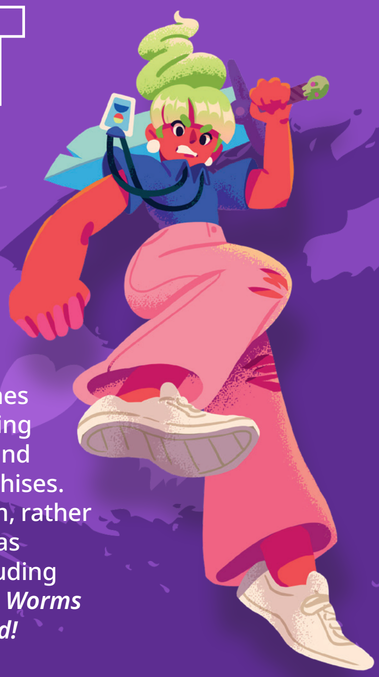
team17

THE SPIRIT OF INDEPENDENT GAMES

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

DELIVERING CAPTIVATING, ACCESSIBLE AND QUALITY GAMING EXPERIENCES WITH INDEPENDENT SPIRIT



We are 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.

We are a highly successful games publisher, focused 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***.

WHAT'S INSIDE

HIGHLIGHTS OF THE YEAR

Revenue

£83.0m

2020	£83.0m
2019	£61.8m
2018	£43.2m

+34%

Adjusted EBITDA*

£30.1m

2020	£30.1m
2019	£22.1m
2018	£15.3m

+36%

Gross Profit

£39.1m

2020	£39.1m
2019	£29.5m
2018	£19.8m

+33%

Cash and Cash Equivalents

£61.5m

2020	£61.5m
2019	£41.9m
2018	£23.5m

+47%

Profit Before Tax

£26.2m

2020	£26.2m
2019	£19.2m
2018	£8.7m

+36%

Adjusted Earnings per Share**

18.2p

2020	18.2p
2019	13.6p
2018	8.1p

+34%

Gross Profit Margin

47%

2020	47%
2019	48%
2018	46%

-1%

* Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, depreciation of right of use assets, amortisation of brands and share based payment costs. See note 11.

** Adjusted earnings per share is calculated by dividing the profit after tax adjusted to add back share based payment costs including related employers national insurance contributions by the weighted average number of ordinary shares in issue. See note 11.

NON-FINANCIAL HIGHLIGHTS

12 titles launched across 2020 including a record 10 new games

Senior management and board strengthened alongside key infrastructure upgrades

Solid pipeline of new launches across 2021 and beyond underpins Group performance

+25%
Headcount

Headcount increased 25% to 250 including the acquisition of Yippee Entertainment

Completed the acquisition of the ***Golf With Your Friends*** IP in January 2021 for a total consideration of £12m

Recognition Received in 2020:

- **Team17** named Indie Publisher of the Year at MCV Develop Awards
- ***Blasphemous*** won Game of the Year, Best Art, Best Game Design, Best PC Game, and Best Console Game at Gamelab
- ***Moving Out*** awarded Game of the Year Award at Australian Game Developer Awards
- **Team17** named Publishing Star at Develop:Star Awards
- **Team17** and ***Worms*** inducted into Golden Joysticks Hall of Fame
- ***Greak: Memories of Azur*** won the award for the Best Upcoming Game for PC/Consoles as well as Best Graphic Art at VJMX Awards
- **Debbie Bestwick** named Entrepreneur of the Year at the 2020 AIM Awards

"We are delighted to report another record performance in 2020, underpinned by positive momentum across our portfolio of games."

Debbie Bestwick MBE

Q **Team17 has grown phenomenally since you came to the market. How do you manage that growth, what have been the biggest changes within the business and what are the cultural changes during such an exciting period of change?**

A Our culture is very inclusive, we embrace the quirky here at Team17 and that runs from the top down and bottom up to ensure we protect it as we grow. Our people are the business and we will always ensure that they have the creative freedom needed to maintain both our culture and business goals. It's important to understand that we retain an agile and entrepreneurial ethos, we don't have a hierarchical management system, we are one team together and that is what we believe brings the most success. We are gamers at heart doing what we are incredibly passionate about and that means we have a very different approach to how other businesses would be managed. Ultimately, our success comes from total dedication to the day-to-day business.

Q **How have you managed the pressures of video game development, particularly around the completion and launch of more complex titles whilst remote working?**

A I know it's a bit of a stereotype, but many across the gaming sector are introverts, so lockdown fits their lifestyle outside of office-based working, but equally brings challenges as we rely on office environments for that social fix. It has also been emotionally hard for many of our younger workforce and we've been working tirelessly to support everyone on our team; you're never alone when you work here.

In terms of delivering on titles, it has of course been challenging, particularly with larger scale or more complex projects, specifically big online multiplayer games, but we've faced the challenge head on and delivered in 2020. We also know this will be an important part of 2021 and are doing all we can with our partners and Teamsters to help ensure we are in a good place to deliver our pipeline as we did in 2020.

Q **The business has generated a healthy cash balance and has now made two acquisitions since listing. How important will acquisitions be in your growth plans given the gaming sector is awash with Mergers & Acquisitions ("M&A")?**

A We have a healthy pipeline of M&A opportunities which will form part of our story but are not central to our long-term vision. Remember, we have built a great company by being selective and focusing on our core values. I've always said M&A in gaming is really easy if you play the short-term EBITDA growth strategy but long-term beneficial M&A takes being selective. Ultimately, we want to build partnerships with people who not only buy into our long-term values regarding growth, but also add real personal value to the wider business.

"Whilst many desire to be like Team17, we are constantly evolving and growing to stay ahead of the competition."

We are very focused on working with talented creators who want to build sustainable franchises across genres and multiple platforms."

Q **Can you give us any insight into what your M&A strategy is in terms of types of targets, will they always be development studios like Yippee or IP like *Golf With Your Friends*?**

A We are always looking at M&A opportunities. We focus on three areas all with long-term shareholder value first and foremost. They are: IP where it makes sense; studios or services that benefit the wider Group margins and wider Group strategic 'good fits' that meet long-term goals with likeminded growth companies.

Q **There have been recent moves by your peers to attempt to replicate Team17's successful games label. How do you see that competition impacting your business and your ability to find, develop and launch future third-party games?**

A We've built something very unique and special within the games industry. Our secret sauce isn't easy to replicate and whilst we still don't see direct competitors doing exactly what we do, we see a variety doing small bits of some parts. Competition is healthy and it keeps us on our toes. Remember, we are constantly evolving and growing ourselves so that's hard for others to keep up with our pace.

Q **How important is the Greenlight process to Team17?**

A Our Greenlight process sits at the heart of our business model and enables us to evaluate a large number of potential games both internally created or from external third-party developers. We make decisions on games based on assessing potential commercial upside using the knowledge and experience across our team. We are very focused on working with talented creators who want to build sustainable studios, new IP and develop franchises across many genres and on multiple platforms. That has always been our message and it will continue to be so.

Q **How much do you typically invest in a title and what stage of development is the title when you chose to invest, how does that compare with your peers?**

A There is no one size fits all model as each game is unique. Our involvement varies from a few years out to a few months before launch. Investment equally varies depending on what stage the 3rd party game is at as well as what type of game it is. Historically, our funding on an external game is below £1m but is likely to be higher for a 1st party game. That said, if we thought a game needed further financial support, we would happily invest above those thresholds if the commercials all stacked up.

Q **Will Team17 always develop 'Indie' games or could we see you targeting AAA titles?**

A AAA is absolutely not where we want to play. It carries significant financial risk and exposure. Our indie portfolio model is at the heart of the business and culturally Team17 is a premium indie business, it's very much in our DNA.

Q **How important are next generation consoles to the long-term success of the gaming sector and specifically to Team17?**

A Console development has been a central part of the gaming industry for many decades. Despite the onset of streaming platforms, I believe that consoles have a significant role to play for the foreseeable future. We develop the vast majority of our games to be played on multiple devices including consoles and we want to make our games available to as many players as possible.

Q **Do you see streaming services as a threat or an opportunity for Team17?**

A We see it as an opportunity for our business and we are already embracing them. We have a huge back catalogue of titles which lends itself to this model very well. As with everything we do – the commercial terms must be right for our business as does the timing which to date, they have been.

ACCELERATED MOMENTUM ACROSS OUR PORTFOLIO

"We are pleased to report another record year for Team17"

Debbie Bestwick MBE
Chief Executive Officer

Chris Bell
Non-Executive Chair

Introduction

We are delighted to report a sixth consecutive record performance year. Supported by our Teamsters and Games Label partners, we delivered one of our most ambitious rosters of game launches, built upon our internal tech wrappers for 1st and 3rd party online games to include Cross-Play (for Unity and Unreal engine games), alongside further enhancements to our back catalogue portfolio contributing to another excellent year.

Pleasingly, we launched 2 existing titles on new platforms and released a record 10 new game titles in 2020 which included 7 new game releases and 3 new games set in existing gaming universes. We continued to build on our existing franchises with additional 34 downloadable content packs ("DLC") delivered across 15 titles, further enhancing their lifecycles and encouraging continued player interaction.

Across the year, 78% of the Company's revenues came from our strong and diverse back catalogue portfolio, partly as a result of Covid related lockdowns which provided an opportunity for gamers globally to explore our diverse mix of content. This contributed to a significantly better than expected performance in FY2020 with new releases in total for the year accounting for 22% of sales. Our portfolio model came into its own in 2020 and underpins our low risk business model that we believe in so strongly.

2020 Launches

As referenced above, we continued to strengthen our IP portfolio with record title releases during the year working alongside development teams globally:

- ***Moving Out*** –physics-based moving simulator (SMG Studio, Australia & DevM Games, Sweden)
- ***Golf with Your Friends*** (console*) – multiplayer mini golf game (Blacklight Interactive, Australia)
- ***Main Assembly*** – robot building sandbox game (Bad Yolk, Sweden)
- ***Crown Trick*** – role-playing game with turn-based combat (NeXT Studios, China)
- ***Going Under*** – satirical dungeon crawler (Aggro Crab, USA)
- ***Ageless*** – time altering puzzle platformer (One More Dream Studios, Malaysia)
- ***Neon Abyss*** – dungeon-based action-platformer (Veewoo Games, China)
- ***Hammerting*** – dwarf mining simulator (Warpzone Studios, Sweden)
- ***The Survivalists*** – island survival in The Escapists universe (own-IP, UK)
- ***Overcooked! All You Can Eat*** – boosted Overcooked bundle for next-gen (Ghost Town Games, UK
- ***Worms Rumble*** – real-time, cross-platform Worms title (own-IP, UK)
- ***Monster Sanctuary*** (console*) – monster collecting and turn-based combat (Moi Rai Games, Germany)

* Existing games launched on to new platforms.

As a result of both the strength of our portfolio model and the successful launch of new titles in 2020, we are delighted to report revenues of £83.0m up 34% (2019: £61.8m), an increase of 33% in gross profit to £39.1m (2019: £29.5m), profit before tax up 36% to £26.2m (2019: £19.2m) and a 36% increase in adjusted EBITDA to £30.1m (2019: £22.1m), all of which are records for the business. We continue to be highly cash generative, ending the year with cash and cash equivalents of £61.5m (2019: £41.9m).

The Company's portfolio continues to grow and now comprises nearly 400 digital revenue lines ("DRL"), compared to just over 300 DRL this time last year. The expansion of our DRL across our genre and platform agnostic portfolio continues to underpin the Company's growth and mitigates the risks associated with over-dependence on any one title or specific distribution platform.

The Company's core business model has remained focused, robust and is central to our ongoing success. Therefore, we will continue to focus on our key priorities:

- Growing our strong portfolio of titles, including additional paid and free DLC;
- Harnessing new technology and platforms;
- Capitalising on the strength of the Games Label model and our unique Greenlight process that identifies and contracts new IP;
- Evaluating selective M&A opportunities; and
- Continuing to invest in our people and infrastructure, while identifying new creative and commercial talent

Covid

Over the course of the pandemic and continuing into 2021, the safety and wellbeing of our Teamsters and Label Partners has remained our number one priority. Due to the seamless transition to remote working, the business suffered minimal interruption during the early stages of the pandemic. Having proven their ability to work effectively from home, we will continue to bring our people back to the office only when we feel safe and comfortable to do so. We also expect to see a permanent shift in working and business travel practices across our industry and will listen closely to feedback from our teams and partners, as we develop increasingly flexible working practices across the business.

During the period, the business did not furlough any of its staff nor did it apply or utilise any covid funding support from local or central government.

2021 Pipeline

Continuing on from 2020, with one of our most ambitious pipelines delivered not just in the number of game launches and updates but technically as a remote work force, our fiscal 2021 outlook is no less ambitious. We have a solid and diverse pipeline of new IP to look forward to including: ***Rogue Heroes, Narita Boy, King of Seas, Thymesia, Epic Chef, Super Magbot, Greak: Memories of Azur, Honey I Joined a Cult*** and ***Hokko Life*** with new games yet to be announced. In addition to new IP, there is a special mention for some of our existing portfolio titles such as ***Hell Let Loose*** which will arrive on next generation consoles this year alongside ***Worms Rumble*** which will launch on additional existing platforms with full cross play.

New titles ***Rogue Heroes*** and ***Narita Boy*** have been launched in the first quarter of 2021 as well as ***Overcooked! All you can Eat*** on additional platforms with full cross play. Together with new titles already announced, we look forward to updating our shareholders on further titles to be released in 2021.

Industry Recognition

The quality of Team17's business, management and games has continued to be recognised within the video game industry throughout 2020 with many awards and nominations but call out to:

- Team17 named Indie Publisher of the Year at MCV Develop Awards
- ***Blasphemous*** won Game of the Year, Best Art, Best Game Design, Best PC Game, and Best Console Game at Gamelab
- ***Moving Out*** awarded Game of the Year Award at Australian Game Developer Awards
- Team17 named Publishing Star at Develop:Star Awards
- Team17 and ***Worms*** inducted into Golden Joysticks Hall of Fame
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Market Overview

In 2020, the video games market saw an unprecedented period of growth, accelerated by the significant increase in demand for at home entertainment during the Covid-19 pandemic.

As a result of this positive tailwind, the overall market grew[1] 19.6% 2020 vs 2019 to $174.9 billion whilst previous estimates were for 8.2% growth to $164.6 billion. The market is now predicted to reach $217.9 billion by 2023 growing at 7.6% CAGR, a slightly lower rate than prior year predictions reflecting uncertainty within the global marketplace. Over the same period, the mobile gaming sector is expected to grow at 9.8% CAGR, whilst console and PC sectors are predicted to grow at 7.4% and 2.4% respectively.

With the launch of next-generation consoles in November 2020, we entered a new era of gaming with both consoles boasting significant improvements to architecture, processing, and graphic's capabilities. Our platform agnostic approach means that although we will continue to release games across all platforms, including PlayStation 5 and Xbox Series X|S, the Company's performance remains untethered to a single console.

1 Market data sourced from NewZoo Global Games Market Data January 2021.

Outlook

Team17 has a solid pipeline of launches for 2021 and beyond coupled with a strengthening Greenlight process continually adding further IP and strengthening our offering to 3rd party partners with our unique development tools and resources. The Company is therefore well positioned to continue to deliver on our growth plans.

The expansion of both major consoles and distribution platforms underpins management's optimism about the future of gaming given its unique mixture of technology and entertainment.

Whilst gaming has proven to be extremely resilient, the board continues to be mindful of any potential headwinds associated with a prolonged pandemic, including uncertain macro-economic and consumer environments alongside manufacturing and supply chain challenges facing next generation and existing hardware. We expect these to be in part ongoing and key considerations in 2021.

We would like to take this opportunity to thank our Teamsters for their tenacity and faultless commitment in what has been a challenging year for all of us. It is through their endurance and ingenuity that Team17 has been able to thrive in an unprecedented trading environment.

