all the Non-Executive Directors and attended by the Chief Executive and Chief Financial officers by request of the Committee to facilitate discussions of the financial statements and internal controls. The auditor PricewaterhouseCoopers LLP are invited to attend the meetings which are held at least twice each financial year.

Key Responsibilities
In order to ensure it meets its obligations, the Committee's key responsibilities include:

- Monitoring and reviewing the Group's financial statements relating to the performance, reporting judgements and disclosures specifically in relation to the interim and annual reports
- Ensuring compliance to the relevant accounting standards and reviewing the consistency of the methodology applied
- Overseeing the relationship with the external auditor, reviewing performance and advising the Board members on the auditor's appointment and remuneration
- Reviewing and discussing the findings of the audit with the external auditor

Activities during the year
Following the issue of its first set of accounts as a quoted entity last year, FY19 was a year of good progress with the Committee approving the interim results and overseeing the year end result and audit process.

The Audit Committee continually assesses whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made by management. As part of the audit process, the Committee also reviews accounting papers prepared by management, and reviews reports by the external auditors. These included ongoing reviews of accounting policies for revenue recognition and capitalised development costs and their useful life. Alongside the audit activities the Committee oversees the risk processes and reporting within the business which will be a continued area of focus in the coming year.

In addition, the Committee is involved in the review of the current finance systems and future requirements to ensure that the business has the appropriate systems and reporting to support its strategic growth plans.

External audit
The Audit Committee approves the reappointment and remuneration of the Group's external auditors. They also ensure that they are satisfied with the external auditors' independence in relation to any other non-audit work undertaken by them.

REMUNERATION COMMITTEE REPORT

Members of the Committee
- Jennifer Lawrence (Chair) since appointment on 24 February 2019
- Christopher Bell
- Penny Judd
- Martin Hellawell (since joining 2 September 2019)

Dear Shareholder

I am pleased to present the report of the Remuneration Committee for the year ended 31 December 2019. The Terms of Reference for the Committee were created at Admission and are reviewed annually. The Remuneration Committee comprises the four Non-Executive Directors of the business and is chaired by Jennifer Lawrence.

The Company is committed to a remuneration policy with the objective of aligning business performance with executive remuneration. It is vital for the Company that it is able to encourage and reward the right behaviours, values and culture, thereby attracting, retaining and motivating its team.

Role of the Committee
The primary role for the Committee is to review and set the remuneration of the Executive Directors and senior management (including salary levels, discretionary variable remuneration and terms and conditions of service). Key responsibilities are:

- Set and monitor the remuneration of the Executive Directors and Senior Management Team which includes pay, annual performance related bonus and any long-term incentive plan (LTIP's) arrangements
- Approval of the Team17 overall annual performance related bonus payments and annual salary review
- Approval of all share award plans and subsequent issue of share awards to staff
- On-going review of the Terms of Reference of the Committee

The Committee uses public sources of information on current market remuneration levels for comparable roles and companies with similar levels of scale and complexity and is enabled to seek external professional advice as it requires from time to time. During the year PricewaterhouseCoopers LLP provided advice to the Company in relation to the Executive and Employee incentive share incentive plans.

Independence of the Remuneration Committee
All of the members of the Committee are independent Non-Executive Directors. The Chief Financial Officer and Chief Executive Officer are invited to meetings of the Committee where required but are not present for any business relating directly to their own positions or remuneration.

Remuneration policy
The Committee is focused on setting a remuneration policy to take into account the importance of talent to the success of the Company in an industry where talented and resourceful individuals are in high demand and are relatively mobile. The Company promotes a culture based on sound ethical values and rewards behaviours that support such values.

The Company maintains a simple Executive remuneration structure balancing fixed base salary and pension with performance related bonus and LTIP share awards that are aligned to deliver the Company's growth objectives and create shareholder value.

Executive service contracts created at the time of Admission (May 2018) provide for a 6-month notice period that can be terminated by either party.

Performance Related Pay
Executive bonus payments are determined using both Company performance using Adjusted EBITDA as the chosen financial measure and individual performance as reviewed by the Remuneration Committee. Bonus payments are made in April following the year-end audit, based on the reported financial performance in the annual report.

LTIP awards can be granted as a number of nil-cost share options subject to three-year performance criteria based on EPS and Total Shareholder Return over the performance period.

No additional LTIP awards were made in 2019.

Payments for loss of office
Jo Jones, Chief Financial Officer, left the business on 22 November 2019. Following her departure, she received payments in lieu of her notice period in accordance with her contractual entitlement and retained 50% of her LTIP share options that were awarded in 2018.

Directors' remuneration for the year ended 31 December 2019 (Audited)

Director	Base salary fees £'000	Compensation for loss of office £'000	Annual performance award £'000	Pension £'000	Benefits £'000	Share options[4] £'000	FY2019 Total £'000	FY2018 Total £'000
Executive Directors								
Debbie Bestwick	321	–	321	16	23	730	1,411	1,489
Jo Jones[1]	188	152	220	9	9	133	712	39
Non-Executive Directors								
Christopher Bell	100	–	–	–	–	–	100	67
Penny Judd	55	–	–	–	–	–	55	37
Jennifer Lawrence[2]	47	–	–	–	–	–	47	–
Martin Hellawell[3]	15	–	–	–	–	–	15	–

Jo Jones[1] resigned on 22 November 2019 – Loss of office relates to payments in lieu of notice
Jennifer Lawrence[2] was appointed on 24 February 2019
Martin Hellawell[3] was appointed on 2 September 2019
[4]The share options figure represents the accounting fair value of the share options apportioned for the period from the grant date to the vesting date

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements of Team17 Group Plc (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2019.

Principal activity
The principal activity of the Company is that of a holding company.

The principal activity of the Group (the Company and its subsidiaries) is the development and publishing of video games for the digital and physical market.

Future developments
Trading for the period from 31 December 2019 to the date of this document has been positive and is consistent with the Board's expectations and profitability and cash generation remain encouraging.

The Group has announced several new games for 2020. Through its greenlight process the Group continues to review and sign new titles to its games label, in addition to maximising the revenue opportunity provided by its substantial back catalogue.

Results and dividends
The profit for the year, after taxation, amounted to £16.6m (Year ended 31 December 2018: £7.2m).

The directors have not recommended the payment of a dividend (2018: £Nil).

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

D J Bestwick
J Jones (resigned 22 November 2018)
C Bell
P Judd
J Lawrence (appointed 24 February 2019)
M Hellawell (appointed 2 September 2019)

Going concern
Management has produced forecasts which have been reviewed by the directors. These demonstrate the Group is forecast to generate profits and cash in the year ending 31 December 2020 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

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

Directors' responsibilities statement
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European. 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements,
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial risk management
See Principal Risks and Uncertainties on pages 14 and 15.

Section 172 statement
Compliance with S172 of Companies Act 2006 is detailed on page 18.

Statement of disclosure of information to Auditors
In so far as each of the directors is aware, the directors confirm that:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors
PricewaterhouseCoopers LLP were reappointed as auditors for the year to 31 December 2020. PricewaterhouseCoopers LLP offer themselves for reappointment in accordance with the Companies Act 2006.

The Group and Company financial statements on pages 27 to 64 were approved by the Board of Directors on 15 April 2020 and signed on its behalf by:

D Bestwick
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEAM17 GROUP PLC

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Opinion
In our opinion, Team17 Group Plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2019 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

Our audit approach
Overview

Materiality	• Overall group materiality: £750,000 (2018: £560,000), based on 5% of 2 year average profit before tax and exceptional items.
Audit scope	• The Group Engagement Team has performed a full scope audit of all components within the Group. The audited components therefore accounted for 100% of consolidated revenue and 100% of consolidated profit before tax.
Key audit matters	• Valuation of capitalised development costs. • Impact of COVID-19.

