EXPANDED FOOTPRINT DELIVERING GROWTH

Team17 Group plc
Annual Report and Accounts 2022

Team17 Group plc is a global games label, creative partner and developer of independent ('indie') premium video games and developer of educational entertainment ('edutainment') apps for children and a leading working simulation games developer and publisher.

We are a leading video games label and creative partner of own IP and third-party developer IP helping to develop and publish genre agnostic games to a wide age range of players globally.

Team17 Group plc operates across three distinct divisions:

StoryToys
Edutainment

Team17 Games Label
Indie Games Label

astragon
Working Simulation

Highlights
A year of progress

Revenue	£137.4m	+52%	(2021: £90.5m)
Gross Profit	£69.6m	+53%	(2021: £45.5)
Gross Profit Margin	51%	+1pps	(2021: 50%)
Profit Before Tax	£28.7m	-1%	(2021 £29.1m)
Basic Earnings per Share	16.5p	-10%	(2021: 18.3p)
Adjusted Profit Before Tax*	£47.1m	+35%	(2021: £35.0m)
Adjusted EBITDA*	£48.8m	+36%	(2021: £35.8m)
Adjusted Earnings per Share*	27.8p	+26%	(2021: 22.1p)
Operating Cash Conversion*	108%	+7%	(2021: 101%)
Cash and Cash Equivalents	£50.8m	-8%	(2021: £55.3m)

2022 Operational Highlights

- Completed three strategic acquisitions in January 2022 – ***Hell Let Loose*** ('HLL') (IP and assets), astragon ('working' simulation games) and The Label (USA-based indie publisher).
- Organic underlying like for like revenues grew 3% to £93.2m (2021: £90.5m) with an additional £44.2m in revenue from the business acquisitions completed over the last 18 months.
- Group's own IP now represents 41% of total revenues (2021: 22%) benefiting from the acquisition of ***HLL*** and astragon's own IP working simulation portfolio.
- Team17 Games Label's owned and third-party IP portfolio continues to grow, delivering over 700 digital revenues lines (2021: c.500).
- StoryToys saw continued growth in payable active subscribers which now exceed 300,000 (2021: over 180,000).
- astragon delivered one major own IP new title release with ***Construction Simulator*** launched in Q3, breaking astragon's all-time own IP day one concurrent users record on Steam.
- Strengthened Group senior leadership team with the addition of Julia Pfiffer and Tim Schmitz, joint CEOs of the astragon business.
- Group headcount grew to 392 at year end (2021: 265) with 53 joining as a direct result of the acquisitions.

Post Balance Sheet Events

- StoryToys extended commercial agreements with existing partners and signed new license agreements with major global children's entertainment and toy companies, Mattel, and Sesame Workshop.
- Games Label's ***FARMSIDE,*** published by Team17 USA in FY22, was subsequently launched by Apple Arcade in February 2023.
- On 28 March 2023, Debbie Bestwick MBE announced her intention to step down from her position as Chief Executive once a suitable successor has been found and then transition to a Non-Executive position on the Board.
- On 28 April 2023, astragon completed the strategic acquisition of the German games development studio Independent Arts Software GmbH.

* **Alternative Performance Measures**
The Directors believe that these measures provide meaningful additional information to support the statutory financial information and provide an understanding of the underlying business trading performance and profitability. Definitions can be found in the Chief Financial Officers Report.

Chair's Statement

"We are privileged to have a hugely talented and vibrant senior management team working closely together to deliver on our strategic ambitions."

Chris Bell
Chair

18
new releases in total across the Group in 2022

"As expected with Team17, our people have played a pivotal role in delivering these results, and I would like to personally thank all our team members across the Group."

I am pleased to report that Team17 Group plc has continued its growth trajectory across FY22, underpinned by a combination of organic growth initiatives and the positive impact from the acquisitions of StoryToys, astragon, and Team17 USA (formerly The Label).

As expected with Team17, our people have played a pivotal role in delivering these results, and I would like to personally thank all our team members across the Group for their outstanding contribution to our business over the last 12 months. Our senior teams have worked tirelessly to bring our expanded family together under one roof and I'm pleased to say that they have all settled well into the business.

It is the unwavering focus on our core business objectives that has enabled the enlarged Group to deliver such a strong financial performance, with revenues for the period up 52% to £137.4m (2021: £90.5m) and an increase in Adjusted EBITDA to £48.8m (2021: £35.8m), both ahead of market expectations, as highlighted in the trading update announced in January 2023.

We are privileged to have a hugely talented and vibrant senior management team working closely together to deliver on our strategic ambitions. Our continued investment in the business since our 2018 IPO has enabled us to expand both operationally and on a global scale. We now operate across 7 regional hubs, supporting activities that span multiple gaming genres, platforms, and demographics. The Team17 Games Label ('Games Label') has expanded at pace and our commitment to producing high quality content remains the cornerstone of our business strategy.

Under the expert guidance of Debbie Bestwick MBE and the broader senior team, the evolution of the Group has been marked. Our investment in the core business has seen us expand the Games Label, which controls a content portfolio comprising over 700 digital revenue lines, acquired two successful third-party titles to add to its own IP portfolio over the last two years, and now also includes Team17 USA acquired in January 2022. The Games Label is actively exploring future opportunities to fully exploit mobile subscription channels, be this through expanding its existing model via additional third-party titles or leveraging existing Team17 IP.

StoryToys, our world-class developer and publisher of educational entertainment apps for children, that was acquired in July 2021, continues to benefit from being part of a larger group and is being supported to accelerate its own growth ambitions. Acquired in January 2022, astragon, our sophisticated 'working' simulation games division, has enabled Team17 to broaden our reach into a highly prized segment of the games arena, delivering iconic own IPs, the ***Firefighting, Police, Bus Simulator*** games, and launching the latest update to its largest title, ***Construction Simulator***.

All these pleasing performances are, of course, underpinned by the exceptional talent of our people which continues to grow with the addition of new talent as a direct result of the acquisitions. As a Board, we are keenly focused on ensuring the Company creates the ideal working environment to nurture talent, alongside ensuring our remuneration policies align with those of our peers. To this end, our 'Employee Benefit Trust' has ensured all our UK and European team members are offered the opportunity to become shareholders in the Company with free share options, and our Reward & Recognition and Employee Engagement internal surveys have provided invaluable feedback to ensure our teams feel connected to the business. Career development, retention, and succession planning are all key areas of focus, and it is this ongoing emphasis on people-focused forward planning that enables us to attract and retain the right talent to deliver on our strategic ambitions. We have also undertaken an internal Board review in 2022 alongside ongoing succession planning at the senior management level and subsequently identified specific areas to focus on throughout the coming year.

Our forward-looking, community-focused approach also flows into our ESG and responsible business commitments. Our green initiatives are driven by an employee-led Green17 group first established in 2020, and in 2022 we adopted the Greenhouse Gas Protocol to guide our emissions disclosures. We continue to evaluate our environmental management and reporting systems and recently established a new ESG Board Committee to be led by Penny Judd, one of our Independent Non-Executive Directors, which will increase the visibility and focus on these important matters going forwards.

The Group has made a solid start to 2023, carrying on our positive momentum and underpinning the Board and management team's confidence in our ability to deliver on our strategic ambitions.

As outlined in the early part of 2022, the Group has very limited operational and financial exposure to both Ukraine and Russia, and despite the uncertain macroeconomic backdrop, the Board believes the associated geopolitical uncertainty is unlikely to have a material impact on Group performance.

As previously reported on 28th March 2023, Debbie Bestwick MBE announced her intention to step down from her position as Chief Executive once a suitable successor can be found and then transition to a Non-Executive position on the Board. On behalf of the Board and the Company, I would like to thank Debbie for her absolute devotion to Team17 and know that without her almost limitless enthusiasm for the business, we simply would not be where we are today. We all collectively wish her the very best in all her future endeavours and look forward to continuing to benefit from her unrivalled knowledge when she joins the Board as a Non-Executive Director.

On behalf of the Board of Directors, I would like to thank every member of the individual teams across the Group for their unwavering dedication to our business during 2022. The significant operational progress we deliver year after year continues to underpin our ambitions to further extend our reach across the international digital entertainment arena.

Chris Bell
Chair

18 May 2023

Group Chief Executive Officer's Review

> "It's a privilege to work with the leadership team within the Group, as well as their individual teams; they are passionately committed to the Group's values, core business model, and future ambitions."

"2022 was unquestionably a transformational year with a strong performance for the Group. Personally, I feel it was characterised by the delivery of our highly selective M&A strategy, alongside our team's successful lifecycle management across our portfolio. Last year we collectively focused in on our long-term strategy on a division-by-division basis and doubled down on future pipeline roadmaps."

Debbie Bestwick MBE
Group Chief Executive Officer

Construction Simulator delivered highest new release title revenue for the Group in 2022

Introduction
2022 marked our fifth year as a listed company, our eighth consecutive year as a growth business and a little over a decade since I stepped up to take the reins as CEO after completing an MBO of the company then known as 'the people who made Worms'. We are proud of our long-term track record of consistent growth, and specifically since listing on AIM, with revenue and adjusted EBITDA now more than 200% of the levels recorded in 2018, with compound average growth rates over that time of 34% and 33% respectively.

Today we are unrecognisable from the company a decade ago and I'm very proud of what we have collectively achieved in that time. I want to take the opportunity to thank all our people and development/business partners for their fantastic support since our IPO and over the last decade. Both myself and the leadership team across the Group have never taken that support for granted. We now have one of the strongest leadership teams in the games sector and it's a privilege to work with every one of them. More than ever they are wholly focused on delivering upon our collective ambitions and growth plans, while remaining true to our Group core values.

2022 was a transformational year for the Group. In January, we completed our strategic business acquisitions of astragon, The Label (USA) alongside acquiring the ***HLL*** IP. This intense period of M&A activity at the beginning of the year, building on the two acquisitions in the prior year, would not have been possible had it not been for the investment in people within Team17's Games Label and strength and resilience of our existing back catalogue and proven track record in integrating previous acquisitions. Our internal structure has been transformed with a strengthened senior leadership team, additional divisions and technological capabilities, and a reinvigorated, ambitious vision for the future rooted in the overarching synergy of our company culture and core values.

Following a solid performance in the first half of the year, primarily driven by the back catalogue portfolio performance, in a heavily weighted second half of the year, the Group released ten new games as well as six existing games launched onto wider platforms from the Games Label and astragon as planned. I'm pleased to report the Group has maintained its consistent record of outperforming prior years and delivering improved levels of revenue and adjusted EBITDA with another record year.

The Group benefited from positive contributions from all three of its Q1 2022 acquisitions as well as the additional first half impact of StoryToys (acquired in July 2021), generating total revenues up 52% to £137.4m (2021: £90.5m). Of this £93.2m came from existing business on a like for like basis and an incremental £44.2m from business acquisitions. Gross profit increased by 53% to £69.6m (2021: £45.5m), and adjusted EBITDA grew 36% to £48.8m (2021: £35.8m).

Despite allocating significant capital to fund M&A activity in early 2022, the Group continues to enjoy a strong balance sheet, ending the year with cash and cash equivalents of £50.8m (2021: £55.3m). Management will seek to continue to leverage the highly cash-generative nature of the business to drive further organic growth across all Group divisions and continues to evaluate selective M&A targets.

We have been particularly delighted to welcome on board our new divisional CEOs, all of whom are experts in their respective fields and bring a wealth of knowledge from across the breadth of the digital entertainment industry. The Group's total headcount as at 31 December 2022 stood at 392 team members (2021: 265) which includes 53 as a result of the acquisitions in 2022 and 74 new team members added across the Group during the period. Overall, the headcount has grown by 48% on FY21 and boasts a first-class blend of skills and experience that will be vital in enabling us to execute on our ambitious growth objectives moving forwards.

In addition to expanding our talent pool and diversifying our customer offering, the acquisitions have significantly grown Team17's international footprint, with hubs now in Dublin, Germany, Canada, and the US, working alongside our existing UK studios in Wakefield and Manchester and commercial hub in Nottingham. This rapid growth is a testament to the success of our model, experienced leadership, and the resilience of the global digital entertainment industry despite a challenging macro environment.

As we move further into 2023, our emphasis will remain on supporting our business teams to continue to scale and develop excellent first and third-party IP whilst leveraging the collective knowledge and experience of the Group's internal structure to grow their businesses organically and continually evaluate selective M&A opportunities. Additionally, with the integration of the acquisitions now largely complete, we look forward to turning our focus to sharing best practice on development, title launches, life cycle management and exploiting synergy opportunities across the Group as the divisions continue to flourish both as businesses in their own right, and as integral components in the underlying fabric of the Group.

Our Key Business Priorities
Despite the Group's transformation in the last 12 months, the core pillars of our business model, which have enabled us to deliver the excellent results we have seen over the last five years, remain unchanged. As a team, we are as keenly focused as ever on delivering on our collective business priorities:

- Maximising the benefits of the Group's structure through each of our new business divisions to expand our reach, strengthen our pipelines, and develop our strategic partnerships with platforms, license partners and developers;
- Leveraging Group footprint and synergy opportunities to drive long-term organic growth;
- Expanding our audience by continually improving the quality and diversity of our content portfolio;
- Investing further in our underlying Group infrastructure to accelerate the performance of our business divisions and support our overarching growth ambitions;
- Maintaining our core focus on promoting our 'People First' Company culture and nurturing our next generation of in-house industry expertise; and
- Routinely evaluating selective M&A opportunities to support the future growth of the Group.

Group Chief Executive Officer's Review continued

Operational Review
The Games Label continues to demonstrate the strength of Team17's signature expertise in back catalogue management. Year-on-year growth has been consistently strong – a testament to the success of our industry-leading approach to lifecycle management. The Games Label released eleven new games alongside three existing titles released on wider platforms in the year. New games included the eagerly anticipated ***Marauders*** and ***Thymesia***, along with additional content and updates for the popular ***Hell Let Loose***, and ***Golf With Your Friends*** franchises.

Following the integration of Team17 USA the Games Label is actively seeking opportunities to leverage its wealth of in-house knowledge in subscription-based mobile gaming to launch existing Team17 IP on mobile platforms, as well as additional third-party titles. Team17 USA has itself delivered its planned core updates release schedule, with the latest ***Wimblegolf*** update for ***What the Golf?*** gaining particular traction.

astragon has performed exceptionally well in its first year as part of the Group, driving further sales momentum from own IP titles, including the popular ***Construction Simulator*** and ***Police Simulator: Patrol Officers***, amongst others. Physical distribution remains an important revenue stream across astragon's portfolio with titles such as ***Farming Simulator*** continuing to experience significant customer adoption in Germany.

In the second half, astragon launched the latest version of its best-selling own IP title ***Construction Simulator***, as well as ***Bus Simulator: City Ride*** on mobile and Switch – the first mobile launch for the franchise. In addition, it released ***Police Simulator: Patrol Officers*** on consoles following its initial launch in 2021 on Steam's Early access. ***Firefighting Simulator – The Squad***, which was first launched in 2020 on PC, was also released on console towards the end of the year.

FY22 sees StoryToys' first full-year contribution to the Group as a fully embedded business division. We have been delighted to see active subscribers and subscriptions revenues flourish in the period, thanks in part to strong traction for ***LEGO DUPLO® Marvel***, first released in FY21, and the ***Hulk*** and ***Iron Man*** updates that have launched following the initial release. As previously announced, the extension of StoryToys' contract with LEGO Group to produce multiple future apps has helped to further strengthen this successful partnership for the business.

StoryToys' remains focussed upon nurturing its strategic brand relationships to continue to build out its portfolio of apps and deliver the highest quality possible for its young audience going forwards.

Our People
As ever, our people are at the centre of everything we do. Following the disruption of the Covid pandemic over the past two years, FY22 represented the first financial year largely unaffected by lockdowns and social distancing measures. While we have been delighted to welcome our people back into offices both here in the UK and overseas, we remain sensitive to the wishes of some colleagues to continue to embrace hybrid and remote working, recognising the benefits this flexibility presents to the business.

Within the Games Label, a review has recently been initiated to re-align the UK studio operating business model to ensure it is equipped to meet fluctuating work demands, and the continually evolving needs of our development partners and growth in own IP, remaining agile and cost effective. Whilst any impact to headcount in specific roles is expected to be minor, where possible we will look to identify other opportunities for individuals within the wider Group.

Investing in and developing our people has always been a priority for the Group. With our expanded headcount and senior leadership team, we have an excellent platform upon which to continue to grow our team's skill sets and accelerate professional development across the Group to nurture our next generation of industry experts.

Competition to recruit and retain talent has always been competitive in gaming, and, like our peers, Team17 Group has not been immune to the higher levels of attrition. The levels we experienced and that peaked towards the end of 2021 were a direct function of industry pressure. We have taken considerable steps over the last twelve months to increase our engagement with our people and act on their feedback, implementing a number of initiatives to ensure the Group remains an exciting and attractive place to work. The Group headcount now totals 392 (2021: 265), and we were pleased to see attrition remain below market levels in FY22.

As announced in March 2022, following the acquisitions we introduced a Group-wide employee free share award using our existing Employee Benefit Trust ('EBT'). This is currently open to every UK and European member of our team so that they can become a shareholder and benefit from joining us in our journey as we grow the value of the Group over time.

We will continue to externally benchmark our employee remuneration and benefits package to further incentivise and retain our talented teams.

Games Label
Top 5
Hell Let Loose and ***Golf With Your Friends*** both in top five titles by revenue in 2022

StoryToys
>300,000
active payable subscribers

As a Group, we have been particularly proud of the strides we have made in furthering our collective Diversity, Equality & Inclusion ('DE&I') agenda over the last year. Change starts at the top, and we are delighted that both our expanded senior leadership team and Board of Directors have a balanced male and female representation. Recognising the importance of creating community spaces for our people to connect and socialise, we have established a number of popular employee-led groups. We believe these groups will play a vital role in helping to instil an overarching culture of collaboration and inclusivity across the Group's divisions and look forward to seeing them continue to thrive in the years to come.

Green initiatives have also been at the forefront of our ESG strategy. Green17, an employee-led group established in 2020, meets monthly to promote and address environmental issues and we are now spreading this initiative across our businesses within the Group, supply chain partnerships, and customer base. Improving disclosure in this area has been a particular focus, and our emissions reporting is calculated using the Greenhouse Gas Protocol, a standard defined by the World Resources Institute and World Business Council for Sustainable Development ('WRI' and 'WBCSD').

Market Overview
During 2020 and 2021, the global games market continued to see year-on-year growth despite the marked macro challenges and supply-chain constraints presented by the pandemic. In FY22, according to the NewZoo Global Games Market Report January 2023, the overall games market declined by 4%, with global revenues down from \$193bn to \$184bn. While pandemic headwinds gradually subsided during 2022, including pressures associated with the global chip shortage, we remain mindful of the continuing macro socio-economic uncertainty, particularly given the considerable rise in the cost of living, both in the UK and abroad.

As a developer and publisher of mid-price games and apps that combine our signature high-quality with excellent customer value, we believe Team17 is uniquely placed to weather the challenges posed by the inflationary pressures seen in 2022 and anticipated to extend further into 2023. Unlike many of our peers who employ premium pricing strategies, at Team17 we have worked hard to ensure our portfolio has remained inclusive and accessible to our broad customer base, which has in turn helped to build further resilience into the business. The gaming sector has historically performed well during economic hardships, but we do not take the loyalty of our customers for granted and continue to work hard to create engaging content.

Team17's growing subscription revenue model, particularly in StoryToys, is also expected to help insulate the business from cost-of-living related headwinds, with subscription-based products offering consumers an attractive way to manage discretionary spending and spread costs on a monthly basis at a time when disposable income is under pressure.

Outlook
FY22 represented an inflection point for Team17 with all acquisitions now embedded in the Group and performing well, alongside Team17 Games Label. We enter 2023 confident in our growing back catalogue portfolio as well as our pipeline of new releases and updates, both of which provide a diverse and stable platform for growth.

Post year end StoryToys signed new licence agreements; ***LEGO® DUPLO® DISNEY Mickey and Friends***, entered into a new agreement with Mattel for multiple future titles, extended their agreement with Marvel Entertainment to include a new ***Marvel HQ*** hub and signed a new agreement with Sesame Workshop. All of this helps to support their growth ambitions to diversify and broaden the licence base and will deliver some initial benefit in 2023, but like all their apps, lifecycles will add greater upside in future years' value.