With a solid pipeline of launches for 2021 and beyond, Team17 is well positioned to continue to deliver underlying growth and support the long-term prospects aligned with our ambitious strategic plans. The acquisition in early January of IP rights and assets for ***Golf With Your Friends*** is a clear indication of our strategic intent and desire to grow our IP base, expanding our portfolio and franchise footprint.

We continue to review a healthy pipeline of potential M&A opportunities that could deliver long-term value.

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

We are confident that our ever-growing portfolio and high quality development and commercial resources place Team17 in a strong position and will continue to underpin the Group's future performance.

Debbie Bestwick MBE
Chief Executive Officer

Chris Bell
Non-Executive Chair

17 May 2021

We look forward to another exciting year ahead with a solid pipeline of new game launches and consistent performance from our back catalogue."

Debbie Bestwick MBE
Chief Executive Officer

GROWING TOGETHER

OUR KEY STRENGTHS

Strong Games Portfolio
- Growing back catalogue with multiple "evergreen" franchises (***Worms***, ***Escapists***, ***Overcooked!***)
- De-risked balance of own IP and growing third-party IP
- Genre and platform agnostic with nearly 400 digital revenue lines

Award-winning
- Team17 and ***Worms*** entered the Golden Joystick Awards 2020 Hall of Fame
- Numerous industry awards, including BAFTA, TIGA, Develop, Game Critics, GameLab, VJMX, Australian Game Awards and The Game Awards
- Industry recognised leader, Debbie Bestwick voted AIM entrepreneur of the year 2020

A Growing Pipeline
- Our greenlight process goes from strength to strength
- Reviewing and signing more high-quality prospects than ever before whilst ensuring high-quality hurdle
- Reputation growing around the world (APAC, Europe, USA as well as UK)

Savvy and Innovative Teamsters
- Team17 attracts and nurtures the best talent within the gaming sector
- Drawing interest from all over the world
- Highly creative and agile teams across Development Studio, Commercial and Support teams

A Creative and Entrepreneurial Culture
- Pushing technical innovation with multi player and cross-platform own technology
- Mix of co-development and publishing only third-party contracts enhance title development and build a valuable IP portfolio
- Launched own e-commerce site

Go-to Creative Partner for Indie Developers
- We now have partners in 13 different countries around the world
- Grown our reputation in Asia in 2020 with development and publishing partnerships
- Long-term partnerships providing full service development and publishing solutions to a global market

Sustainable Economics
- Cautious and dependable financial management approach
- Highly profitable and scalable with low capital investment (people-based)
- Highly cash generative

EXPANDING OUR PORTFOLIO

Our Greenlight Process seeks to identify and assess internal and external new title ideas at all stages of development.

Identify

Product Creation and Acquisition

This process is highly agile and scalable allowing a growing number of prospects to be reviewed in a short period of time but maintains the highest standards of due-diligence.

Our Greenlight Process

We utilise multiple sources from Teamsters themselves, desk research across social media platforms including crowdfunding platforms, conferences, agents, direct submissions and more on a global scale

Our experienced team review all submissions for both internal and external concepts/games each week

Our commercial team benchmark titles against other titles in the genre and reviews the target market and quantifies the market opportunity

Our production, design and development teams provide critical review of all titles at this stage, assessing the quality of the game design, code and suitability for delivery across multiple platforms

Commercial decision-making stage where we set challenging minimum ROI criteria with a high degree of risk analysis and mitigation scenario planning and look at long-term potential

The whole process from identification to offer typically takes 2 to 4 weeks.

VALUE DRIVERS

Enhance

IP/Product incubation

If our games label partners are the equivalent of music artists, then Team17 is the studio with a producer, experience and infrastructure providing all the expertise and resources needed to help polish and improve the gamer's experience and commercially enhance individual game titles. Using both internal teams and some external supplier partners, Team17 offers expert advice and feedback from design and development consultancy to user research and provides help in specialist technical areas to deliver a title ready for launch on all platforms capable of adding multiplayer, cross-platform functionality and overall performance optimisation.

Publish

Go-to-market execution

Our experienced product marketeers devise bespoke launch plans, using market insights and working with internal and external studios to align and refine the right content and gameplay with key messages. Titles are launched through integrated campaigns, involving our specialist digital marketing, PR & community, creative services and business development teams. Team17 works closely with platform, influencer and promotional partners across the globe to ensure campaigns reach the right audiences and engage players from the title announce through its entire lifecycle.

Extend

Lifecycle management

The commercial expertise across marketing and business development teams deliver post launch plans that maximise long-term revenues through promotions, platform partnerships and content-driven activities. These include strategic additional platform releases, subscription partners and new sales avenues such as limited physical "collector" runs. We work with our studio teams to plan, develop and launch incremental DLC to monetise existing audiences as well as free DLC to retain players and increase the experience and presence of the game within the market, gathering insight to explore further expansion possibilities such as sequels and spin-offs that could lead to future franchise potential.

Teamsters

Our people are the experienced, creative heart of our business and we continue our investment to recruit and build this valuable team.

25%

Increase in headcount in 2020

Indie Partners

We have partners across the globe with a growing reputation in Asia which drives an ever increasing interest from new potential partners submitting games to our greenlight process.

8

Third-party new games released in 2020

Investors

Team17 has continued to grow and deliver enhanced value to our shareholders with a 125% growth in adjusted EPS since 2018.

18.2p

Adjusted EPS

EXPANDING OUR PORTFOLIO

Team17 is a global entertainment games label focused on delivering premium video games. Alongside developing our own successful games, Team17 partners with indie developers around the globe to co-develop and publish games across all genres and platforms.

OUR PORTFOLIO

First-party IP

100% owned & internally developed, representing **21%** of 2020 revenues

Developing our own IP has been at the heart of our business since 1990. We have successfully created, developed and published numerous own IP titles and have since grown many of these titles into successful and ongoing franchises.

Third-party IP

Co-developed & published, represents **79%** of revenues

To continue growing our portfolio as a Games Label we work with external partners throughout the development and publishing phase where our involvement will depend on the specific requirements of the individual development partner, but it can also be solely as a publisher to help launch the title across multiple platforms.

PLATFORMS

We develop and co-create games for PC, console and mobile gaming formats and look to bring them to market across multiple platforms alongside physical sales channels to make them available to a wide customer base and maximise their commercial success.

PC	— Steam — Epic — GOG — Amazon Prime Gaming — A number of smaller regional based stores
Console	— Nintendo Switch — Sony PlayStation 4 / 5 — Microsoft Xbox One / Series S/X
Mobile	— Apple iOS/OSX — Amazon Mobile — Android
Streaming	— Microsoft Cloud Streaming — Amazon Luna — Other smaller providers

Approaching 400 digital revenue lines

Digital sales make up **93%** of all revenues and digital revenues with digital revenue lines[1] across multiple genres and platforms.

1 A digital revenue line is defined as a title available on an individual platform, so typically an individual title launched on multiple platforms could have between 4-6 digital revenue lines.

LIFECYCLE MANAGEMENT

Once we have identified titles through our greenlight process and developed them for release internally or by supporting our third-party development partners, Team17 draws on an experienced publishing team with global reach and connections across the gaming sector that successfully launches titles and extends the life of titles to optimise the commercial lifecycle value of our growing portfolio.

OUR FRANCHISES

Certain IP titles show enough promise to be more than one game and lend themselves to sequels and diversification of products: spin-offs, different genres, licensing/product development (particularly in complementary areas such as merchandise, apparel, board/card gaming, toys, transmedia, music, events etc.

Worms, *Overcooked!* and *The Escapists Universe* are three key franchises that have already begun to expand and we will see a lot more from them in areas outside of video games during 2021 onwards, bringing new audiences into the IPs, new regional opportunities and improved awareness of the video games these IPs were born out of. Alongside *Worms*, *The Escapists Universe* and *Alien Breed* are Team17-owned franchises, and with the newly acquired *Golf With Your Friends* having the potential to grow into a long-term franchise – this will continue to be a key focus area for Team17.

WORMS

(Owned IP)

- 30 existing titles
- 7 DLC launched in 2020
- *Worms Rumble* launched in December on PC and PlayStation 5 and Playstation 4

OVERCOOKED!

(Third-party IP)

- 2 existing titles
- 4 DLC launched in 2020
- Overcooked! All You Can Eat launched in November on PlayStation 5, Xbox Series X and S

The Escapists

(Owned IP)

- 2 existing titles
- 1 DLC launched in 2020
- *The Survivalists* launched in October on PC, Nintendo Switch, PlayStation 4, Xbox One and Apple Arcade

THE GLOBAL GAMING OPPORTUNITY

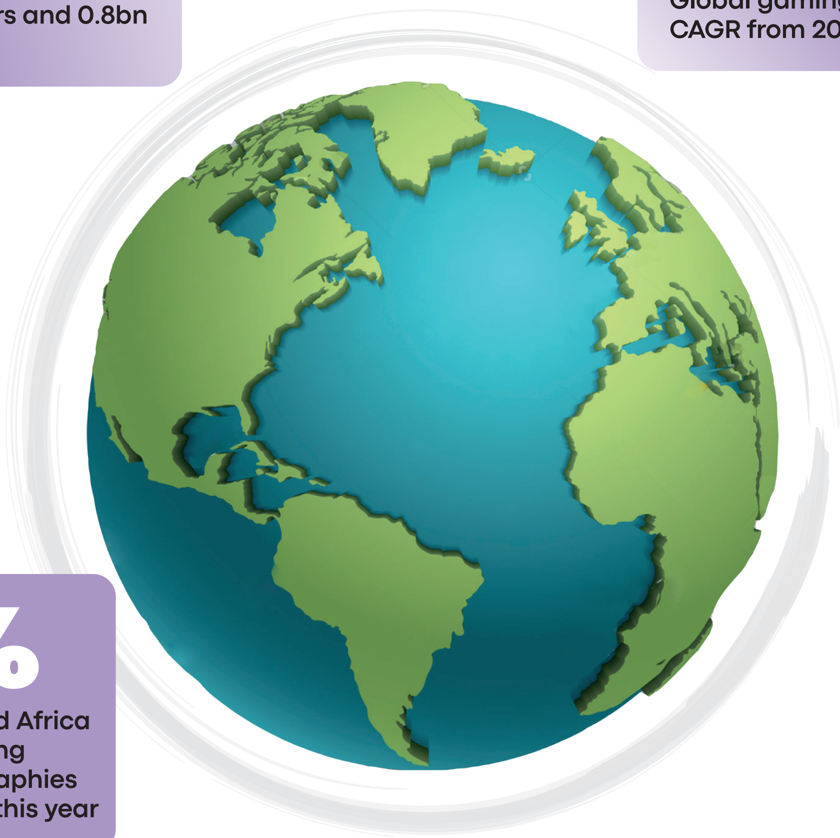
The consistent and rapid growth of the worldwide gaming industry accelerated further in 2020 than previous estimates expected and clearly the COVID-19 pandemic underpinned increased demand for in-home, co-operative, and interactive entertainment. Total market revenue grew nearly 20% in 2020 to $174.9bn and is predicted to grow to $217.9bn by 2023 with CAGR reverting back to normalised levels according to the NewZoo 2020 report.

2.7bn

Number of gamers worldwide in 2020, including 1.3bn PC players and 0.8bn console players

7.6%

Global gaming industry CAGR from 2020-2023



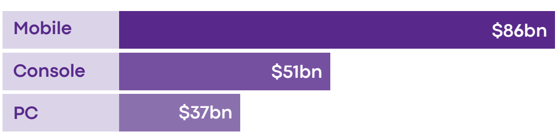
30.2%

Growth of Middle East and Africa market, the fastest growing regions in 2020. All geographies saw double-digit growth this year

$63.2bn

Expected value of console market by 2023, growing at a CAGR of 8.9%

2020 Revenue by Market Segment



MARKET TRENDS

Subscription and Cloud-based Gaming

Video game subscription services provide players with access to hundreds of games without the need to purchase each individual title. Adoption of the model has been rapid with Xbox's Game Pass (18m subscribers[1]) and PlayStation Now (2.2m subscribers[2]) proving particularly popular with console gamers. With new cloud-based competitors such as Google's Stadia (1m subscribers[3]) and Amazon's Luna service, gamers can also access games without the need to purchase new hardware or download content directly to their devices.

What it means for us

Team17 is a platform agnostic Company, which is why you can find our content on your Switch, PC, Xbox or PlayStation. We see both streaming and cloud-based services as a great opportunity to share our games with the widest possible audience. In December, our newest ***Worms*** title, ***Worms Rumble*** was launched on PlayStation Plus and we were delighted with the positive reaction from new gamers and ***Worms*** veterans alike. Team17's significant back catalogue of titles lends itself to subscription-based models and we look forward to working with our commercial partners to bring our communities more titles on-demand in 2021.

Increasing Platform Diversity

The digital gaming marketplace continues to see the emergence of new revenue channels that include premium sales, Games As A Service, subscription and potentially rental in the future. Recent next generation console launches are reinvigorating those platforms and helping to drive engagement and growth. PC digital distribution platforms have also grown with Steam and Epic Games Store now boasting a combined total of 176m monthly active users[4,5], and new streaming platforms such as Amazon Luna and Google Stadia are growing new routes to market. Mobile continues to be the fastest growing channel through platforms provided by Apple iOS and Google's Android OS.

What it means for us

Team17 consistently look to launch titles on the widest range of platforms in order to maximise the potential gamers able to find our titles and play them. Our commercial team maintains strong relationships with platform holders whilst forging new partnerships with identified growth platforms ensuring that opportunities for Team17 are maximised. We continue to ensure our development teams drive their technical capabilities to be able to launch titles across multiple channels and our commercial teams have strong relationships across all global platform providers.

Inclusive and Accessible Games

There is an ongoing, industry-wide effort to make games both more inclusive and accessible. Increasingly, creators are adding characters who are more representative of society as a whole and features to make games more accessible to those with disabilities or learning difficulties. The gaming industry does not operate in a vacuum and all companies, regardless of size or status, from AAA publishers to one-man indie studios are recognising the role they can play in bringing about positive change.

What it means for us

Team17 has always strived to be an inclusive Company, not only for our own employees, but also in terms of the content we create and publish. 2020 was the year where we feel we made our greatest enhancements in inclusivity features for our games. In November, we launched ***Overcooked! All You Can Eat***, the most accessible ***Overcooked!*** title yet, including dyslexia friendly text, a scalable user interface, and colour-blind friendly chef indicators, alongside an assist mode that adds features to increase level times. ***Moving Out*** also had assist modes and many of the same accessibility options. Team17's games are for everyone and we will continue to ensure our games are as accessible and diverse as possible this year and beyond.

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5 https://www.epicgames.com/store/en-US/news/epic-games-store-2020-year-in-review#:~:text=There%20are%20now%20over%20160,in%202019%20to%2056%20million

DELIVERING FINANCIAL RESILIENCE

"Team17 has delivered another strong financial performance with Group revenues growing 34% to £83.0m."

Mark Crawford
Chief Financial Officer

Key performance indicators for the period ended 31 December 2020

Revenue
£83.0m

2020	£83.0m
2019	£61.8m
2018	£43.2m

Gross Profit
£39.1m

2020	£39.1m
2019	£29.5m
2018	£19.8m

Adjusted EBITDA*
£30.1m

2020	£30.1m
2019	£22.1m
2018	£15.3m

Gross Profit Margin
47%

2020	47%
2019	48%
2018	46%

* 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.

Performance Overview

2020 was undoubtedly an exceptional year with the Covid pandemic impacting individuals and businesses across the globe. We reported record revenues with higher than expected back catalogue sales alongside the launch of 12 titles with 2 existing titles released on new platforms and a record 10 new titles launched during the year (2019: 7) resulting in new releases representing 22% of revenues in the period (2019: 29%). Overall, the Group's revenues grew 34% to another record level of £83.0m (2019: £61.8m) for the year to 31 December 2020.