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEAM17 GROUP PLC CONTINUED

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
Valuation of capitalised development costs The risk that development expenditure which meets the capitalisation criteria is not capitalised and the risk that inappropriate amortisation periods are subsequently applied. The Group incurred £3.2 million of capitalised product development costs during the year ended 31 December 2019, relating to games the Group develops to sell through its various channels. The net book value of such capitalised costs as at 31 December 2019 was £2.8 million. We focused on this area due to the inherent level of judgement around whether costs capitalised meet the recognition criteria of IAS 38 'Intangible assets' as determination of that involves management judgment. Furthermore, there is a risk that capitalised costs will not be supported by the future cash inflows generated from product sales.	We assessed whether the costs capitalised relating to product development met the criteria set within IAS 38 'Intangible assets' noting no exceptions. We agreed a sample of capitalised product development costs to source documentation, including invoices and timesheets, and determined that they had been allocated to the correct project. We have considered the impairment judgements taken by management and concur that the games involved have either been discontinued (and are therefore clearly impaired) or are not generating the level of return to support the full carrying value. We are satisfied that the total level of provisioning across the relevant titles is materially correct. We have challenged the management to ensure that the method used to amortise recoupable costs is consistent with industry practice.
Impact of COVID-19 The ongoing and evolving COVID-19 pandemic is having a significant impact on the global economy and the economies of those countries in which the Group's end users buy video games. There is significant uncertainty as to the duration of the pandemic and what its lasting impact will be on those economies. The Directors have considered the potential impact on the Group of the ongoing COVID-19 pandemic in several areas. In relation to the Group's going concern assessment, the Directors adjusted the cash flow forecasts for the period to the end of June 2021 to reflect a number of plausible downside scenarios resulting from the direct and indirect consequences of COVID-19 including, for example, delays in releases of games, reductions in demand and no releases. The impact of COVID-19 has been treated as a non-adjusting post balance sheet event for impairment assessment of Group's intangible assets.	We re-evaluated our risk assessment, including the going concern risk of the Group. Based on the Directors assessment and our audit procedures thereon as described below, we consider our original risk assessment to remain appropriate and therefore consider going concern to be a normal risk for this engagement. We obtained and reviewed the management accounts for the financial year to date and checked that these were consistent with the starting point of management's forecasts. We also checked the arithmetical accuracy of management's forecasts for the period to the end of June 2021. We evaluated management's downside scenarios, including a severe but plausible scenario, and challenged their adequacy and underlying assumptions, including the level and period of reduction in sales. We assessed the composition of costs within the forecasts to evidence that they were prepared on a consistent and appropriate basis. We evaluated the level of forecast liquidity and management's assessment that there would likely be a sufficient level of working capital throughout the period to the end of June 2021. Our conclusion in respect of going concern is included in the "Conclusions related to going concern" section below. We concur with management that the COVID-19 outbreak is indicative of conditions that arose after the balance sheet date and therefore is a non-adjusting post balance event. As such we concluded that management's future assumptions used in determining impairment assessments performed as at 31 December 2019 should not be adjusted. We have reviewed management's disclosures in the financial statements in relation to COVID-19 and post balance sheet event disclosures and are satisfied that they are consistent with the risks affecting the Group, impact assessment and work performed.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, 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 or intentional misrepresentations, or through collusion. We focused on laws and regulations including Companies Act 2006, Listing rules that could give rise to material misstatement in the Group's financial statements, including, but not limited to, the risk of non-compliance related to financial conduct. Our tests included, but were not limited to, review of legal correspondence and discussion with managements experts. These are inherent limitations in the audit procedures described above 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 would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£750,000 (2018: £560,000).
How we determined it	5% of 2 year average profit before tax and exceptional items.
Rationale for benchmark applied	The key objective of the group is to deliver underlying profitable growth to increase long-term shareholder value. As a result of the strong growth achieved, we believe a two-year average of profit before tax and exceptional items is the primary measure used by the shareholders in assessing the performance of the group and is therefore the appropriate benchmark to use in assessing materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £90,000 and £675,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £37,500 (2018: £28,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEAM17 GROUP PLC
CONTINUED
REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the company financial statements of Team17 Group Plc for the period ended 31 December 2019.

Andy Ward
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
15 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Revenue	5	**61,794**	43,201
Cost of sales		**(32,257)**	(23,399)
Gross profit		**29,537**	19,802
Administrative expenses		**(10,581)**	(7,264)
Exceptional costs	6	**–**	(2,597)
Total administrative expenses		**(10,581)**	(9,861)
Operating profit	7	**18,956**	9,941
Finance income	9	**232**	79
Finance costs	9	**(18)**	(1,323)
Profit before tax		**19,170**	8,697
Taxation	10	**(2,551)**	(1,494)
Profit and total comprehensive income attributable to owners of the parent for the period		**16,619**	7,203
Earnings per share – Basic (pence)	11	**12.9**	6.1
– Diluted (pence)	11	**12.9**	6.1

All amounts relate to continuing operations.

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

The notes on pages 31 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY REGISTRATION NUMBER: 11205116

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Assets			
Non-current assets			
Intangible fixed assets	13	**39,925**	41,598
Property, plant and equipment	14	**1,478**	640
Right-of-use assets	15	**1,513**	–
Deferred tax asset	20	**248**	–
Total non-current assets		**43,164**	42,238
Current assets			
Trade and other receivables	16	**11,487**	8,145
Cash and cash equivalents	17	**41,853**	23,512
Total current assets		**53,340**	31,657
Total assets		**96,504**	73,895
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	21	**1,313**	1,313
Share premium	21	**44,084**	44,084
Merger reserve	21	**(153,822)**	(153,822)
Other reserves	21	**158,864**	158,864
Retained earnings	21	**29,710**	12,170
Total equity		**80,149**	62,609
Non-current liabilities			
Lease liabilities	19	**1,464**	–
Provisions		**26**	140
Deferred tax liabilities	20	**3,007**	3,142
Total non-current liabilities		**4,497**	3,282
Current liabilities			
Trade and other payables	18	**11,736**	8,004
Lease liabilities	19	**122**	–
Total current liabilities		**11,858**	8,004
Total liabilities		**16,355**	11,286
Total equity and liabilities		**96,504**	73,895

The notes on pages 31 to 51 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 15 April 2020, and were signed on its behalf by:

D Bestwick
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Equity attributable to shareholders of the Group

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2018		10	377	–	644	6,413	**7,444**
Profit and total comprehensive income for the period		–	–	–	–	7,203	**7,203**
Capital reorganisation	21	1,030	(377)	(153,822)	153,169	–	**–**
New shares issued on IPO	21	273	44,814	–	–	–	**45,087**
Transaction costs of new equity instruments	6	–	(730)	–	–	–	**(730)**
Treasury shares		–	–	–	3,616	(1,808)	**1,808**
Sale of shares by Employment Benefit Trust	21	–	–	–	1,435	–	**1,435**
Share based compensation	22	–	–	–	–	362	**362**
Total transactions with owners		1,303	43,707	(153,822)	158,220	(1,446)	**47,962**
At 31 December 2018		1,313	44,084	(153,822)	158,864	12,170	**62,609**
Profit and total comprehensive income for the year		–	–	–	–	16,619	**16,619**
Share based compensation	22	–	–	–	–	921	**921**
Total transactions with owners		–	–	–	–	921	**921**
At 31 December 2019		1,313	44,084	(153,822)	158,864	29,710	**80,149**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash generated from operations	23	**25,063**	17,514
Tax paid		**(2,494)**	(1,316)
Net cash inflow from operations		**22,569**	16,198
Cash flow from investing activities			
Purchase of property, plant and equipment		**(1,265)**	(327)
Sale of property, plant and equipment		**43**	16
Capitalisation of development costs		**(3,215)**	(3,908)
Interest received		**232**	79
Net cash outflow from investing activities		**(4,205)**	(4,140)
Cash flows from financing activities			
Interest paid		**(17)**	(5,015)
Repayment of directors' loans		**–**	(1,345)
Repayment of loan notes		**–**	(38,226)
Receipt of lease incentive		**48**	–
Repayment of lease liabilities		**(54)**	–
Proceeds of issue of ordinary shares		**–**	45,087
Sale of shares by Employment Benefit Trust		**–**	3,243
Capitalised transaction costs of new equity instruments		**–**	(730)
Net cash inflow from financing activities		**(23)**	3,014
Net increase in cash and cash equivalents		**18,341**	15,072
Cash and cash equivalents at beginning of year		**23,512**	8,440
Cash and cash equivalents at end of year	17	**41,853**	23,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The principal activity of Team17 Group Plc (the "Company") is that of a holding company and the principal activity of the Company and its subsidiaries (together, the "Group") is the development and publishing of video games for the digital and physical market. The Company was incorporated on 14 February 2018 and is a public company limited by shares incorporated and domiciled in United Kingdom. The address of its registered office is 3 Red Hall Avenue, Paragon Business Park, Wakefield, WF1 2UL. The registered number of the Company is 11205116.

2. Significant accounting policies

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRS IC) interpretations endorsed by the European Union and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS. Both financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

During 2018, in connection with the admission to AIM, the Group undertook a reorganisation of its corporate structure which resulted in the Company becoming the ultimate holding company of the Group. Prior to the reorganisation the ultimate holding company was Team17 Holdings Limited.