Games Label's ***FARMSIDE***, published by Team17 USA in FY22, was launched by Apple Arcade in February 2023 with solid top 5 engagement levels based on week one early game session levels and a 4.2 out of 5-star rating. This year will also see the sequels to ***Blasphemous*** and ***Moving Out*** (both original titles have already surpassed seven figure unit sales levels) along with an exciting and diverse new IP line up including the titles ***Gord, Trepang 2, Dredge*** and many more.

astragon will introduce a number of season passes to select owned IP within their niches and bring much in demand high quality DLC during 2023; alongside expanding their third-party label and bringing new IPs to market in future years.

Management continues to review and assess potential acquisition opportunities looking at both title IP and businesses that fit within the Group from a financial and importantly cultural fit as identified through its now tried and tested M&A due diligence process.

Over the last year our exceptional senior leadership teams have worked incredibly hard to integrate Team17's three business divisions into the Group family we see today. Going forwards, management's primary focus is on leveraging our expanded talent base, industry reach, and technological capabilities as well as capitalising on sharing best practice and synergy opportunities that now present themselves.

I would like to thank all the individual teams across the Group for their outstanding contributions and commitment to the business, without which, the success we experienced in FY22 simply would not have been possible. I look forward to seeing the Group continue to move from strength to strength as we work together to execute on our ambitious growth strategy for 2023 and beyond.

Although we have no influence over the global macro-economic factors having an ongoing impact in the world through 2023, we remain cognisant of these factors and collectively as a Group will continue to focus on what we can control within our business and look forward to continuing the focus on delivering great gaming experiences for our customers and in turn delivering increased shareholder value.

Debbie Bestwick MBE
Chief Executive Officer

18 May 2023

Group Strategy and Business Model
A Unique Portfolio Driven Growth Engine

Our Business Model Applies Across the Group

Seamless implementation across the Group whether creating our own IP, working with third party development partners or developing app IP under global brand licence agreements.

Expertise acquiring complementary businesses to expand our core model, and both broaden our IP portfolio and age appeal of our titles.

Groupwide Strategic Priorities

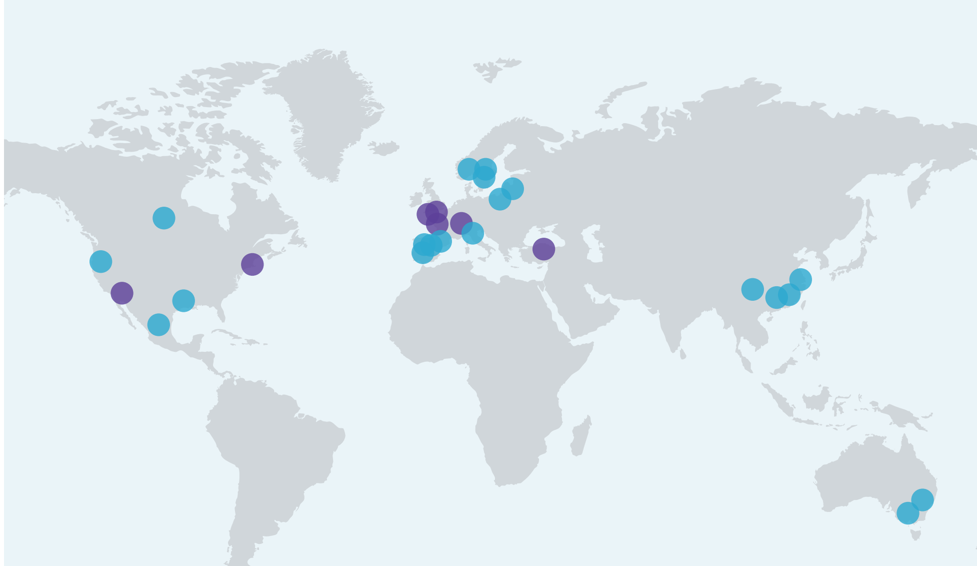
Maintain Market Leading Positions
- Leader across niche markets
- Attract & retain talent:
  - Team members
  - Licence partners
  - Developers
- Consistency drives success

Broaden IP/License Portfolio Assets
- 'Greenlight' process
- Own IP creation
- Grow global licences
- Ongoing IP investment

Leverage Skills & Capabilities to Drive Growth
- Share lifecycle management skills
- Monetise partner relationships
- Broaden platform approach from apps to console

Allocate Capital into Dev & M&A Investment
- Future pipeline underpinned by development investment
- Grow profitable own IP portfolio
- Enlarged verticals through business acquisitions
- Leverage shared services

Team17's Expanded Global Footprint



Hub Offices

Developer Partner Locations

7 Global hub locations

392 Group headcount (31 Dec 2022)

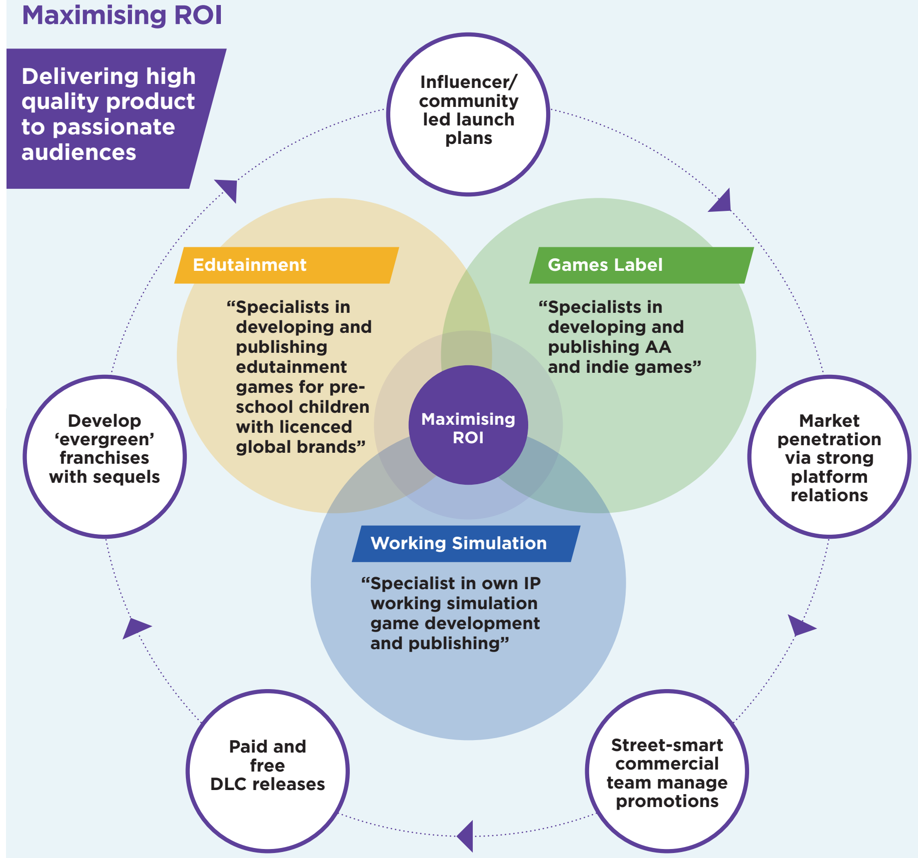
+90% Proud to work for their business*

* Recent engagement surveys in Games Label & StoryToys

Streetsmart Lifecycle Management

Our Approach
- Genre agnostic games and apps
- Agnostic platform approach
  - PC /Console
  - Mobile Streaming
- Monetisation channels
  - Upfront premium
  - IAP/Subscription
  - PDLC
- Wide age range 2–60+ years appeal
- Mix of own IP & third party IP titles
- Established internal and external development resource
- World class publishing and lifecycle management capability
- Building broad evergreen franchises across the Group

Maximising ROI



Streetsmart Lifecycle Management continued

Portfolio Development

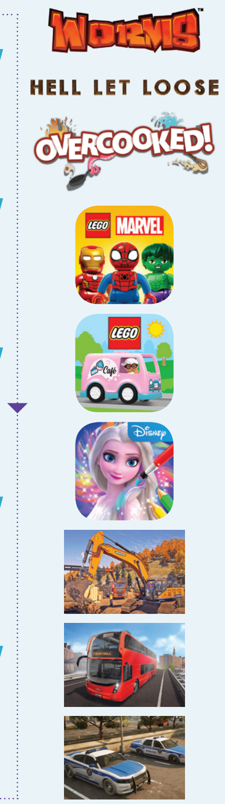
Identify IP Create, Licence or Aquire

Develop IP Product Incubation

Enhance IP Product Improvement

Publish Go-to-Market Execution

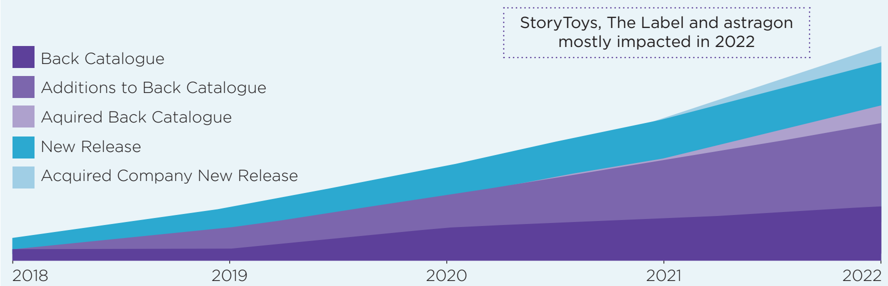
Extend Lifecycle Management



Portfolio Growth Engines
- Building portfolio value over time:
  - Content pipeline development
  - Lifecycle management and DLC packs
  - Monetising broadening platform base
  - Extending the customer age range/genres
- Portfolio now reflects a range of app/game lifecycle profiles
- Not "hit driven" and growing over time

Enhances Shareholder Value
- Continuous growth, with best in class profitability and cash generation
- Diversified back catalogue with extended lifecycle management delivering growth
- Highly de-risked portfolio business model
- Low investment, high ROI
- Unique combination of development and publishing capabilities attract best talent and partners

Cumulative Group Portfolio Growing Since IPO



Hear more about the business from the team

"Your child can have the time of their life playing this game if they're a big fan of anything Disney and Pixar! Great for kids on their iPads."

Disney Colouring World

StoryToys / Edutainment

StoryToys is a world-class developer and publisher of educational entertainment apps for children

We bring the world's most popular characters, worlds, and stories to life for children, making apps to help them learn, play, and grow.

→ Our apps enable children to enjoy fun screen time while developing healthy digital habits at a young age

→ Our best-in-class interactive experiences are created by a diverse team of writers, artists, musicians, programmers, and designers

→ We bring magical worlds to life, sparking curiosity and stimulating imagination at the touch of a fingertip through engaging digital activities

Licensing
Our track record ensures we are children's brands' first choice when it comes to meaningfully extending their toy, film, or literary content into the digital domain.

We are actively expanding and strengthening our licensing partnerships, and have already licensed content from key brands, including: The LEGO Group, Disney, Pixar, Marvel Entertainment, Penguin Books, and Dick Bruna.

Strategy
We carefully select and develop our brand partnerships, building an ecosystem of highly complementary apps to deliver excellent customer value, grow our loyal user base, and maximise revenue potential.

Revenue Model
We take a long-term approach to product development, launching apps as 'Minimum Lovable Products' and continuously adding new content and features. As a result, initial revenue is modest, but growth is significant year-over-year.

Our apps are free to download and comprise two revenue streams, in-app purchases, and a growing subscription model, which provides a steady income source that increases over time through renewals.

People
We are proud to have a highly accomplished product team with a proven track record of creating exceptional children's content. Comprising c.60 talented individuals, and largely based in Dublin, Ireland, the team operates under a hybrid working model.

+150m
downloads globally

+76%
increase in team size

+70%
subscription growth

Hear more about the business from the team

Team17 Games Label / Indie Games Label

Team17 Games Label is a global games label, creative partner and developer of premium video games

Expanded own IP content portfolio with the acquisition of ***Hell Let Loose***

team17 Games Label

We are a leading games publisher with a clear focus on developing and launching the best and most eclectic indie games to serve our players, whatever their gaming preferences. We have launched a mix of internally developed and published games across all major platforms. In addition to our in-house IP, we are also a creative partner for independent developers, providing end-to-end support in the game creation process, and bringing more great games to a passionate audience.

Revenues

We seek to continually improve our portfolio of high-quality game titles by maintaining an active and varied release schedule across our portfolio, with over 120 games launched. Maintaining this balance provides a predictable revenue stream that underpins the business. Back catalogue titles, new releases, new content for existing games, and working with subscription partners all drive the Games Label's revenues. Careful lifecycle management means we can optimise revenues across all lifecycle stages.

In 2022, Team17 USA was created following the acquisition of The Label, creating a platform with expertise in developing and subsequently monetising mobile subscription titles. As well as bringing new games to market, Team17 USA is well positioned to leverage titles in the Group's back catalogue for the mobile audience.

People

The heart of Team17 is its people. The Games Label has grown to include 292 talented and experienced individuals hybrid-working across three locations in the UK and one in the USA, with a strengthened leadership team in place boasting >150 years of combined gaming industry experience. All of us share a passion for gaming and developing engaging and captivating content for our loyal customers.

Strategy

We continue to work with the worldwide development community to identify compelling new games and help bring them to market. Our publishing and studio teams support our partners to make sure our third-party titles find their audience and maximise their commercial potential. This is complemented by ongoing support for our own IP, whether it be launching new games, or releasing new downloadable content for existing games.

+150
years' combined experience in the gaming industry amongst the leadership team

5
new releases with 80%+ Steam user scores in 2022

+700
digital revenue lines

Hear more about the business from the team

astragon has a diversified business model with own IPs, third-party and distribution

astragon / Working Simulation

astragon is a leading developer, publisher and distributor of sophisticated 'working' simulation games

astragon ENTERTAINMENT

We are a leading games publisher, developer, and distributor of working simulation games, targeting a broad audience from young enthusiasts to technical experts and casual gamers. Next to our own IP brands, we act as the go-to partner for third-party publishing and title distribution.

Our well-known IPs include ***Construction Simulator, Police Simulator, Bus Simulator*** and ***Firefighting Simulator,*** all of which focus on non-violent cooperative gameplay with detailed, technical, and realistic environments across PC, console, and mobile devices.

Brand-Licensing
We work with leading brands to develop engaging simulation games and are constantly seeking to strengthen our licensee relationships, with key partners including household names such as Caterpillar, Mercedes-Benz and Volvo.

Strategy
We remain focused on developing engaging content to expand our audience, strengthening our existing IPs, and securing new licensing partnerships. We recently launched Railroads Online! into early access from our third-party publishing portfolio, demonstrating our commitment to broadening our operational reach and diversifying our revenue base.

Revenue Model
As well as income from game sales, we follow up with free updates and paid DLCs to continuously generate new value from our content and drive longer term revenues. The length of the development cycle varies from game to game. We launched our first own-IP title over a decade ago and continue to launch major new instalments and updates to keep the content engaging for our customers.

People
We are proud to have a highly skilled team. Our leadership team alone boasts over 124 years of experience in the industry and our internal team of 54 work alongside dedicated development partners embracing a hybrid working model, with the central office based in Dusseldorf.

+60
global brand licence partners

4
own IP brands in portfolio

+124
years' games industry experience within our leadership team

Chief Financial Officer's Review

"We kick-started 2022 with the acquisitions in January of astragon and The Label, alongside the IP of *Hell Let Loose*."

Mark Crawford
Group Chief Financial Officer

Performance Overview

The Group has performed well in the last year against a backdrop of a challenging macro-economic and competitive market environment leading to Group results that exceeded both management and market expectations. We continue to focus on our core activities of identifying, developing and publishing high-quality games. The Group now benefits from the strength of the underlying Games Label, which includes the recently acquired ***Hell Let Loose*** IP and The Label, alongside StoryToys and astragon giving the Group a wider and growing portfolio with owned and third-party IP content appealing to all ages and genres across multiple platforms and sales channels.

Revenue

With the addition of the acquisitions made in January 2022 and a full year contribution from StoryToys, the Group saw revenues increase by 52% to £137.4m (2021: £90.5m) for FY22. StoryToys contributed full year revenues of £10.9m (2021: £4.2m post acquisition in July 2021) and astragon delivered an impressive £33.9m (2021: £Nil). The Games Label, which now includes Team17 USA, contributed £92.6m (2021: £86.3m) in revenues. In total, £44.2m (2021: £4.2m) incremental revenues came from the impact of business acquisitions in 2022.

The organic underlying performance in the period from the Games Label together with the second half contribution from StoryToys (acquired July 2021) resulted in 3% growth with combined like for like revenues of £93.2m (2021: £90.5m). Overall, the resulting revenue for the Group was a very pleasing performance against the backdrop of a games market reported to have declined by over 4% in 2022 compared to 2021 according to the NewZoo Global Games Market Report January 2023.

New release revenues were £38.8m (2021: £20.1m), representing 28% of total Group revenues demonstrating the continued additions to the Group's portfolio with new games introduced across the Group as well as existing titles launched on wider platforms. The back catalogue continues to grow and now benefits from the additions through the acquired businesses, with revenues of £98.6m (2021: £70.4m), representing 72% of total Group revenues.

Own IP titles represented 41% of total Group revenues in the period (2021: 22%) which includes the ***Hell Let Loose*** title that converted from third-party to own IP following the acquisition in January 2022, alongside the own IP simulation games within astragon. Four of the top five Group franchise titles by revenue are now owned IP.

Gross Profit

Gross profit grew by 53% to £69.6m (2021: £45.5m), with a slight increased gross margin percentage of 51% (2021: 50%). Gross margin partly reflects the impact of royalty savings after the acquisition of ***Hell Let Loose***, now an important part of the Group's own IP portfolio, but also the addition of the mix of margins across the divisions within the enlarged Group. Year on year underlying movements in gross margin are expected and result from the combination of the sales mix between own IP, third-party IP and sales channels, the age profile of the titles within our portfolio and the ongoing support provided to titles post full launch where costs are fully expensed.

The development pipeline has increased significantly in FY22 combining new titles in production across the divisions within the enlarged Group alongside ongoing development of major new content updates. Notably, the addition of astragon in January with larger development costs for new own IP titles alongside its other own IP title updates added additional development costs. As a result, the total capitalised development costs in the period increased to £26.0m (2021: £9.3m), and the underlying Games Label development costs increased to £18.3m (2021: £9.1m) reflecting a continued and growing investment in the games development pipeline of the division for future years' growth.

Revenues increased 52% to
£137.4m

Adjusted EBITDA
£48.8m

Transformational year with the enlarged group delivering a 52% increase in revenues

Capitalised expenditure on development costs supports future growth through investment in the enlarged games and apps pipeline. Team17's amortisation policy means that a high proportion of the capitalised development costs for a title are written off in the 12 months after the title is launched. The amortisation charge will vary year to year in accordance with the timing and quantity of titles launched alongside the level of development costs capitalised.

Administrative Expenses

Excluding the total acquisition related adjustments, costs and amortisation included in administrative expenses of £14.9m (2021: £4.5m), underlying administrative expenses were £22.9m (2021: £12.8m), partly reflecting the enlarged Group infrastructure. Of these, underlying costs of £16.2m related to the like for like business cost base, representing increases which were driven by a combination of three factors 1) people cost increases driven by incremental headcount, salary benchmarking and cost of living increases 2) marketing costs to support title and content update releases as well as attendance at global live events which increased as pandemic restrictions relaxed and 3) general inflationary pressures on other administration costs. The balance of £6.7m (2021: £1.0m) resulted from the incremental impact of the administration costs of the businesses acquired.

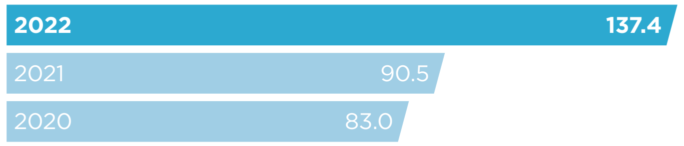
Overall, the Group's headcount has increased as a result of additional investment in the Games Label as well as the new business acquisitions and has therefore grown to 392 as of 31 December 2022 (2021: 265). This includes 53 additional team members directly resulting from the acquisitions at the start of the year alongside a net increase of 74 new team members across the Group throughout the year. Average headcount for the Group increased by 33% to 351 during the year (2021: 263).