Gross profit grew by 33% to £39.1m (2019: £29.5m) and gross margin percentage was 47% (2019: 48%). Movement in gross margins reflect a combination of the sales mix, the age profile of the titles within our portfolio and the ongoing support provided to titles post launch. It should be noted that this combination of sales mix between back catalogue and new releases together with associated amortisation charges is subject to the scale and timing of new game releases and will vary from year to year.

With a growing pipeline of titles in production combined with more internal IP, development costs capitalised in the period have increased by 134% to £7.5m (2019: £3.2m). Capitalised costs will vary from year to year as they reflect the combination of the increased number of titles in development, timing and number of planned launches, the mix of own IP launched in the year and also the technical tools we build within our talented development teams including multiplayer online games and cross-platform technology. Costs incurred to support an increasing number of live games or deliver new content as DLC (either paid for or free updates) are fully expensed in the period.

Amortisation charges have risen primarily due to the increase in number of titles launched in the period. Team17's amortisation policy means that the majority of the capitalised development costs for a title are written off in the 12 months after the title is launched. Charges will vary year to year in accordance with the timing and quantity of titles launched alongside the level of development costs capitalised.

In December 2020, we launched *Worms Rumble* on PC, PlayStation 4 and the next generation PlayStation 5 console and as part of this launch, revenue was secured under a license agreement with PlayStation which was recognised in the period under IFRS 15. As a result of the licence deal combined with the launch on the next generation console, first year revenues are expected to be more heavily weighted towards the launch date and we have therefore updated our amortisation policy to better reflect this with a higher amortisation charge for this title being recognised in December 2020. The total amortisation charges for this title over the first year after launch will remain in line with the existing policy.

Administration costs grew by 23% to £13.0m (2019: £10.6m) with the key driver of the increase being the growth in headcount. We were pleased to be able to continue to recruit throughout the year despite the pandemic related restrictions and as a result total headcount grew by 25% to 250 (2019: 200). The increase in headcount includes the team that joined as a result of the acquisition of Yippee in January 2020, enabling the expansion our development capability with a second studio based in Media City, Manchester with access to a new and broad talent pool. Average headcount increased by 34% to 233 during the period (2019: 173) reflecting the fact that prior year headcount increase was predominantly second half loaded.

In line with the increased number of game launches in the period, there were increased marketing costs, however other commercial costs associated with global gaming events were reduced as a direct result of Covid restrictions. In addition, there were relatively small overhead costs associated with the Manchester studio in its first year within Team17.

The resulting operating profit for the period was £26.2m which showed a 38% growth compared to the previous year (2019: £19.0m).

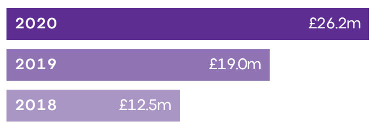
In total the Group launched

10

new games in 2020

Operating Profit**

£26.2m



Operating Profit Margin**

32%

** 2018 excludes exceptional costs.

The business continues to remain debt free (with the exception of the lease liabilities included under IFRS 16); with global interest rates remaining extremely low, bank interest generated net finance income of £0.1m (2019: £0.2m). The resulting profit before tax grew 36% to £26.2m (2019: £19.2m).

Adjusted EBITDA was £30.1m which grew 36% year on year (2019: £22.1m) and the Adjusted EBITDA margin as expressed as a percentage remained at 36% (2019: 36%) continuing to support the underlying profitability of the portfolio business model whilst making important investment in the team and infrastructure to support the future growth aspirations for the business. Adjusted EBITDA includes the add back for share based payments charges including employers national insurance contributions of £1.7m (2019: £0.9m) associated with share awards used to reward and incentivise Team17 employees.

The effective tax rate after Video Games Tax Relief (VGTR) and adjustments made to prior years is 16% (2019: 13%).

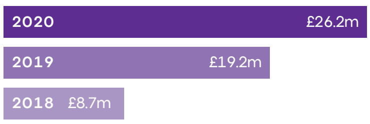
Statement of Financial Position

Team17 remains highly cash generative with an operating cash conversion of 109% (2019: 103%). Cash generated from operations increased to £35.4m (2019: 25.1m) which resulted in the continued growth in net cash and cash equivalents to £61.5m (2019: £41.9m) at 31 December 2020, an increase of £19.6m (2019: £18.3m). The Board expects the Group to remain highly cash generative in 2021. Cash and cash equivalents include £3.2m (2019: £3.2m) held in the Employee Benefit Trust (EBT) which is used to support employee share awards and incentivise Team17 employees.

On 21 January 2021, Team17 announced the acquisition of all rights and assets for *Golf With Your Friends* for a total consideration of £12m."

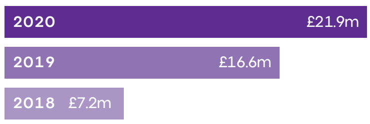
Profit Before Tax

£26.2m



Profit After Tax

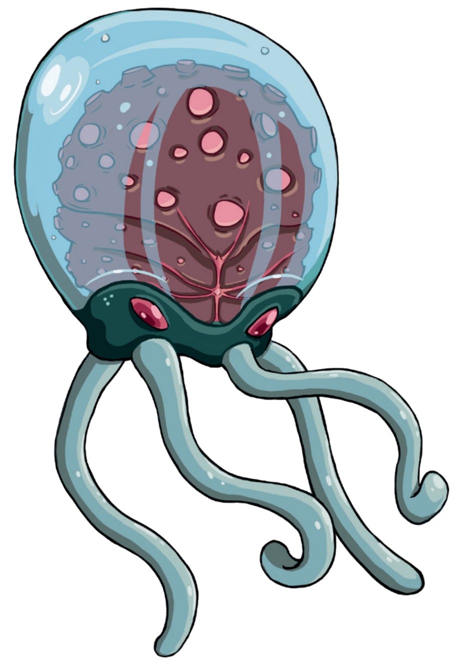
£21.9m



Intangible assets are reviewed for indicators of impairment every six months. As at 31 December 2020 the net book value was £22.4m (2019: £21.1m) for goodwill reflecting the addition to goodwill associated with the Yippee acquisition, £14.3m (2019: £16.0m) for brands and also includes £6.3m (2019: £2.8m) of capitalised development costs relating to unreleased titles and titles that have been launched within the previous two years.

Trade and other receivables have increased by £4.9m to £16.4m (2019: £11.5m). This increase is predominantly driven by trading uplift. Timing on tax recoveries has led to a tax receivable of £0.7m (2019: £Nil). Trade and other payables equally increased in line with trading to £17.2m (2019: £11.7m), most notably impacted by royalty accruals and licence income timing on trading towards the end of the financial period.

We were pleased to be able to continue to recruit throughout the year despite the pandemic restrictions."



Share Issues

During the year Team17 announced separate share issues, firstly in January 2020 for 114,000 new ordinary shares issued as part of the consideration for the acquisition of Yippee and then in July, further to the exercise of options as part of the Team17 Group plc Long Term Incentive Plan, 70,946 ordinary shares were issued and allotted. The Group's issued share capital now comprises 131,473,222 ordinary shares of £0.01 each.

The Group continues to manage a Deferred Bonus Share Plan for its senior management as well as an All Employee Share Incentive Plan ("SIP"). Team17 runs an employee SIP with matching shares and this continues to be well supported with 44% of all employees as shareholders making monthly contributions. These are both funded from the Employee Benefit Trust ("EBT") and therefore will not result in the issue of shares to satisfy the options.

Events After the Reporting Date

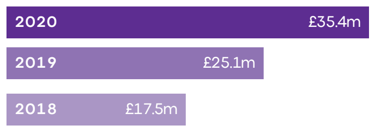
On 21 January, Team17 announced the acquisition of all rights and assets for ***Golf With Your Friends***, an existing third-party title to become a fully owned IP for a total consideration of £12m which will be satisfied totally in cash with an initial payment of £9m and a further £3m paid within 12 months.

Mark Crawford
Chief Financial Officer

17 May 2021

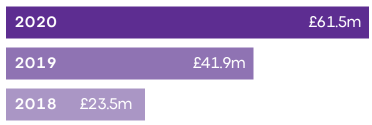
Cash Generated from Operations

£35.4m



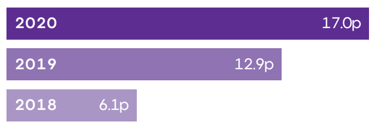
Cash and Cash Equivalents

£61.5m



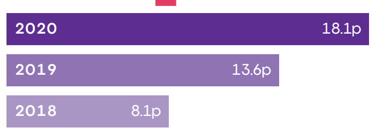
Basic Earnings Per Share

17.0p



Diluted Adjusted Earnings Per Share***

18.1p



*** Diluted Adjusted Earnings Per Share is calculated by dividing the adjusted profit after tax by the weighted average number of ordinary shares adjusted for the effect of share options.

DISCOVERING, SHARING AND CREATING TOGETHER

OUR PEOPLE

Our people are savvy, inventive and talented individuals who care passionately about the games we make and the developers who collaborate with us. We embrace the independent, the quirky and the wonderful, leading to our vibrant, welcoming, and team-oriented culture.

We are constantly looking for ways to improve our employee experience and as we continue to grow, we place significant emphasis on maintaining an environment where our Teamsters can feel connected, valued and a sense of belonging and purpose.

Organisational Growth

We continued to successfully expand and strengthen our teams and capabilities through organic investment across our studios and publishing hub. In the face of fierce competition for the best talent in the games industry, we successfully welcomed more talented individuals across our business in 2020. Our team at the Manchester studio almost doubled in size as we continued to build our presence in the North-West. By the end of 2020, our headcount across the Company had grown by 25% to a total of 250 Teamsters.

New Heights During a Global Pandemic

Despite the challenging backdrop of the pandemic, 2020 proved to be another successful year for Team17. Our achievements last year were made possible by the resilience and dedication of our Teamsters, who spent the majority of the year working from home.

Our team's ability to adapt quickly to change, and our people's instinctive desire to remain connected and look after one another holds true to the team-driven culture of Team17. Their spirit has enabled us to continue achieving new heights, delivering fun, quality, independent games when they were needed most.

Growth of Skills

We believe in providing opportunities for everyone to learn, develop and realise their full potential.

Our growth as a business has provided increased opportunities for our people to develop and expand their capabilities and skill-sets. Our genre and platform agnostic approach to the games we make provides our Teamsters with the unique opportunity to be involved in a wide variety of projects, boosting their experience and skills.

Last year, approximately 10% of our Teamsters were promoted internally, supporting their career progression and recognising their achievements across 2020. Team17 believes strongly in rewarding the hard work of its people and enhancing their skills whenever possible. Throughout the year, partnering with industry experts, we delivered targeted learning programmes as a continued investment in our team's professional development.

Rewarding our Talent

Our attractive mix of pay, benefits, perks and learning opportunities at Team17 helps us to hire, retain and reward impressive talent.

Everyone at Team17 is eligible to participate in our Share Incentive Plan ("SIP") allowing our Teamsters to benefit from our collective success over time.

We celebrate with pride when our people achieve great things, and there was much opportunity for this in 2020. Although the pandemic prevented us from celebrating the success of our achievements together in person, we kept our postal system busy with parcels of treats to mark the success of our game launches and to honour Team17's 30th birthday.

WAKEFIELD

Development Studio

Based in west Yorkshire, our Wakefield studio is the largest development site and custom fitted out in 2019 to support our growing development capability requirements. We have a long history built around Wakefield with some of our studio team having worked with us over 20 years.

MANCHESTER

Development Studio

We started our Manchester Studio with the acquisition of Yippee in January 2020 and since then the team has doubled in size to support the development pipeline. It is perfectly located to attract new talent given it is based in Media City which is viewed as an international hub for technology, innovation and creativity.

NOTTINGHAM

Commercial Hub

Our commercial teams are based in Nottingham and range from game scouting, digital marketing and community teams, publishing and commercial sales as well as the central support teams based here but also working across all our sites to support the wider business.

Teamster Voice

Our Teamster Engagement Committee ("TEC") comprises circa 25 self-nominated employees who meet on a regular basis to discuss ideas for improvements and initiatives to make life at Team17 even better for our Teamsters. The TEC take it upon themselves to kick-start employee-led initiatives. For example, they created our monthly employee recognition scheme (Spirit Awards), which are announced in our internal newsletter.

Equality, Diversity & Inclusion

Team17 is an equal opportunities employer and as such, we remain determined to nurture our vibrant culture by embracing different and differing outlooks and perspectives formed by a varied mix of experiences and backgrounds.

The games industry has traditionally been male dominated, and we are committed to finding ways to attract female and non-binary talent to Team17 as well as careers in gaming more generally.

As of 31 December 2020: 19% of our Teamsters identified as female, 1% non-binary, and 80% male. Our Board of Directors is 50% male and 50% female.

We have a number of employee-led networks that were established to create a representative voice for minority groups within Team17 and the games industry more broadly. For example, our LGBT17+ group took over our livestream in celebration of Pride 2020 which helped raise funds for Mermaids UK, and another group of employee representatives hosted a virtual panel event in partnership with 'BAME in Games'. We play an active role within the wider gaming sector contributing to UKIE, CIC, IntoGames and other representative bodies within the games industry.

We know there is more that can be done to reduce inequality of all kinds in the games industry, and we will continue in our efforts to address these imbalances wherever we can.

Wellbeing

We pride ourselves in looking after our Teamsters by offering a range of benefits and initiatives to support their mental and physical wellbeing.

To ensure that everyone has been supported during this most challenging year, we have sought to provide flexibility, accommodating personal circumstances and providing remedial support where needed.

In May, we produced a week-long programme of webinars, virtual activities, and editorial content for Mental Health Awareness week, which was so well-received by Teamsters that a monthly editorial was launched on the topic of mental health and wellbeing.

Many of our employees view office life as a key source of social interaction, friendship, and support. With this in mind, we set up virtual activities and social groups at the start of the first lockdown to keep Teamsters connected to one another. Activities have included virtual gaming sessions, monthly quizzes and competitions, a cinema club and a virtual running club, all of which remain popular.

Our Teamsters' health and safety remains of the utmost importance to us. We aim to return to office-working in the future so that our Teamsters can be reunited, however, we will only do so when we are certain it is safe to do so, and we will manage the change in collaboration and consultation with Teamsters to ensure a smooth transition.

"I feel that there has been a lot of understanding for my situation involving my children" Teamster

Community

We aim to be a responsible and principled business and employer, giving back to the communities where we do business. Last year, we offered free codes for our games to anyone working for the NHS, and we supported a range of charities focused on causes close to our Teamsters' hearts. Our teams voted for us to support charities which fight against racism, poverty, and those supporting the LGBTQ+ community as well as people negatively impacted by Covid-19.

Team17 has always been committed to supporting charitable causes, both those focused on our local communities and those with global reach and impact. Our newly established and employee-led Charity Committee will be leading increased efforts in this area going forward, with the remit of reviewing our overall approach to supporting the causes that are important to us, as well as volunteering in our local communities.

OUR PLANET

We are keen to play our part in reducing our environmental impact and are working hard to change our working practices in order to make Team17 as sustainable as possible.

In 2020, a number of Teamsters came together to establish Green17, an employee-led group that is passionate about finding ways that our Company and the wider gaming community can become more climate aware and reduce our impact on the planet. We are looking forward to seeing the development and initial impact of Green17's sustainability charter in 2021.

MONETARY GAMBLING MECHANICS IN GAME

We don't use loot boxes or similar mechanics in our games that can be linked to problem gambling since they involve a high degree of chance and a risk-reward factor, mimicking slot machines and roulette. We prefer season passes or premium DLC which offer more choice and control in how players access the entertainment content they want to enjoy.