The transaction was accounted for as a capital reorganisation rather than a reverse acquisition since it did not meet the definition of a business combination under IFRS 3. In a capital reorganisation, the consolidated financial statements of the Group reflect the predecessor carrying amounts of Team17 Holdings Limited with comparative information of Team17 Holdings Limited presented for all periods since no substantive economic changes have occurred.

The consolidated financial information has been prepared on a going concern basis and under the historical cost convention. The principal accounting policies adopted are set out below.

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

New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16, 'Leases';
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle as applicable and;
- Interpretation 23 'Uncertainty over Income Tax Treatments' as applicable.

Going concern

Management has produced forecasts that have also been sensitised to reflect plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. These demonstrate the Group is forecast to generate profits and cash in the year ending 31 December 2020 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its return. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of loss of control, as applicable.

Business combinations and goodwill

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is initially measured at cost, being the excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Statement of Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment every six months using a discounted cash flow method applied to business forecasts. If this review demonstrates that impairment has occurred, this is expensed to the income statement. Goodwill is allocated to cash generating units for the purpose of impairment testing, with the allocation being made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Statement of Comprehensive Income when it is incurred.

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- completion of the intangible asset is technically feasible so that it will be available to sell as a completed game;
- the Group intends to complete the intangible asset and has the ability to use or license it as indicated above, thus generating probable future economic benefits;
- the expenditure attributable to the intangible asset during its development, mainly salary and third party developer costs, can be measured reliably; and
- the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Until completion, the assets are subject to six monthly impairment testing. Amortisation commences upon completion of the asset. Development costs on third party games are disposed of at the date that Team17 ceases to generate revenue from the games.

The useful lives of intangible assets are assessed as either finite or indefinite and at the year end date no intangible assets are accorded an indefinite life.

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

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

- Brands – 10-13 years straight line
- Development costs – 85% reducing balance over 2 years

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

During the previous year, the Group revised its approach to the recognition of recoupable costs within its Intellectual Property and its amortisation of development costs – adopting an 85% reducing balance approach in the case of the latter (previously straight line) and retaining the former within capitalised development costs (previously derecognised when 'recovered' from the third party) and amortising in line with all other development costs. This ensured the costs continued to be written off over a two-year period but more accurately reflecting the sales curve of the game. This revision in accounting estimate was accounted for as at 31 December 2018 and then prospectively. The net impact of this adjustment in the year ended 31 December 2018 was £0.3m. EBITDA does not include an add back for amortisation of games ordinarily as this is booked as a cost of sale item within the accounts, however, due to their prior year and catch up nature these costs have been reflected in the presentation of adjusted EBITDA.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Trade and other receivables

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment of non-financial assets

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

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

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

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

2. Significant accounting policies (continued)

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

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

Revenue recognition

Revenue includes income from the release of full games and early access versions of self-published games. The Group designs, produces and sells video games based on its own and third party intellectual property 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 in the form of royalties received from third party distributors who have a license 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 arrangement with the third party.

The Group also receives revenue where the Group agrees to make a game available to a third party platform for their customers to download for an agreed period of time for a fixed fee and with minimal future performance obligations required by the Group. These contracts are determined as right to use contracts in accordance with IFRS 15 and the fixed fee is recognised on the date the game is first made available on the third party platform. An additional revenue earned based on volume of sales in these contracts are recognised as usage-based royalties when usage occurs. If any contract includes a break clause then the revenue recognised excludes the amount that would be foregone if the break clause was exercised. The remaining revenue is recognised once the break clause has expired.

Operating lease agreements

For the year ended 31 December 2019, IFRS 16 'Leases' replaced IAS 17 'Leases'. The new standard has been applied using the modified retrospective approach and therefore does not require a restatement to the balance sheet in 2018.

IAS 17 'Leases' – Applied until 31 December 2018

Rentals applicable to operating leases, where substantially all of the risks and benefits or ownership remains with the lessor, are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease. Lease incentives are spread over the period of the lease on a straight line basis.

IFRS 16 'Leases' – Applied from 1 January 2019

This new standard requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts. The value of the assets and liabilities recognised at application date is calculated from the total of the future lease payments discounted for the incremental borrowing rate at the date of application. Interest on the lease liability is calculated on a monthly basis and recognised in the Statement of Comprehensive Income. The right-of-use assets created are depreciated over the length of the lease and the depreciation is included in the Statement of Comprehensive Income. Lease incentives affect the total of the future lease payments and therefore are included within the right-of-use assets and lease liabilities recognised at the start of the lease.

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

The Group used the modified retrospective approach which applies the cumulative effect of the policy adoption from 1 January 2019. Comparative figures for the year ended 31 December 2018 are not restated to reflect the adoption of IFRS 16.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation for Determining whether an Arrangement contains a Lease.

At the application of IFRS 16 'Leases', the Group is required to calculate the initial assets and liabilities of leases discounted by the incremental borrowing rate. Since the IPO, as the Group does not have any interest-bearing debt, management have performed market research on rates offered to similar businesses in the industry and applied an incremental borrowing rate between 2.5% – 3.5% dependent on the length and type of asset being leased.

Pensions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Significant accounting policies (continued)

Taxation

Current tax

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

Video Games Tax Relief ('VGTR')

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

Deferred tax

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

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

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

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

Exceptional items

IAS 1 requires material items to be disclosed separately in a way that enables users to assess the quality of a Group's profitability. In practice, these are commonly referred to as "exceptional" items, but this is not a concept defined by IFRS and therefore there is a level of judgement involved in determining what to include in underlying profit. We consider items which are non-recurring and significant in size or in nature to be suitable for separate presentation (see note 6).

Share based compensation

The Company has granted share options to various employees and directors. These shares are separated into the following types of schemes:

- Directors LTIPs – These include performance criteria and the fair value of these options has been estimated using a Monte Carlo Simulation model to estimate the fair value of the awards.
- Employee share options – The only performance criteria included on these options is for the employee to remain in the company for a specified period of time. The fair value has been estimated based on the share price at grant date.

The fair value of these options are recognised as an expense in the Statement of Comprehensive Income over the vesting period of the options with a corresponding credit included within retained earnings. Employers national insurance due on the share options are included within the Statement of Comprehensive Income calculated at13.8% of the share options charge whilst the credit is included within trade and other payables. The accumulated share option value is adjusted for any lapsed share options on a monthly basis.

Right-of-use assets

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

Property, plant and equipment

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

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

- Leasehold improvements – straight line over the life of the lease
- Plant and equipment – 3 years straight line
- Fixtures & fittings – 6 years straight line
- Motor vehicles – 5 years straight line

2. Significant accounting policies (continued)

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

Financial instruments

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

Financial assets

Initial recognition and measurement

In accordance with IFRS9, 'Financial Instruments' the Group has classified its financial assets as 'Financial assets at amortised cost'. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets carried at amortised cost

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

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

(i) the asset is held within a business model with the objective of collecting the contractual cash flows; and

(ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

The Group does not hold any material financial assets at fair value through other comprehensive income or at fair value through the Statement of Comprehensive Income. The Group does not hold any derivatives and does not undertake any hedging activities.

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

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short term deposits held with banks with a maturity of three months or less from inception. Included within cash and cash equivalents is cash owned by the EBT. The EBT cash is not readily available for use by the Group to meet its everyday operating costs but can be spent for the benefit of the employees and as such is an appropriate cash equivalent.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Impairment of financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. Significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and previously included loans and other borrowings including directors loans.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the (EIR) amortisation process.

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

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

Derecognition

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

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

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

Offsetting of financial instruments

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

Provisions

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

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

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The Group supplies a single product range into a single marketplace and so there is considered to be only one segment. On transition to IFRS the chief operating decision maker has begun to utilise IFRS based measures to monitor performance. No differences exist between the basis of preparation of the performance measures used by the Board of Directors and the figures in the Group financial information.

Foreign currency

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

Employee Benefit Trust

As the Company is deemed to have control of its Employee Benefit Trust ("EBT"), it is treated as a subsidiary and consolidated for the purposes of the combined and consolidated financial statements. The EBT's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The EBT's investment in the Company's shares is deducted from equity in the Consolidated Statement of Financial Position as if they were treasury shares. The gain or loss on transfer of the shares from the EBT to employees is recognised within equity.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on forseeable future transactions.

2. Significant accounting policies (continued)

Adoption of new and revised standards

At the date of authorisation of these financial statements, the Group is aware of the following revised IFRSs that have been issued but are not yet effective:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting

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

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

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

Development costs capitalisation (judgement)

The Group invests heavily in research and development. The identification of development costs that meet the criteria for capitalisation is dependent on management's judgement and knowledge of the work done together with any agreements made with the rights holders of a specific game. Judgements are based on the information available at each period end. Economic success of any development is assessed on a reasonable basis and a review for indicators of impairment is completed by product at each period-end date. The net book values of the development intangible assets including rights acquired at 31 December 2019 are £2,803,000 (2018: £2,693,000). Intangible assets are subject to amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, for example, a decision to suspend a self-published title under development. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are reviewed by project for which there are separately identifiable cashflows.