The Group remained debt free at the end of the year (except for the lease liabilities included under IFRS 16).

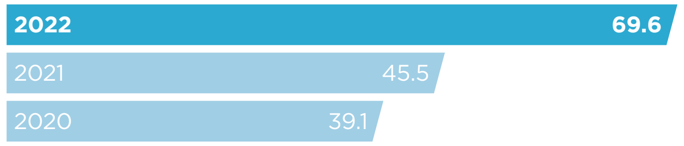
Adjusted EBITDA

Adjusted EBITDA, which excludes acquisition related adjustments and fees, amortisation on acquired intangible assets, share-based compensation, amortisation of capitalised development costs and tax was £48.8m (2021: £35.8m) which represents an increase of 36% year on year. The Adjusted EBITDA margin, expressed as a percentage of revenue, was 36% (2021: 39%), reflecting the changes in revenues, gross margin and administration expenses outlined above.

Total Revenue £m



Gross Profit £m



Gross Profit Margin %

Alternative Performance Measures ('APMs')

The Directors believe that the reported APMs provide meaningful performance information to aid the understanding of the underlying business trading performance and profitability. Although these are not GAAP measures as defined by IFRS, they have been applied to provide an accurate comparison as well as provide readers of the accounts a clear understanding of the underlying profitability of the business and more consistent comparisons over time.

A breakdown of the adjusting factors is provided in the table below:

	FY22 £'000	FY21 £'000
Profit Before Tax	**28,665**	29,109
Share Based Compensation[1]	**(93)**	1,004
Acquisition Related Adjustments & Fees	**9,206**	1,580
Amortisation on acquired intangible assets	**9,339**	3,307
Adjusted Profit Before Tax	**47,117**	35,000
Taxation (net of impacts on adjustments)	**(7,457)**	(6,264)
Adjusted Profit After Tax	**39,660**	28,736
Adjusted Basic EPS[2]	**27.8p**	22.1p

[1] Share based compensation includes employers national insurance contributions due on the exercising of the share options

[2] The calculation of adjusted earnings per share is based on the adjusted profit after tax divided by the weighted average number of shares (either basis or diluted)

Adjusted EBITDA

	FY22 £'000	FY21 £'000
Profit Before Tax	**28,665**	29,109
Finance costs (net)[3]	**3,948**	134
Depreciation (including (gain)/loss on disposals)	**1,085**	760
Adjustments[4]	**15,076**	5,842
Adjusted EBITDA	**48,774**	35,845

[3] Finance costs is the net of finance income and costs from the Statement of Consolidated Income after deducting £2.3m (2021: £0.6m) of acquisition related interest costs

[4] Adjustments are defined as share-based compensation and all acquisition related adjustments and fees as outlined in the adjusted PBT reconciliation above

Incurred non-cash share-based compensation credit of £0.1m (2021: £1.0m charge) relating to options that were granted to staff under a variety of schemes, which will be satisfied by shares held in the EBT (outlined in the section below on Share Issues). The credit balance reflects the reduction in the national insurance accrual which is based on the share price and number of outstanding share options at the balance sheet date after the market correction in 2022 and 1.0m of options exercised in the year. The combination of these factors has led to a reversal of the accrual creating a negative charge for the year.

Acquisition related adjustments and fees affecting profit include £9.2m (2021: £1.6m) of one-off costs directly associated with the acquisitions. This is made up of £0.9m (2021: £0.1m) of fair value movements in respect of contingent consideration payments, £3.8m (2021: £Nil) of management incentive payments linked to the strong performance of the acquisitions in the year. In addition, it includes £1.1m (2021: £1.4m) of acquisition costs and other acquisition related adjustments and £3.4m (2021: £0.1) relates to finance costs in respect of contingent consideration.

Amortisation on intangible assets (excluding capitalised development costs) increased by £7.0m to £10.3m (2021: £3.3m) reflecting the significant increase in levels of recent acquisitions made.

Operating Cash Conversion
Operating cash conversion was 108% (2021: 101%) and is defined as adjusted cash from operations divided by EBITDA. Cash from operations as per the cash flow statement is adjusted by £1.0m (2021: £3.7m) for the effects of paying pre-acquisition liabilities recognised at acquisition. Adjusted cash generated from operations during the period was therefore £57.2m (2021: £38.8m) and EBITDA was £52.9m (2021: £38.5m).

Profit Before Tax
Profit Before Tax was £28.7m (2021: £29.1m), reflecting the gross margin gains partially offset by increased operational costs and acquisition-related costs that are required to be taken through the profit and loss account, as outlined in the table above. Adjusted Profit Before Tax, which adjusts for items outlined in the APMs section above, increased in the period by £12.1m to £47.1m (2021: £35.0m), representing a 35% increase year on year.

The tax charge decreased to £5.2m (2021: £5.4m), with an effective tax rate after Video Games Tax Relief ('VGTR') of 18% (2021: 18%), also reflecting the impact of future tax rate changes on deferred tax charges and the combined effect of tax on profits from becoming an international Group.

Earnings Per Share ("EPS")
Basic EPS was 16.5 pence (2021: 18.3 pence) reflecting the impact of one-off acquisition-related adjustments and fees (net of tax) of £8.0m (2021: £1.5m), described in the APMs section above, as well as the increase in weighted average shares resulting from the shares issued in connection with equity placing in January 2022.

Basic adjusted EPS, which reflects the adjustments noted in the APMs section and is calculated using adjusted profit after tax was 27.8 pence (2021: 22.1 pence), representing an increase of 26%.

Statement of Financial Position
Team17 continues to manage a strong balance sheet, remaining highly cash generative with an operating cash conversion of 108% (2021: 101%), and net cash inflow from operations of £49.4m (2021: £31.0m). Overall, there was a net decrease in cash and cash equivalents of £4.5m (2021: £6.2m), taking into account payments for capitalised development costs and acquisition payments net of funds received as part of the share placing during the year.

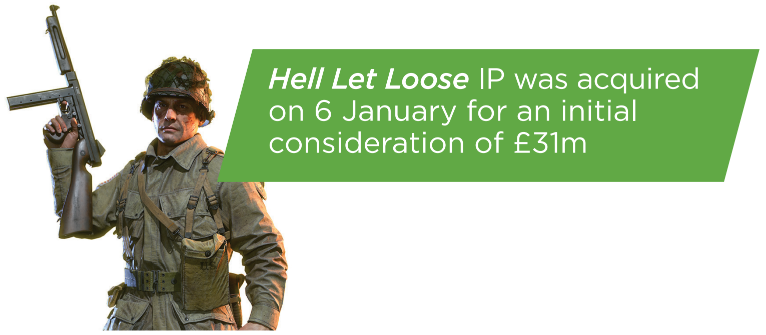
Net cash and cash equivalents at 31 December 2022 were £50.8m (2021: £55.3m) which included £3.0m (2021: £3.1m) held in the Employee Benefit Trust ('EBT') which is used to support employee share awards and incentivise Team17 team members. During the year, we updated our policy to ensure that every UK and European team member of the Group is offered free share options to enable them to become shareholders.

The Board expects the Group to remain highly cash generative in 2023 before any payments for any M&A activity.

Goodwill and other intangible assets now total £234.1m (2021: £81.3m) and are reviewed for indicators of impairment annually. As at 31 December 2022, the net book value of goodwill was £113.4m (2021: £41.4m), reflecting the addition to goodwill associated with the acquisitions of The Label and astragon of £66.0m (2021: £19.4m). Brands now represent £63.8m (2021: £24.0m) through the addition of the Hell Let Loose IP and the acquired businesses. The current net book value of capitalised development costs at year end is £26.8m (2021: £9.8m) through the addition of £26.0m (2021: £9.3m) of capitalised development costs.

Acquisitions in the Year
As reported in January 2022, the Group completed three strategic acquisitions:

On 6 January 2022, Team 17 Digital Limited acquired the ***Hell Let Loose IP*** (all rights and assets) adding this existing third-party title to the Group's own IP content portfolio. The cash element of the acquisition was funded from the Group's existing cash reserves. The ***Hell Let Loose IP*** has performed well within the Group's portfolio and resulted in meeting the 2022 contingent consideration target with the cash payment due in 2023. One final contingent consideration payment remains linked to performance targets relating to 2023.



Also on 6 January 2022, Team 17 Digital Limited acquired ***The Label***, a USA based Indie publisher specialising in mobile subscription games content to complement and become an intrinsic part of the core Games Label. The cash element of the acquisition was funded from the Group's existing cash reserves. In 2022, The Label met the first of three annual contingent consideration targets and is due to be settled with cash and shares payment in 2023, the remaining contingent consideration relates to performance in 2023 and 2024.

On 13 January 2022, Team17 Group plc acquired ***astragon Entertainment GmbH***, a globally renowned publisher, developer, and distributor of working simulation games, based in Germany. The acquisition was funded directly from the proceeds of a successful equity fund raise on 18 January 2022. In the first year of ownership by the Group, astragon has delivered an outstanding performance resulting in an elevated anticipated final earn out payment and heavily first year-weighted Management Incentive Plan award, both of which are due for payment in 2023.

Share Issues
At 31 December 2022, the Group's issued share capital comprised 145,593,271 ordinary shares of £0.01 each. A total of 14,120,049 new shares were issued during the year which included 972,727 shares issued for the exercise of Debbie Bestwick's IPO options, 2,136,323 issued as part of the initial consideration made in shares for the acquisitions of ***Hell Let Loose IP*** and ***The Label,*** as well as 11,010,999 ordinary shares placed at £7.14 per share to raise £78.6m gross proceeds to support the acquisition of astragon.

A total of 313,500 share options were issued during the year to the Executive Directors and the Team17 Games Label CEO with a three-year vesting period with performance criteria. A further 131,300 share options have been issued to our people under a variety of schemes which will be satisfied by shares held in the EBT.

The Group continues to manage a broadening Deferred Bonus Share Plan for its senior management as well as a Team17 Games Label All-Employee Share Incentive Plan ('SIP'), which is a UK employee SIP with matching shares, and this continues to be well supported by the UK team members making monthly contributions.

During FY22, all UK and European team members of the Group were given the option to become shareholders through share option grants with a three-year vesting period. This scheme remains in place to be offered to all new joiners as we continue to invest in growing our teams across the Group. This scheme is funded by the EBT and therefore does not result in the issue of shares to satisfy the options.

Events After the Reporting Date
On 28 March 2023, Debbie Bestwick MBE announced her intention to step down from her position as Chief Executive once a suitable successor can be found and then transition to a Non-Executive position on the Board.

As previously announced, on 28 April 2023 astragon Entertainment GmbH completed the strategic acquisition of 100% of the share capital of Independent Arts Software GmbH, a games development studio based in Germany.

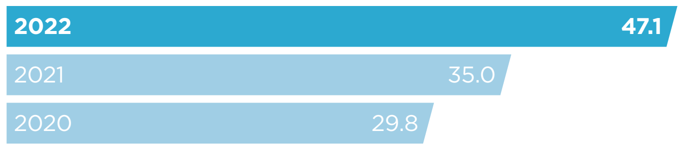
Details of these can be found in note 30.

Mark Crawford
Chief Financial Officer

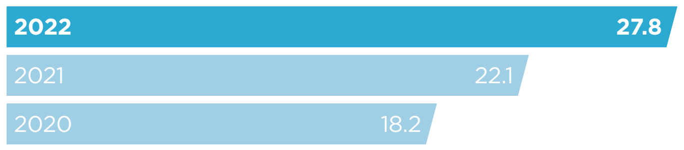
18 May 2023

Adjusted EBITDA* £m

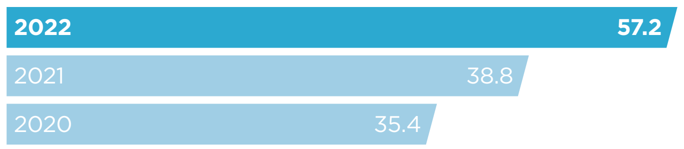
Adjusted Profit Before Tax* £m



Adjusted Earnings Per Share** p



Adjusted Cash Generated from Operations* £m



* The Group uses Alternative Performance Measures ("APMs") to provide a more valuable insight to the underlying trading performance of the business which are not standard measures.

** The calculation of adjusted earnings per share is based on the adjusted profit after tax divided by the weighted average number of shares (either basic or diluted)

ESG Report: People First

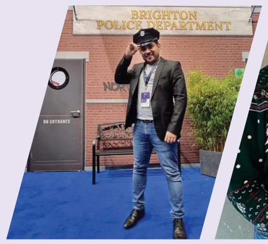
The team remains the heartbeat of our business

Introduction

2022 marked the beginning of an exciting new chapter in the history of Team17 Group plc. Following the acquisitions of StoryToys and astragon, as well as the expansion of Team17's existing Games Label through the addition of Team17 USA, Team17 now has three distinct but complementary divisions each led by highly experienced leadership teams sitting under an overarching Group umbrella. We have been delighted to see these businesses fully settle into the wider Group's ecosystem over the past year, with the significant rewards brought by our enlarged operational footprint and extended audience reach providing clear evidence of the sound strategic rationale behind the acquisitions.

The integration of the teams from StoryToys and astragon has been successfully completed, with the Group now comprising 392 team members (at 31 December 2022) based across 7 locations in 5 countries. Despite operating from offices all around the world, our diverse and vibrant team is united by a shared passion to deliver the highest quality digital entertainment products to our increasingly global customer base.

The Group supports all working set-ups – office based, hybrid, and fully remote models – particularly following the widespread changes to working patterns brought about by the pandemic. On account of this, we have renewed our emphasis on ensuring all team members feel equally engaged and inspired, regardless of their set-up, and on cultivating an inclusive, collaborative, and dynamic working environment.



Top
Debbie Bestwick MBE and Mark Crawford meet some of the StoryToys' team in their Dublin studio

Middle
Group of Teamsters enjoying Team17 Fest 2022 in Nottingham

Bottom
Left: Police Simulator: Patrol Officers booth at gamescom 2022

Right: Celebrating 5 years at astragon Entertainment

The Games Label has produced a dedicated hybrid working guide, empowering the team to make the flexible model work for them, while providing helpful advice on optimum home-working and office-working ratios to facilitate the most effective performance for specific roles across the division. Where possible, we encourage team meetings and ideas sessions to be held in-person to make best use of face-to-face time.

StoryToys invested in a new communications tool in 2022, helping to ensure remote working set-ups do not impact inclusion and communication within the team. Emmet O'Neill, CEO leads monthly company meetings for all team members, providing business updates and insights into market trends, as well as celebrating both team and individual successes. New product demos are also previewed in these meetings, enabling the whole team to be involved in the development process.

At astragon, the team organises daily departmental check-ins, and there are monthly company-wide presentations and town halls to maximise team engagement. Additionally, the division holds quarterly in-person professional development workshops, as well as weekly socials for the whole team. astragon also hosts "office week" once a quarter, ensuring all team members have the opportunity to engage and interact in person.

Wellbeing and Culture

As a progressive, people-first employer, we firmly believe that providing both physical and mental wellbeing support to our workforce is an essential responsibility on the part of the Group. To this end, we introduced a number of new initiatives in 2022, which included Mental Health First Aider training in partnership with Mind Fitness within the Games Label. 14 members of the team volunteered for training and are now qualified Mental Health First Aiders. They meet monthly to discuss the ongoing provision of mental wellbeing support to the wider team and identify any areas for improvement, as well as organising bi-annual Mental Health Awareness Keynote talks, which are proving extremely popular.

As the Group's operational footprint has grown, so too has our focus on company socials as a means to connect team members from all segments of the business in a relaxed and informal setting, paving the way for stronger cross-divisional ties as well as lifelong friendships. This year, the Games Label hosted its inaugural Team17 Fest in Nottingham. With a fantastic turnout of over 300 attendees, Team17 teamsters and their families enjoyed food, cocktails, inflatables, live music and a silent disco. In the summer, StoryToys organised a company BBQ in Dublin, and astragon hosted summer and winter parties at its studio in Dusseldorf, Germany. astragon also invited all team members on a trip to the Phantasialand theme park and organised a company party in Wiesbaden following the release of ***Construction Simulator***. Many other events were held over the course the year, including Halloween pumpkin carving competitions, numerous launch parties, and a celebration in recognition of the Platinum Jubilee.

Our employee-led social activities continue to thrive; further evidence of the vibrant and inclusive company culture that is intrinsic to Team17's core DNA and evident across the various teams within the Group. A range of hugely diverse social groups have been set up for everything from boardgames and Warhammer to team cinema trips.

As a progressive, people-first employer, we firmly believe that providing both physical and mental wellbeing support to our workforce is an essential responsibility on the part of the Group

Attracting and Retaining Talent

We recognise the need to create and maintain an attractive working environment in what is a highly competitive landscape. To that end, we are constantly striving to attract new people to Team17, as well as ensuring we are adequately incentivising and retaining our exceptional existing talent. We have seen our overall headcount increase by 74 at year end, in addition to the 53 that joined at the start of the year as a result of the acquisitions. Across the Group, we have seen staff turnover return to pre-pandemic levels, and it now sits below the industry average.

We continue to offer competitive salaries, benchmarked against our industry peers, alongside market-leading perks for our people, including an annual bonus scheme, inclusion in the Company pension plan and an invitation to participate in the Team17 Group Share Scheme, along with a lively calendar of social events. Furthermore, across the enlarged Group, we have established talent mobility schemes, enabling our team members to experience other businesses and locations across the breadth of our operational footprint.

We also place a strong emphasis on encouraging professional development, seeking to support our people to expand and bolster their skill sets to ensure Team17 remains at the cutting edge of gaming innovation. The Group continues to implement a number of initiatives to support our people's career progression, including our three-month management training programme, Kitbag, which aims to furnish our next generation of leaders and managers with the skills and tools to propel the business to the next level. In 2022, 82 of the team were promoted internally, representing 23% of the team at Team17 Games Label, 11% within StoryToys, and 23% at astragon.

Several senior team members across Team17 hold positions on external industry panels, further embedding Team17 at the core of the industry as we consolidate our position as a market leader in the digital entertainment sector. Additionally, the Team17 Games Label continues in its role as a corporate ambassador for Women in Games, an organisation seeking to support, empower and celebrate talented women working in the games industry.

Equality, Inclusivity and Diversity

Team17 firmly believes in inclusivity for all. We pride ourselves on having created a nurturing and supportive culture that brings together brilliant individuals from all walks of life in a dynamic and empowering work environment. Our people bring their own unique personalities, backgrounds, work styles, and experiences to our business, which is in turn reflected in the diversity of our customers and the audiences we serve. As Team17 continues to grow and evolve, we remain committed to further increasing representation across the Group and harnessing the benefits of our vibrant and diverse talent pool to drive even greater creativity and innovation throughout all business divisions and revenue lines.

At 31 December 2022, the Group comprised 26% female team members, 72% male team members and 2% non binary. We remain committed to continually improving gender balance across the Group and are proud to see this reflected in our Board of Directors and Group's Senior Management Team, both of which have an equal gender split.

Our employee-led networks and working groups have been established to create community spaces for our people to connect and socialise. The networks continue to be a great success, with our LGBT17+ group at the Team17 Games Label proving particularly popular and leading our celebrations for Pride in 2022. We continue to encourage these groups, seeing them as a vital means to bring together people with similar interests both within our distinct businesses and across the broader Group.

Charity and Community

Team17 has long been a proud supporter of both local and international charity projects and hosted a number of fundraising activities over the year. All charitable activities in the Games Label are overseen by its employee-led Charity Committee.

In 2022, astragon made a donation to support Ukrainian refugees, while StoryToys subsidised the cost of its educational apps for Ukrainian families, helping to provide some minor relief and vital early-years development tools for families caught up in the conflict.

Team17 Games Label's Charity Committee hosted multiple events in 2022 in support of numerous charities, including Medecins Sans Frontiers, the British Heart Foundation, Mind, the Samaritans, and The Trussell Trust, as well as smaller local charity projects such as Child's Play, The Mustard Tree and Cauldwell Children.