DIVERSITY AND ACCESSIBILITY IN OUR GAMES

We strive to ensure our games are as accessible as possible, and fun for everybody. We have recently begun introducing settings into our games to accommodate this, such as: colour blindness options, fonts that aid reading comprehension for dyslexic people, scalable text to aid low vision, subtitling options, and significantly adjustable difficulty settings. You can see this with ***Overcooked! AYCE*** and ***Moving Out***, which were named as key titles driving 'Accessibility' at The Game Awards in 2020.

With our IPs, where appropriate, we ensure the playable characters are customisable to represent a diverse range of races and any gender. For example, the characters in ***The Escapists 2*** are never explicitly men or women, they're just characters; all of which can be dressed to represent whichever gender the player chooses or if they prefer to be non-binary. Almost every character can be customised and renamed. With titles like ***The Escapists 2*** and ***The Survivalists***, that appeal to younger audiences, combat is not encouraged within the game. As a sandbox the player has all the choice, but combat is never solely a winning strategy.

Carbon Footprint

As a video game developer and publisher, Team17's carbon footprint is inherently low, particularly as 93% of our sales were digital in 2020. The ongoing trend towards digital-only sales should mean that our carbon footprint per employee will continue to decrease year-on-year but was measured as 0.4 CO_2e in tonnes per employee, based on average employees during the period.

Our new studio in Wakefield was designed with sustainability in mind. We installed carbon neutral flooring, all of our lighting and appliances are designed for low energy usage and we enforce a strict recycling policy.

We are mindful that there are many opportunities to further reduce our footprint and we are making progress in this area with the focus of the Green17 team initiative. Part of the future review will look at the broader scale of emissions and environmental impact of the wider gaming ecosystem and how Team17 can play a part to help reduce or offset the carbon footprint as an active part of the gaming community.

Green Suppliers and Partners

Where we control the supply decision, we make a point of selecting utility providers based on their use of green energy tariffs, we have joined our main banking partner's Green Deposits programme, whereby a proportion of our cash balance is deposited in this interest-bearing account and the programme invests in environmentally beneficial projects and initiatives.

Emissions

	2020 CO_2e in tonnes	2020 gWh
From office utilities	79.48	352.86
From travel	6.12	26.03
Total	**85.60**	**378.89**
UK proportion of energy usage	100%	100%

The statistics above are based on emissions data from 1 January to 31 December calculated following the Greenhouse Gas Protocol, which incorporates the scope 2 market-based emissions methodology. The data has been collected from the business during the year and converted using the conversion factors published by the UK Government (https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting).

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 – no change from 2019

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 balanced portfolio approach, rigorous Greenlight process and active lifecycle management of its games provide the Group with confidence that it will continue to secure, develop and release popular games and optimise their commercial success.

Technological change – no change from 2019

The industry has seen some major changes 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 – no change from 2019

The Group serves a small but growing number of customers who utilise their proprietary distribution platforms to provide the Group's games to end consumers on a global basis. Any adverse changes in the status of the Group's relationship with its customers could negatively impact financial performance.

- As a result of developing and growing 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. In addition, the group continues to develop relationships with new and emerging platform partners to ensure that it can continue to remain platform agnostic and maximise all opportunities to distribute its portfolio of existing and new games.

Dependence on key titles to generate significant share of Group revenue – reduced from 2019

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 potential for multiple follow on titles. Its Greenlight process is directed at identifying future titles with this same potential and the Group invests in this process to ensure it remains agile to identify new IP in order to continue to grow the portfolio.

Operational Risks

The ability to recruit and retain key and skilled personnel – no change from 2019

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 and direct approach to recruitment where possible 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 cyber security/disaster recovery – no change from 2019

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

- The Group has invested in its IT team and infrastructure, implementing additional cyber security processes and policies and continues to regularly review its IT and security provisions to ensure they are industry leading and in line with best practice. It has put in place business continuity and disaster recovery procedures with scheduled regular testing such that should an event occur, the disruption to the Group can be managed and impact minimised as far as possible.

Intellectual property – no change from 2019

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 – no change from 2019

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 it can put in place forward contracts to minimise exposure where it makes commercial sense. Pricing in different markets is regularly reviewed and can be flexed if required to minimise margin pressure.

Brexit – reduced from 2019

Following the exit of the European Union there continues to be uncertainty around the longer term post exit impact on the UK economy and some disruption to supply chains could impact physical sales of games although these are a low proportion of total sales. The exit from the EU may impact the Group's ability to hire and retain staff from EU countries which may deplete the available talent resource pool.

- The Group has a global digital customer base which provides a natural mitigation against individual market legislation or localised economic impacts and considers the operational risks of disruption to be low, however remains proactive in monitoring legislative changes to its industry.

Covid-19 – reduced from 2019

The ongoing Covid pandemic impacts companies, employees, suppliers and customers on a worldwide basis and provides 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 thew disease impact of the virus on the general population. The restrictions implemented to manage the virus impacts the Group's ability to work within the three physical offices and therefore potentially the staff's ability to develop and promote new titles and the back catalogue portfolio. Consumer behaviour may also be adversely affected whilst the pandemic restrictions continue which could reduce the growth rates forecasted for the global gaming market.

- The Group has demonstrated its ability to work from home and continues to actively manage the well-being of each of its employees whilst restrictions apply. Policies and processes are in place to support a return to work with safety of our team of paramount importance. The Group will continue to monitor the situation regarding the wider impact of the virus both on internal productivity as well as the ongoing impact on supply chain roll out of the new console technology and the socio-economic impact on consumers as vaccines and more effective disease management is rolled out across the world.

LEADING WITH INTEGRITY

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 and voted AIM Entrepreneur of the Year in 2020. Debbie was central to establishing Team17's Games Label which has become a key growth driver for Team17.

Mark Crawford
Chief Financial Officer

Mark joined the Team17 Board in April 2020 having been interim Chief Financial Officer since November 2019. 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 plc and more recently Kingfisher plc, supporting their major pan-European supply chain and logistics transformation programme.

Chris Bell
Non-Executive Chair

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 is Senior Independent Director and sits on the Audit Committee and the Nominations Committee, as well as the Remuneration Committee and the Safer Gambling Committee. Chris is Non-Executive Chair of two AIM-listed companies: XL Media plc, Inc and OnTheMarket Plc, both of which he took to market and on which he serves on key governance committees. Chris has also been a Non-Executive Director of the Royal Air Force Charitable Trust Enterprises since 2016. 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 FTSE 250 listed Plus500 Ltd. She is also a Non-Executive Director of AIM-listed Alpha Financial Markets Consulting plc and TruFin plc and serves as Senior Independent Director and 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, as Executive People Director for Card Factory plc, Jen is jointly responsible for the successful financial and operational running of the business. With over 8,000 colleagues employed nationwide, Jen is responsible for ensuring the employment base is aligned with delivering the strategic objectives. Jen works closely with the Remuneration Committee Chair at Card Factory on all Remuneration matters and therefore brings first-hand experience to Team17. Prior to joining Card Factory, Jen held senior HR roles with Costcutter, 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 and became Senior Independent Non-Executive Director in March 2021. Martin has significant experience across the capital markets arena with a particular focus on both technology and high games label growth businesses. Martin is currently Chair 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 Chair of Raspberry Pi Trading Limited and in April 2021, was appointed Chair of musicMagpie PLC.

The Board remains committed to effective and robust corporate governance and continues to analyse and improve its governance procedures and policies.

The Board has agreed to apply the QCA Code and considers itself to be compliant currently. The disclosures required by the QCA Code are made throughout this report as noted in the table below:

QCA Code Principle	Section Covered in the Annual Report
Establish a strategy and business model which promotes long-term value for shareholders	CEO & strategic review on pages 5 to 7 & business model on pages 8 and 9
Seek to understand and meet shareholder needs and expectations	Corporate Governance Report below on pages 26 to 29
Take into account wider stakeholder and social responsibilities and their implications for long-term success	s172 table outlined below on page 28
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Risks and Uncertainties on pages 22 and 23
Maintain the Board as a well-functioning, balanced team led by the Chair	Board biographies on pages 24 and 25, Corporate Governance Report on pages 26 to 29 and Nominations Committee notes on page 29
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Biographies are outlined on pages 24 and 25
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Corporate Governance Report on page 26 to 29
Promote a corporate culture that is based on ethical values and behaviours	Environmental, Social, and Governance ("ESG") report outlined on pages 18 to 21
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Committee reports within the Corporate Governance pages on 26 to 29
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Outlined in s172 table on page 28

The website 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

The Board

Full biographies of the Directors can be found on pages 24 and 25. At the date of this report, the Board comprises two Executive Director and four independent Non-Executive Directors, one of which is the Non-Executive Chair.

- 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.
- Mark Crawford was appointed as a Director under a service contract dated 20 April 2020. This contract may be terminated by 6 months' notice by either party.
- Christopher Bell was appointed as Chair 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 Chair and the CEO have separate and clearly defined roles. The Chair is responsible for overseeing the Board and governance and the CEO is responsible for implementing the stated strategy of the Company and for its operational performance.

The Chair 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 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 Chair 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.

Richard Almond of Almond & Co is the Company Secretary and attends all Board meetings as well as advising on corporate governance matters. The Company Secretary produces full minutes of each meeting, including a log of actions to be taken. The Chair then follows up on each action at the next meeting, or before if appropriate.

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;
- 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.

Board and Committee Attendance

		Board		Committee			
Director	Position	Max possible attendance	Meetings attended	Nominations	Audit and Risk	Remuneration	Independence
Christopher Bell	Non-Executive Chair	11[2]	11	4	2	6[3]	✓
Debbie Bestwick	Chief Executive Officer	11[2]	11	4	n/a	n/a	n/a
Mark Crawford[1]	Chief Financial Officer	7[2]	7	n/a	n/a	n/a	n/a
Penny Judd	Non-Executive Director	8	8	4	2	3	✓
Jennifer Lawrence	Non-Executive Director	8	7	4	2	6[3]	✓
Martin Hellawell	Non-Executive Director	8	8	4	2	3	✓

1 Mark Crawford appointed 20 April 2020.
2 There were three sub-committees of the Board meetings to approve (1) RNS, (2) Annual Report and Letter of Representation and (3) Trading Update and Subsidiary Accounts and only required the Non-Executive Chair and Executive Directors to attend. Mark Crawford only attended one sub-committee of the Board meetings post his appointment on 20 April 2020.
3 There were three remuneration sub-committee meetings to approve Grant of Share Awards and only required Christopher Bell and Jennifer Lawrence to attend.

Board Engagement with Stakeholders

In compliance with s172 of Companies Act 2006, the Board recognises the importance of engagement with its stakeholders and its value to the long-term success of the Group. We have identified our stakeholders as set out below to outline why we consider those groups important, the key focus areas for the Company and our highlight areas in this report that these are covered:

Stakeholder Group	Importance & Engagement	Other References in this Report
Our Teamsters	Our people, we call them Teamsters, are at the heart of our business in every way. They are key to the creativity, drive and passion that makes Team17 unique as a developer of our own and third-party games. They are key to ensuring the delivery not just of the very high-quality games we publish but to continue to deliver our relentless drive to remain agile and entrepreneurial on our journey as a world-class British Games Label competing on the global digital marketplace.	ESG Report on pages 18 to 21
Customers	Our direct customers are the growing number of platform providers that enable us to publish our own and third-party titles for digital sales across the globe. We engage in continuous communication at all levels with platform providers in the UK, Asia and America to understand their needs and direction, share our plans and continue to nurture collaborative commercial partnerships. Our commercial team's relationships and understanding of the fast evolving digital marketplace is critical to ensure that we can position our Games Label titles with the right platforms to maximise exposure and mutual commercial success "to grow together".	Business Model pages 8 and 9 and Portfolio pages 10 and 11
Investors/ Shareholders	Strong and supportive investor base whose ongoing support is key to continuing our growth trajectory and realising the ambitions of the Company. Throughout the year the Chief Executive and Chief Financial Officer met with shareholders both following the full-year results in March 2020 and the half-year results in September 2020. Presentation material was posted on the Company website to share with a wider shareholder base. In addition to these meetings, both the Executives supported numerous conference calls hosted by their in-house broker as well as two other investment banks, each open to multiple investors with a mix of current shareholders and non-shareholders. These meetings covered the UK, Europe and USA. We review all the feedback from investor interactions which is shared with the Board.	
Suppliers	Relatively small yet important group of partners that we use for localisation, platform conversion and Q.A. These relationships play a crucial part in the delivery on time and to the highest quality for our games. Our strong and long-term relationships with regular reviews allow for healthy supplier relationships based on openness and trust.	Business Model on pages 8 and 9
Third-party Development Partners	These have become a significant part of the Team17 family with long-term relationships across 13 different nationalities across the world. We treat these in the same way we treat our Teamsters, working together to develop amazing games to excite and thrill gamers in all corners of the world. Develop relation links and review of these key relationships at Board level for new partners and ongoing relationships.	Business Model on pages 8 and 9
Community	We have expanded from two to three locations within the UK in 2020, and we aim to play an active role in the community in which we live and work. We are also part of the global community with our third-party development partners. We continue to support local communities with charitable donations to organisations within those communities managed by our volunteer Charity Committee.	ESG Report on pages 18 to 21 Business Model on pages 8 and 9

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 31 to 37. 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.

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, Martin Hellawell and is chaired by Chris Bell. During 2020, the Nomination Committee specifically were involved in the search and decisions relating to the appointment of Mark Crawford as permanent CFO following an extensive market-wide search using external advisers.

Election and Re-election of the Directors

As Mark Crawford was appointed since the most recent AGM he will be offered for election. The Board operates a staged retirement by rotation process for existing Directors and therefore Chris Bell and Jennifer Lawrence 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. During the year the Board concluded a comprehensive search and review in order to secure a permanent Chief Financial Officer and as a result of this review, Mark Crawford was made permanent in April 2020. In addition, Martin Hellawell was made Senior Independent Non-Executive Director in March 2021.

The Board is now well established, comprised of a Chair, three Non-Executive Directors and two Executive Directors. The Board conducts 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.

Annual General Meeting

The AGM is currently planned to be held at 9:00a.m on Thursday 10 June. 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.

Introduction

As the Chair of the Audit Committee, I am pleased to present the report for the year ended 31 December 2020. The Terms of Reference for the Committee were created at admission and are reviewed annually. The report outlines the work undertaken by the Committee over the past year fulfilling our responsibilities to provide effective governance over the Group's financial activities.

Members of the Committee

Together with myself as Chair, the members of the Committee continue to be Christopher Bell, Martin Hellawell and Jennifer Lawrence. The Committee has a wealth of knowledge from multiple industry sectors and alongside myself as a Chartered Accountant, its members also sit on various other Boards for other public Companies, details of which can be seen in the Board profiles on pages 24 and 25. The Committee met twice during the year with all members in attendance and also 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 auditors PricewaterhouseCoopers LLP were invited and attended both meetings. Outside the formal audit review meetings, various other meetings were held throughout the year to review accounting policies, the finance system and general updates with the CFO.

Role and Responsibilities of the Committee

The Audit Committee has the primary responsibility of monitoring the quality of internal controls and risk management to ensure that the financial performance of the Group is properly measured and reported on.

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
- Reviews the internal controls and risk management approach covering key areas including the financial systems, treasury and risk register/disaster recovery plans.
- Overseeing the relationship with the external auditors, reviewing performance and advising the Board members on the auditors' appointment, independence and remuneration as well as reviewing audit and non-audit services
- Reviewing and discussing the findings of the audit with the external auditor
- Ensuring that the Group's approach to whistle-blowing and fraud protection are monitored and fit for purpose.

Activities During the Year

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 and key judgements for:

- Revenue recognition
- Capitalised development costs and their useful life
- Ongoing review of performance measures and KPIs
- Valuation of goodwill and intangible assets
- Taxation
- Going concern

Alongside the audit activities the Committee oversees the risk processes and reporting within the business and has overseen the implementation of an improved delegated authority system for approving Company spending. In addition, new financial management controls have been implemented during the year to further reduce fraud risk within the business.