Useful life of intangible assets (estimate)

Amortisation of intangible assets is calculated over the useful economic lives of the assets. The estimates of useful economic lives are reviewed at least annually for any changes to this estimate. There were no changes required to estimate useful economic lives during the year ended 31 December 2019.

The useful life of brands was initially estimated as between 10 and 13 years after looking at expected future revenues from titles utilising those brands along with future releases planned.

The estimates of useful life for capitalised development costs are included as two years. The amortisation is also weighted heavily towards the first year to reflect the sales curve of titles. This sales curve has been modelled after looking at all titles in the Group's portfolio and adjusting for outliers.

Goodwill impairment (estimate)

The carrying value of goodwill is reviewed for impairment at least every six months. In determining whether goodwill is impaired an estimation of the fair value and/or the value in use of the cash generating unit (CGU) to which the goodwill has been allocated is required. This calculation of value in use requires estimates to be made relating to the timing and amount of future cash flows expected from the CGU, and suitable discount rates based on the Group's weighted average cost of capital adjusted to reflect the specific economic environment of the relevant CGU. The calculation of fair value requires estimates of the market value of the Group by reference to existing market data for the Group or for similar entities.

4. Segmental analysis

For management purposes the Group is considered to comprise only one segment for reporting to the chief operating decision maker, that of the development and publishing of video games for the digital and physical market.

Four (2018: Four) customers each contributed over 10% of the total revenue in 2019 with total revenue derived from these customers being £46,068,000 (2018: £35,365,000).

All non-current assets are located in the UK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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5. Revenue
All revenue was generated by the sale of goods.

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

Whilst the chief operating decision maker considers there to be only one segment, the Company's portfolio of games is split between those based on IP owned by the Group and IP owned by a third party and hence to aid the readers understanding of our results, the split of revenue from these two categories are shown below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Internal IP	**10,312**	11,101
Third Party	**51,482**	32,100
	61,794	43,201

6. Exceptional costs
Exceptional costs are made up of the following:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
IPO related costs	**–**	2,597
	–	2,597

Exceptional items in the year ended 31 December 2018 related to significant one-off costs, which were not deducted from equity, associated with the Group's admission onto AIM in May 2018. The costs comprised advisors fees (£1,323,000), the write off of unamortised loan note fees (£258,000), stock exchange listing fees (£43,000), other IPO costs (£56,000) and bonuses payable to Directors which were contingent on admission to AIM (£917,000). Costs totalling £730,000 incurred in association with the IPO which met IAS 32 definition of transaction costs (being incremental and directly related to the issuance of new equity instruments and which would have been avoided had the instruments not been issued) were deducted from the share premium.

7. Operating Profit

The following items are included in profit before tax:	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Amortisation of development costs – cost of sales (note 13)	**3,105**	4,319
Amortisation of brands – administrative expenses (note 13)	**1,783**	1,784
Depreciation of property, plant and equipment (note 14)	**355**	305
Depreciation of right-of-use assets (note 15)	**57**	–
Exceptional costs (note 6)	**–**	2,597
Amortisation of financing fees	**–**	258
Loss/(Profit) on foreign exchange	**2**	(155)
Operating lease rentals	**78**	72
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of Team17 Group Plc	**13**	13
Fees payable to the Company's auditor in respect of:		
Audit of Company's subsidiaries	**81**	77
Deal related costs	**–**	580
Tax compliance	**–**	27

8. Staff numbers and costs
The average number of persons employed by the Group (including directors) during the year, was as follows:

	Group	
	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
Staff and directors	**173**	152

The aggregate payroll costs of these persons were as follows:

	Group	
	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
Wages and salaries	**8,509**	6,515
Social security costs	**874**	602
Other pension costs	**286**	177
Share based compensation	**921**	319
	10,590	7,613

The following tables sets out the Directors' payroll costs:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Aggregate emoluments	**1,267**	1,571
Social security costs	**315**	246
Company contributions to money purchase scheme	**25**	51
Share based compensation	**863**	319
Compensation for loss of office	**152**	–
	2,622	2,187

Retirement benefits are accruing to 1 directors (2018: 2) under money purchase schemes.

Jo Jones resigned on 22 November 2019 – Following her departure, she received payments in lieu of her notice period disclosed as compensation for loss of office in accordance with her contractual entitlement and retained 50% of her LTIP share options that were awarded in 2018.

The remuneration of the highest paid Director was:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Aggregate emoluments	**658**	1,143
Share based compensation	**730**	319
	1,388	1,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Finance income and costs

Finance costs	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Interest payable on other loans	–	26
Interest payable on loan notes	–	1,297
Interest payable on lease liabilities	17	–
Other interest payable	1	–
	18	1,323
Finance income		
Interest receivable	232	79

10. Taxation

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Current tax:		
Current year tax	4,143	2,694
Video Games Tax Relief claim	(423)	(444)
Adjustments in respect of prior period:		
Video Games Tax Relief claim	(133)	(391)
Other	(653)	(168)
	2,934	1,691
Deferred tax:		
Origination and reversal of temporary differences	(383)	(197)
	(383)	(197)
Total tax charge	2,551	1,494

The other adjustment in respect of prior period relates to additional tax credits claimed on finalisation of the tax computations.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Reconciliation of total tax charge:		
Profit before tax	19,170	8,697
Taxation using the UK Corporation Tax rate of 19% (2018: 19%)	3,642	1,652
Effects of:		
Expenses not deductible for tax purposes	(87)	845
Video Games Tax Relief	(423)	(444)
Adjustment in respect of prior periods	(581)	(559)
Total tax charge	2,551	1,494

As a result of changes to the UK corporation tax rates that were substantively enacted as part of the Finance Bill 2020 in March 2020 the main rate of tax will remain at 19% for the tax year starting 1 April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and is reflected in these financial statements.

11. Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Team17 Group plc divided by the weighted average number of shares in issue. The weighted average number of shares takes into account treasury shares held by the Team17 Employee Benefit Trust. The diluted earnings per share uses the same calculation however the number of shares in issue are adjusted to include the number of shares upon which share options have been granted and the performance criteria has been met. At 31 December 2019 70,796 (2018: Nil) share options had met the required performance criteria.

	Year ended 31 December 2019	Year ended 31 December 2018
Profit attributable to shareholders £'000	16,619	7,203
Weighted average number of shares	129,246,382	118,356,852
Weighted average diluted number of shares	129,253,947	118,356,852
Basic earnings per share (pence)	12.9	6.1
Diluted earnings per share (pence)	12.9	6.1

The calculation of adjusted earnings per share is based on the profit attributable to shareholders as shown in the Statement of Comprehensive Income plus additional costs added back during the year as shown in note 12. The adjusted weighted average number of shares for the year ended 31 December 2018 uses the number of shares in issue post listing on AIM on 23 May to ensure that the adjusted earnings per share figures are comparable over the two periods. The adjusted weighted average diluted number of shares includes share options where performance criteria has been met as described above.

	Year ended 31 December 2019	Year ended 31 December 2018
Adjusted earnings (note 12) £'000	17,540	10,425
Adjusted weighted average number of shares	129,246,382	129,246,382
Adjusted weighted average diluted number of shares	129,253,947	129,246,382
Adjusted basic earnings per share (pence)	13.6	8.1
Adjusted diluted earnings per share (pence)	13.6	8.1

12. Adjusted EBITDA

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Profit attributable to shareholders	16,619	7,203
Exceptional costs (note 6)	–	2,597
Share based compensation (note 21)	921	362
Revision of accounting estimate (note 13)	–	263
Adjusted earnings	17,540	10,425
Taxation	2,551	1,494
Finance income	(232)	(79)
Finance cost	18	1,323
Amortisation	1,783	1,784
Depreciation	412	305
Adjusted EBITDA	22,072	15,252

13. Intangible Fixed Assets

	Development costs	Brands £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2018	6,707	21,983	21,083	49,773
Additions	3,908	–	–	3,908
At 31 December 2018	10,615	21,983	21,083	53,681
Additions	3,215	–	–	3,215
At 31 December 2019	**13,830**	**21,983**	**21,083**	**56,896**
Amortisation				
At 1 January 2018	3,603	2,377	–	5,980
Charge for the year	4,319	1,784	–	6,103
At 31 December 2018	7,922	4,161	–	12,083
Charge for the year	3,105	1,783	–	4,888
At 31 December 2019	**11,027**	**5,944**	**–**	**16,971**
Net carrying amount				
At 31 December 2019	**2,803**	**16,039**	**21,083**	**39,925**
At 31 December 2018	2,693	17,822	21,083	41,598

Goodwill
The Group tests for impairment every six months, or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of the cash generating unit ("CGU") at 31 December 2019 is determined from the fair value less costs of disposal of the underlying business units. No impairment is considered necessary at 31 December 2019. The key assumption in calculating the fair value was the expected future cashflows at 31 December 2019.