Striving for Continued Improvement

As a Group, we strive to ensure our working environment remains as open and transparent as possible, providing space for frank and honest feedback from all our people, across all levels of seniority, and recognising the importance of listening and responding to our teams' views about the future trajectory of the Group.

Alongside regular subsidiary and Group-level feedback meetings, we make a concerted effort to maintain regular dialogue with the team through a range of company-wide announcements and communications channels. Furthermore, in 2022 we received the results of our inaugural employee engagement survey in Team17 Games Label. The feedback from the report was positive and we followed up with a shorter mid-year survey which showed improvements in overall employee engagement levels, as well as extremely pleasing feedback regarding the safe and supportive work environment, and in the number of people who would recommend Team17 Games Label as a place to work.

An inaugural survey for StoryToys and a second for our Team17 Games Label will be taking place in 2023, providing additional insights and opportunities to identify areas for improvement as Team17 continues to grow and evolve. We plan to extend the engagement survey to the astragon team in 2023 and will look to update the ESG section of the Group's corporate website with a summary of these results as they become available.

ESG Report: Our Impact on the Environment

Our Focus for 2022

The focus over the past year on environmental matters covered the following:

- Achievement of PAS 2060 status certifying Team 17 Digital's carbon neutrality covering 74% of the Group's Scope 1 & 2 emissions.
- MSCI ESG rating score improved from BB to BBB, work is ongoing to help drive further improvement.
- Working through this PAS 2060 exercise and working with the ratings agencies has helped us understand better our impact on the environment. This has directed us where to look for energy savings projects, how to optimise recycling opportunities and the best travel methods to reduce our impact on the environment.
- With most of our emissions related to energy, we have purchased offsets through a United Nations project that moves energy production from coal to clean hydropower. This reduces the use of fossil fuels, reduces pollution, and creates new jobs.
- Development of our longer-term environmental strategy including the appointment of a designated ESG Reporting Manager.
- Recognising the growing importance of ESG matters for all of our stakeholders, the Board recently established a Board level ESG Committee led by our Independent Non-Executive Director Penny Judd. Looking forward into 2023, the Committee will add additional focus on ESG and will look to gather feedback on progress on key initiatives across the Group.
- A key aim for 2022 has been looking at ways to broaden our stakeholder engagement with green issues. We organised beach cleans for team members to get involved with, where they spent a day cleaning a local beach, reducing pollution and improving the local environment. We are also looking in 2023 to mirror the employee-led group Green17 with a similar group for our developer partners.

Progress in 2022

Carbon Neutrality
During the year we have successfully achieved carbon neutrality status for Team 17 Digital's FY21 emissions, independently verified against the PAS 2060 standard.

In addition to Scope 1 emissions that are direct greenhouse gas emissions, occurring from sources that are controlled or owned by the company and Scope 2 emissions that are indirect greenhouse gas emissions associated with the purchase of electricity. This carbon neutrality also covers scope 3 emissions which included emissions from the following categories: Purchased goods and services; business travel; employee commute and fuel and energy related (staff working from home). In total the emissions under PAS 2060 were 417 CO2e tonnes which have been fully offset. With most of our emissions related to energy, we have purchased offsets through a United Nations project that moves energy production from coal to clean hydropower. This reduces the use of fossil fuels, reduces pollution, and creates new jobs.

Our certificate of compliance for Team 17 Digital for carbon neutrality can be found here: https://www.team17groupplc.com/esg/.

Net Zero
As a result of our PAS 2060 audit, we concluded we will not be able to make further significant savings in our total Scope 1 emissions at this stage. Accordingly, to show our understanding and continue our journey towards net zero we have purchased carbon removal credits to cover the whole of the Group's 17 tonnes Scope 1 emissions in 2022. Given that global efforts are currently aiming at achieving net zero by 2050, we are developing our plans to achieve this goal across Scope 1-3 emissions, but we continue to work on ways that we can improve on this target.

Green Deposit Scheme
Team17 has utilised HSBC's Green Deposits to support its environmental goals by allocating funds to finance eligible businesses and projects that promote the transition to a low-carbon, climate resilient and sustainable economy.

Future Goals

As part of the PAS 2060 exercise undertaken during the year, Team17 has identified carbon reduction plans that address our already relatively low scope 1 & 2 emissions. Initially these focus on energy usage, reductions in air conditioning equipment usage and automatic switch-off of computers overnight but longer term we want to better understand the impact of travel on our carbon footprint and make appropriate adjustments. Team 17 Digital Limited was carbon neutral for 2021 by offsetting our emissions through a United Nations project in China focussing on creating hydropower.

We will carry out similar offsets in the future whilst also exploring carbon removal opportunities as we plan our future strategy toward net zero.

"From first being introduced to the Green17 team it was clear to see their passion for sustainability and their dedication to making a positive impact on the environment."

Blacksalt Games, DREDGE developer

Net Zero
Our journey to net zero commenced by understanding the different ways and the resultant costs of carbon being removed from the atmosphere – our future strategy will be to reduce our emissions first and once these emissions have been reduced as far as possible, we will plan how to develop carbon removal projects to compensate for the remaining emissions. These carbon removal projects to balance our emissions will be developed on a Scope-by-Scope basis as our emissions develop over time.

Raising Awareness of the Difference in Emissions for Different Modes of Travel
Having calculated our emissions for home working, commuting and different modes of transport, we will raise awareness with all of our team members of the emissions implications of different modes of travel. By carrying out this exercise we will be able to continue to develop our hybrid working policy and achieve the right balance between home and office working and take account of the emissions implications in developing our travel policy.

Roll out to Subsidiary Companies and our Developer Partners
The PAS 2060 certified status achieved by Team 17 Digital Limited for FY21 year is to be rolled out to all Group companies covering our FY22 emissions. We have already started this exercise and through the process it will enable benchmarking to be made between our respective divisions and offices.

The rollout of findings will also be spread to our developer partners during FY23. We anticipate sharing our learning but also working with our development partners to share best practice, reduce emissions and improve sustainability throughout our supply chain.

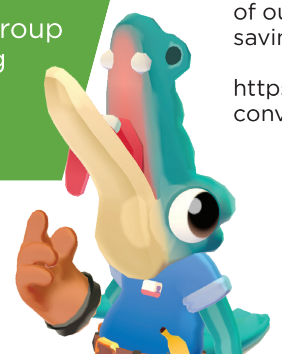
How We Will Achieve This

Spreading our Learning
A key element of our environmental strategy is developing an engagement with a broader stakeholder base. We have already built a strong engagement model for Teamsters with Green17 within the core Games Label division, and plan to role this model out to each of the divisions as well as our development partners in 2023 and subsequently to the rest of our supply chain and potentially look at inclusion within our games in the future.

Office Comparison and Benchmarking
Team17 have reviewed office requirements post Covid and will review ongoing office space requirements to reflect new hybrid working arrangements. We will also be comparing environmental metrics across each of our office locations to identify best practice in each area.

"Team17 are an active and valued member of UKIE's Sustainability Group and are leading the way in tackling their impact on the environment."

UKIE, 2023



Identification of a Unifying Cause to Focus on by Carrying out a Stakeholder Engagement Exercise
We recognise the importance of bringing our Teamsters, developer partners, supply chain and gamers together. We will look to identify a specific environmental theme which is important to each of these stakeholders and then support this going forward via our future offsetting.

Align ourselves with Sustainable Development Goals
Green17 is very appropriately named considering there are 17 Sustainable Development Goals. With the importance of our relationships with our developer partners, we have selected the following 3 goals to align ourselves with:
- SDG 17 'Partnerships for the Goals',
- SDG 16 'Peace, Justice, and Strong Institutions'
- SDG 13 'Climate Action'.

Ratings Agencies
We have been working with rating agencies and specifically MSCI to ensure that they have access to information relating to social and governance initiatives and practices within the Group and are pleased with an initial improvement in the rating from BB to BBB but look forward to seeing our rating scores improve further in future.

Scope 1 and 2 Emissions
The Scope 1 and 2 emissions have increased in 2022 due to astragon and StoryToys being included in the 2022 figures with StoryToys for a part year in 2021.

	2022 CO2e tonnes	2021 CO2e tonnes
Scope 1	**17**	11
Scope 2	**126**	98
Total	**143**	109
UK proportion of energy usage reported	**84%**	95%
Energy consumption used to calculate above emissions (kWh)	**725,213**	510,233
Average number of employees	**362**	263
Emissions per FTE (CO2e tonnes)	**0.4**	0.4
Emissions per FTE (kWh)	**2,003**	1,940

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 location-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.

We have undertaken work as part of our PAS 2060 exercise to identify emissions and review options to reduce these emissions. During 2022 we reduced the energy consumption of our server rooms and are looking at further energy saving projects in 2023.

https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

Principal Risks & Uncertainties

Effectively Managing our Risks

Team17 Group plc successfully operates in a competitive and dynamic market environment. Through its ambitious M&A activity, the Group has added a number of strategic and highly complementary acquisitions. An enlarged senior leadership team actively manages the individual risks of Team17's divisions which are subsequently collated into a combined Group risk register that is regularly reviewed by the Board. The identified risks are kept up to date with the Group's operations and wider market environment and are appropriately scored with financial impact and mitigations reviewed.

The key business and financial risks for the Group are:

Strategic Risks

Market growth, disruption and competition – no change from 2021
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.

- Alongside the core Team17 Games Label's existing market presence, the acquisitions of StoryToys, astragon, and The Label have broadened the Group's scope and competitive positioning. The diversification has broadened the Group's portfolio and hedged the business from a genre and geographic perspective. Furthermore, in addition to the in-house development of games and apps, the Group continues to drive a rigorous 'greenlight' process to secure new IP. The Group also implements a comprehensive lifecycle management process to ensure maximum revenue generation from its broadening back catalogue portfolio of games and apps. In combination, these factors give the Group confidence that it will continue to secure, develop, and release popular games and optimise their commercial success across the wider Group.

- The Group continually undertakes reviews of the industry in relation to the relevant market segments to pre-empt and account for any market shifts.

Technological change – no change from 2021
The industry continues to see technological advancement, driven by the continued shift to digital distribution, the launch of new platforms and consoles, and the development of middleware such as Unity and Unreal. We envisage the continued drive for technological improvements and the need for the Group to be responsive to these changes in order to maintain our competitive edge.

- The Group maintains a proactive business approach with new entrants to the market to understand and evaluate the opportunity. The Group has a track record of being one of the first to market with new platforms and distribution channels. It continues to adopt a platform agnostic approach to ensure the business has no undue reliance on any one specific platform provider.

- The Group continues to invest in professional development to ensure its team has the right skills to be at the forefront of technological advancements and is agile and adaptable to any changes, viewing them not as obstacles but as opportunities upon which to capitalise.

Dependence on concentrated customer base – reduced from 2021
The Group's products rely on 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.

- The Group maintains a platform agnostic approach to its relationships with distribution platforms to reduce over reliance on any one channel. Through recent strategic acquisitions we have diversified both our geographical reach and our audience demographics, further reducing our end exposure via any one particular channel. Additionally, the recent acquisitions provide additional routes to market, with titles now sold across premium, mobile, and subscription channels.

- In addition to focusing on diversifying sales channels, the Group continues to invest in maintaining strong and deep commercial relationships with its existing partners, and in delivering consistent high-quality IP content across its growing portfolio. To that end, we are building a stronger, more experienced sales team with a keen focus on back catalogue management, new releases, and developing relationships with smaller platforms.

Dependence on key titles to generate significant share of Group revenue – reduced from 2021
Historically, the Group has 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 its financial results.

- The Group has significantly expanded its portfolio with recent M&A activity, through the acquisitions of astragon, StoryToys and The Label, as well the acquisition of key IP, such as ***Golf With Your Friends*** and ***Hell Let Loose*** that strengthen the underlying portfolio profitability. This, alongside the launch of new titles across the Group, has not only expanded the portfolio reducing its reliance on specific titles or franchises but also the Group's ability to develop and extend the life cycles of its franchises in-house continues to provide a more balance portfolio.

- The Group's robust 'greenlight' process is also designed to enable it to swiftly identify exciting new IP and act dynamically to continue to grow the portfolio.

- The addition of key new IP through the 'greenlight' process and strategic acquisitions continues to mitigate the risk of an overreliance on specific titles.

Commercial launch pipeline – new in 2022
The success of our new game and app launches are important to the underlying performance of the business and can be subject to risk factors including delays with developers, competition with external title releases, restricted access to the end user or the closure of platforms and/or retailers.

- The Group understands the importance of maintaining strong and close partnerships with its developers. To this end, the Group plans buffer times to allow for potential project delays. The Group also ensures multiple products are progressing towards launch simultaneously.

- On a game-by-game basis, the Group implements a structured process for scheduling release dates, taking into account market conditions as well as competitor release dates. Products are also robustly evaluated through the 'greenlight' process to minimise delivery risk.

Operational Risks

The ability to recruit and retain key and skilled team members – no change from 2021
The Group's ability to deliver against its business plan is contingent 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.

- The Group has implemented a number of procedures to engage dynamically with its employee base and act on constructive feedback to improve our workplace. We undertake employee engagement surveys, working groups and carry out ongoing salary benchmarking exercises to ensure our core salaries remain competitive in addition to our highly competitive benefits packages.

- The Group strives to build a reputation of being an attractive employer brand and to ensure our reward and recognition practices remain competitive. Going forwards, the Group will be investing in an improved Talent Acquisition system. The Group also continues to sponsor overseas talent where skills and experience cannot be sourced within the UK and processes are in place to facilitate this.

- The market for talent remains highly competitive, and the Group must continue to monitor its offering relative to its peers in order to retain talent.

IT cyber security – no change from 2021
The security of the system remains of vital importance to the business. We depend on the systems being secure and robust to support ongoing business operations. A security breach or major system failure could significantly impact the business and its ability to execute on plans.

- We recognise the Group's performance is dependent on the integrity and operational performance of the systems and products it offers as well as the platform partners the Group works with.

- The Group has invested in the IT team and infrastructure and has stringent cyber security processes in place including upgraded firewalls, antivirus software, third-party security monitoring services alongside improvements to phishing and brand protections around email and domain names. We continue to invest in and improve our disaster recovery and IT cyber security procedures, including third-party monthly online security interactive programs to continue training and awareness.

Intellectual property – no change from 2021
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 IP.

- The Group actively scans the markets for possible infringement and tests and challenges the system where appropriate to test for breach weaknesses. We have also strengthened the internal IT team tasked with the continuous review and improvement of our IP protection processes.

- The Group has also engaged the advice of an external IP/trademark legal team who are specialists in the gaming sector.

Managing the impact of M&A activity – no change from 2021
The impact of acquisitions could distract the core business in the pre and post-acquisition phase, and the growth in capital requirements alongside a larger employee base could adversely impact the financial results of the Group.

- Due diligence work is extensive to ensure the financial and cultural profiles of prospective acquisitions align with that of the Group – namely that targets are profitable and cash generative, that they display growth ambitions/opportunity, and most importantly that their company culture matches that of the wider Group.

- A key part of the strategy is to secure experienced and established senior leadership teams within any acquired businesses, ensuring continuity of leadership and focus with a shared ambition for growth. The Group rewards them with longer-term incentives through Earn Out and LTIP schemes.

- The Group undertakes monthly joint CEO review meetings chaired by the Group CEO to discuss financial results, risks and opportunities, and to share experiences across the Group. The intention is for the Board to meet with each of the CEO's and their senior teams throughout 2023.

Financial / Socio-Economic Risks

Currency fluctuations – increased risks from 2021
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"), followed by Euros after the acquisitions of StoryToys and astragon. As such there is a risk that the Group's financial performance could be adversely affected by unfavourable movements in foreign exchange.

- The Group has significant income and costs in multiple currencies and as such is impacted by fluctuations in exchange rates. The Group receives a significant amount of USD and Euros and the majority of expenditure remains in GBP. The Group continues to assess ways to mitigate this risk in FY23 with currency forwards/options to manage the exposure to USD and Euro income.

- While the longer-term risks of transacting globally cannot be avoided, the Group continually reviews its foreign exchange exposure and where appropriate it explores implementing 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.

Socio-Economic Risks – increased risks from 2021
The risks previously associated with Brexit and Covid continue to decrease and are now seen as part of the ordinary course of business. The rate of inflation impacting the cost of living, has continued to rise over the course of 2022 and is currently higher in 2023 than at any time in the recent past in a number of key markets, including the UK, EU and USA. This may result in an impact on consumer spend and also impacts staff costs. This is outside the control of the Group and although inflation is forecast to fall in FY23 it remains significantly higher than average.

- The Group has implemented policies and procedures that support the team as we embrace hybrid working structures post pandemic, as well as investing in resources in technology to fully support and facilitate flexible working.

- The Group recognises the current worldwide rise in costs, and the pressure on households around rent, energy and general costs of living and the reduction of overall disposable income. Whilst our games aren't as exposed as "premium games", we believe the pressure on costs is something the Group needs to monitor closely in 2023.

- In light of the cost-of-living crisis, the Group is focused on ensuring the retention and support of our team members. The Group has implemented support payments across the divisions and put in place internal structures to provide team members with access to support as financial pressures increase.

Section 172 Statement

Board Engagement with Stakeholders
In compliance with s172 of the 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 highlighted areas in this report where these are covered:

Stakeholder Group	Importance & Engagement	Other References in this Report
Our Team	People are at the core of everything at Team17 and we have sought to build a business that recognises and supports this. With the acquisition of astragon and The Label in 2022 and StoryToys in 2021, we have worked to fully integrate the team members and to embrace them into the broader Group structure whilst respecting their individual underlying business and team cultures. We have ensured we are able to attract and retain talent through robust salary benchmarking as well as supporting the team through regular events, supportive social groups, and employee-led panels that help guide the Group as it moves into 2023. Both StoryToys and the Games Label have undertaken employee engagement surveys, and the results of these and on-going surveys, which will include all parts of the Group are fed into reviews to share best practice and implement change accordingly. Across the Group, and through our work, we attract a diverse range of highly talented people that are driven to share our mission of creating and publishing games and apps that appeal to all ages. These individuals expect transparency and openness from the Group, and we make sure this is provided through regular events including town hall meetings, email communication and team level meetings. Furthermore, we actively promote social events for our team – which we see as central to ensuring the entire team feels motivated and engaged.	People report on pages 20 to 21
Players/Customers	Fundamentally, the success of our business depends on demand from players across a wide age range playing our games. We have a dedicated community management team which maintains a direct relationship with them through public gaming notice boards, building long-term trust through engagement and delivering game improvements through gamer feedback. This team embraces feedback and reports it to the appropriate team to ensure our products continue to evolve dynamically to address any issues our customers may be facing and to ultimately deliver game improvements. At StoryToys, children benefit from the apps we create, helping their development and learning through play. Clearly their parents are critical in the relationship with our business, and we have developed a dedicated parent centre in our apps to help parents understand the educational content and to suggest further activities that can be undertaken as an extension of the learning or play. In addition, the relaxation of restrictions following the Covid related lockdowns has allowed us to return to leading industry events, such as Gamescom, where members of the teams from Games Label and astragon represented the Group and had face-to-face interaction with our customers, suppliers, development partners, and peers alike.	Group Strategy and Business Model on pages 8 and 9

Stakeholder Group	Importance & Engagement	Other References in this Report
Platform Partners	Our customer reach has expanded in 2022, and now includes a significantly wider demographic of gamers as well as additional games platforms for console and mobile sales, digital store fronts for PC sales, and established retail and distribution partners for physical product sales. We maintain constant dialogue with partners in both the commercial and technical teams to understand business needs, and to communicate our plans with them for future releases and content updates. Our sales and marketing teams engage with their counterparts to share our content line-up in order to maximise their potential and the revenue opportunity for both partners. The relationships and understanding of our sales team across all publishing and distribution disciplines are critical to ensuring we can position our own IP, third-party products, and distribution titles with the right partners and platforms to maximize awareness and mutual commercial success.	Group Strategy and Business Model on pages 8 and 9
Licensors	Certain games/apps within the Group portfolio license content from key global brands which forms a core part of their success. Within StoryToys and astragon, the teams have developed long-term relationships with key brands and have launched very successful products with these partners. We recognise the importance of building on the trust of these ongoing relationships. We maintain regular communication with all core licensing partners spanning all aspects of the business, and we remain responsive to their requirements.	Group Strategy and Business Model on pages 8 and 9
Investors/ Shareholders	The Group has a strong and supportive investor base whose ongoing support is key to continuing our growth trajectory and realising the ambitions of the Company. We were pleased to welcome new shareholders to the register in January 2022 through an oversubscribed Placing to raise funds for the acquisition of astragon. Throughout the year the Chief Executive Officer and Chief Financial Officer met with shareholders, both following the full-year results in March and the half-year results in September, as well as proactive engaging outside of the key financial calendar events. The Company recognises the importance of engaging all investors. To that end, we held an open forum via webcast for all investors to receive a comprehensive update directly from the management team at the half-year results. Presentation material was also posted on the Company website to engage with a wider shareholder base. Our Annual General Meeting affords all shareholders the opportunity to hear from the Company directly and to ask questions. The Board welcomes the opportunity to engage with all shareholders at these events. We review all the feedback from investor interactions and share it with the Board.	