The whistleblowing policy has been reviewed in the year to ensure it is suitable for the business and is made available on the Company intranet.

Finance System Upgrade

During 2020, the Group undertook a review of its existing financial systems and approved investment to upgrade the current systems to a globally recognised cloud-based ERP solution in order to meet the future demands of the Group with more efficient processes and improved analysis to support commercial decision-making as it continues to grow in order to meet organic and acquisition strategic goals. The Audit Committee pays a key role as a sponsor to the finance system project and has been involved in the initial review and decisions made to work with a selected provider and continues to be engaged in the progress of this fundamental and key infrastructure project.

Going Concern

Given the ongoing impact of the global Covid-19 pandemic, the Audit Committee continues to review the going concern analysis made by management including reviews of the severe but plausible downside scenarios to the Group's cash flow projections in order to ensure that the Group is able to withstand ongoing and potentially prolonged adverse impact of the pandemic on the Group's ability to trade.

External Audit

The Audit Committee approves the appointment 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. PricewaterhouseCoopers LLP are recommended for reappointment in accordance with the Companies Act 2006.

Penny Judd
Chair of the
Audit Committee

17 May 2021

Annual Statement from the Chair of the Remuneration Committee

I am pleased to present the report of the Remuneration Committee for the year ended 31 December 2020. This report is divided into four sections: (1) the Directors' Remuneration Policy section which provides the framework for Executive Remuneration; (2) the Annual Report on Remuneration which summarises the work of the Committee and our approach to Directors' remuneration; (3) the Annual Statement which outlines the remuneration outcomes to 31 December 2020; and (4) the proposed operation of the policy for the upcoming year.

Directors' 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.

Team17 promotes a culture based on sound ethical values, and rewards behaviours that support such values.

Non-Executive Remuneration

To attract and retain a high-calibre Chair and Non-Executive Directors, fee levels are set as appropriate for the role and responsibility of each Non-Executive Director position with reference to market levels in comparably sized public companies. Our Chair and Non-Executive Directors are paid a single annual fee in cash for all of each of their responsibilities.

During the year the Committee undertook a review of the remuneration policy with the assistance of Korn Ferry. This recognised that the policy had not changed since Admission, during which time the business had performed against the strategy and that the scope and complexity of the business has expanded significantly.

We believe that we are well positioned for future growth and wish to ensure that the management team is appropriately incentivised with stretching incentive arrangements to reward them appropriately for the delivery of the next stage of the strategy.

Executive Remuneration

A simple Executive remuneration structure is maintained by balancing base salary, pension and benefits (car allowance and private family medical insurance), with a performance-related bonus and LTIP share awards.

Base Salary

The Committee reviews salaries annually and any increases are effective from 1 April each year.

Current base salaries are £400,000 and £200,000 for the CEO and CFO respectively.

Pension & Benefits

Executive Directors receive a pension contribution of 5% of salary. Other benefits are in line with the policy.

Performance-related Bonus

Annual bonus payments are based on performance against challenging targets which are aligned to the Group's strategic objectives and are designed to deliver shareholder value. Targets are based on the Company's adjusted EBITDA performance, and consideration is given to individual performance.

The maximum earning opportunity is 125% and 100% of salary for the CEO and CFO respectively, with 50% awarded for on-target performance, and up to a maximum of a further 50% when the Company achieves its stretch performance targets.

Long Term Incentive Plan (LTIP)

The CEO was granted a one off LTIP award at the time of Admission and this has now vested by reference to the strong EPS and Total Shareholder Return performance of the Company over the three years to 31 December 2020.

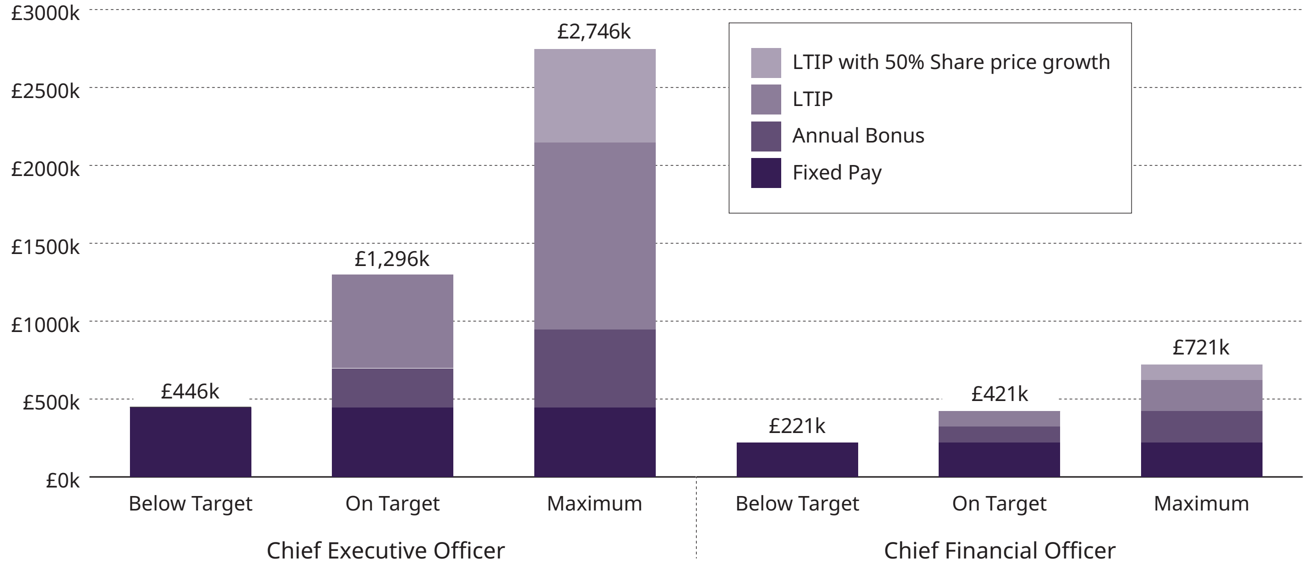
Following the vesting of this award the Company has determined that, for 2021 onwards the policy should be for annual awards to Executive participants under the LTIP. Grant levels will be determined by the Committee each year. Participants may receive a payment on vesting equivalent to the value of dividends payable over the vesting period. There is flexibility for the Committee to use discretion to override a formula-driven outcome and adjust the LTIP outturn.

Malus and Clawback provisions apply for up to two years in line with the policy, and a recovery and withholding mechanism applies in the event of a material misstatement of the Group's accounts and also for other defined reasons.

This report will be submitted to an advisory shareholder vote at our 2021 AGM.

Remuneration Scenarios for Executive Directors

The remuneration opportunity provided to the CEO and CFO under the Remuneration Policy at different levels of performance for the financial year.



Minimum performance:	Comprising the minimum remuneration receivable (i.e. fixed pay only made up of base salary, pension allowances and an estimate for benefits for the 2021 financial year.)
On-target performance:	Comprising fixed pay, annual bonus and LTIP of 50% of the maximum opportunity.
Maximum performance: (excluding and including share price growth)	Comprising fixed pay, an annual bonus of 100% of the maximum opportunity (125% and 100% of salary respectively for the CEO and CFO) and 100% vesting of LTIP awards (300% and 100% of salary for the CEO and CFO respectively). The maximum performance scenario also illustrates potential pay-out under the LTIP with a 50% share price growth.

Consideration of Employment Conditions Elsewhere in the Group

The Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. The Remuneration Policy for the Executive Directors is designed with regard to the policy for the workforce as a whole. The Committee is kept updated through the year on general employment conditions and it approves the budget for annual salary increases and bonuses.

Consideration of Shareholder Views

The Company is committed to engagement with shareholders and will seek shareholders' views in advance of making significant changes to its Remuneration Policy and how its implemented. We consulted with our major shareholders during the year in relation to changes to the CEO's package.

Recruitment

The Company aims to attract and retain a talented and diverse workforce. When setting remuneration packages for new Executive Directors, pay will be set in line with the remuneration policy. Several factors will be considered, including: the geography in which the role competes or is recruited from; the candidate's experience and skills; and the remuneration levels of other Executives and colleagues in the business.

In exceptional circumstances there may be a need to buy-out unvested awards from a previous employer and this may be done on a like-for-like basis.

The Remuneration Committee is mindful that the Company should avoid paying more than is necessary to recruit the desired candidate.

Service Agreements and Payments for Loss of Office

Non-Executive Directors

The Non-Executive Directors have entered into letters of appointment with the Company for an initial term of three years, unless terminated earlier by either party providing three months' prior written notice.

Executive Directors

The Executive Directors have a service contract requiring 6-months' notice of termination from either party. In the event of termination for cause (e.g. gross misconduct) neither notice nor payment in lieu of notice will be given, and the Executive Director will cease to perform their services immediately.

Treatment of other elements of the policy (including short and long-term incentives), will vary depending on whether a Director is defined as a "good" or "bad" leaver. The Remuneration Committee has the discretion to determine whether a Director is a good leaver, reasons for good leaver treatment include, but are not limited to, death, ill-health, injury or disability and retirement.

Annual Report on Remuneration Committee

This section describes the operation and activities of the Remuneration Committee, how executives were paid during the year and the operation of the Remuneration Policy for the upcoming year.

Committee Membership and Role of the Committee

The Terms of Reference for the committee were created at admission and are reviewed annually. The Remuneration Committee comprises the four Non-Executive Directors all of whom are considered by the Board to be independent.

The current members of the Committee are as follows:

- Jennifer Lawrence (Chair)
- Christopher Bell
- Penny Judd
- Martin Hellawell

The full committee met three times over the year. The primary role for the committee is to review and set the remuneration of the Executive Directors and senior management.

Key responsibilities include:

- Setting and monitoring the remuneration of the Executive Directors and Senior Management Team which includes salary, annual performance related bonus and any LTIP 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.

Key Activities During the Year

Mark Crawford was appointed as Chief Financial Officer, following a successful period as interim CFO and became a member of the Executive Board on 20 April 2020. When setting his remuneration package, several factors were considered, including the geography in which the role competes; his experience and skills; and the remuneration levels of other Executives and colleagues in the business.

External Advisers

The Remuneration Committee received independent advice from Korn Ferry during the year.

Annual Statement (Unaudited Information)

Directors' Remuneration for the Year Ended 31 December 2020

The following table sets out the total remuneration for Executive and Non-Executive Directors for 2020, showing 2019 remuneration for comparison.

All figures shown in £'000		Salary and fees	Benefits[1]	Pension	Annual bonus	LTIP[2]	Total fixed pay	Total variable pay	Total remuneration
Debbie Bestwick	**2020**	**327**	**1**	**16**	**327**	**7,308**	**344**	**7,635**	**7,979**
	2019	321	23	16	321	–	360	321	681
Mark Crawford[3]	**2020**	**147**	**7**	**7**	**147**	**–**	**161**	**147**	**308**
	2019	–	–	–	–	–	–	–	–
Christopher Bell	**2020**	**100**	**–**	**–**	**–**	**–**	**100**	**–**	**100**
	2019	100	–	–	–	–	100	–	100
Penny Judd	**2020**	**55**	**–**	**–**	**–**	**–**	**55**	**–**	**55**
	2019	55	–	–	–	–	55	–	55
Jennifer Lawrence[4]	**2020**	**55**	**–**	**–**	**–**	**–**	**55**	**–**	**55**
	2019	47	–	–	–	–	47	–	47
Martin Hellawell[4]	**2020**	**45**	**–**	**–**	**–**	**–**	**45**	**–**	**45**
	2019	15	–	–	–	–	15	–	15

1 Benefits total represents the taxable value of benefits paid. Benefits provided to Executive Directors include: family private health cover and car allowance.
2 The LTIP figure represents the vested amount for the award granted to Debbie Bestwick on 23 May 2018 covering the performance period ending 31 December 2020. The value is calculated based on the average share price over the final 3 months of the performance period, of 751.26p.
3 Mark Crawford was appointed 20 April 2020.
4 Jennifer Lawrence and Martin Hellawell both joined part way through 2019.

Basis for Annual Report Bonus Payments

Targets are based on the Company's adjusted EBITDA performance, and consideration is given to individual performance.

The maximum annual bonus opportunity for the year was 100% of salary for the CEO, and 73.5% of salary for the CFO to reflect his appointment to the Board part way through the performance year.

Performance during the year resulted in the CEO and CFO being awarded the maximum annual bonus amount.

Directors' Participation in the LTIP

Details of the numbers of shares held by the Executive Directors under the LTIP are set out in the table below.

Director	Date of grant	Awards held on 1 January 2020	Awards made during year	Awards vested during year	Awards lapsed/ forfeited during year	Awards held on 31 December 2020	End of performance period	Exercise period
Debbie Bestwick	23/5/18	972,727	–	–	–	972,727	31/12/20	23/5/21 –22/5/28
Mark Crawford	10/9/20	–	20,057	–	–	20,057	31/12/23	9/9/23 –8/9/30

LTIP Award Vesting by Reference to Performance to 31 December 2020

As part of the IPO process, Debbie Bestwick was granted an Initial LTIP Award of 972,727 nil-priced shares, as outlined in the Admission Document. The three-year performance period for the Initial LTIP Award ended on 31 December 2020 and will vest on 23 May 2021.

The Initial LTIP Award is subject to performance targets whereby:

a) 75% of the Award is subject to cumulative adjusted EPS ("AEPS") targets, with a maximum pay-out only being provided on exceptional performance; and
b) 25% of the Award is subject to meeting annualised absolute total shareholder return targets.

The performance conditions which applied to the Award are summarised below:

Performance measure	Weighting	Targets		Vesting at maximum performance	Proportion of award to vest
		Threshold	Maximum		
AEPS	75%	23.4p	28.6p	729,545	100%
TSR	25%	8%	15%	243,182	100%

Directors' Interests and Executive Directors' Shareholding Requirements

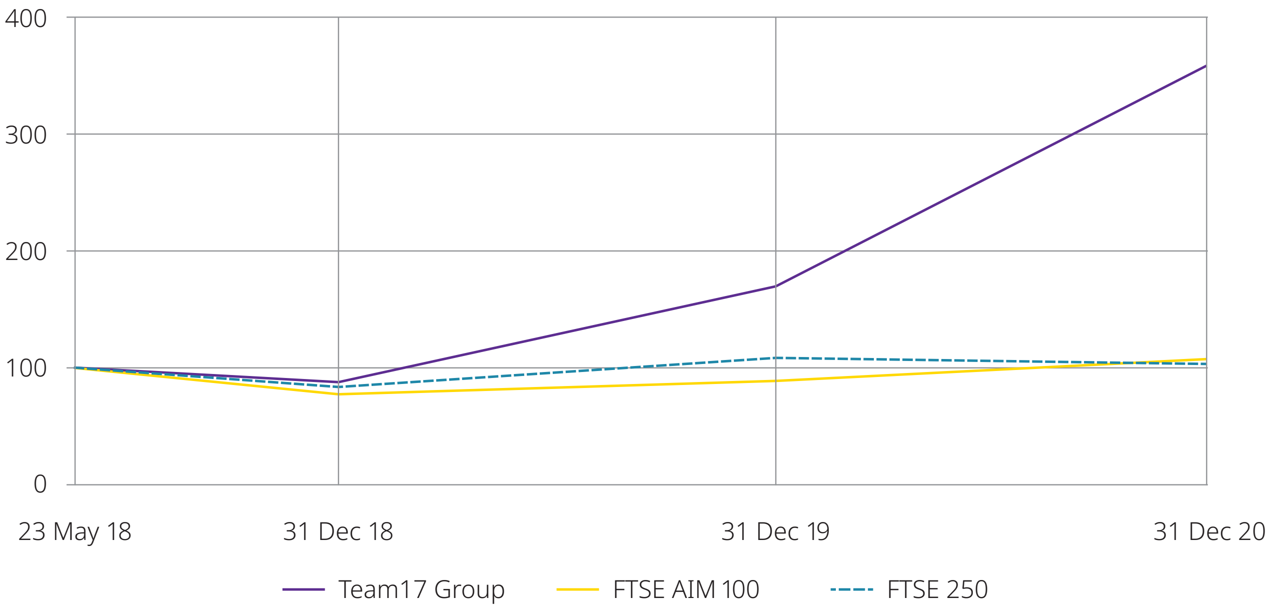
During employment, Executive Directors are encouraged to build and maintain a shareholding equivalent to 200% of base salary for the CEO and 150% of base salary for the CFO, accumulated over a period of 3-5 years through personal investment and retained vested LTIP shares.