When estimating the fair value of the Group the Directors took account of current market expectations and recent data from similar transactions.

Revision of accounting estimate 2018
During 2018 the group has revised its approach to the recognition of recoupable costs within its Intellectual Property and its amortisation of development costs – adopting an 85% reducing balance approach over 2 years in the case of the latter (previously straight line over 2 years) and retaining the former within capitalised development costs (previously derecognised when recovered from the third party) and amortising over the useful economic life of the game in line with all other costs. The impact of this revision of accounting estimate was an increase to capitalised costs of £1,720,000 and a corresponding increase in amortisation of £1,983,000 giving an overall reduction in net book value of £263,000. This revision in this accounting estimate was accounted for as at 31 December 2018 and then prospectively.

14. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2018	85	779	104	151	1,119
Additions	40	190	29	69	328
Disposals	–	(9)	–	(38)	(47)
At 31 December 2018	125	960	133	182	1,400
Additions	829	247	189	–	1,265
Disposals	(88)	(58)	(76)	(81)	(303)
At 31 December 2019	**866**	**1,149**	**246**	**101**	**2,362**
Depreciation					
At 1 January 2018	38	365	43	39	485
Charge for the year	16	235	18	36	305
Disposals	–	(7)	–	(23)	(30)
At 31 December 2018	54	593	61	52	760
Charge for the year	55	245	23	32	355
Disposals	(88)	(58)	(50)	(35)	(231)
At 31 December 2019	**21**	**780**	**34**	**49**	**884**
Net book value					
At 31 December 2019	**845**	**369**	**212**	**52**	**1,478**
At 31 December 2018	**71**	**367**	**72**	**130**	**640**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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15. Right-of-use assets

Prior to the Group's adoption of IFRS 16 on 1 January 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. Under IFRS 16, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the group.

This led to the capitalisation of £1,570,000 as right-of-use assets and corresponding lease liabilities of £1,592,000 split between current and non-current liabilities. See note 19 for the details of the lease liability.

	Buildings £'000	Total £'000
Cost		
Additions at 1 January 2019 (Adoption of IFRS 16 Leases)	103	103
Additions during the year	1,467	1,467
At 31 December 2019	1,570	1,570
Depreciation		
Charge for the year	57	57
At 31 December 2019	57	57
Net carrying amount		
At 31 December 2019	1,513	1,513

16. Trade and other receivables

Amounts falling due within one year

	31 December 2019 £,000	31 December 2018 £,000
Trade receivables	1,366	224
Accrued income	8,926	6,517
Other receivables	720	948
Prepayments	475	456
	11,487	8,145

There are no impaired assets within trade and other receivables

17. Cash and cash equivalents

	31 December 2019 £,000	31 December 2018 £,000
Cash at bank and in hand	37,887	20,269
Cash equivalents	3,966	3,243
	41,853	23,512

Included within the cash equivalents balance above is £3,186,000 (2018: £3,243,000) owned by the EBT. This cash is readily available for use by the Group to meet its everyday operating costs but can be spent for the benefit of the employees and as such is an appropriate cash equivalent.

The remaining cash equivalents balance of £780,000 (2018: £Nil) represents an amount held by our solicitors for the purchase of the shares of Yippee Entertainment Limited on 1 January 2020.

18. Trade and other payables

Amounts falling due within one year:

	31 December 2019 £'000	31 December 2018 £'000
Trade payables	179	364
Other creditors	699	313
Current tax liabilities	1,538	1,097
Taxation and social security	275	240
Accruals and deferred income	9,045	5,990
	11,736	8,004

19. Lease liabilities

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year	122	–
Amounts falling due in over one year	1,464	–
	1,586	–

Interest expense during the year on the above lease liabilities included in finance costs was £17,000 (2018: £Nil). The total cash outflow for leases during the year was £23,000 (2018: £73,000) net of a £48,000 (2018: £Nil) lease incentive received.

In applying IFRS 16 Leases, the practical expedient to exclude operating leases with a remaining lease term of less than 12 months was used. The total cost of these excluded leases during the year totalled £54,000.

20. Deferred taxation

Recognised deferred tax asset:

	Other short term timing differences £'000	Total £'000
At 1 January 2018	335	335
Deferred tax recognised in profit or loss	(335)	(335)
At 31 December 2018	–	–
Deferred tax recognised in profit or loss	248	248
At 31 December 2019	248	248

Recognised deferred tax liabilities:

	Accelerated depreciation for tax purposes £'000	Other short term timing differences £'000	Arising on intangible fixed assets £'000	Total £'000
At 1 January 2018	54	207	3,413	3,674
Deferred tax recognised in profit or loss	–	(193)	(339)	(532)
At 31 December 2018	54	14	3,074	3,142
Deferred tax recognised in profit or loss	(7)	(13)	(115)	(135)
At 31 December 2019	47	1	2,959	3,007

Deferred taxes are recognised at tax rates substantively enacted as at the Balance sheet date. As a result of changes to the UK corporation tax rates that were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 the main rate will reduce to 17% from 1 April 2020 and therefore deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these consolidated financial statements. Although, it was announced in March 2020, as part of the Finance Bill 2020 that the main rate of tax will remain at 19% for the tax year starting 1 April 2020, as it is not substantively enacted as at the balance sheet date no adjustments are required in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. Share capital

	31 December 2019 £'000	31 December 2018 £'000
Authorised, allotted, called up and fully paid		
131,288,276 ordinary shares of 1p each	**1,313**	1,313
	1,313	1,313

During the year ended 31 December 2018 the Group listed on AIM and Team17 Group Plc became the new holding company of the group.

The ordinary shares have voting, dividend and capital distribution rights. They are not redeemable.

Admission to AIM – 2018

This note should be read in conjunction with the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows. The Group's admission onto AIM involved a number of transactions which are explained below:

Capital re-organisation– 2018

In 2018, prior to Admission the Company acquired the entire share capital of Team17 Holdings Limited (comprising £0.01 nominal ordinary shares) in exchange for issuing the same number of its own ordinary shares (of £1 nominal ordinary shares) to the existing shareholders of Team17 Holdings Limited. This transaction was under common control and treated as a capital restructuring and not a business combination. The company recorded the investment at fair value and applied merger relief, leading to the creation of the other reserve of £153,169,000, being a share premium created on reorganisation of £153,813,000 less the elimination of brought forward reserves of £644,000. On consolidation and the application of predecessor (merger) accounting, the merger reserve of £153,822,000 was also created. The impact of this transaction on the consolidated financial statements is disclosed as a 'Capital reorganisation' in the Statement of Changes in Equity.

Subsequently (but prior to admission), the Company sub-divided its £1 ordinary shares into £0.01 nominal shares. The impact of this share split has been taken into account in the calculation of basic earnings per share in accordance with IAS 33. The sub-division of shares has been retrospectively applied from the first day of the comparative financial period, leading to an increase in the adjusted weighted average number of shares in issue across all periods.

Share issue – 2018

Prior to the listing the Company had in issue 103,962,794 £0.01 ordinary shares. As part of the IPO the Company issued a further 27,325,482 £0.01 ordinary shares, at £1.65 per share. This raised a total of £45,087,045. A further 37,849,200 existing shares were placed on sale, at £1.65, by the existing shareholders. Following admission, the Company had in issue 131,288,276 ordinary £0.01 shares of which 65,174,682 were placed on AIM and 2,041,900 were held within the Group as treasury shares within the Employee Benefit Trust.

The £45,087,000 proceeds of the share issue were utilised by the Company to: repay shareholder loan notes (£38,226,000); repay director loans (£1,345,000); repay accrued interest on shareholder loan notes (£4,630,000); repay accrued interest on directors loans (£198,000); and settle transaction costs associated with the listing.

Shares held by subsidiaries

In November 2017, an Employee Benefit Trust (the "Trust") was set up. As part of the IPO transaction, the Trust was gifted shares creating a £3.6m capital contribution reserve (included in other reserves). Subsequently the EBT sold half of its shareholding (in line with all other shareholders) creating a gain of £1,435,000 included within other reserves. At 31 December 2019, and included in these consolidated financial statements, the Trust holds 2,041,900 (2018: 2,014,900) shares in Team17 Group plc with a nominal value of £20,419 (2018: £20,419).