Section 172 Statement
continued

Stakeholder Group	Importance & Engagement	Other References in this Report
Suppliers	Whilst the majority of the development process is supported by our in-house teams specifically for the Games Label and StoryToys, we do work with a number of external specialists to support parts of the games development process to ensure high quality and cost-effective delivery of our published games and manage development workload requirements throughout the year. At astragon, we work very closely to maintain long standing relationships with dedicated third-party development partners on each of the own-IP simulation titles. We also engage with middleware and game engine partners to ensure our games fully utilise available technology – this same approach also applies to platform holders through their technology teams. The supplier relationships are typically well-established and long-term, and we review all agreements regularly to ensure they remain healthy and beneficial to the business and also to ensure they are aligned to the Group's business policies.	
Third-party Partners	These relationships form a significant part of the Group, and we have developed long-term relationships with individuals across the world reflecting this. Our game scouting teams maintain an exceptional network of contacts, dedicated to identifying future development and publishing opportunities. Existing development partners are overseen by our developer relations team, with day-to-day interactions led by producers in our external development team and product marketing managers in our publishing unit. This facilitates an open and trusting relationship with a player / product-first mindset designed to bring great gaming experiences to the players of our third-party games. We conduct an annual developer survey to understand their experience with Team17 and use this to drive continuous improvement across the business. Our senior executives maintain regular dialogue with our third-party partners which reflects the importance of these relationships. Third-party partners are treated in the same way as our own people within the Group; we work together with them to develop games to excite our global audience.	Group Strategy and Business Model on pages 8 and 9
Local Community	Following the acquisitions made in 2022, we now operate across 7 regional hubs. We endeavour to continue to play an active role in each local community our team live and work in. We support local communities through activities and donations. Within the Games Label, an employee-led committee has been established to identify local charities to support. Across the wider Group, we continue to donate to international charities, which included supporting Ukrainian refugees in 2022. Full details of the support to charities can be found in the People Report. We are part of the global gaming community, with members of the senior team at astragon holding positions on industry panels in Germany. Team 17 Digital is a corporate ambassador for Women in Games, and StoryToys is represented on the immersive Skillnet Steering Committee and also provides advice to colleagues on syllabus design.	People report on pages 20 to 21

Corporate Governance Statement

Dear Shareholder,
I am pleased to present the Corporate Governance Statement as Chair of the Board of Directors of Team17 Group plc. As Chair, it is my responsibility to ensure that the Company has both sound corporate governance and an effective Board. The Board acknowledges the importance of high standards of corporate governance and have chosen to comply with the principles set out in the Corporate Governance Code for Small and Mid-size Quoted Companies as issued by the QCA (the "QCA Code").

Board discussions are conducted openly and transparently, which creates an environment for rigorous and robust debate. During the year, the Board has constructively and proactively challenged management on Group's strategies, proposals, operating performance and key decisions, as part of its ongoing work to assess and safeguard the position and prospects of the Group.

The Directors of the Company recognise the value of good corporate governance in every part of the business. The Board considers that compliance with the QCA Code enables us to serve the interests of all our key stakeholders, including our shareholders, and promotes the maintenance and creation of long-term value in the Company. This report describes our approach to governance, including information on relevant policies, practices and the operation of the Board and its Committees.

The Board

Board Composition
Full biographies of the Directors can be found on page 33. At the date of this report, the Board comprises two Executive Directors and four independent Non-Executive Directors, one of which is the Non-Executive Chair.

- **Christopher Bell** – Independent Non-Executive Chair
  Joined May 2018
- **Debbie Bestwick MBE** – Chief Executive Officer
  Joined May 2018
- **Mark Crawford** – Chief Financial Officer
  Joined April 2020
- **Penny Judd** – Independent Non-Executive Director
  Joined May 2018
- **Jennifer Lawrence** – Independent Non-Executive Director
  Joined February 2019
- **Martin Hellawell** – Independent Senior Non-Executive Director
  Joined September 2019

The Chair and the Chief Executive Officer have separate and clearly defined roles. The Chair is responsible for overseeing the Board and the Chief Executive Officer is responsible for implementing the stated strategy of the Company and for its operational performance.

In carrying out its governance role, the Board's main task is to drive the performance of the Group. The Board must also ensure that the Group complies with all its contractual, statutory and any other obligations, as well as the requirements of any regulatory body.

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 financial 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 as appropriate.

Almond & Co acts as the Company Secretary and attend 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 of the Board 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, but are not limited to:

- 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;

Board/Committee Attendance

				Board Committees			
	Position	Max Possible Attendance	Meetings Attended	Nomination	Audit & Risk	Remuneration	Independence
Christopher Bell	Independent Non-Executive Chair	6	6	–	2	3	Y
Debbie Bestwick MBE	Chief Executive Officer	6	6	N/A	N/A	N/A	N/A
Mark Crawford	Chief Financial Officer	6	6	N/A	N/A	N/A	N/A
Penny Judd	Independent Non-Executive Director	6	6	–	2	3	Y
Jennifer Lawrence	Independent Non-Executive Director	6	6	–	2	3	Y
Martin Hellawell	Independent Senior Non-Executive Director	6	6	–	2	3	Y

Corporate Governance Statement
continued

Matters Reserved for the Board continued
- approving the treasury policy;
- approving the Group's risk appetite and principal risk statements;
- reviewing the effectiveness of the Group's risk and control processes;
- approving major capital projects and material contracts or arrangements;
- approving all circulars, prospectuses, and admission documents;
- ensuring a satisfactory dialogue with shareholders;
- establishing Board committees and approving their terms of reference;
- approving delegated levels of authority;
- approving changes to the Board and its committees;
- determining the remuneration policy for the Directors and other senior executives;
- providing a robust review of the Group's corporate governance arrangements; and
- approving all Board mandated policies.

Committees

The Board has in place Audit, Nomination and Remuneration Committees, which comply with the stated terms of reference for each committee. Detailed reports on the Audit and Remuneration Committees can be found on pages 34 to 38. Recently, the Board made the decision to establish an ESG Committee to be Chaired by Penny Judd to oversee the Group's ESG matters going into 2023.

Nominations Committee
Chris Bell chairs the Nomination Committee. Debbie Bestwick MBE, Penny Judd, Jennifer Lawrence and Martin Hellawell are the other members of the committee.

Nominations Committee meetings are held as required and provide a formal and transparent procedure to the appointments of new directors to the Board. The Nominations Committee evaluates 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. On an ongoing basis the Board continue to drive succession reviews at a Group and senior management level to ensure that the appropriate planning and development is in place.

Supervisory Bodies & Management

The Group now operates with an enlarged senior management team made up of the CEO's of each division meeting with the Group CEO and CFO on a monthly basis to discuss and review the overall performance across the group and share best practice and experiences.

Internal Control
The Board is ultimately responsible for maintaining and reviewing the Company's risk framework system of internal control that review financial and operational risks within each division to produce a Group risk register that is reviewed by the Board. The Board believes that the risk register process manages risks appropriately in a way which allows the Company to achieve its business objectives. These systems are reviewed every six months.

Corporate Culture & Systems

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 Group's business objectives and strategy. The Group has clearly defined policies that help define these values and can be found at the Group's website www.team17groupplc.com and any acquired businesses that join the Group are aligned to these policies.

Support
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).

Election
The Board proposes that all Directors will stand for re-election this year at the Company's AGM.

Diversity and Inclusion
The Group has a range of employment policies covering such issues as diversity, harassment and discrimination and equal opportunities that are available to everyone in the business.

Annual General Meeting

In addition to these engagements, the Company holds an Annual General Meeting (AGM) each year to allow shareholders to vote on resolutions to proposed by the Company's directors. This year's AGM is currently planned to be held at 9:30a.m on Thursday 22 June 2023. The Notice of AGM, setting out the resolutions proposed, is contained in a separate document and is available on the Company's website www.team17groupplc.com.

Compliance with the QCA code

The Chair's role is to lead the Board of Directors and to be responsible for ensuring that the Company adheres to and applies the standards of corporate governance. The Board and Committees meet regularly as described above. The executive team are directed to the day-to-day management and are accountable to the rest of the Board. The Directors believe that the QCA Code provides the Company with the framework to help embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all of its stakeholders.

A summary of how the Group currently complies with the QCA Code is set out below and is updated at least annually in the manner recommended by the QCA Code.

Compliance with the QCA code continued

Principle 1: Establish a strategy and business model which promotes long-term value for shareholders	The Company develops and publishes games across multiple platforms and through its games label, which focuses on the premium high-quality independent gaming market, it partners with independent developers across the world, from lone developers to large creative studios, to provide a full partnership offering which spans development, publishing and lifecycle management. The Company has a stringent 'greenlight' process which works to identify the best creative ideas and global talent. The Company seeks to maximise long-term revenues through building gaming franchises with longevity and has a significant back catalogue that contributes a large majority of its revenues. An overview of the Group's business strategy can be found on pages 8 to 9, and commentary of progress in the last year against this can be found in the strategic reviews on pages 2 to 7 and 16 to 19.
Principle 2: Seek to understand and meet shareholder needs and expectations	Section 172 Statement on pages 26 to 28.
Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Group takes ESG very seriously and the Board is conscious of the impact that the Group's activities may have in their areas. A detailed report on how the Company has taken into account wider stakeholders can be found in the s172 statement outlined on pages 26 to 28.
Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has also established an Audit Committee, further details of which are set out below. A risk register is created within each division under the leadership of the individual CEOs and then reviewed by the Board on a six-monthly basis looking to identify changes to existing risks, new risks and then looking at mitigating factors. Specific actions are captured so that progress can be monitored against each material risk across the Group. The key risks and uncertainties are noted on pages 24 and 25.
Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair	The Board currently comprises six Directors: the Non-Executive Chair, one Senior Non-Executive Director, two Non-Executive Directors and two Executive Directors. All of the Non-Executive Directors, Chris Bell, Penny Judd, Jennifer Lawrence and Martin Hellawell are considered by the Board to be independent. The Board meets regularly and there are processes in place to ensure that each Director is at all times provided with such information as is necessary for him or her to discharge their duties. The Board is also supported by the Committees, details of which can be found on pages 30, 34 and 38. The Non-Executive Directors were selected with the objective of increasing the breadth of skills and experience of the Board and bringing independent judgment to the Board. The Company believes that the make-up of the Board as a whole represents a suitable balance of independence and detailed knowledge of the business so as to ensure that it is able to fulfil its role and responsibilities as effectively as possible. All Directors are subject to re-election by shareholders at the Annual General Meeting and any Directors appointed during a financial year must be formally elected at the Annual General Meeting following their appointment.

Corporate Governance Statement
continued

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Biographies of each Director are outlined on page 33. The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives.
Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board considers the evaluation of its own performance to be a key step for improvement and during the year, a Board evaluation process was led by the Chair in which a questionnaire was circulated by Almond & Co the independent specialist Company Secretary for the Group to each Director. On completion of the questionnaire by each Director, a report was finalised and sent to the Board for discussion. In the immediate years from IPO, the Chair conducted informal evaluations. The formal board evaluation process during the year measured, in line with the QCA Code, the Board's ability to: – Deliver Growth; – Maintain a Dynamic Management Framework; – Build Trust. The results were positive, revealing several areas of strength in the Board's operations. There are, in addition, identified areas for improvement for which the Board has agreed several actions and measurements. As this was the first formal evaluation conducted for the Company, the results were compared against previous informal evaluations and in future will be set against formal evaluations. The Chair of the Board led a subsequent review of the findings with action plans against specific areas of feedback/suggestions.
Principle 8: Promote a corporate culture that is based on ethical values and behaviours	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 are made available to everyone in the business. The Group has clearly defined policies that help define these values and any acquired businesses that join the Group are aligned to these policies.
Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The governance structures are appropriate, devolving to several committees as set out in the Committee reports on pages 30, 34 and 38.
Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Group places a strong emphasis on the standards of good corporate governance and maintaining an effective engagement with its shareholders and key stakeholders, which it considers to be integral to longer term growth and success. The principal methods of communication with shareholders are the Annual Report & Accounts, the interim and full-year results announcements, the Annual General Meeting and the website. The website is updated regularly with information regarding the Group's activities and performance, and users can register to be alerted of new announcements, reports and events, including Annual General Meetings. The Company's reports and presentations and notices of Annual General Meetings will be made available on the website when available, as will the results of voting at shareholder meetings.

The website disclosures required by the QCA Code can be found at www.team17groupplc.com/aim-rule-26.

Approved by order of the Board

Richard Almond
Company Secretary

18 May 2023

Board of Directors

From top left:
Debbie Bestwick MBE
Chris Bell
Penny Judd

From top right:
Mark Crawford
Martin Hellawell
Jennifer Lawrence

Debbie Bestwick MBE
Group Chief Executive Officer

Debbie 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, MCV Person of the Year award in 2015, was voted AIM Entrepreneur of the Year in 2020 and awarded the highly prestigious Develop Star Award in 2021. Debbie was central to establishing Team17's Games Label which has become a key growth driver for Team17.

Chris Bell
Independent Non-Executive Chair

Chris joined the Board of Directors in 2018, prior to Team17's IPO. Chris has a wealth of executive and board level experience across the gaming, retail and technology sectors. He currently serves as Non-Executive Chair of AIM-listed OnTheMarket plc, having overseen the company's IPO in 2018 and now sits on its Remuneration, Audit and Nomination committees. Chris has been a Non-Executive Director of the Royal Air Force Charitable Trust Enterprises since 2016, and as of February 2022, has been Chair of Codere Group SA, a Spanish-based LATAM-focused gambling business, for which he also sits on key governance committees. After holding senior marketing positions at Allied Lyons plc, 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 Hilton Group plc. Following the sale of the Hilton International Hotel Division, Chris served as Chief Executive of Ladbrokes plc until 2010. Chris has also held Non-Executive Director positions at Spirit Pub Company plc (2011 to 2015), Gaming Realms plc (2017 to 2018), served as a Senior Independent Director at Quintain Estates and Development plc (2010 to 2015) and Rank Group plc (2015 to 2021), alongside a number of other plc board positions.

Penny Judd
Independent Non-Executive Director

Penny joined the Team17 Board in 2018 in advance of the successful IPO on AIM and is Chair of Team17's Audit Committee. Penny has over 30 years' experience in Compliance, Regulation, Corporate Finance and Audit. She is also a Non-Executive Director of AIM-listed LendInvest, Alpha Financial Markets Consulting plc and TruFin plc and serves as Senior Independent Director and Chair of the Audit Committee of both latter companies. She was previously Non-Executive Chair of FTSE250 listed Plus500. 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.

Mark Crawford
Group 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.

Martin Hellawell
Senior Independent 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 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.

Jennifer Lawrence
Independent Non-Executive Director

Jen was appointed Non-Executive Director in February 2019. Jen has a wealth of experience as Chief People and Transformation Officer for Card Factory plc, and 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.

Audit Committee Report

Introduction

As the Chair of the Audit Committee, I am pleased to present the report for the year ended 31 December 2022. 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 in fulfilling our responsibilities to provide effective governance over the Group's financial activities.

Members of the Committee
Alongside me as Chair, the members of the Committee continue to be Chris Bell, Martin Hellawell and Jennifer Lawrence. The Committee has a wealth of knowledge from multiple industry sectors and its members also sit on various Boards for other public Companies, details of which can be seen in the Board profiles on page 33. The Committee met twice during the year with all members in attendance and also attended by the Group Chief Executive and Chief Financial Officer by request of the Committee to facilitate discussions of the financial statements and internal controls. The auditors PricewaterhouseCoopers LLP (PwC) were invited and attended both meetings. Outside the formal audit review meetings, various other meetings were held throughout the year to review accounting policies, updates on acquisition accounting, the finance system and for 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 with the relevant accounting standards and reviewing the consistency of the methodology applied.
- Reviewing the internal controls and risk management approach covering key areas including the financial systems, treasury, risk register and disaster recovery plans.
- Overseeing the relationship with the external auditors, reviewing their 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 auditors.
- Ensuring that the Group's approach to whistleblowing 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
- Purchase price allocation and acquisition accounting
- Taxation
- Going concern

Alongside the audit activities the Committee oversees the risk processes and reporting within the business which has been enlarged to cover the wider group post the acquisitions at the start of 2022 and includes the wider implementation of 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.

Finance System Upgrade
Work has progressed throughout 2022 with elements of the new system implemented alongside user acceptance testing. The full system rollout within Team 17 Digital Limited is due to go live in 2023.

Going Concern
Given the continued challenging external market combined with recent acquisitions within the Group impacting financial forecasts, the Audit Committee has reviewed and is satisfied with the detailed going concern analysis made by management including reviews of the reasonable downside scenarios to the Group's cash flow projections.

External Audit
During the second half of the 2022, a formal market review was undertaken for the audit services for the Group. This included an initial review with a number of potential audit firms of various scale which was narrowed down to a final detailed pitch and a formal review process with three firms including PwC as the incumbent audit firm. The review was led by an internal team made up of the CFO and group finance team supported by myself as Audit Chair.

As a result of the review and on the basis of both service and cost, it was decided and approved by the Audit Committee to retain PwC as the Group's external audit firm who delivered a highly competitive proposal on all areas of the brief. A new PwC lead partner has now taken over following the normal rotation within the PwC team.

The Audit Committee is satisfied that no other non-audit work was undertaken by the external auditors.

Penny Judd
Chair of the Audit Committee

18 May 2023

Remuneration Committee Report

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 2022. 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 2022; and 4. the proposed implementation of the policy for the upcoming year.

This report will be submitted to an advisory shareholder vote at our 2023 AGM.

1. Director's 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 Group Plc 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 base fee plus an additional fee for other Board responsibilities performance, fees are paid in cash.

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

Base Salary
The Committee reviews salaries annually, with reference to market levels in comparably sized public companies. Any increases are normally effective from 1st April each year, unless by reason of exception.

Pension & Benefits
Executive Directors will receive a pension contribution of up to 8% of salary matching individual contributions. Other benefits are in line with the policy.

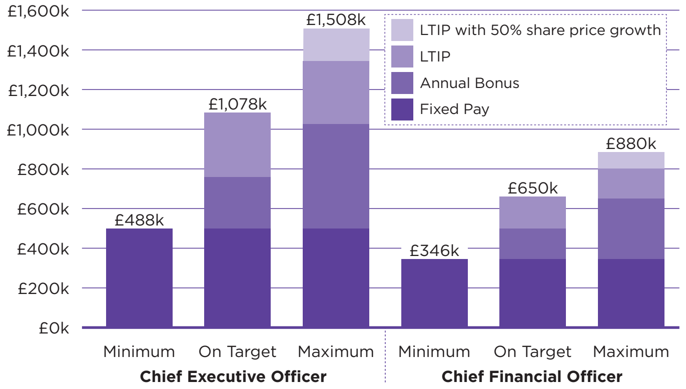
Performance-related Bonus
Annual bonus payments are based on performance against challenging targets which are aligned to the Group's strategic objectives and are designed to deliver shareholder value. Targets are based on the Company's adjusted EBITDA performance and consideration is given to individual 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 further 50% when the Company achieves its stretch performance targets.

Long Term Incentive Plan (LTIP)
The Company makes annual awards to Executive participants under the LTIP. Awards are released subject to continued employment and satisfaction of challenging performance conditions measured over three years.