The table below summarises Directors' current shareholding, including shares subject to a deferral or holding period and performance conditions, and whether or not the shareholding requirement has been met.

Director	Beneficially owned at 31 December 2019	Beneficially owned at 31 December 2020	Interests in LTIP awards (subject to performance conditions)	Shareholding at 31 December 2020 as a % of base salary
Executive Directors				
Debbie Bestwick	29,154,162	29,154,162	972,727	>200%
Mark Crawford	n/a	6,791	20,057	27%
Non-Executive Directors				
Christopher Bell	90,909	90,909	none	n/a
Penny Judd	24,242	24,242	none	n/a
Jennifer Lawrence	0	1,864	none	n/a
Martin Hellawell	0	0	none	n/a

Performance Graph and Table

The chart below shows the Total Shareholder Return ("TSR") performance of £100 invested in the Company from 23 May 2018 to 31 December 2020 against the AIM 100 and FTSE 250 indices. These indices are considered to be an appropriate comparison as the Company is a constituent of the AIM100 and would be in the FTSE 250 Index if it was a Premium Listed Company. The chart below shows the outstanding TSR performance of the Company since Admission.



Implementation of Policy in 2021

There are changes proposed to the Directors' Remuneration Policy in 2021 following the strategic review of our remuneration policy.

Base Salary

The Committee reviewed the base salary for the CEO during the year. This has been the first review since Admission, during which time the CEO's salary has not materially changed.

The Company has performed very well and grown in scale and complexity over this period. Recognising the performance of the CEO and that the salary is low by market standards, the Committee has determined that the salary should be increased from £329,025 to £400,000.

The base salary for the CFO, who was appointed during the year at a market competitive salary level will remain unchanged at £200,000.

Annual Bonus

The annual bonus will be based on a range of stretching Adjusted EBITDA targets, subject to a cap of 125% and 100% of base salary for the CEO and CFO respectively, payable in cash. The upper limit for the CEO's bonus opportunity has been increased from 100% to 125% of salary as part of the overall review of remuneration. The Committee is satisfied that the stretching nature of the performance targets, building from an all-time-high level of EBITDA, supports this higher bonus opportunity.

Executive Director LTIP

The award level for the CEO for 2021 will be equivalent to 300% of base salary (based on the share price at the date of grant) and it is intended that the award level will then reduce to 150% of salary for 2022 and 2023. The higher percentage award level for the first year recognises the lack of awards over the past two years, the fact the performance measures are extremely stretching by market standards and that the salary, even after the increase, is still positioned at the lower end of the market range.

The award level for the CFO will be 100% of base salary.

Awards are released subject to continued employment and satisfaction of challenging performance conditions measured over three years.

The 2021 annual LTIP award award will be based on a stretching range of EPS performance measured over the three years to 31 December 2023. 25% of the award is payable for threshold performance at a CAGR of 10%, with full vesting at a CAGR of 30%. This range reflects the ambitious business strategy will require a significant improvement in our profitability building from an all-time-high position in 2020.

Non-Executive Director Remuneration

Following a review by the Board, the annual base fees payable to the Non-Executive Directors remain unchanged. A summary of the fees is shown below.

Non-Executive Director	Fee at 31 December 2020	Fee with effect from 1 April 2021	% increase
Chair	100,000	100,000	0%
Non-Executive Director base fee	45,000	45,000	0%
Senior Independent Director fee	n/a	10,000	n/a
Committee Chair fee	10,000	10,000	0%

Signed for and on behalf of the Board by

Jennifer Lawrence
Chair of the
Remuneration Committee
17 May 2021

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 2020.

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 owned and third-party IP video games for the global digital and physical market.

Future Developments

Trading for the period from 31 December 2020 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 continued to release new games during 2020, with further releases planned during the course of 2021, more details can be found in the Strategic Report on page 6. 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.

The acquisition of the ***Golf With Your Friends*** IP in January 2021 underlines part of the Company's strategy to make value enhancing acquisitions that will support the growth ambitions alongside organic growth and the Board expects this to be an ongoing part of the growth strategy.

Results and Dividends

The profit for the year, after taxation, amounted to £21.6m (Year ended 31 December 2019: £16.6m).

The Directors have not recommended the payment of a dividend (2019: £Nil).

Directors

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

Chris Bell
Debbie Bestwick
Mark Crawford (appointed 20 April 2020)
Martin Hellawell
Penny Judd
Jennifer Lawrence

Full details of the Board members' profiles can be found on pages 24 and 25

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 2021 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 when these financial statements have been signed.

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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Company financial statements 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).

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 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 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.

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 22 and 23.

Section 172 Statement

Compliance with s172 of Companies Act 2006 is detailed on page 28.

Directors' confirmations

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

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

Significant Shareholdings

At 31 December 2020, the Company had been notified in accordance with the Disclosure Guidance and Transparency Rules, of the following interests holding 3% or more of the issued share capital in Team17 Group plc.

Shareholder	No. Ordinary Shares held	% of issued
Debbie Bestwick (UK)	29,154,162	22.18
Aberdeen Standard Investments (Standard Life) (Edinburgh)	12,733,759	9.69
JP Morgan Asset Mgt (London)	6,463,844	4.92
Janus Henderson Investors (London)	6,063,209	4.61
BlackRock Investment Mgt (London)	6,028,233	4.59
Berenberg Bank (London)	5,213,935	3.97
AGEON Asset Mgt (Edinburgh)	4,316,237	3.28

(Source: Orient Capital Shareholder register 31 Dec 2020)

Corporate Responsibility in Employment

Team17 now operates in three locations in the UK and with third-party development partners from around the world and seeks to be socially responsible and maintain a positive impact on the communities it operates in. We have invested in our working environments, most notably the new office in Wakefield towards the end of 2019 in order to provide the best possible place to work and grow with access to the highest standards in facilities and technology.

As a growing business we have invested in our employees both to identify and recruit new talent and also to develop and retain. This continued focus to build our teams alongside training, development and well-being is at the heart of our people strategy, more detail can be found in the people section on pages 18 to 21. We have a diverse team and do not tolerate discrimination of any kind.

Our Teamsters play a fundamental role to shape our corporate responsibility culture through voluntary teams looking at employee engagement, charitable donations and environmental/sustainability targets and activities. More details are outlined in pages 18 to 21.

Website

The Directors are responsible for ensuring the Annual Report and financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors.
The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Group and Company financial statements on pages 47 to 84 were approved by the Board of Directors on 17 May and signed on its behalf by:

Debbie Bestwick MBE
Chief Executive Officer

Opinion

In our opinion:

- Team17 Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's profit and the Group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements 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
- the financial statements 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 Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2020; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the consolidated financial statements and the notes to the company financial statements, which include a description of the significant accounting policies.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview

Audit Scope

- The Group Engagement Team has performed a full scope audit of two components within the Group. The audited components accounted for 100% of consolidated revenue and 100% of consolidated profit before tax.

Key Audit Matters

- Valuation of capitalised development costs (Group)
- Impact of COVID-19 (Group and Company)

Materiality

- Overall Group materiality: £900,000 (2019: £750,000) based on 5% of 3 year average profit before tax and exceptional items.
- Overall Company materiality: £807,000 (2019: £675,000) based on 1% of total assets restricted by an allocation of overall Group materiality.
- Performance materiality: £672,000 (Group) (2019: £562,500) and £605,250 (Company) (2019: £506,250).

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.

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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of capitalised development costs (group) There are a number of risks associated with capitalised development costs. There is a risk that capitalised development costs are incorrectly valued on the closing balance sheet. This could be due to the carrying value of capitalised costs not being supported by the future cash inflows generated from product sales or the capitalised costs have been allocated against the incorrect game. The Group incurred £7.5 million of capitalised product development costs during the year ended 31 December 2020, relating to games the Group develops to sell through its various channels. The net book value of such capitalised costs as at 31 December 2020 was £6.3 million. There is also judgement around the useful economic life of a game and whether the amortisation period is appropriate. Generally, the Group applies the reducing balance method for amortisation over two years for their games portfolio as it is considered to match the amortisation of development costs associated with the asset to the timing of economic consumption of the benefits of the assets.	To address the highlighted risks we have performed the following procedures. 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, and are appropriate to capitalise. We have performed detailed testing of 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 verified the mathematical accuracy of management's amortisation calculation. We have also assessed the reasonableness of management's amortisation policy considering the past sales performance of the Group's games portfolio to evaluate the reasonableness of the useful life and the reducing balance method of amortisation. We have challenged management whether the method used to amortise development costs is consistent with industry practice and recommended that they reassess this accounting estimate regularly, as it is possible that the economic benefits from them could begin to materially outlive the existing useful economic life of two years. We have also reviewed and challenged any specific areas where the amortisation policy has not followed the general policy to ensure that the useful life applied is consistent with the period over which the anticipated cash flows of the game are expected to be derived.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (group and company) 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 relation to the on-going application of controls, processes and governance the Directors have not observed a significant impact to the running of the business since lockdown measures were introduced in the UK in March 2020. In relation to the Group's going concern assessment, the Directors adjusted the cash flow forecasts for the period to the end of June 2022 to reflect a severe but plausible downside scenario resulting from the direct and indirect consequences of COVID-19 including, for example, delays in releases of games, reductions in demand and no releases.	Based on the Directors assessment and our audit procedures thereon as described below, we 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 the results we have audited. We also checked the arithmetical accuracy of management's forecasts for the period to the end of June 2022. We evaluated management's downside scenarios, including a very 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 2022. Our conclusion in respect of going concern is included in the "Conclusions related to going concern" section below. We have also considered the impact of remote working on internal control environment and having nothing to report.

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 and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has a central finance function covering all six legal entities included in the consolidated group financial statements. We identified two entities, including the parent company, which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. This gave us the evidence we needed for our opinion on the group financial statements as a whole. The audited components accounted for 100% of consolidated revenue and 100% of consolidated profit before tax.

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:

	Financial statements – group	**Financial statements – company**
Overall materiality	£900,000 (2019: £750,000).	£807,000 (2019: £675,000).
How we determined it	5% of 3 year average profit before tax and exceptional items.	1% of total assets restricted by an allocation of overall group materiality.
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 three-year average of profit before tax and exceptional items is an appropriate benchmark to use in assessing materiality.	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.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The materiality allocated against each component was £807,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £672,000 for the group financial statements and £605,250 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £44,000 (group audit) (2019: £37,500) and £40,350 (company audit) (2019: £33,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management forecasts for the period to June 2022 and evaluating management's downside scenarios, including a severe but plausible scenario, and challenging their adequacy and underlying assumptions, including the level and period of reduction in sales
- Assessing the composition of revenue and costs within the forecasts to evidence that they were prepared on an appropriate basis.
- Evaluating the level of forecast liquidity and management's assessment that there would likely be a sufficient level of working capital for the foreseeable future.

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

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

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

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

Reporting on Other Information

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

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

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

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

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 2020 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 Company and their 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the audit of the Financial Statements

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

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

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

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Understanding and evaluation of management's processes controls designed to prevent and detect irregularities.
- Reviewing minutes of meetings of those charged with governance.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of development costs (see related key audit matters below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

We have no exceptions to report arising from this responsibility.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
17 May 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	5	**82,969**	61,794
Cost of sales		**(43,823)**	(32,257)
Gross profit		**39,146**	29,537
Administrative expenses		**(12,979)**	(10,581)
Operating profit	6	**26,167**	18,956
Finance income	8	**112**	232
Finance costs	8	**(43)**	(18)
Profit before tax		**26,236**	19,170
Taxation	9	**(4,292)**	(2,551)
Profit and total comprehensive income attributable to owners of the parent for the period		**21,944**	16,619
Earnings per share			
– Basic (pence)	10	**17.0**	12.9
– Diluted (pence)	10	**16.8**	12.9

All amounts relate to continuing operations.

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

The notes on pages 51 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

COMPANY REGISTRATION NUMBER: 11205116

	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Assets			
Non-current assets			
Intangible fixed assets	12	**42,921**	39,925
Property, plant and equipment	13	**1,353**	1,478
Right-of-use assets	14	**1,378**	1,513
Deferred tax asset	19	**–**	248
Total non-current assets		**45,652**	43,164
Current assets			
Trade and other receivables	15	**16,430**	11,487
Tax receivables		**670**	–
Cash and cash equivalents	16	**61,470**	41,853
Total current assets		**78,570**	53,340
Total assets		**124,222**	96,504
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	20	**1,315**	1,313
Share premium	20	**44,084**	44,084
Merger reserve	20	**(153,822)**	(153,822)
Other reserves	20	**159,296**	158,864
Retained earnings	20	**52,476**	29,710
Total equity		**103,349**	80,149
Non-current liabilities			
Lease liabilities	18	**1,320**	1,464
Provisions		**76**	26
Deferred tax liabilities	19	**2,126**	3,007
Total non-current liabilities		**3,522**	4,497
Current liabilities			
Trade and other payables	17	**17,206**	10,198
Tax payables		**–**	1,538
Lease liabilities	18	**145**	122
Total current liabilities		**17,351**	11,858
Total liabilities		**20,873**	16,355
Total equity and liabilities		**124,222**	96,504

The notes on pages 51 to 74 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 17 May 2021 and were signed on its behalf by:

Debbie Bestwick MBE
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2019		1,313	44,084	(153,822)	158,864	12,170	**62,609**
Profit and total comprehensive income for the period		–	–	–	–	16,619	**16,619**
Share based compensation	21	–	–	–	–	921	**921**
Total transactions with owners		–	–	–	–	921	**921**
At 31 December 2019		1,313	44,084	(153,822)	158,864	29,710	**80,149**
Profit and total comprehensive income for the year		–	–	–	–	21,944	**21,944**
Issue of shares on exercise of options	21	1	–	–	–	–	**1**
Issue of shares on acquisition of subsidiary	20	1	–	–	432	–	**433**
Share based compensation	21	–	–	–	–	822	**822**
Total transactions with owners		2	–	–	432	822	**1,256**
At 31 December 2020		1,315	44,084	(153,822)	159,296	52,476	**103,349**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash generated from operations	22	**35,415**	25,063
Tax paid		**(7,125)**	(2,494)
Net cash inflow from operations		**28,290**	22,569
Cash flow from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(814)**	–
Purchase of property, plant and equipment	13	**(338)**	(1,265)
Sale of property, plant and equipment		**43**	43
Capitalisation of development costs	12	**(7,512)**	(3,215)
Interest received	8	**112**	232
Net cash outflow from investing activities		**(8,509)**	(4,205)
Cash flows from financing activities			
Interest paid	8	**(43)**	(17)
Receipt of lease incentive		**–**	48
Repayment of lease liabilities		**(121)**	(54)
Net cash outflow from financing activities		**(164)**	(23)
Net increase in cash and cash equivalents		**19,617**	18,341
Cash and cash equivalents at beginning of year		**41,853**	23,512
Cash and cash equivalents at end of year	16	**61,470**	41,853

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 is a public company limited by shares and 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 accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group 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.

The consolidated financial information has been prepared on a going concern basis, under the historical cost convention, presented in sterling and has been rounded to the nearest thousand (£'000). The principal accounting policies adopted are set out below.

New and Amended Standards Adopted by the Group

There were no new standards impacting the Group for the reporting period commencing 1 January 2020.