Share capital

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

Share premium

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

Retained earnings

Includes all current and previous retained profits and losses.

21. Share capital (continued)

Merger reserve

On 23 May 2018 the Company became the ultimate parent company of the Group. The merger reserve was created as a result of the share for share exchange under which Team17 Group plc became the parent undertaking prior to the IPO. Under merger accounting principles, the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and other reserves of the Company as if it had always existed, with the difference presented as the merger reserve.

Other reserves

Other reserves are made up of the following:

Merger relief reserve
Includes the premiums received on the issue of share capital in a share for share exchange on 23 May 2018.

Capital contribution
Includes the value of shares gifted to the Team 17 Employment Benefit Trust on 23 May 2019 as part of the IPO.

22. Share based compensation

The following share schemes have been awarded but not yet vested at 31 December 2019:

Share scheme name	Award date	Vesting date	Maximum number of share options outstanding	Exercise price per share option
Executive LTIPs	23 May 2018	23 May 2021	972,727	£Nil
Executive LTIPs	18 December 2018	15 April 2020	70,946	£Nil
Free shares	4 April 2019	4 April 2022	114,750	£Nil
Senior management share options	8 April 2019	8 April 2022	31,368	£Nil
Senior management share options	18 December 2019	18 December 2022	20,291	£Nil

The movement in the fair value of each share option is included within either Cost of sales or Administrative expenses (depending on which employees the shares were issued to) in the Statement of Comprehensive Income and included within Retained earnings in the Statement of Financial Position. In addition employers national insurance accrued at 13.8% on the share options value is included within either cost of sales or administrative expenses and accruals in the Statement of Financial Position.

Included within the financial statements is the following:

	31 December 2019 £'000	31 December 2018 £'000
Statement of Comprehensive Income		
Share options charge	**921**	362
Employers national insurance	**177**	–
Statement of Financial Position		
Accruals (cumulative balance)	**177**	–
Retained Earnings (cumulative balance)	**1,283**	362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

22. Share based compensation (continued)

Executive LTIPs

The executive directors were granted share options during 2018 under the Team17 Group plc Long Term Incentive Plan. These options only vest if certain performance criteria are met. The options are split into two parts with the amount of Part A options that will vest depending on the Group's Cumulative EPS targets whilst part B depends on annualised absolute total shareholder return.

The fair value of services received in return for share options granted is calculated based on the Monte-Carlo method for valuing share options. The expense is apportioned over the vesting period and is based on the number of financial instruments which are expected to vest and the fair value of those financial instruments at the date of the grant. The fair value of options is reassessed every six months to reflect the Group's Cumulative EPS position against the targets.

Underlying share price (£)	2.20
Grant price (£)	–
Exercise price (£)	–
Vesting period	3 years
Estimate of part A options vesting	100%
Estimate of part B options vesting	65%
Expected volatility of the share price	38%
Dividends expected on the shares	0%
Risk free rate	1%
Fair value at vesting date (£'000)	1,181

During the year the rules for the share award issued on 18 December 2018 were modified to remove the performance criteria of the shares. The vesting date was also modified to vest on the audit date changing the estimates of both part A and B shares to 100%. Additionally the quantity of shares available to vest were reduced to 70,946.

Free shares

During the year all staff employed by Team 17 Digital Limited at 30 September 2018 were provided with share options. The only criteria for these share options to vest is for the employees to remain in employment over the vesting period.

The fair value of these share options are calculated as the fair value at the grant date multiplied by the number of share options. The expense is apportioned over the vesting period. These share options will be settled from shares already held by the Team 17 Employment Benefit Trust.

Senior management share options

During the year there were awards provided to all senior management. These were issued at different points in the year. As with the free shares, the only criteria for these share options to vest is for the employees to remain in employment over the vesting period.

The fair value of these share options are calculated as the fair value at the grant date multiplied by the number of share options. The expense is apportioned over the vesting period. These share options will be settled from shares already held by the Team 17 Employment Benefit Trust.

The maximum number of outstanding share options at 31 December 2019 was 1,079,169 (2018: 1,114,619). Of these share options 166,409 (2018: Nil) will be settled from shares already held by the Team 17 Employment benefit trust.

23. Cash generated from operations

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash flow from operating activities		
Profit before tax	19,170	8,697
Adjustments for:		
Depreciation of property, plant and equipment	355	305
Depreciation of right-of-use assets	57	–
Amortisation of intangible fixed assets	4,888	6,103
Loss on disposal of fixed assets	29	–
Share based compensation[1]	921	362
Finance income	(232)	(79)
Financial expenses	18	1,323
Financing fees written off	–	258
	25,206	16,969
Operating cash flow before changes in working capital		
Increase in trade and other receivables	(3,351)	(1,328)
Increase in provisions	(113)	89
Increase in trade and other payables	3,321	1,784
Cash generated from operations	25,063	17,514

[1]This balance is net of £44,000 employers national insurance costs included in equity in the previous year moved to trade and other payables.

24. Commitments and contingencies

(a) Operating leases

Leases previously disclosed as commitments have now been capitalised under IFRS 16 Leases. The following table reconciles the opening liability to the commitments disclosed in the 2018 financial statements:

	£'000
Operating lease commitments disclosed as at 31 Dec 2018	196
Less: Short term leases & other adjustments	(54)
	142
Discounted using lessee's incremental borrowing rate as at the date of initial application	125
Lease liabilities recognised at 1 Jan 2019	125

(b) Capital commitments

The Group had no contracted capital commitments at 31 December 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

25. Related parties

Ultimate controlling party
At 31 December 2019 there was not considered to be a single ultimate controlling party of Team17 Group Plc.

Transactions with related parties
There were no transactions with related parties during the year ended 31 December 2019 and there are no loan notes outstanding with related parties at the 31 December 2019.

On 23 May 2018, the group repaid in full the outstanding loan notes to LDC V LLP (a shareholder of the company). The balance outstanding at 1 January 2018 was £13,908,000. Interest of £501,000 was charged during the previous year ended 31 December 2018.

The Group also repaid loan notes owed to the shareholders of the Company, D A Bestwick and J P Bray, who were directors of Team17 Holdings Limited during the year. The balance outstanding at 1 January 2018 was £21,026,000. Interest of £548,000 was charged on these loan notes during the previous year ended 31 December 2018.

Loan notes owed to the other directors/shareholders of Team17 Holdings Limited (who were K Aston, C Davies, C Van Der Kuyl and P Burns) were also repaid. The balance outstanding at 1 January 2018 was £3,292,000. Interest of £86,000 was charged during the previous year ended 31 December 2018.

Transactions with key management personnel:
The key management personnel of the Group are deemed to be the board of directors and details of their aggregate remuneration can be found in note 8. Mark Crawford was appointed in November 2019 to act as Interim CFO. During the year £33,000 (2018: £Nil) was paid to Stratfield Fairlane Ltd for his services.

26. Financial instruments

Trade and other receivables shown above comprises trade receivables and other receivables as disclosed in note 16.

Trade and other payables comprises of trade payables, other payables and accruals as disclosed in note 18.

Loans and receivables are non-derivatives financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

Management have assessed that for cash and short-term deposits, trade receivables, trade payables and other current liabilities their fair values approximate to their carrying amounts largely due to the short-term maturities of these instruments. Book values are deemed to be a reasonable approximation of fair values.

The fair value of all financial instruments is equivalent to their book value due to their short maturities.

Financial risks
The Group monitors and manages the financial risks relating to the financial instruments held. The principal risks include credit risk on financial assets, and liquidity and interest rate risk on financial liability borrowings. The key risks are analysed below.

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount. Supply of products by the Group results in trade receivables which management consider to be of low risk, other receivables are likewise considered to be low risk. However, certain customers comprise in excess of 10% of the revenue earned by the Group (see note 5). Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

Financial assets
The Group is not exposed to significant interest rate risk on the financial assets, other than cash and cash equivalents.

Cash and cash equivalents are exposed to interest rate risk as they are held at floating rates, although the risk is not significant as the interest receivable is not significant.

Liquidity risk
Cash and cash equivalents
Bank balances are held on short term / no notice terms to minimise liquidity risk.

Trade and other payables
Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

Lease liabilities
Included within lease liabilities is £122,000 (2018: £Nil) of lease liabilities due within one year and £1,464,000 (2018: £Nil) due in over one year.