Grant levels will be determined by the Committee each year. There is flexibility for the Committee to use discretion to override a formula-driven outcome and adjust the LTIP outturn. In line with the policy, Malus and Clawback provisions apply for up to two years, 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 2023 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 2023 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 (150% 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 throughout 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 major shareholders' views in advance of making significant changes to its Remuneration Policy and how it is implemented. The Chair of the Committee will attend the Annual General Meeting to hear the views of shareholders on the Remuneration Policy and to answer any questions in relation to remuneration.

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 entered into letters of appointment with the Company for an initial term of three years, rolling thereafter unless terminated earlier by either party providing three months' prior written notice.

Executive Directors
The Executive Directors have a service contract requiring six 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 an Executive is a good leaver. Reasons for good leaver treatment include, but are not limited to, death, ill-health, injury or disability and retirement.

2. Annual Report on Remuneration

This section describes the operation of the Remuneration Policy 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:

1. Jennifer Lawrence (Chair)
2. Christopher Bell
3. Penny Judd
4. Martin Hellawell

The committee met three times over the year as outlined on page 29. The primary role for the Committee is to review and set the remuneration of the Executive Directors and also review the divisional senior management remuneration.

Key responsibilities include:

1. Setting and monitoring the remuneration of the Executive Directors and divisional Senior Management Team which includes salary, annual performance related bonus and any LTIP arrangements;
2. Approval of the Team17 overall annual performance related bonus payments and annual salary review; and
3. Approval of all share award plans and subsequent issue of share awards to staff.

Key Activities During the Year
External Advisers
The Remuneration Committee has received independent advice from Korn Ferry and Gallagher.

3. Annual Statement (Unaudited information)

Directors' Remuneration for the Year Ended 31 December 2022
The following table sets out the total remuneration for Executive and Non-Executive Directors for 2022, showing 2021 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 MBE	**2022**	**420**	**25**	**21**	**392**	**–**	**466**	**392**	**858**
	2021	382	20	19	238	–	421	238	659
Mark Crawford	**2022**	**283**	**10**	**16**	**211**	**85**	**309**	**296**	**605**
	2021	200	12	10	100	–	222	100	322
Christopher Bell	**2022**	**108**	**–**	**–**	**–**	**–**	**108**	**–**	**108**
	2021	100	–	–	–	–	100	–	100
Penny Judd	**2022**	**59**	**–**	**–**	**–**	**–**	**59**	**–**	**59**
	2021	55	–	–	–	–	55	–	55
Jennifer Lawrence	**2022**	**59**	**–**	**–**	**–**	**–**	**59**	**–**	**59**
	2021	55	–	–	–	–	55	–	55
Martin Hellawell	**2022**	**59**	**–**	**–**	**–**	**–**	**59**	**–**	**59**
	2021	52	–	–	–	–	52	–	52

Notes to the table
1. Benefits total represents the taxable value of benefits paid. Taxable benefits provided to Executive Directors include: private health cover and car allowance
2. The LTIP figure represents the value of the award for the completed performance period ending 31 December 2022, based on the average share price over the final 3 months of the year (these vest in September 2023)

Basis for Annual Bonus Payments
Targets are based on the Company's adjusted EBITDA performance, and consideration is given to individual performance. The maximum annual bonus opportunity was 125% of salary for the CEO, and 100% of salary for the CFO, with 50% awarded for on-target performance.

Performance during the year resulted in the CEO and CFO being awarded a bonus of 75% of the maximum opportunity reflecting the successful integration and performance of the acquisitions completed at the beginning of the year which combined with the existing business delivered the results of the enlarged group.

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 2022	Awards made during year	Awards vested during year	Awards lapsed/ forfeited during year	**Awards held on 31 December 2022**	End of performance period	Exercise Period
Debbie Bestwick MBE	8 July 2021	150,943	–	–	–	**150,943**	31 Dec 2023	10 years from grant
Debbie Bestwick MBE	30 June 2022	–	159,000	–	–	**159,000**	31 Dec 2024	10 years from grant
Mark Crawford	10 Sept 2020	20,057	–	–	–	**20,057**	31 Dec 2022	10 years from grant
Mark Crawford	8 July 2021	25,157	–	–	–	**25,157**	31 Dec 2023	10 years from grant
Mark Crawford	30 June 2022	–	75,000	–	–	**75,000**	31 Dec 2024	10 years from grant

Corporate Governance

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 Director's 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 2021	**Beneficially owned at 31 December 2022**	Interests in LTIP awards (subject to performance conditions)	Shareholding at 31 December 2022 as a % of base salary
Executive Directors				
Debbie Bestwick MBE	29,154,162	**30,266,945**	309,943	>200%
Mark Crawford	11,434	**16,412**	120,425	24%
Non-Executive Directors				
Christopher Bell	90,909	**90,909**	None	n/a
Penny Judd	24,242	**24,242**	None	n/a
Jennifer Lawrence	1,864	**1,864**	None	n/a
Martin Hellawell	10,000	**24,000**	None	n/a

4. Implementation of Policy in 2023 (Unaudited)
There are no changes proposed to the Directors' Remuneration Policy in 2023 following the strategic review of our remuneration policy in the previous year.

The base salaries for the Group CEO and CFO received an increase of 4%, taking them to £440,960 and £312,000 respectively, effective 1 April 2023. The Committee has agreed this increase for 2023 to be at a lower level than the average budgeted salary increases for employees across the Group.

Executive Director LTIP
The award level for 2023 will be equivalent to 150% and 100% of base salary for the Group CEO and CFO respectively (based on the share price at the date of grant).

Awards are subject to continued employment and based on a stretching range of adjusted EPS performance measured over the three years to 31 December 2025. 25% of the award is payable for a threshold performance at a CAGR of 4%, with full vesting at a CAGR of 15%. This range reflects the continued ambitious growth strategy to drive revenue and profit growth above market levels.

Non-Executive Director Remuneration
Following a review by the Board, the annual base fees payable to the non-executive directors have been increased in line with the Executive Directors by 4% effective 1 April 2023.

Non-Executive Director	Fee at 31 December 2022	**Fee with effect from 1 April 2023**	% increase
Chairperson	109,000	**113,360**	4
Non-Executive Director base fee	49,100	**51,064**	4
Senior Independent Director	10,900	**11,336**	4
Committee Chairperson fee	10,900	**11,336**	4

Signed for and behalf of the Board by

Jennifer Lawrence
Chair of the Remuneration Committee

18 May 2023

Directors' Report
For the year ended 31 December 2022

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 2022.

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 independent ('indie') premium video games for the digital and physical market, developer of educational entertainment apps for children and a leading working simulation games developer and publisher.

Business Review and Future Developments
Trading for the period from 31 December 2022 to the date of this document has been positive and is consistent with the Board's expectations for the year, and profitability and cash generation remain encouraging.

The Group has released two new titles within the Games Label including ***Dredge*** which made a positive start when launched at the end of March. In addition, there are new title releases planned during the course of 2023 across the wider businesses, and 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 and now wider back catalogue.

Ongoing organic growth combined with successful targeted M&A activity 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 £23.5m (2021: £23.7m).

The Directors have not recommended the payment of a dividend (2021: £Nil).

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

Christopher Bell
Debbie Bestwick MBE
Mark Crawford
Martin Hellawell
Penny Judd
Jennifer Lawrence

Full details of the Board members' profiles can be found on page 33.

Directors' Indemnity and Insurance
The Group provide for Directors and Officers' liability insurance in respect of the Group and its Directors which was maintained throughout the financial year ended 31 December 2022.

Disclosures

Emissions Data	Details of the Group's greenhouse gas emissions, energy consumption and energy efficiency action can be found on pages 22 and 23 of this report.
Charitable Donations	Over the course of the previous financial year, Team17 has made Donations to various charities across the Group, details of which can be found on page 21 of this report.
Political Donations	The Group has not made any this year.
Fostering Relationships with key stakeholders & s172 statement	Details of how the Group fosters and manages relationships with key stakeholders can be found in the s172 statement on pages 26 to 28 of this report.

Going Concern
Management has produced a Group forecast that has also been sensitised to reflect a severe but plausible downside scenario, which has been reviewed by the Directors. This demonstrates the Group is forecast to generate profits and cash in the year ending 31 December 2023 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 release of these results.

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.

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 UK adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 UK adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are 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 keeping adequate accounting records that are sufficient to show and explain the Group's 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 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 24 and 25.

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 2022, 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
Ms Debbie Bestwick MBE (UK)	**30,266,945**	20.79
Liontrust Asset Mgt (London)	**8,684,657**	5.97
Janus Henderson Investors (London)	**7,954,496**	5.46
Aberdeen Standard Investments (Standard Life) (Edinburgh)	**7,906,572**	5.43
BlackRock Investment Mgt (London)	**6,696,441**	4.60
Octopus Investments (London)	**5,672,149**	3.90
Baillie Gifford & Co (Edinburgh)	**5,574,888**	3.83
Anicom Gestion (Brussels)	**5,218,750**	3.58
Berenberg Bank (London)	**5,177,585**	3.56
AEGON Asset Mgt (Manchester)	**4,788,572**	3.29

Source: Orient Capital Shareholder register 31 December 2022.

Corporate Responsibility in Employment
Team17 now operates in three locations in the UK, one in Germany, one in Dublin, USA and Canada together 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.

As a growing business we have invested in our teams both to identify and recruit new talent and also to develop and retain. This continued focus to build our teams alongside training, development and wellbeing is at the heart of our people strategy, more detail can be found in the People section on pages 20 to 21. We have a diverse team and do not tolerate discrimination of any kind.

Our team members 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 on pages 20 to 23.

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

Employee Policy
The Group has a range of employment policies covering such issues as diversity, harassment and discrimination and equal opportunities. The Group continues to give full and fair consideration to applications for employment and promotion with selection conducted based on merit against objective criteria that avoid discrimination of any form and taking consideration for diversity and equal opportunity as well as those specifically made by disabled persons. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group, including making reasonable adjustments where required. In the event of any colleague becoming disabled during their career within the Group, every effort is made to ensure their continued employment and engagement with the business.

Employee Involvement
The Group provides all team members with the relevant information on matters that concern them, holding regular communication updates within each division to allow this information flow and engagement to ensure feedback can be captured to aid decision making on matters involving team members. Details of the employee engagement are included in the People Report on pages 20 to 21 and also in the Section 172(1) statement on pages 26 to 28. Feedback relating to the engagement survey results are shared with the Directors and reviewed at Board meetings, often inviting the CEO's of the division to discuss the results and planned actions.

100% of the Group's team members either participate in employee share schemes or have share options as a result of the initiative in March 2022, to offer every employed team member across the Group free shares. The Group also looks to use its Employee Benefit Trust ('EBT') to reward and recognise team members across the Group, details of the EBT can be found on page 18 of this report.

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.

Signed for and on behalf of the Board by

Debbie Bestwick MBE
Group Chief Executive Officer

18 May 2023

Independent Auditors' Report to the Members of Team17 Group plc

Report on the Audit of the Financial Statements

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 2022 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 UK-adopted international accounting standards as applied in accordance with the provisions 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, including FRS 101 "Reduced Disclosure Framework", 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 2022; the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Audit scope

- We identified Team 17 Digital Limited and astragon Entertainment GmbH which required a full scope audit based on their financial significance to the group and a full scope audit of Team17 Group Plc (the company).
- In addition, we performed specific audit procedures at two non-significant components.
- The audits of Team 17 Digital Limited and Team17 Group Plc were undertaken by the group audit team. The group audit team also performed the audit over the consolidation and financial statement disclosures.
- The audit of astragon Entertainment GmbH was performed by a local component auditor, Ebner Stolz, based in Dusseldorf, Germany. The group audit team issued formal instructions, had a number of virtual and in-person meetings and performed a review of their working papers.
- The balances on which we performed audit procedures accounted for 88% of group revenue, 91% of group profit before tax and 96% of group net assets (determined on an absolute basis). Our audit scope provided sufficient appropriate audit evidence as a basis of our opinion on the group financial statements as a whole.

Key audit matters

- Calculation of the fair value of the consideration in the acquisition of astragon Entertainment GmbH and The Label Inc. (group)
- Calculation of the fair value of intangible assets acquired in astragon Entertainment GmbH and The Label Inc. (group)
- Licence revenue recognition (group)
- Impairment of Investments in Subsidiaries (parent)

Materiality

- Overall group materiality: £1,850,000 (2021: £1,250,000) based on approximately 4% of adjusted profit before tax (2021: 5% of three-year average of profit before tax).
- Overall company materiality: £1,650,000 (2021: £2,094,000) based on approximately 1% of total assets, capped at £1,650,000 being an allocation of group materiality (2021: 1% of total assets).
- Performance materiality: £1,350,000 (2021: £937,500) (group) and £1,237,500 (2021: £1,570,500) (company).

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.

Valuation and Occurrence of capitalised development costs, which was a key audit matter last year, is no longer included because the treatment of such costs remains consistent with the prior year in determining costs to be capitalised. The calculation of the consideration and the valuation of the intangible assets acquired in StoryToys and the acquisition of Golf With Your Friends intellectual property, which were key audit matters last year, are no longer included as they were only relevant on acquisition in the prior year. The equivalent key audit matters are included below for the acquisitions which occurred during the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Calculation of the fair value of the consideration in the acquisition of astragon Entertainment GmbH and The Label Inc. (Group) Team17 acquired 100% of the share capital of astragon Entertainment GmbH (astragon) on 13 January 2022. The acquisition consideration consisted of an initial cash payment of £63.0m (€75.0m) and a £1.8m (€2.1m) completion payment. Further payments of up to £19.3m (€23.0m) are payable in cash if astragon meets certain targets during FY21 and FY22 following completion of the acquisition. Based on this, contingent consideration of £6.0m was recognised at the date of acquisition. Team17 acquired 100% of the share capital of The Label Inc. on 6 January 2022. The acquisition consideration consisted of an initial cash payment of £13.2m ($18.0m), issue of shares of £4.6m ($6.3m), with a further maximum payment of £11.8m ($16.0m) payable via a mix of cash and shares based on certain targets being met within three years following completion of the acquisition. Based on this, contingent consideration of £6.5m was recognised at the date of acquisition. The amounts payable in relation to the acquisitions include a number of different elements. Management has performed an analysis of each element and this exercise involves significant judgement. Refer to the accounting policies in Note 2 and Note 12 of the consolidated financial statements.	Our audit procedures included the following: – Obtained relevant purchase documents and management's assessment and performed audit procedures over the different elements of the consideration; – Assessed management's significant judgements and estimates in relation to the valuation of the contingent consideration based on the achievement of earn out targets; – Verified key inputs into the fair value of the consideration, to corroborating evidence; – Re-performed the calculations of the contingent consideration and compared these to management's calculated values. Based on the procedures performed, we concluded that the calculations of the fair value of the consideration in the acquisition of astragon and The Label are free from material misstatement.
Calculation of the fair value of intangible assets acquired in astragon Entertainment GmbH and The Label Inc. (Group) As a result of the acquisition of astragon Entertainment GmbH (astragon), the Group recorded intangible assets, consisting of Brands of £2.0m, Acquired Apps of £21.7m and Goodwill of £45.4m as stated in note 12. As a result of the acquisition of The Label Inc. (The Label), the Group recorded intangible assets, consisting of Customer and Developer Relationships of £4.7m and Goodwill of £20.6m as stated in note 12. In determining the fair value of the identifiable intangible assets as part of the acquisitions, management has made significant judgements around the valuation models. Refer to the accounting policies in Note 2 and Note 12 of the consolidated financial statements.	Our audit procedures included the following: – Obtained relevant purchase documents and considered management's identification of intangible assets and assessed this for completeness; – Evaluated management's significant judgements and estimates of intangible assets acquired, utilising our valuations specialists to assess the methodology and key assumptions (such as discount rates) used, where relevant; – Verified key inputs into the valuation models, to corroborating evidence; Based on the procedures performed, we concluded that the valuation of the intangible assets acquired in astragon and The Label are free from material misstatement.

Key audit matter	How our audit addressed the key audit matter
Licence Revenue Recognition (Group) We considered licence revenue recognition as a key audit matter given the level of complexity and judgement involved in understanding the revenue and how key terms and conditions in the group's revenue contracts may impact the timing of revenue recognition. Under IFRS 15, Revenue from Contracts with Customers, judgement is required in determining whether revenue is recognised when, or as, the entity satisfies a performance obligation, and in allocating the consideration where multiple performance obligations exist. Management assesses each licence contract at inception to determine the appropriate basis to recognise revenue, in particular whether the contract provides the customer with a "right to access" or "right to use" intellectual property under IFRS 15. Contracts are also assessed to identify whether or not they contain multiple performance obligations. These determinations can involve management exercising significant judgement, which can have a material impact on revenue. Revenues are then recognised as the performance obligations are satisfied. The Group's accounting policy on licence revenue recognition is shown in note 2 of the consolidated financial statements and related disclosures are included in note 5.	Our audit procedures included the following: – On a sample basis, we selected revenues related to licence contracts from a full revenue listing and tested the timing and accuracy of amounts recognised by performing the following; – Confirmed a valid contract existed with the customer by reference to evidence such as written agreements and read the contract terms to ensure that these supported the basis of revenue recognition; – Considered whether the identification of the relevant performance obligations within the contract was appropriate; – Determined whether the transaction price had been appropriately allocated to the relevant performance obligations based upon the contractual terms of the associated contract; – Challenged the key judgements as to whether the performance obligations had been satisfied by obtaining corroborating evidence Based on the procedures performed, we concluded that licence revenue recognition is free from material misstatement.
Impairment of Investments in Subsidiaries (Parent) The Company's investments in subsidiaries balance is £250.8m (2021: £179.5m). Investments are assessed for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Given the magnitude of the investment balance, we have considered the risk of impairment of these assets. The Company's accounting policy on investments is shown in note 2 of the Company financial statements and related disclosures are included in note 6 of the Company financial statements.	Our procedures included the following: – Obtained management's impairment assessment for each investment; – Assessed management's value in use model for each investment by performing the following: – Verified the mathematical accuracy of the models; – Utilising our valuation specialists to test the key assumptions being the long term growth rate and the discount rate; – Considered other external factors, such as the market capitalisation of the Company; Based on the procedures performed, we concluded that the valuation of the investment in subsidiaries balance is free from material misstatement.

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's accounting process is structured around a group central finance function located across Wakefield and Nottingham, which maintains accounting records and controls for the majority of the group. The group also has a local finance function in Dusseldorf, Germany responsible for the accounting records for astragon and a local finance function in Dublin, Ireland responsible for the accounting records for StoryToys (the acquisition in the prior year). Both of the local finance functions report into the group central finance function.

In establishing the overall group audit strategy and plan, we determined whether for each component within the group we required an audit of its complete financial information ('full scope audit'), or whether specific audit procedures to address a certain risk characteristic or financial statement line item would be sufficient. We identified three components being the parent company, Team 17 Digital Limited and astragon Entertainment GmbH, which were subject to a full scope audit.

As the group audit team, we determined the level of independent involvement needed with the local component auditor of astragon to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We issued formal written instructions to the local component audit team setting out the work to be performed by them and maintained regular communication throughout the audit cycle. These interactions included participating in the planning and clearance meetings, holding regular video and conference calls, visiting the local component audit team in Dusseldorf, Germany as well as reviewing work papers and assessing matters reported.

We performed certain specified audit procedures across two non-significant components to gain sufficient audit coverage over certain balances in the consolidated financial statements. The balances covered at these components included the following: prepayments, accruals and deferred income and licence revenue. In addition to procedures performed on specific reporting entities, work was performed by the group audit team over the consolidation, including consolidation entries relating to equity, goodwill, acquisition accounting and over financial statement disclosures.

In total, the audit work performed provided coverage over 88% of group revenue, 91% of group profit before tax and 96% of group net assets (determined on an absolute basis). At the group level, we also carried out other risk assessment procedures on the components not covered by the procedures described above.