In the previous year commencing 1 January 2019, the Group applied the following standards and amendments for the first time:

- 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 a severe but plausible worst case 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 2021 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.

Team17 Group plc has provided a guarantee under section 479c of the Companies Act 2006 to Yippee Entertainment Limited for the Company to take the exemption from audit.

2. Significant Accounting Policies continued

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 the fair value of the consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference arising is negative goodwill which 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 indicators of impairment every six months and tested for impairment either annually or when an indicator of impairment is identified. Impairment testing is performed by comparing the higher of fair value less costs to sell and the value in use to the value of the asset. 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.

Intangible Assets Acquired in a Business Combination

The cost of such intangible assets 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. An asset is only recognised if the following conditions are met:

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

Internally Generated Intangible Assets

Intangible assets are measured on initial recognition at cost. 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.

Development Costs

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

- it meets the definition of an intangible asset under "IAS 38 Intangible Assets";
- completion of the intangible asset is technically feasible so that it will be available to generate economic benefits;
- the Group intends to complete the intangible asset and has the ability to generate probable future economic benefits that will flow to the Group;
- the expenditure attributable to the intangible asset during its development, 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.

Costs continue to be recognised as an intangible asset throughout the development of a title up until its release. Where development costs incurred do not meet the recognition criteria set out above, expenditure is recognised as an expense in the period in which it is incurred.

Development costs on third party games are disposed of at the date that Team17 ceases to generate revenue from the games.

Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite and at the year end date other than Goodwill 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 – typically 85% reducing balance over 2 years

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

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.

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.

Trade and Other Receivables

Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost. 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 90 days past due.

2. Significant Accounting Policies continued

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. Any additional revenue earned based on volume of sales in these contracts are recognised as usage-based royalties when usage occurs. If any contract includes a break clause then the revenue recognised excludes the amount that would be foregone if the break clause was exercised. The remaining revenue is recognised once the break clause has expired.

Lease Arrangements

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

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

In applying IFRS 16 for the first time on 1 January 2019, the Company 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 also elected not to reassess whether a contract is, or contains a lease at the date of initial application (1 January 2019). 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 was 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 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.

Taxation

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax 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 off-set against the income tax liability recognised, based on qualifying expenditure during the year.

Deferred Tax

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

The carrying amount of deferred tax assets is reviewed at each 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.

Share Based Compensation

The Company has awarded 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 employment of the company for a specified period of time. The fair value has been estimated based on the share price at award date.

The fair value of these options 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 over time within the Statement of Comprehensive Income based on the estimated number of shares expected to vest multiplied by the balance sheet date share price whilst the credit is included within trade and other payables. The accumulated share option value is adjusted for any lapsed share options on a monthly basis.

2. Significant Accounting Policies continued

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

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 and expected credit losses based on historical collection experience of similar assets.

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 subsequently 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.

Subsequent Measurement

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.

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.

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.

2. Significant Accounting Policies continued

Derecognition of Financial Assets and Liabilities

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 2020 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.

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 2020 are £6,287,000 (2019: £2,803,000). 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.

Revenue Recognition (Judgement)

In applying IFRS 15, the Group is required to make a judgement on whether certain revenue contracts containing a license provide either a right to use or right to access the IP. Licenses that meet all three specific criteria as described in paragraph 11.256 of IFRS 15 are considered to provide a right to access the IP. If any of these three criteria are not met then the contract should be treated as a right to use the IP. The Group considers that all of their license contracts to date provide a right to use the asset and all new contracts are reviewed against the criteria to ensure the correct treatment is applied.

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 2020 except as disclosed below.

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.

In December 2020, we launched Worms Rumble on PC, PlayStation 4 and the next generation PlayStation 5 console and as part of this launch, revenue was secured under a license agreement with PlayStation which was recognised in the period under IFRS 15. As a result of the licence deal combined with the launch on the next generation console, first year revenues are expected to be more heavily weighted towards the launch date and we have therefore updated our amortisation policy to better reflect this with a higher amortisation charge for this title being recognised in December 2020. The total amortisation charges for this title over the first year after launch will remain in line with the existing policy.

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.

Three (2019: Four) customers each contributed over 10% of the total revenue in 2020 with total revenue derived from these customers being £58,977,000 (2019: £46,068,000).

All non-current assets are located in the UK.

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 2020 £'000	Year ended 31 December 2019 £'000
Internal IP	**17,310**	10,312
Third Party	**65,659**	51,482
	82,969	61,794

6. Operating Profit

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
The following items are included in profit before tax:		
Amortisation of development costs – cost of sales (note 12)	**4,028**	3,105
Amortisation of brands – administrative expenses (note 12)	**1,784**	1,783
Depreciation of property, plant and equipment (note 13)	**404**	355
Depreciation of right-of-use assets (note 14)	**135**	57
Loss on foreign exchange	**107**	2
Operating lease rentals	**20**	78
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of Team17 Group plc	**21**	13
Fees payable to the Company's auditors in respect of:		
Audit of Company's subsidiaries	**154**	81
Non-audit services	**26**	–

Non-audit services related to fees for assistance to the remuneration committee in 2019 that were not accrued for in the prior year.

7. Staff Numbers and Costs

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

	Year ended 31 December 2020 No.	Year ended 31 December 2019 No.
Staff and directors	**233**	173

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	**10,415**	8,509
Social security costs	**1,093**	697
Social security costs on share options	**840**	177
Other pension costs	**389**	286
Share based compensation	**822**	921
	13,559	10,590

The following tables sets out the Directors' payroll costs:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Aggregate emoluments	**1,208**	1,267
Social security costs	**218**	152
Social security costs on share options	**765**	163
Company contributions to money purchase scheme	**23**	25
Share based compensation	**666**	863
Compensation for loss of office	**–**	152
	2,880	2,622

Retirement benefits are accruing to 2 directors (2019: 1) under money purchase schemes.

Mark Crawford was appointed in November 2019 to act as Interim CFO. During the year £80,000 (2019: £33,000) was paid to for his services prior to him joining the Group as permanent CFO in April 2020 under an employment contract. These figures have not been included in the notes above.

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.

7. Staff Numbers and Costs (continued)

The remuneration of the highest paid Director was:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Aggregate emoluments	**681**	658
Share based compensation	**652**	730
	1,333	1,388

8. Finance Income and Costs

Finance income	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interest receivable	**112**	232
Finance costs		
Interest payable on lease liabilities	**43**	17
Other interest payable	**–**	1
	43	18

9. Taxation

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax:		
Current year tax	**5,539**	4,143
Video Games Tax Relief claim	**(1,018)**	(423)
Adjustments in respect of prior period:		
Video Games Tax Relief claim	**134**	(133)
Other	**270**	(653)
	4,925	2,934
Deferred tax:		
Origination and reversal of temporary differences	**(633)**	(383)
	(633)	(383)
Total tax charge	**4,292**	2,551

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Reconciliation of total tax charge:		
Profit before tax	**26,236**	19,170
Taxation using the UK Corporation Tax rate of 19% (2019: 19%)	**4,985**	3,642
Effects of:		
Expenses not deductible for tax purposes	**19**	(87)
R&D Relief	**(97)**	–
Video Games Tax Relief	**(1,018)**	(423)
Adjustment in respect of prior periods	**91**	(581)
Change in deferred tax rate	**312**	–
Total tax charge	**4,292**	2,551

Deferred taxes at the balance sheet date have been measured using the enacted tax rate of 19% (2019: 17%).

10. 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 shares considered to be dilutive under the treasury stock method. An option is considered to be dilutive when the total proceeds per option is less than the average share price for the period.

	Year ended 31 December 2020	Year ended 31 December 2019
Profit attributable to shareholders £'000	**21,944**	16,619
Weighted average number of shares	**129,398,375**	129,246,382
Weighted average diluted number of shares	**130,607,624**	129,253,947
Basic earnings per share (pence)	**17.0**	12.9
Diluted earnings per share (pence)	**16.8**	12.9

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 11. The weighted average diluted number of shares includes share options considered to be dilutive under the treasury stock method as described above.

	Year ended 31 December 2020	Year ended 31 December 2019
Adjusted earnings (note 11) £'000	**23,606**	17,540
Weighted average number of shares	**129,398,375**	129,246,382
Weighted average diluted number of shares	**130,607,624**	129,253,947
Adjusted basic earnings per share (pence)	**18.2**	13.6
Adjusted diluted earnings per share (pence)	**18.1**	13.6

11. Adjusted EBITDA

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit attributable to shareholders	**21,944**	16,619
Share based compensation (note 21)	**1,662**	921
Adjusted earnings	**23,606**	17,540
Taxation (note 9)	**4,292**	2,551
Finance income (note 8)	**(112)**	(232)
Finance cost (note 8)	**43**	18
Amortisation of Brands (note 12)	**1,784**	1,783
Depreciation (notes 13 and 14)	**535**	412
Adjusted EBITDA	**30,148**	22,072

The share based compensation figure for the year ended 31 December 2020 includes the add back of £840,000 (2019: £Nil) relating to Employers National Insurance contributions due upon exercise of the share options.

12. Intangible Fixed Assets

	Development costs £'000	Brands £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2019	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
Additions	7,512	–	1,296	8,808
At 31 December 2020	**21,342**	**21,983**	**22,379**	**65,704**
Amortisation				
At 1 January 2019	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
Charge for the year	4,028	1,784	–	5,812
At 31 December 2020	**15,055**	**7,728**	**–**	**22,783**
Net carrying amount				
At 31 December 2020	**6,287**	**14,255**	**22,379**	**42,921**
At 31 December 2019	2,803	16,039	21,083	39,925

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 2020 is determined from the fair value less costs of disposal of the underlying business units. No impairment is considered necessary at 31 December 2020. The key assumption in calculating the fair value was the expected future cashflows at 31 December 2020.

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

Acquisition of Subsidiary

On 1 January 2020 Team17 Group plc acquired 100% of the issued shares in Yippee Entertainment Limited, for total consideration of £1,363,000. The acquisition is expected to increase the studio capacity by adding a talented and versatile team which will continue to be run by Mike Delves, an industry veteran with over 30 years' experience. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£'000
Purchase consideration	
Cash consideration	780
Deferred consideration	150
Total cash consideration	930
Shares issued in Team17 Group plc	433
Total purchase consideration	1,363

The assets and liabilities recognised as a result of the acquisition are as follows:

	£'000
Cash and cash equivalents	116
Property, plant and equipment	8
Receivables	58
Payables	(115)
Net identifiable assets acquired	67
Add: Goodwill	1,296
	1,363

The goodwill is attributable to Yippee Entertainment Limited's talented multi-award winning video game development team. It has been allocated to the sole segment of the Group which is the production and publishing of video games. None of the goodwill is expected to be deductible for tax purposes.

Acquisition related costs of £108,000 are included in administrative expenses in the Statement of Comprehensive Income for the year ended 31 December 2019.

Financial performance of Yippee Entertainment Limited has not been disclosed as it was wholly immaterial to the year ended 31 December 2020 results.

Deferred Consideration

The deferred consideration arrangement required the Group to pay the former owners of Yippee Entertainment Limited up to a maximum of £150,000 by 31 December 2020 with no minimum. The full amount of £150,000 was paid in December 2020.

Shares Issued in Team17 Group plc

The shares were issued as part of the consideration for the acquisition of Yippee and therefore merger relief has been applied to the premium on the issue.

Trade and Other Receivables

The fair value of trade and other receivables at acquisition was £58,000 and the full amount was deemed to be collectible.

13. Property, Plant and Equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2019	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
On Acquisition	–	8	–	–	8
Additions	18	318	2	–	338
Disposals	(4)	(156)	(6)	(80)	(246)
At 31 December 2020	**880**	**1,319**	**242**	**21**	**2,462**
Depreciation					
At 1 January 2019	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
Charge for the year	71	276	40	17	404
Disposals	–	(129)	(5)	(45)	(179)
At 31 December 2020	**92**	**927**	**69**	**21**	**1,109**
Net book value					
At 31 December 2020	**788**	**392**	**173**	**–**	**1,353**
At 31 December 2019	845	369	212	52	1,478

14. Right-of-Use Assets

	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
Additions during the year	–	–
At 31 December 2020	**1,570**	**1,570**
Depreciation		
At 1 January 2019	–	–
Charge for the year	57	57
At 31 December 2019	57	57
Charge for the year	135	135
At 31 December 2020	**192**	**192**
Net carrying amount		
At 31 December 2020	**1,378**	**1,378**
At 31 December 2019	1,513	1,513

15. Trade and Other Receivables

Amounts Falling Due Within One Year:

	31 December 2020 £,000	31 December 2019 £,000
Trade receivables	**1,514**	1,366
Accrued income	**13,875**	8,926
Other receivables	**452**	720
Prepayments	**589**	475
	16,430	11,487

There are no impaired assets within trade and other receivables.

16. Cash and Cash Equivalents

	31 December 2020 £,000	31 December 2019 £,000
Cash at bank and in hand	**58,314**	37,887
Cash equivalents	**3,156**	3,966
	61,470	41,853

Included within the cash equivalents balance above is £3,156,000 (2019: £3,186,000) owned by the EBT. This 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.

The remaining cash equivalents balance of £Nil (2019: £780,000) represents an amount held by our solicitors for the purchase of the shares of Yippee Entertainment Limited on 1 January 2020.

17. Trade and Other Payables

Amounts falling due within one year:

	31 December 2020 £'000	31 December 2019 £'000
Trade payables	**655**	179
Other payables	**1,098**	699
Taxation and social security	**297**	275
Accruals and deferred income	**15,156**	9,045
	17,206	10,198

18. Lease Liabilities

	31 December 2020 £'000	31 December 2019 £'000
Amounts falling due within one year	**145**	122
Amounts falling due in over one year	**1,320**	1,464
	1,465	1,586

Interest expense during the year on the above lease liabilities included in finance costs was £43,000 (2019: £17,000). The total cash outflow for leases during the year was £164,000 (2019: £23,000) net of a £Nil (2019: £48,000) lease incentive received.

19. Deferred Taxation

Recognised deferred tax asset:

	Other short term timing differences £'000	Total £'000
At 1 January 2019	**–**	–
Deferred tax recognised in profit or loss	**248**	248
At 31 December 2019	**248**	248
Deferred tax recognised in profit or loss	**909**	909
Offset against deferred tax liability	**(1,157)**	(1,157)
At 31 December 2020	**–**	–

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 2019	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 tax recognised in profit or loss	122	404	(250)	**276**
Offset from deferred tax asset	–	(1,157)	–	**(1,157)**
At 31 December 2020	169	(752)	2,709	**2,126**

Deferred taxes are recognised at the tax rate of 19% (2019: 17%) which was substantively enacted as at the Balance Sheet date.

20. Equity

	31 December 2020 £'000	31 December 2019 £'000
Authorised, allotted, called up and fully paid		
131,473,222 (2019: 131,288,276) ordinary shares of 1p each	**1,315**	1,313
	1,315	1,313

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

On 1 January 2020 Team17 Group plc issued 114,000 ordinary shares of 1p each as part of the acquisition of Yippee Entertainment Limited. On 10 July 2020 Team17 Group plc issued 70,946 ordinary shares of 1p each to satisfy share options exercised.

Shares Held by Subsidiaries

At 31 December 2020, and included in these consolidated financial statements, the Team17 Employment Benefit Trust (the "Trust") holds 2,041,900 (2019: 2,041,900) shares in Team17 Group plc with a nominal value of £19,202 (2019: £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.

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. The premiums on the shares issued as part of the acquisition of Yippee Entertainment Limited have also been included in the merger relief reserve.

Capital Contribution

Includes the value of shares gifted to the Team17 Employment Benefit Trust on 23 May 2018 as part of the IPO.