26. Financial instruments (continued)

At 31 December 2019	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book value £'000	Fair value £'000
Financial assets				
Trade and other receivables	11,018	–	11,018	11,018
Cash and cash equivalents	41,853	–	41,853	41,853
	52,871	–	52,871	52,871
Financial liabilities				
Trade and other payables	–	(11,709)	(11,709)	(11,709)
Lease liabilities	–	(1,586)	(1,586)	(1,586)
	52,871	(13,295)	(39,576)	(39,576)

At 31 December 2018	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book value £'000	Fair value £'000
Financial assets				
Trade and other receivables	7,689	–	7,689	7,689
Cash and cash equivalents	23,512	–	23,512	23,512
	31,201	–	31,201	31,201
Financial liabilities				
Trade and other payables	–	(8,004)	(8,004)	(8,004)
	31,201	(8,004)	23,197	23,197

27. Contingent liabilities

The long term nature, size and complexity of the Group contracts means that there may be, from time to time, disputes between the parties to the contracts. The Group aims to resolve such disputes on a timely basis and at minimal cost.

28. Pensions

The Group operates a defined contribution scheme for its directors and employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The outstanding pension contributions at 31 December 2019 were £38,000 (31 December 2018: £24,000).

29. Post Statement of Financial Position Events

On 1 January 2020, Team17 Group Plc acquired 100% of the share capital of Yippee Entertainment Limited for a total consideration of circa £1,400,000. The acquisition consideration was satisfied through a combination of cash and shares. Yippee Entertainment Limited is a multi-award-winning software developer and digital publisher based in MediaCityUK and focused on end-to-end production and creation of third-party games alongside its own IP. Yippee will work on a combination of Team17-owned, original, and Games Label partners' IP.

The Acquisition supports Team17's growth strategy by increasing studio capacity and providing access to a new talent pool in the North West. The studio's talented and versatile team will continue to be run by Yippee Entertainment Limited's Chief Executive Officer, Mike Delves, an industry veteran with over 30 years' experience in senior positions at Hasbro, Acclaim and Ocean Software prior to forming Yippee in 2011.

At the time when these financial statements are authorized for issue, the Group had not yet completed the accounting for the acquisitions and hence the fair values of assets and liabilities acquired have not been disclosed.

In early 2020, the existence of new coronavirus, known as COVID-19, was confirmed and since this time COVID-19 has spread across a significant number of countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in the fluctuations in the global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Further details on Group's consideration are disclosed Chief Executive and Chairman's statement on pages 4-5 and CFO's statement on pages 12-13.

The following pages are for Team17 Group Plc as a separate entity and are not consolidated

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEAM17 GROUP PLC

REPORT ON THE AUDIT OF THE COMPANY FINANCIAL STATEMENTS

Opinion

In our opinion, Team17 Group Plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2019 (the "Annual Report"), which comprise: the Company Statement of Financial position as at 31 December 2019 and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Materiality	• Overall materiality: £675,000 (2018: £504,000) based on 1% of total assets.
Audit scope	• We performed full scope audit procedures over Team17 Group Plc (the Parent Company of the Group).
Key audit matters	• Carrying value of investments and intercompany receivables. • Impact of COVID-19.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEAM17 GROUP PLC
CONTINUED
REPORT ON THE AUDIT OF THE COMPANY FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments and intercompany receivables We focused upon this area because the underlying value in the Company is represented by balances due from the wider group and the investment held by the Company in its subsidiaries. The key judgement is the underlying cash generation and profitability of the wider group which can be affected by market conditions and unexpected events.	We have performed testing over cash flow forecasts of the group. We assessed the accuracy of management's forecasting of profit against actual profits recorded. We evaluated management's forecasts, and challenged their adequacy and underlying assumptions, and performed sensitivities on the assumptions. We assessed the composition of costs within the forecasts to evidence that they were prepared on a consistent and appropriate basis. We noted no concerns with the carrying value.
Impact of COVID-19 The ongoing and evolving COVID-19 pandemic is having a significant impact on the global economy and the economies of those countries in which the Group's end users buy video games. There is significant uncertainty as to the duration of the pandemic and what its lasting impact will be on those economies. The Directors have considered the potential impact on the Group of the ongoing COVID-19 pandemic in several areas. In relation to the Group's going concern assessment, the Directors adjusted the cash flow forecasts for the period to the end of June 2021 to reflect a number of plausible downside scenarios resulting from the direct and indirect consequences of COVID-19 including, for example, delays in releases of games, reductions in demand and no releases. The impact of COVID-19 has been treated as a non-adjusting post balance sheet event for impairment assessment of Group's intangible assets.	The impact on the entity is assessed by looking at the Group situation. We re-evaluated our risk assessment, including the going concern risk of the Group. Based on the Directors assessment and our audit procedures thereon as described below, we consider our original risk assessment to remain appropriate and therefore consider going concern to be a normal risk for this engagement. We obtained and reviewed the management accounts for the financial year to date and checked that these were consistent with the starting point of management's forecasts. We also checked the arithmetical accuracy of management's forecasts for the period to the end of June 2021. We evaluated management's downside scenarios, including a severe but plausible scenario, and challenged their adequacy and underlying assumptions, including the level and period of reduction in sales. We assessed the composition of costs within the forecasts to evidence that they were prepared on a consistent and appropriate basis. We evaluated the level of forecast liquidity and management's assessment that there would likely be a sufficient level of working capital throughout the period to the end of June 2021. Our conclusion in respect of going concern is included in the "Conclusions related to going concern" section below. We concur with management that the COVID-19 outbreak is indicative of conditions that arose after the balance sheet date and therefore is a non-adjusting post balance event. As such we concluded that management's future assumptions used in determining impairment assessments performed as at 31 December 2019 should not be adjusted. We have reviewed management's disclosures in the financial statements in relation to COVID-19 and post balance sheet event disclosures and are satisfied that they are consistent with the risks affecting the Group, impact assessment and work performed.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, 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 or intential misrepresentations, or through collusion. We focused on laws and regulations including Companies Act 2006, Listing Rules that could give rise to material misstatement in the Company's financial statements, including, but not limited to, the risk of non-compliance related to financial conduct. Our tests included, but were not limited to, review of legal correspondence and discussion with managements experts. These are inherent limitations in the audit procedures described above 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 would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£675,000 (2018: £504,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	The company is a non-trading holding company. The entity's assets relate solely to their ownership of the subsidiary trading companies and thus reflect the Company's purpose. Company materiality has been restricted to ensure it is not greater than 90% of the Group's financial statement materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £33,750 (2018: £25,200) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEAM17 GROUP PLC
CONTINUED
REPORT ON THE AUDIT OF THE COMPANY FINANCIAL STATEMENTS

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

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

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

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

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

We have no exceptions to report arising from this responsibility.

Other matter
We have reported separately on the group financial statements of Team17 Group Plc for the year ended 31 December 2019.

Andy Ward
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
15 April 2020

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
COMPANY REGISTRATION NUMBER: 11205116

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Fixed assets			
Investments	8	**154,954**	154,853
Deferred tax asset		**229**	–
		155,183	154,853
Current assets			
Debtors	9	**46,425**	44,452
Cash at bank and in hand		**–**	–
		46,425	44,452
Trade and other payables	10	**(1,630)**	(461)
Creditors: amounts falling due within one year			
Net current assets		**44,795**	198,844
Net assets		**199,978**	198,844
Capital and reserves			
Called up share capital	11	**1,313**	1,313
Share premium account	12	**44,084**	44,084
Other reserve	12	**153,813**	153,813
Profit and loss account	12	**768**	(366)
		199,978	198,844

The company has taken advantage of the exemption permitted by section 408 of the Companies Act 2006 not to produce its own profit and loss account. The profit (2018: loss) for the year dealt within the accounts of the company was £213,000 (2018: £728,000).

The notes on pages 59 to 64 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 15 April 2020, and were signed on its behalf by:

D Bestwick
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Equity attributable to shareholders of the company

	Note	Called up share capital £'000	Share premium account £'000	Other reserve £'000	Profit and loss account £'000	Total Equity £'000
On incorporation		–	–	–	–	–
Loss and total comprehensive expense for the period		–	–	–	(728)	(728)
New shares issued at incorporation		10	–	–	–	10
Capital reorganisation	12	1,030	–	153,813	–	154,843
New shares issued on IPO	12	273	44,814	–	–	45,087
Transaction costs of new equity instruments		–	(730)	–	–	(730)
Share based compensation	13	–	–	–	362	362
At 31 December 2018		1,313	44,084	153,813	(366)	198,844
Profit and total comprehensive expense for the year		–	–	–	213	213
Share based compensation	13	–	–	–	921	921
At 31 December 2019		1,313	44,084	153,813	768	199,978

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The Company was incorporated on 14 February 2018 and the principal activity of Team17 Group Plc (the "Company") is that of a holding company. The Company is incorporated and domiciled in United Kingdom. The address of its registered office is 3 Red Hall Avenue, Paragon Business Park, Wakefield, WF1 2UL. The registered number of the Company is 11205116.