The impact of climate risk on our audit
As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

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	£1,850,000 (2021: £1,250,000).	£1,650,000 (2021: £2,094,000).
How we determined it	Approximately 4% of adjusted profit before tax (2021: 5% of three-year average of profit before tax).	Approximately 1% of total assets, capped at £1,650,000 being an allocation of group materiality (2021: 1% of total assets)
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 growth achieved after adjusting for the impact of acquisitions, we believe that adjusted profit before tax (being profit before tax adjusted for the impacts of share based compensation, amortisation on acquired intangible assets, and acquisition-related adjustments & fees) as presented as an alternative performance measure (APM) in the annual report 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. Materiality has been capped at an allocation of group materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £443,000 and £1,650,000 (with £1,650,000 being used for the company for the purpose of the group audit). 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 73% (2021: 75%) of overall materiality, amounting to £1,350,000 (2021: £937,500) for the group financial statements and was 75% (2021: 75%) of overall materiality, amounting to £1,237,500 (2021: £1,570,500) 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 at the upper end 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 £92,000 (group audit) (2021: £62,500) and £82,500 (company audit) (2021: £56,250) 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 2024 and evaluating management's severe but plausible downside scenario. We have tested the mathematical accuracy of the forecasts and challenged the underlying assumptions in the forecasts, including comparing performance against budget, in particular relating to revenue and expenses.
- 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 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 directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

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

Strategic report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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 above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

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

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

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 directors' 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.

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

18 May 2023

Consolidated Statement of Profit or Loss

For the Year Ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue	5	**137,444**	90,509
Cost of sales		**(67,828)**	(44,989)
Gross profit		**69,616**	45,520
Other income		**469**	–
Administrative expenses		**(37,819)**	(16,277)
Operating profit	6	**32,266**	29,243
Finance income	8	**34**	10
Finance costs	8	**(3,982)**	(144)
Share of net profit of associates accounted for using the equity method	13	**347**	–
Profit before tax		**28,665**	29,109
Taxation	9	**(5,187)**	(5,370)
Profit for the year		**23,478**	23,739
Earnings per share			
– Basic (pence)	10	**16.5**	18.3
– Diluted (pence)	10	**16.4**	18.2

All amounts relate to continuing operations.

The notes on pages 55 to 93 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2022

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit for the year	**23,478**	23,739
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange gain/(loss) on translation of foreign operations	**8,070**	(100)
Total comprehensive income for the year	**31,548**	23,639

Consolidated Statement of Financial Position

As at 31 December 2022

Company Registration Number: 11205116

	Note	**As at 31 December 2022 £'000**	As at 31 December 2021 £'000
Assets			
Non-current assets			
Goodwill	11	**113,424**	41,449
Other intangible assets	11	**120,685**	39,859
Investments accounted for using the equity method	13	**1,045**	–
Property, plant and equipment	14	**1,692**	1,446
Right-of-use assets	15	**2,785**	2,189
Deferred tax asset	22	**–**	561
Total non-current assets		**239,631**	85,504
Current assets			
Inventories	16	**1,225**	–
Trade and other receivables	17	**36,044**	17,825
Cash and cash equivalents	18	**50,828**	55,302
Total current assets		**88,097**	73,127
Total assets		**327,728**	158,631
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	23	**1,456**	1,315
Share premium	23	**132,126**	44,084
Merger reserve	23	**(149,173)**	(153,822)
Currency translation reserve	23	**7,970**	(100)
Other reserves	23	**159,296**	159,296
Retained earnings	23	**100,785**	76,863
Total equity		**252,460**	127,636
Non-current liabilities			
Lease liabilities	21	**2,625**	2,042
Contingent consideration	20	**9,369**	–
Provisions		**140**	109
Deferred tax liabilities	22	**9,169**	3,550
Total non-current liabilities		**21,303**	5,701
Current liabilities			
Trade and other payables	19	**52,339**	24,315
Tax payables		**1,262**	678
Lease liabilities	21	**364**	301
Total current liabilities		**53,965**	25,294
Total liabilities		**75,268**	30,995
Total equity and liabilities		**327,728**	158,631

Certain comparative balances included within the consolidated statement of financial position have been reclassified as disclosed in note 2.

The financial statements on pages 55 to 93 were approved by the board of directors and authorised for issue on 18 May 2023 and were signed on its behalf by:

Debbie Bestwick MBE
Group Chief Executive Officer

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2022

Equity attributable to shareholders of the Group

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Currency translation reserve £'000	Other reserves £'000	Retained Earnings £'000	**Total Equity £'000**
At 1 January 2021		1,315	44,084	(153,822)	–	159,296	52,476	**103,349**
Comprehensive income								
Profit for the year		–	–	–	–	–	23,739	**23,739**
Other comprehensive expense for the year		–	–	–	(100)	–	–	**(100)**
Total comprehensive income		–	–	–	(100)	–	23,739	**23,639**
Transactions with owners								
Share based compensation	24	–	–	–	–	–	648	**648**
Total transactions with owners		–	–	–	–	–	648	**648**
At 31 December 2021		1,315	44,084	(153,822)	(100)	159,296	76,863	**127,636**
Comprehensive income								
Profit for the year		–	–	–	–	–	23,478	**23,478**
Other comprehensive income for the year		–	–	–	8,070	–	–	**8,070**
Total comprehensive income		–	–	–	8,070	–	23,478	**31,548**
Transactions with owners								
Issue of shares for a business combination	23	6	–	4,649	–	–	–	**4,655**
Issue of shares for acquisition of IP	23	15	11,779	–	–	–	–	**11,794**
Issue of shares to satisfy share options	23	10	–	–	–	–	–	**10**
Contributions of equity	23	110	76,263	–	–	–	–	**76,373**
Share based compensation	24	–	–	–	–	–	444	**444**
Total transactions with owners		141	88,042	4,649	–	–	444	**93,276**
At 31 December 2022		1,456	132,126	(149,173)	7,970	159,296	100,785	**252,460**

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash generated from operations	25	**56,187**	35,081
Income taxes paid		**(6,761)**	(4,091)
Net cash inflow from operating activities		**49,426**	30,990
Cash flows from investing activities			
Payment for acquisition of astragon Entertainment GmbH, net of cash acquired		**(65,024)**	–
Payment for acquisition of The Label Inc, net of cash acquired		**(12,134)**	–
Payment for acquisition of Touchpress Inc, net of cash acquired		**–**	(15,093)
Payments for contingent consideration		**(5,236)**	–
Payments for IP		**(18,750)**	(12,000)
Payments for other intangibles		**–**	(107)
Payments for property, plant and equipment	14	**(723)**	(573)
Payment of capitalised development costs	11	**(26,110)**	(9,257)
Interest received	8	**34**	10
Net cash outflow from investing activities		**(127,943)**	(37,020)
Cash flows from financing activities			
Proceeds from issues of shares		**76,397**	–
Interest paid	8	**(131)**	(144)
Principal elements of lease payments		**(417)**	(264)
Repayment of borrowings		**(2,136)**	–
Net cash inflow/(outflow) from financing activities		**73,713**	(408)
Net decrease in cash and cash equivalents		**(4,804)**	(6,438)
Cash and cash equivalents at beginning of year		**55,302**	61,470
Effect of exchange rates on cash and cash equivalents		**330**	270
Cash and cash equivalents at end of year	18	**50,828**	55,302

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2022

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 independent ("indie') premium video games and development of educational entertainment apps for children and a leading working simulation games developer and publisher. The Company is a public company limited by shares and incorporated and domiciled in England (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
These consolidated financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards (UK IFRS) and the applicable legal requirements of the Companies Act 2006.

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.

Reclassification of comparatives
The Group previously presented its Goodwill and Other intangible assets together as Intangible fixed assets on the Consolidated Statement of Financial Position. Management considers it to be more relevant to separately disclose these items following the business acquisitions in the year. Prior year comparatives as at 31 December 2021 have been restated to conform with current year presentation.

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

• Reference to the Conceptual Framework – Amendments to IFRS 3

• Annual Improvements to IFRS Standards 2018-2020

Going concern
Management has produced a Group forecast that has also been sensitised to reflect a severe but plausible downside scenario, which has been reviewed by the Directors. This demonstrates the Group is forecast to generate profits and cash for a period of at least 12 months from the signing of these consolidated financial statements and that the Group expects to have sufficient cash reserves to enable the Group to meet its obligations as they fall due over this period.

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 consolidated 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.

Where the Company does not have control but has significant influence over the entity, the Company is considered to be an associate. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss after the date of acquisition. Significant influence is defined as the power to participate in decision making without the power to control.

The Group's share of the associates post-acquisition profits or losses are recognised in the Consolidated Statement of Profit or Loss, and its share of post-acquisition movements in reserves is recognised in the Consolidated Statement of Comprehensive Income. Where the Group's interest has been reduced to £Nil, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates.

2. Significant accounting policies continued

For any subsidiaries that the Company does not have control or significant influence of then the value of the investments are initially recognised at initial cost. Subsequently these are recognised at cost less impairment.

Team17 Group plc has provided a guarantee under section 479A of the Companies Act 2006 to the following companies for the year ending 31 December 2022:

- Team 17 Holdings Limited
- Team 17 Software Limited
- Yippee Entertainment Limited

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment every six months using a discounted cash flow method applied to business forecasts. If this review demonstrates that impairment has occurred, this is expensed to the Consolidated Statement of Profit or Loss. Goodwill is allocated to cash-generating units ("CGUs') 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.

The following types of intangibles have been recognised :

- Brands
- Acquired apps
- Customer and developer relationships

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

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

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

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

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

Amortisation
The useful lives of intangible assets are assessed as either finite or indefinite and at the year end date no intangible assets are accorded an indefinite life other than goodwill.
Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

- Brands – 10 to 15 years straight line
- Development costs – over the period of expected benefit
- Acquired apps – 2 to 15 years straight line
- Customer and developer relationships – 10 years straight line
- Other intangibles – 2 years straight line

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

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

2. Significant accounting policies continued

Impairment of non-financial assets
The Group assesses at least every year whether there is an indication that an asset may be impaired. If any indication exists, or when impairment testing for an asset is required, the 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 Consolidated Statement of Profit or Loss 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 Consolidated Statement of Profit or Loss 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 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. Trade and other receivables are measured at amortised cost less provision for expected credit losses.

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

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

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

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

Subscription Revenue
The Group receives subscription revenue for annual or monthly access subscriptions. The Group has a performance obligation with the subscriber to provide access to the game or application available over the period of subscription and the customer reasonably expects that updates that significantly affect the IP will be issued. As such the performance obligation is met over the course of the contract and the revenue is recognised as a right of access contract in line with the length of the subscription. The customer is considered the platform who supplies the title to the end consumer and a platform for the game to run on and therefore revenue is recognised net of platform fees.

Physical Revenue
Physical revenue is generated from the sale of physical products. Revenue is recognised when the performance of the obligation is satisfied, which is normally when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expected to be entitled in exchange for those goods. Revenue is based on the invoiced sale price of goods.

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability at the point of revenue recognition.

A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

The Group provides retrospective volume rebates to certain customers once the value of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts receivable from the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one value threshold.

Revenue is recognised net of rebates and early settlement discounts. Rebates and early settlement discounts are estimated based upon experience over an appropriate period and the relevant agreements with customers.

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

IFRS 16 'Leases'
A lease liability reflecting future lease payments and a right-of-use asset for lease contracts are recognised at the lease commencement date. The value of the assets and liabilities recognised is calculated from the total of the future lease payments discounted for the incremental borrowing rate at the date of application. The incremental borrowing rate is used as the interest rate implicit in the lease is not readily available. The incremental borrowing rate is decided on through discussion with our bankers and comparison to other businesses in the industry. Interest on the lease liability is calculated on a monthly basis and recognised in the Consolidated Statement of Profit or Loss.

The right-of-use assets created are depreciated over the length of the lease and the depreciation is included in the Consolidated Statement of Profit or Loss. 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.

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.

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

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

2. Significant accounting policies continued

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 consolidated 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 Profit or Loss, 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 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 Consolidated Statement of Profit or Loss 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 Consolidated Statement of Profit or Loss 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.

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 Consolidated Statement of Profit or Loss. 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.

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 and fittings	– 6 years straight-line
Motor vehicles	– 5 years straight-line

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

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

Financial assets
Initial recognition and measurement
In accordance with IFRS 9 "Financial Instruments', the 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 Consolidated Statement of Profit or Loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Financial assets carried at amortised cost
This category applies to trade and other receivables due from customers in the normal course of business and cash and cash equivalents. 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.

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

Other financial assets are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Cash and cash equivalents
Cash and short-term deposits in the Consolidated 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 considered restricted cash.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

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 12-month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

Expected credit losses incorporate forward-looking information, take into account the time value of money when there is a significant financing component and are based on historic loss rates, 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 Consolidated Statement of Profit or Loss.

2. Significant accounting policies continued

Financial Liabilities

Initial Recognition and Measurement

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

The Group's financial liabilities include trade and other payables, tax payables, contingent consideration, lease liabilities and previously included loans and other borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR') method. Gains and losses are recognised in the Consolidated Statement of Profit or Loss 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 Consolidated Statement of Profit or Loss.

After initial recognition, contingent consideration is subsequently measured at fair value through profit and loss. Liabilities are remeasured to fair value at each balance sheet date and any movement in the value is recorded in the Consolidated Statement of Profit or Loss.

Derecognition

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

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the Consolidated 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 identified in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO and CFO. For reporting purposes, operating segments are aggregated into reporting segments where operating segments:

- have similar economic conditions and characteristics;
- the nature of products, services, production processes, type and class of customer, distribution methods and regulatory environments are the same;
- where the aggregation of operating segments provides information that enables users to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which it operates.

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 trading activities such as the settlement of trading transactions and from the remeasurement of trading monetary items denominated in foreign currency at year-end exchange rates are recognised in administrative expenses in the Consolidated Statement of Profit or Loss. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss in finance costs.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Statement of Profit or Loss and Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 2022 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 foreseeable future transactions.

Adoption of new and revised standards

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by the Group in preparing the consolidated financial statements for the year ended 31 December 2022:

- IFRS 17 "Insurance contracts" (effective 1 January 2023)
- Amendments to IAS 1 "Classification of liabilities as current or non-current (effective 1 January 2023)
- Amendments to IAS 1 and IFRS practice statement 2 "Disclosure of accounting policies" (effective 1 January 2023)
- Amendments to IAS 8 "Definition of accounting estimates" (effective 1 January 2023)
- Amendments to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction" (effective 1 January 2023)
- Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture

The application of the standards and interpretations not yet applied is not expected to have a material impact on the Group's financial performance or position, or give rise to additional disclosures in the consolidated financial statements.

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 and Impairment (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 and a review for indicators of impairment is completed by product at each period-end date. The net book values of the development cost intangible assets at 31 December 2022 are £26,830,000 (2021: £9,848,000). Intangible assets are subject to amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, for example, a decision to suspend a self-published title under development. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use calculated using the discounted cash flows method. For the purposes of assessing impairment, assets are reviewed by project for which there are separately identifiable cashflows.

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

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

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

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

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

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

The value of the intangible assets acquired are estimated using forecasts and apply an appropriate discount rate for the calculation. Management utilises external valuation support to assist with these estimations. Further details of these discount rates for acquisitions that occurred during the year are included within notes 11 and 12.

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

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

4. Segmental analysis

The Group has three different operating segments within the business which are as follows:

- Games Label – Developing and publishing video games for the digital and physical market
- Simulation – Developing and publishing simulation games for the digital and physical market
- Edutainment – Developing educational entertainment apps for children

The chief operating decision maker ("CODM") of the Group is considered to be Debbie Bestwick MBE and Mark Crawford, the group executive directors. The CODM review's the Group's internal reporting in order to assess performance and allocate resources. The CODM determines the operating segments based on these reports and on the internal reporting structure.

The CODM considered the aggregation criteria set out within IFRS 8 "Operating Segments" where two or more operating segments can be combined for reporting purposes so long as aggregation provides financial statement users with information to evaluate the business and the environment in which it operates.

After assessing this criteria, the CODM deems it appropriate for all three operating segments to be aggregated and reported as a single segment. Each segment develops and publishes games and apps using own and third-party IP through similar distribution methods with similar margins in the same regulatory environments. Therefore all figures reported in the annual report are reported as a single aggregated reporting segment.

Non-current assets are located in the following locations:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
UK	**226,145**	80,438
EU	**11,350**	5,066
Rest of World	**2,136**	–
	239,631	85,504

Group Financial Statements

5. Revenue

All revenue was generated by the sale of goods.

Whilst the CODM considers there to be only one reportable segment, the Company's portfolio of games is split between internal IP (those based on IP owned by the Group) and third-party IP incurring royalties. Therefore to aid the readers understanding of our results, the split of revenue from these two categories is shown below:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Internal IP	**56,050**	20,133
Third-Party IP	**81,394**	70,376
	137,444	90,509

Four (2021: four) customers each contributed over 10% of the total revenue in 2022 with total revenue derived from these customers being £89,446,000 (2021: £70,244,000).

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.

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

6. Operating Profit

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
The following items are included in profit before tax:		
Cost of sales		
Amortisation (note 11)	**9,277**	5,296
Administrative expenses		
Amortisation (note 11)	**10,316**	3,334
Depreciation of property, plant and equipment (note 14)	**625**	413
Depreciation of right-of-use assets (note 15)	**461**	311
Loss on disposal of property, plant and equipment – administrative expenses	**–**	27
Acquisition fees	**863**	1,131
Fair value adjustment on contingent consideration	**884**	–
Finance costs		
Loss on foreign exchange – finance costs	**1,513**	598
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of Team17 Group Plc	**187**	75
Additional fees in respect of prior year audit	**80**	–
Fees payable to the Company's auditors in respect of:		
Audit of Company's subsidiaries	**283**	275

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

7. Staff numbers and costs

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

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
Development	**196**	202
Support	**149**	55
Non Exec Directors	**4**	4
Exec Directors	**2**	2
	351	263

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	**17,846**	10,012
Social security costs	**1,594**	1,415
Other pension costs	**827**	434
Share based compensation	**533**	648
	20,800	12,509

The following tables sets out the payroll costs for the Directors of Team17 Group Plc:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Aggregate emoluments	**1,654**	1,243
Social security costs	**(392)**	486
Company contributions to money purchase scheme	**44**	29
Share based compensation	**(24)**	525
	1,282	2,283

The social security costs includes the movement in the accrued social security costs for the exercise of share options. The negative value has arisen due to the reduction in the tax base of the share based compensation during the year. Retirement benefits are accruing to 2 directors (2021: 2) under money purchase schemes.

The remuneration of the highest paid Director was:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Aggregate emoluments	**683**	660
Share based compensation	**(87)**	363
	596	1,023

8. Finance income and costs

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Finance income		
Interest receivable	**34**	10
	34	10
Finance costs		
Interest payable on lease liabilities	**124**	93
Other interest payable	**25**	51
Interest on contingent consideration	**2,320**	–
Non-trading foreign exchange cost	**1,513**	–
	3,982	144

9. Taxation

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current tax:		
Current year tax	**7,284**	6,634
Video Games Tax Relief	**(455)**	(652)
Research & Development Relief	**(75)**	–
Adjustments in respect of prior periods:		
Video Games Tax Relief	**(453)**	245
Other	**(127)**	(651)
Deferred tax:		
Origination and reversal of temporary differences	**(987)**	(206)
Total tax charge	**5,187**	5,370

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Reconciliation of total tax charge:		
Profit before tax	**28,665**	29,109
Taxation using the UK Corporation Tax rate of 19% (2021: 19%)	**5,446**	5,531
Effects of:		
Expenses not deductible for tax purposes	**164**	350
R&D Relief	**(75)**	(101)
Video Games Tax Relief	**(455)**	(652)
Adjustment in respect of prior periods	**(580)**	(406)
Change in tax rate	**(372)**	588
Overseas tax on profits	**1,059**	60
Total tax charge	**5,187**	5,370

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

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

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 year.