21. Share Based Compensation

The following share schemes have been awarded but not yet vested at 31 December 2020:

Share scheme name	Award date	Vesting date	Maximum number of share options outstanding	Exercise price per share option
Executive LTIPs – 2018	23 May 2018	23 May 2021	972,727	£Nil
Free shares	4 April 2019	4 April 2022	101,500	£Nil
Senior management share options (Issue 1)	8 April 2019	8 April 2022	22,045	£Nil
Senior management share options (Issue 2)	18 December 2019	18 December 2022	17,392	£Nil
Senior management share options (Issue 3)	22 April 2020	21 April 2023	4,994	£Nil
Senior management share options (Issue 4)	6 May 2020	5 May 2023	12,287	£Nil
Executive LTIPs – 2020	10 September 2020	9 September 2023	20,057	£Nil
Share Incentive Plan (See note below)	Monthly award	3 years from award date	15,662	£Nil

The maximum number of outstanding share options at 31 December 2020 was 1,166,644 (2019: 1,079,169). Of these share options 173,860 (2019: 166,409) will be settled from shares already held by the Team17 Employment benefit trust.

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% (2019: 13.8%) on the balance sheet share price multiplied by the number of shares expected to vest 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 2020 £'000	31 December 2019 £'000
Statement of Comprehensive Income		
Share options charge	**822**	921
Employers national insurance	**840**	177
	1,662	1,098
Statement of Financial Position		
Accruals (cumulative balance)	**1,017**	177
Retained Earnings (cumulative balance)	**2,105**	1,283

Executive LTIPs

The fair value of services received in return for share options awarded 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 award. The fair value of options is reassessed every six months to reflect the Group's Cumulative AEPS position against the targets.

Executive LTIPs – 2018

The executive directors were awarded 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 Adjusted Earnings Per Share ("AEPS") targets whilst part B depends on annualised absolute total shareholder return.

Underlying share price (£)	2.20
Award price (£)	–
Exercise price (£)	–
Vesting period	3 years
Estimate of part A options vesting	100%
Estimate of part B options vesting	100%
Expected volatility of the share price	38%
Dividends expected on the shares	0%
Risk free rate	1%
Fair value at vesting date (£'000)	1,952

During the previous year ended 31 December 2019 the rules for the share award issued to J Jones under the 18 December 2018 issue 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. These shares vested and were exercised during the year ended 31 December 2020.

Executive LTIPs – 2020

Share options awarded to executive directors in 2020 under the Team17 Group plc Long Term Incentive Plan have a slightly different performance criteria. Instead of splitting the awards into two parts, the performance criteria for 100% of shares are based on meeting the Group's Cumulative AEPS target over three financial years.

Underlying share price (£)	6.86
Award price (£)	–
Exercise price (£)	–
Vesting period	3 years
Estimate of options vesting	100%
Dividends expected on the shares	0%
Risk free rate	0.83%
Fair value at vesting date (£'000)	138

Free Shares

During 2019 all staff employed by Team17 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 award date multiplied by the number of share options outstanding. The expense is apportioned over the vesting period. These share options will be settled from shares already held by the Team17 Employment Benefit Trust.

Senior Management Share Options

During the year there were awards provided to 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.

21. Share Based Compensation continued

The fair value of these share options are calculated as the fair value at the award 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 Team17 Employment Benefit Trust.

Share Incentive Plan (SIP)

The Group operates a SIP for all employees. Under the SIP, the Group has made awards of matching shares which are conditional on remaining employed with the Group for three years from the award date.

The fair value of these matching shares are calculated as the fair value at the award 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 Team17 Employment Benefit Trust.

22. Cash Generated from Operations

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flow from operating activities		
Profit before tax	**26,236**	19,170
Adjustments for:		
Depreciation of property, plant and equipment	**404**	355
Depreciation of right-of-use assets	**135**	57
Amortisation of intangible assets	**5,812**	4,888
Loss on disposal of fixed assets	**24**	29
Share based compensation	**822**	921
Finance income	**(112)**	(232)
Financial expenses	**43**	18
Operating cash flow before changes in working capital	**33,364**	25,206
Increase in trade and other receivables	**(4,908)**	(3,351)
Increase in provisions	**50**	(113)
Increase in trade and other payables	**6,909**	3,321
Cash generated from operations	**35,415**	25,063

23. Commitments and Contingencies

The Group had no contracted capital commitments or contingent liabilities at 31 December 2020 (31 December 2019: £Nil).

24. Related parties

Ultimate Controlling Party

At 31 December 2020 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 2020.

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 7. Mark Crawford was appointed in November 2019 to act as Interim CFO. During the year £80,000 (2019: £33,000) was paid to Stratfield Fairlane Ltd for his services prior to joining the Group as permanent CFO in April 2020 under an employment contract.

25. Financial Instruments

At 31 December 2020	Note	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book value £'000	Fair value £'000
Financial assets					
Trade and other receivables	15	15,841	–	15,841	15,841
Cash and cash equivalents	16	61,470	–	61,470	61,470
		77,311	–	77,311	77,311
Financial liabilities					
Trade and other payables	17	–	(15,309)	(15,309)	(15,309)
Lease liabilities	18	–	(1,465)	(1,465)	(1,465)
		–	(16,774)	(16,774)	(16,774)
		77,311	**(16,774)**	**60,537**	**60,537**

At 31 December 2019	Note	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Book value £'000	Fair value £'000
Financial assets					
Trade and other receivables	15	11,018	–	11,018	11,018
Cash and cash equivalents	16	41,853	–	41,853	41,853
		52,871	–	52,871	52,871
Financial liabilities					
Trade and other payables	17	–	(11,709)	(11,709)	(11,709)
Lease liabilities	18	–	(1,586)	(1,586)	(1,586)
		–	(13,295)	(13,295)	(13,295)
		52,871	(13,295)	39,576	39,576

Trade and other receivables shown above comprises trade receivables, accrued income and other receivables as disclosed in note 15.

Trade and other payables comprises of trade payables, other payables and accruals as disclosed in note 17.

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. The key risks are analysed below.

25. Financial Instruments continued

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 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. Revenue invoiced 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 4). 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.

26. 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 2020 were £48,000 (31 December 2019: £38,000).

27. Post Statement of Financial Position Events

On 4 January 2021 Team17 Digital Limited acquired the Golf With Your Friends IP from Entertainment Holdings Pty Ltd a company incorporated in Australia for £12,000,000. This consideration is made up of an initial cash payment of £9,000,000 and deferred cash consideration of £3,000,000 due within 12 months of the acquisition date.

The acquisition underlines part of the Group’s strategy to make value enhancing acquisitions that will support the growth ambitions alongside organic growth and the Board expects this to be an ongoing part of the growth strategy.

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

COMPANY REGISTRATION NUMBER: 11205116

	Note	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Fixed assets			
Investments	8	**156,475**	154,954
Deferred tax asset	9	**502**	229
		156,977	**155,183**
Current assets			
Trade and other receivables	10	**46,661**	46,425
Cash at bank and in hand		**2**	–
		46,663	**46,425**
Creditors: amounts falling due within one year			
Trade and other payables	11	**(1,883)**	(1,251)
Tax payables		**(156)**	(379)
		(2,039)	(1,630)
Net current assets		**44,624**	**44,795**
Net assets		**201,601**	**199,978**
Capital and reserves			
Called up share capital	12	**1,315**	1,313
Share premium account	12	**44,084**	44,084
Other reserves	12	**154,245**	153,813
Retained earnings	12	**1,957**	768
Total Equity		**201,601**	**199,978**

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 for the year dealt within the accounts of the company was £367,000 (2019: £213,000).

The notes on pages 77 to 84 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 17 May 2021, and were signed on its behalf by:

Debbie Bestwick MBE
Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

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**
At 1 January 2019		1,313	44,084	153,813	(366)	**198,844**
Profit and total comprehensive income for the year		–	–	–	213	**213**
Share based compensation	13	–	–	–	921	**921**
At 31 December 2019		1,313	44,084	153,813	768	**199,978**
Profit and total comprehensive income for the year		–	–	–	367	**367**
Share based compensation	13	–	–	–	822	**822**
Issue of shares on exercise of options	12	1	–	–	–	**1**
Issue of shares on acquisition of subsidiaries	12	1	–	432	–	**433**
At 31 December 2020		1,315	44,084	154,245	1,957	**201,601**

1. General Information

The Company incorporated and domiciled in United Kingdom and the principal activity of Team17 Group plc (the "Company") is that of a holding company. 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 FRS 102, 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).

Financial Reporting Standard 102 – Reduced Disclosure Exemptions

The company has taken advantage of the following disclosure exemptions under FRS 102:

- From preparing a statement of cash flows as required by paragraph 3.17(d) of FRS 102, on the basis that it is a qualifying entity;
- From the financial instrument disclosures, required under FRS 102 paragraphs 11.42 to 11.48C and paragraphs 12.26 to 12.30, as the information is provided in the consolidated financial statement disclosures of Team17 Group plc;
- From disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7;
- From the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- From disclosing the Share Based Payment arrangements as required by paragraphs 26.18(b), 26.19 to 26.21 and 26.23 on the basis that is a qualifying entity.

A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a wholly owned subsidiary of Team17 Group plc, and is included in the consolidated financial statements of Team17 Group plc, which are publicly available.

Going Concern

Management has produced forecasts that have also been sensitised to reflect a severe but plausible worst case 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 2021 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.

2. Significant Accounting Policies continued

Share Based Compensation

The Company has awarded 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 award 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 over time within the Statement of Comprehensive Income based on the estimated liability due at exercise 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.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Share options have been issued to employees of the Company's subsidiary Team17 Digital Limited which offer shares in Team17 Group plc. The value of these share options are included within Investments.

Trade and Other Receivables

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

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.

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.

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 revenue was generated from group management charges.

All revenue was generated in the United Kingdom.

5. Operating Profit

Remuneration paid to our auditors is stated in note 6 of the consolidated financial statements.

6. Staff Numbers and Costs

The average number of persons employed by the Company during the year was as follows:

	Year ended 31 December 2020 No.	Year ended 31 December 2019 No.
Directors	**6**	5

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	**1,208**	1,267
Social security costs	**983**	315
Other pension costs	**23**	25
Share based compensation	**666**	863
Compensation for loss of office	**–**	152
	2,880	2,622

The following tables sets out the Directors' payroll costs:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Aggregate remuneration	**1,208**	1,419
Social security costs	**983**	315
Company contributions to money purchase scheme	**23**	25
Share based compensation	**666**	863
	2,880	2,622

Retirement benefits are accruing to 2 directors (2019: 1 directors) under money purchase schemes. In addition long term share incentive schemes are in place for 2 (2019: 1) directors.

During the year 1 (2019: Nil) director exercised share options.

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 2020 £'000	Year ended 31 December 2019 £'000
Aggregate emoluments	**670**	658
Share based compensation	**652**	730
	1,322	1,388

7. Taxation

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax:		
Current year tax	**303**	310
Adjustments in respect of prior periods	**(126)**	69
Deferred tax:		
Origination and reversal of temporary differences	**(273)**	(229)
Total tax charge	**(96)**	150

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Reconciliation of total tax charge:		
Profit before tax	**270**	363
Taxation using the UK Corporation Tax rate of 19% (2019: 19%)	**51**	69
Effects of:		
Expenses not deductible for tax purposes	**2**	12
Adjustments to tax charge in respect of prior periods	**(126)**	69
Change in deferred tax rate	**(23)**	–
Total tax charge	**(96)**	150

8. Investments

Cost	£'000
At 1 January 2019	154,853
Additions	101
At 31 December 2019	154,954
Additions	1,521
At 31 December 2020	**156,475**
Net book value	
At 31 December 2020	**156,475**
At 31 December 2019	154,954

Included in the additions balance is £1,363,000 (2019: £Nil) representing the total purchase consideration for the acquisition of Yippee Entertainment Limited. The remaining additions of £158,000 (2019: £101,000) represents the value of share options issued to employees employed by Team17 Group plc's subsidiaries.

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
Yippee Entertainment Limited	Ordinary Shares	100%	Development of video games for the digital market

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. Deferred Taxation

Recognised deferred tax asset:

	Other short term timing differences £'000	Total £'000
At 1 January 2019	–	–
Deferred tax recognised in profit or loss	229	229
At 31 December 2019	229	229
Deferred tax recognised in profit or loss	273	273
At 31 December 2020	**502**	**502**

10. Trade and Other Receivables

Amounts falling due within one year:

	31 December 2020 £'000	31 December 2019 £'000
Amounts owed by group undertakings	**46,545**	46,287
Other receivables	**1**	22
Prepayments	**115**	116
	46,661	46,425

11. Trade and Other Payables

Amounts falling due within one year:

	31 December 2020 £'000	31 December 2019 £'000
Trade payables	**68**	46
Other payables	**43**	–
Taxation and social security	**38**	109
Accruals and deferred income	**1,734**	1,096
	1,883	1,630

12. Equity

	31 December 2020 £'000	31 December 2019 £'000
Authorised, allotted, called up and fully paid		
131,473,222 (2019: 131,288,276) ordinary shares of 1p each	**1,315**	1,313
	1,315	1,313

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

On 1 January 2020 Team17 Group plc issued 114,000 ordinary shares of 1p each as part of the acquisition of Yippee Entertainment Limited. On 10 July 2020 Team17 Group plc issued 70,946 ordinary shares of 1p each to satisfy share options exercised.

Share Capital

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

Share Premium Account

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.

12. Equity continued

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. The premiums on the shares issued as part of the acquisition of Yippee Entertainment Limited have also been included in the merger relief reserve.

Capital Contribution

Includes the value of shares gifted to the Team17 Employment Benefit Trust on 23 May 2018 as part of the IPO.

13. Share Based Compensation

Please see note 21 in the consolidated Team17 Group plc consolidated financial statements for further information on the share based compensation charge in the year.

14. Related Parties

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. Mark Crawford was appointed in November 2019 to act as Interim CFO. During the year £80,000 (2019: £33,000) was paid to Stratfield Fairlane Ltd for his services prior to joining the Group as permanent CFO in April 2020 under an employment contract.

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 2020 were £Nil (2019: £Nil).

16. Ultimate Controlling Party

At 31 December 2020 there was not considered to be a single ultimate controlling party of Team17 Group plc.

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GROWING OUR BACK CATALOGUE OF GAMES

Announced for 2021

> Honey I Joined a Cult

> Hokko Life

> Narita Boy

> Greak: Memories of Azur

> King Of Seas

> Super Magbot

> Rogue Heroes: Ruins of Talos

> Epic Chef

Recent Launches

2020

> Main Assembly
> Moving Out

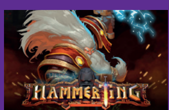
> Golf With Your Friends (console version)

> Overcooked! All You Can Eat
> Crown Trick
> Going Under

> The Survivalists

> Neon Abyss

> Ageless
> Hammerting



> Worms Rumble

2019

> Yooka-Laylee Impossible Lair

> Blasphemous

> Hell Let Loose

> Genesis: Alpha One
> Automachef
> Monster Sanctuary

Our Back Catalogue

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

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

2006

> Worms Open Warfare
> Lemmings
> Army Men: Major Malfunction

2007

> Lemmings
> Worms Open Warfare 2

2008

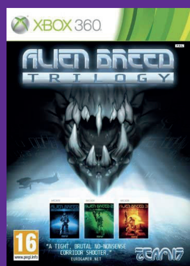
> Worms: A Space Oddity

2009

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

2010

> Alien Breed: Impact
> Worms Reloaded
> Alien Breed 2: Assault



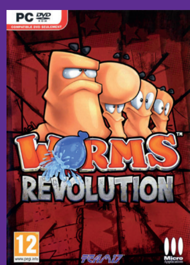
> Worms Battle Islands
> Alien Breed 3: Descent

2011

> Worms Ultimate Mayhem
> Worms Crazy Golf

2012

> Worms for Facebook
> Worms Revolution



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

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
> The Room
> Sheltered

'The Spirit of Independent Games'

Team17
3 Red Hall Avenue,
Paragon Business Park,
Wakefield, WF1 2UL

www.team17group.com