2. Significant accounting policies

Basis of preparation

The Company financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its individual Statement of Comprehensive Income in these financial statements. The Company's overall result for the year is given in the Statement of Changes in Equity.

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

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

Going concern

Management has produced forecasts that have also been sensitised to reflect plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. These demonstrate the Group is forecast to generate profits and cash in the year ending 31 December 2020 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

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

Share based compensation

The Company has granted share options to various employees and directors. These shares are separated into the following types of schemes:

- Directors LTIPs – These include performance criteria and the fair value of these options has been estimated using a Monte Carlo Simulation model to estimate the fair value of the awards.
- Employee share options – The only performance criteria included on these options is for the employee to remain in the company for a specified period of time. The fair value has been estimated based on the share price at grant date.

The fair value of these options are recognised as an expense in the Statement of Comprehensive Income over the vesting period of the options with a corresponding credit included within retained earnings. Employers national insurance due on the share options are included within the Statement of Comprehensive Income calculated at 13.8% of the share options charge whilst the credit is included within trade and other payables. The accumulated share option value is adjusted for any lapsed share options on a monthly basis.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Trade and other receivables

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash is represented by cash in 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.

Financial instruments

The Company only enters into basic financial instruments 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 related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured at the difference between an assets 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.

Trade and other payables

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Significant accounting policies (continued)

Revenue recognition
Revenue represents income from group management charges on a monthly basis.

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

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

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

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

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

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

Share capital
Share capital represents the nominal value of the shares that have been issued.

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

Merger relief reserve
Merger relief reserve which has been included in other reserves, includes any premiums received on the issue of share capital in a share for share exchange.

Retained earnings
Retained current and prior period losses.

Foreign currency
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

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

Investments in Group undertakings are stated at cost, unless their value has been impaired in which case they are valued at the lower of their realisable value or value in use.

This calculation of value in use requires estimates to be made relating to the timing and amount of future cash flows expected, and suitable discount rates based on the weighted average cost of capital adjusted to reflect the specific economic environment.

4. Revenue
All turnover was generated from group management charges.

All turnover was generated in the United Kingdom.

5. Operating Profit
Remuneration paid to our auditors is stated in note 7 of the consolidated financial statements and has not been included within the individual entity accounts.

6. Staff numbers and costs
The average number of persons employed by the Company during the year was as follows:

	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.
Directors	**5**	4

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Wages and salaries	**1,267**	1,453
Social security costs	**315**	246
Other pension costs	**25**	46
Share based compensation	**863**	319
Compensation for loss of office	**152**	–
	2,622	2,064

The following tables sets out the Directors' payroll costs:

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Aggregate remuneration	**1,419**	1,453
Social security costs	**315**	246
Company contributions to money purchase scheme	**25**	46
Share based compensation	**863**	319
	2,622	2,064

Retirement benefits are accruing to 1 director (2018: 2 directors) under money purchase schemes. In addition long term share incentive schemes are in place for 1 (2018: 2) directors.

No directors exercised share options during the year. Directors remuneration was paid through the the previous Group holding Company Team17 Holdings Limited until the listing on AIM on 23 May 2018 when Team17 Group Plc became the ultimate controlling party of the Group.

Jo Jones resigned on 22 November 2019 – Following her departure, she received payments in lieu of her notice period in accordance with her contractual entitlement and retained 50% of her LTIP share options that were awarded in 2018.

The remuneration of the highest paid Director was:

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Aggregate emoluments	**658**	1,030
Share based compensation	**730**	319
	1,388	1,349

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Taxation

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Current tax:		
Current year tax	310	–
Adjustments in respect of prior periods	69	
Deferred tax:		
Origination and reversal of temporary differences	(229)	–
Total tax charge	150	–

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Reconciliation of total tax charge:		
Profit/(Loss) before tax	363	(728)
Taxation using the UK Corporation Tax rate of 19%	69	(138)
Effects of:		
Expenses not deductible for tax purposes	12	–
Adjustments to tax charge in respect of prior periods	69	–
Losses surrendered for group relief	–	138
Total tax charge	150	–

8. Investments

	31 December 2019
Cost	
Additions	154,853
At 31 December 2018	154,853
Additions	101
At 31 December 2019	154,954
Net book value	
At 31 December 2019	154,954
At 31 December 2018	154,853

Additions of £101,000 (2018: £Nil) represents the value of share options issued to employees employed by Team17 Group Plc's subsidiaries.

8. Investments (continued)

Name of company	Holding	Proportion of voting rights and shares held	Activity
Subsidiary undertakings			
Team17 Holdings Limited	Ordinary Shares	100%	Intermediate holding company
Team17 Software Limited	Ordinary Shares	100%	Intermediate holding company
Team17 Digital Limited	Ordinary Shares	100%	Development and publishing of video games for the digital market
Mouldy Toof Studios Limited	Ordinary Shares	100%	Dormant

The investment in Team17 Digital Limited is held via Team17 Software Limited.

The registered office of all subsidiaries is 3 Red Hall Avenue, Paragon Business Park, Wakefield, WF1 2UL.

9. Trade and other receivables
Amounts falling due within one year:

	31 December 2019 £'000	31 December 2018 £'000
Amounts owed by group undertakings	46,287	44,452
Other receivables	22	–
Prepayments	116	–
	46,425	44,452

10. Trade and other payables
Amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Trade payables	46	16
Current tax liabilities	379	–
Taxation and social security	109	80
Accruals and deferred income	1,096	365
	1,630	461

11. Share capital

	31 December 2019 £'000	31 December 2018 £'000
Authorised, allotted, called up and fully paid		
131,288,276 ordinary shares of 1p each	1,313	1,313
	1,313	1,313

The ordinary shares have voting, dividend and capital distribution rights. They are not redeemable.

12. Reserves

Admission to AIM 2018

This note should be read in conjunction with the Statement of Changes in Equity. The Group's admission onto AIM in 2018 involved a number of transactions for the Company which are explained below:

Capital re-organisation 2018

Prior to the IPO on 23 May 2018, the Company acquired the entire share capital of Team17 Holdings Limited (comprising £0.01 nominal ordinary shares) in exchange for issuing the same number of its own ordinary shares (of £1 nominal ordinary shares) to the existing shareholders of Team17 Holdings Limited. This transaction was under common control and treated as a capital restructuring and not a business combination. The Company recorded the investment at fair value and applied group reconstruction relief, leading to the creation of the other reserves (merger relief reserve) of £153,813,000. The impact of this transaction on the financial statements is disclosed as a 'Capital reorganisation' in the Statement of Changes in Equity.

Subsequently (but prior to admission), the Company sub-divided its £1 ordinary shares into £0.01 nominal shares.

New share issue 2018

Prior to the IPO, the Company had in issue 103,962,794 £0.01 ordinary shares. As part of the IPO the Company issued a further 27,325,482 £0.01 ordinary shares, at £1.65 per share. This raised a total of £45,087,045. A further 37,849,200 existing shares were placed on sale, at £1.65, by the existing shareholders. Following admission, the Company had in issue 131,288,276 ordinary £0.01 shares of which 65,174,682 were placed on AIM.

Share premium reserve

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Retained Earnings

Includes all current and previous retained profits and losses.

Merger relief reserve

Merger relief reserve which has been included in other reserves, includes any premiums received on the issue of share capital in a share for share exchange.

13. Share based compensation

Please see note 22 in the consolidated Team17 Group Plc consolidated financial statements for further information on the share based compensation charge in the year.

14. Related parties

Ultimate controlling party

At 31 December 2019 there was not considered to be a single ultimate controlling party of Team17 Group Plc.

Transactions with key management personnel

The key management personnel of the Group are deemed to be the board of directors and details of their aggregate remuneration can be found in note 6.

15. Pensions

The Company operates a defined contribution scheme for its directors and employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The outstanding pension contributions at 31 December 2019 were £Nil (2018: £2,000).

16. Post Statement of Financial Position Events

The impact on the entity is assessed by looking at the Group situation.

In early 2020, the existence of new coronavirus, known as COVID-19, was confirmed and since this time COVID-19 has spread across a significant number of countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in the fluctuations in the global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Further details on Group's consideration are disclosed Chief Executive and Chairman's statement on pages 4-5 and CFO's statement on pages 12-13.

Registered office
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