	Year ended 31 December 2022	Year ended 31 December 2021
Profit attributable to shareholders £'000	**23,478**	23,739
Weighted average number of shares	**142,644,403**	130,002,844
Weighted average diluted number of shares	**143,247,940**	130,146,649
Basic earnings per share (pence)	**16.5**	18.3
Diluted earnings per share (pence)	**16.4**	18.2

11. Intangible Assets

	Development costs £'000	Brands £'000	Acquired apps £'000	Customer & developer relationships £'000	Goodwill £'000	Other intangibles £'000	**Total £'000**
Cost							
At 1 January 2021	21,342	21,983	–	–	22,379	–	65,704
Additions	9,257	12,000	–	–	–	107	21,364
Amounts arising on acquisitions	–	755	6,228	–	19,409	–	26,392
Translation on foreign operations	–	–	–	–	(339)	–	(339)
Disposals	(1,002)	–	–	–	–	–	(1,002)
At 31 December 2021	29,597	34,738	6,228	–	41,449	107	112,119
Additions	26,032	43,773	–	–	–	11	69,816
Amounts arising on acquisitions	–	2,034	21,716	4,720	65,964	–	94,434
Translation on foreign operations	303	138	1,410	560	6,011	6	8,428
Disposals	(440)	–	–	–	–	–	(440)
At 31 December 2022	**55,492**	**80,683**	**29,354**	**5,280**	**113,424**	**124**	**284,357**
Amortisation							
At 1 January 2021	15,055	7,728	–	–	–	–	22,783
Charge for the year	5,296	3,021	311	–	–	2	8,630
Disposals	(602)	–	–	–	–	–	(602)
At 31 December 2021	19,749	10,749	311	–	–	2	30,811
Charge for the year	9,277	6,115	3,669	516	–	16	19,593
Translation on foreign operations	76	9	164	12	–	23	284
Disposals	(440)	–	–	–	–	–	(440)
At 31 December 2022	**28,662**	**16,873**	**4,144**	**528**	**–**	**41**	**50,248**
Net carrying amount							
At 31 December 2022	**26,830**	**63,810**	**25,210**	**4,752**	**113,424**	**83**	**234,109**
At 31 December 2021	9,848	23,989	5,917	–	41,449	105	81,308

11. Intangible Assets continued

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

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

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

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

Hell Let Loose Brand	15 years straight-line

Brands – *astragon*
As part of the acquisition of astragon Entertainment GmbH, separately identifiable intangibles of £2.0m were recognised relating to the astragon brand. This represents the value of the brand in the simulation game marketplace. Amortisation on the astragon brand is calculated on a straight-line basis over the assets estimated useful life of 15 years.

astragon Brand	15 years straight-line

Acquired Apps
These represent the fair value of games and apps arising at acquisition. The assets are tested for impairment annually or more frequently if there are indicators of impairment. Amortisation is calculated over the estimated useful life using the following policy:

Acquired Apps	7 to 10 years straight-line

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

The Group has 4 cash-generating units ("CGUs") which are as follows:
- Team 17 Digital Limited
- StoryToys Limited
- astragon entertainment GmbH
- Team17 (USA) Inc

The recoverable amount of each of the cash-generating units ("CGUs") at 31 December 2022 is determined from the value in use. The key assumption in calculating the value in use was the expected future cash flows. The pre-tax discount rate applied to the future cash flows was between 12.5% and 27.8%. A 5 year bottom up forecast for the years ending 31 December 2023 to 2027 inclusive has been created before applying long term growth rates of between 2% and 3%. The Directors have assessed the sensitivity of the impairment test to reasonably possible changes in the key assumptions and noted that no material impairment exists in any cases. Climate change is not expected to have a material impact on future cash flows.

No impairment was indicated when assessing the value in use of the Group's intangible assets, therefore fair value less costs of disposal was not assessed.

Other intangibles
These are made up of capitalised software and are amortised under the following policies:

Capitalised software	2 years straight-line

12. Business combinations

Acquisition of astragon Entertainment GmbH
On 13 January 2022 Team17 Group Plc acquired 100% of the share capital of astragon entertainment GmbH ("astragon") for a maximum payment of £82.3m (€98.0m) subject to cash, net debt and working capital adjustments. The preliminary purchase price for the acquisition is £63.0m (€75.0m) in cash. Further payments of up to £19.3m (€23.0m) are payable in cash if astragon meets certain targets during FY21 and FY22 following completion of the acquisition. There was no minimum due on the contingent consideration. The full results of the business have been included in the Consolidated Statement of Profit or Loss for the year as there was no material results between the start of the year and the date of acquisition.

astragon is a publisher and distributor of sophisticated 'working' simulation games based in Germany. The acquisition allows Team17 to enter a new and complementary simulation game category whilst with its strong back catalogue of evergreen owned franchises and a solid pipeline of products in development. This will further expand Team17's appeal to a wide cross section of gamers, spanning multiple genres and age groups.

The initial payment totalled £64.8m (€77.1m) after including the estimated completion payment of £1.8m (€2.1m) covering the acquired assets and liabilities. This initial payment was settled in cash. Contingent consideration consists of the earn-out for the sellers included at fair value and payable based on the acquired business reaching certain results during FY21 and FY22.

Deferred and contingent consideration has been recognised at present value which has been calculated using a discount rate of 14.5%. Details of the purchase consideration at initial recognition are as follows:

	Initial consideration £'000	Deferred consideration £'000	Contingent consideration £'000	Total £'000
Initial recognition	63,030	1,800	6,067	70,897
Fair value adjustment	–	–	4,309	4,309
Balance outstanding at 31 December 2022	–	–	8,607	8,607

The fair value of the purchase consideration takes into account the following assumptions and estimates:

- Earn-out targets – Management have assessed the likelihood of targets being met. For FY21 this is based on the trading results for the year. For FY22 earn-out targets, at acquisition management have reviewed a risk weighted forecast for the year. This was reassessed as at 31 December 2022 and the movement in the fair value of the consideration has been recognised in the Consolidated Statement of Profit or Loss.

- Interest costs of £0.6m (2021: £Nil) from the unwinding of the 14.5% discount rate have been included in the Consolidated Statement of Profit or Loss for the year.

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

	Book value £'000	Fair value adjustment £'000	Fair value acquired £'000
Cash and cash equivalents	2,261	–	2,261
Acquired apps	–	21,716	21,716
Brand	–	2,034	2,034
Investments	323	307	630
Property, plant & equipment	110	–	110
Development costs	5,563	(5,563)	–
Right of use assets	964	–	964
Inventories	438	–	438
Trade and other receivables	16,114	(1,777)	14,337
Deferred tax liability	–	(5,333)	(5,333)
Lease liabilities	(964)	–	(964)
Trade and other payables	(8,605)	–	(8,605)
Bank loans	(2,101)	–	(2,101)
Net identifiable assets acquired	**14,103**	**11,384**	**25,487**
Add: Goodwill			45,410
Total Consideration			**70,897**

The goodwill is attributable to astragon's experience in the simulation games and physical distribution markets. It has been allocated to the sole segment of the business which is the identification, development and publishing of content across an expansive range of genres and platforms. None of the goodwill is expected to be deductible for tax purposes.

12. Business combinations continued

Acquisition of The Label Inc
On 6 January 2022 Team 17 Digital Limited acquired 100% of the share capital of The Label Inc through Team17 USA Inc (a newly incorporated subsidiary setup solely to acquire this business) for a maximum payment of £29.6m ($40.3m) subject to cash, net debt and working capital adjustments. The initial payment for the acquisition was £13.2m ($18.0m) in cash and £4.6m ($6.3m) through the issue of shares. A further payment of up to £11.8m ($16.0m) is payable via a mix of cash and shares based on the meeting of certain targets by the Company within three years following completion of the acquisition. There was no minimum due on the contingent payment. The full results of the business have been included in the Consolidated Statement of Profit or Loss for the year as there was no material results between the start of the year and the date of acquisition.

The Label is a USA based indie publisher specialising in mobile subscription games content and will further expand Team17's capabilities across the digital entertainment space, consolidating the Group's position as a leading gaming and entertainment business and providing a wealth of opportunities for significant further growth.

The initial payment of £17.9m ($24.3m) consists of £17.8m ($24.1m) consideration and £0.1m ($0.2m) deemed to be remuneration from the acceleration of outstanding share options. Details of the purchase consideration are as follows:

	Initial consideration £'000	Contingent consideration £'000	**Total £'000**
Initial recognition	17,796	6,531	**24,327**
Fair value adjustment	–	(3,582)	**(3,582)**
Balance outstanding at 31 December 2022	–	4,419	**4,419**

Contingent consideration consists of the earn-out for the sellers included at fair value and payable based on the acquired business reaching certain results. During the year £1.0m was paid to satisfy pre-acquisition liabilities recognised as part of the acquisition under IFRS 3.

The fair value of the purchase consideration takes into account the following assumptions and estimates:

- Earn-out targets – Management have assessed the likelihood of targets being met. For FY22, FY23 and FY24 earn-out targets, at acquisition management have reviewed a risk weighted forecast for the year. This will be (and has been for FY22) reassessed at each reporting date and the movement in the fair value of the consideration amount has been recognised in the Consolidated Statement of Profit or Loss.
- Interest costs of £0.7m (2021: £Nil) from the unwinding of the 8.4% discount rate have been included in the Consolidated Statement of Profit or Loss for the year.

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

	Book value £'000	Fair value adjustment £'000	Fair value acquired £'000
Cash and cash equivalents	1,366	–	1,366
Customer and developer relationships	–	4,720	4,720
Contract cost asset	118	(118)	–
Trade and other receivables	1,189	(357)	832
Deferred tax liability	–	(1,416)	(1,416)
Trade and other payables	(888)	(841)	(1,729)
Net identifiable assets acquired	**1,785**	**1,988**	**3,773**
Add: Goodwill			20,554
Total Consideration			**24,327**

The goodwill is attributable to The Labels' talented development team and experience in the mobile subscription market. It has been allocated to the sole segment of the business which is the identification, development and publishing of content across an expansive range of genres and platforms. None of the goodwill is expected to be deductible for tax purposes.

Acquisition fees
Total acquisition fees for the year ended 31 December 2022 of £863,000 (2021: £1,131,000) are included in administrative expenses in the Consolidated Statement of Profit or Loss.

Results from acquisitions
In total, incremental revenues of £44.8m and profit before tax of £14.6m came from the impact of business acquisitions reflecting the full year results of astragon and The Label and H1 results of StoryToys acquired on 1 July 2021.

13. Investments

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

Name of company	Registered address	Principal place of business	Proportion of voting rights and shares held	Activity
Subsidiary undertakings				
Team 17 Holdings Limited	3 Red Hall Avenue, Wakefield, WF1 2UL, UK	UK	100%	Intermediate holding company
Team 17 Software Limited	3 Red Hall Avenue, Wakefield, WF1 2UL, UK	UK	100%	Intermediate holding company
Team 17 Digital Limited	3 Red Hall Avenue, Wakefield, WF1 2UL, UK	UK	100%	Development and publishing of video games
Mouldy Toof Studios Limited	3 Red Hall Avenue, Wakefield, WF1 2UL, UK	UK	100%	Dormant
Yippee Entertainment Limited	3 Red Hall Avenue, Wakefield, WF1 2UL, UK	UK	100%	Dormant
Touch Press Inc.	1013 Centre Road, Suite 403-B, Wilmington, Delaware, 19805, USA	USA	100%	Intermediate holding company
StoryToys Limited (acquired 2 July 2021)	Exchequer Chambers, 23 Exchequer Street, Dublin 2, Ireland	Ireland	100%	Development of edutainment apps
Team17 (USA) Inc (incorporated 15 December 2021)	1013 Centre Road, Suite 403S, Wilmington, Delaware 19805, USA	USA	100%	Development and publishing of video games for the mobile market
The Label Inc (acquired 6 January 2022)	PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands	USA	100%	Development and publishing of video games for the mobile market
astragon Entertainment GmbH (acquired 13 January 2022)	Am Wehrhahn 33, 40211, Duesseldorf, Germany	Germany	100%	Development and publishing of simulation video games

The Group has the following investments in associates all of which were acquired on 13 January 2022 and held through astragon Entertainment GmbH. All investments in associates are measured using the equity method holding the investment at cost plus share of profits/losses.

Name of Company	Registered address	Principal place of business	Proportion of voting rights and shares held	Activity
Weltenbauer Software Entwicklung GmbH	Frankfurter Str 5, 65189 Wiesbaden	Germany	25.2% ordinary shares	Development of simulation video games
Rincon Design GmbH	Gilbachstrasse 29a, 50672 Cologne	Germany	20% ordinary shares	Digital design work
GQA Games Quality GmbH[1]	Dr.-Hans-Lebach-Str. 2, 15537 Erkner	Germany	50% ordinary shares	Quality assurance services for video games
GQA Games Quality Ukraine[1]	Sichovikh Striltsiv Street, 21, office 501 04053, Kiev city	Ukraine	50% ordinary shares	Quality assurance services for video games

1. GQA Games Quality GmbH owns 100% of the share capital of GQA Games Quality Ukraine. Both companies are not considered under control of Team17 Group Plc as the remaining 50% of the share options are owned by the CEO of the business and the Group has no additional voting rights.

13. Investments continued

The value of investments in associates held under the equity method are as follows:

	Year ended 31 December 2022 £'000
At 1 January 2022	–
Acquisitions	630
Translation on foreign operations	68
Share of profit from associates	347
At 31 December 2022	1,045

14. Property, plant and equipment

	Leasehold improvements £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2021	880	1,319	242	21	2,462
On acquisition	–	9	–	–	9
Additions	46	487	–	–	533
Disposals	–	(676)	–	(21)	(697)
At 31 December 2021	926	1,139	242	–	2,307
On acquisition	–	93	17	–	110
Additions	2	715	35	–	752
Currency translation	–	9	3	–	12
At 31 December 2022	**928**	**1,956**	**297**	**–**	**3,181**
Accumulated depreciation					
At 1 January 2021	92	927	69	21	1,109
Charge for the year	85	289	39	–	413
Disposals	–	(640)	–	(21)	(661)
At 31 December 2021	177	576	108	–	861
Charge for the year	95	471	59	–	625
Currency translation	–	3	–	–	3
At 31 December 2022	**272**	**1,050**	**167**	**–**	**1,489**
Net book value					
At 31 December 2022	656	906	130	–	1,692
At 31 December 2021	749	563	134	–	1,446

15. Right-of-use assets

	Buildings £'000	Total £'000
Cost		
At 1 January 2021	1,570	1,570
On acquisition	1,015	1,015
Additions	107	107
At 31 December 2021	2,692	2,692
On acquisition	964	964
Currency translation	113	113
At 31 December 2022	**3,769**	**3,769**
Accumulated depreciation		
At 1 January 2021	192	192
Charge for the year	311	311
At 31 December 2021	503	503
Charge for the year	461	461
Currency translation	20	20
At 31 December 2022	**984**	**984**
Net carrying amount		
At 31 December 2022	**2,785**	**2,785**
At 31 December 2021	2,189	2,189

16. Inventories

	31 December 2022 £'000	31 December 2021 £'000
Finished goods	1,225	–
	1,225	–

The balance represents the value of physically produced video games controlled by the company. During the year £8,339,000 (2021: £Nil) was recognised through cost of sales during the year. Inventories are stated after provision for impairment.

17. Trade and other receivables

Amounts falling due within one year:	31 December 2022 £'000	31 December 2021 £'000
Trade receivables	16,089	2,199
Accrued income	13,329	12,987
Other taxes receivable	1,606	796
Other receivables	819	619
Prepayments	3,108	1,224
Costs of fulfilling contracts	1,093	–
	36,044	17,825

There are no (2021: No) impaired assets within trade and other receivables. Trade receivables are recognised net of £879,000 (2021: £Nil) of rebates.

Since most of its customers are considered to have low default risk and the historical default rate and frequency of loss are low, the expected credit loss allowance for trade receivables is nominal as at 31 December 2021 and 31 December 2022.

18. Cash and cash equivalents

	31 December 2022 £'000	31 December 2021 £'000
Cash at bank and in hand	**47,875**	15,213
Cash equivalents	**2,953**	40,089
	50,828	55,302

Included within the cash equivalents balance above is £2,953,000 (2021: £3,115,000) owned by the Team17 Employment Benefit Trust. 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 considered restricted cash.

Included within cash equivalents at 31 December 2021 was £36,974,000 held by the Group's solicitors for the purchase of the Hell Let Loose IP and shares of The Label Inc. during January 2022.

19. Trade and other payables

Amounts falling due within one year:	31 December 2022 £'000	31 December 2021 £'000
Trade payables	**8,016**	2,748
Other payables	**1,325**	525
Contingent consideration	**17,965**	5,287
Taxation and social security	**745**	457
Accruals and deferred income	**24,288**	15,298
	52,339	24,315

Contingent consideration of £9,369,000 (2021: £Nil) due in over one year is included in non-current liabilities.

20. Contingent consideration

	31 December 2022 £'000	31 December 2021 £'000
Amounts falling due in under one year (note 19)	**17,965**	5,287
Amounts falling due in over one year	**9,369**	–
	27,334	5,287

Included within trade and other payables is £17,965,000 (2021: £5,287,000) of contingent consideration as disclosed in note 19. Contingent consideration is broken down as follows:

	31 December 2022 £'000	31 December 2021 £'000
At 1 January	**5,287**	–
On acquisition	**27,607**	6,612
Fair value adjustment	**884**	–
Interest	**2,320**	–
Foreign exchange	**1,234**	124
Payment	**(9,998)**	(1,449)
At 31 December	**27,334**	5,287

The maximum value of outstanding contingent consideration at the year end was £48.8m (2021: £15.5m).

21. Lease liabilities

	31 December 2022 £'000	31 December 2021 £'000
Amounts falling due within one year	**364**	301
Amounts falling due in over one year	**2,625**	2,042
	2,989	2,343

Interest expense during the year on the above lease liabilities included in finance costs was £124,000 (2021: £93,000). The total cash outflow for leases during the year was £541,000 (2021: £408,000).

22. Deferred taxation

Recognised deferred tax asset:

	Tax losses £'000	Other short-term timing differences £'000	Total £'000
At 1 January 2021 (restated)	–	752	**752**
On acquisition (restated)	780	(37)	**743**
Deferred tax recognised in profit or loss (restated)	(219)	828	**609**
At 31 December 2021 (restated)	561	1,543	**2,104**
Foreign exchange	228	–	**228**
Deferred tax recognised in profit or loss	(492)	(45)	**(537)**
At 31 December 2022	297	1,498	**1,795**

Recognised deferred tax liabilities:

	Accelerated depreciation for tax purposes £'000	Arising on intangible fixed assets £'000	Other short-term timing differences £'000	Total £'000
At 1 January 2021 (restated)	169	2,709	–	**2,895**
On acquisition (restated)	–	1,714	–	**1,714**
Deferred tax recognised in profit or loss (restated)	220	281	–	**501**
At 31 December 2021 (restated)	389	4,704	–	**5,093**
On acquisition	–	6,749	–	**6,749**
Foreign exchange	–	554	9	**563**
Deferred tax recognised in profit or loss	10	(1,687)	236	**(1,441)**
At 31 December 2022	399	10,320	245	**10,964**

The overall deferred tax position is a liability of £9,169,000 (2021: liability of £2,989,000).

The 2021 comparatives have been restated to correct the split of deferred tax between deferred tax assets and deferred tax liabilities.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, deferred taxes have therefore been measured using the tax rate at the date that the deferred tax asset or liability unwinds of 12.5% to 32.5% (2021: 19%).

23. Share capital

	31 December 2022 £'000	31 December 2021 £'000
Authorised, allotted, called up and fully paid		
145,593,271 (2021: 131,473,222) ordinary shares of 1p each	**1,456**	1,315
	1,456	1,315

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

On 11 January 2022 the Company issued 604,543 to the sellers of the Label and 1,531,780 shares to the sellers of Hell Let Loose. These shares were valued at £7.70 per share.

On 18 January 2022 the Company placed an additional 11,010,999 shares at the price of £7.14 per share with gross proceeds of £78.6m. Directly attributable fees of the placing totalled £2.2m for net proceeds of £76.4m.

Debbie Bestwick MBE, a director of Team17 Group Plc, received 972,727 share options on 23 May 2018 which fully vested on 23 May 2021. These Nil cost options were then exercised and the shares were issued on 20 May 2022.

Shares held by subsidiaries
At 31 December 2022, and included in these consolidated financial statements, the Team17 Employment Benefit Trust (the "Trust') holds 1,867,522 (2021: 1,920,150) shares in Team17 Group plc with a nominal value of £18,675 (2021: £19,202).

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 consolidated 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.

The premiums on the shares issued as part of historic share for share exchanges have been included in the merger relief reserve. During the year premiums of £4,649,000 have been recognised as part of the acquisition of The Label.

Currency translation reserve
Currency movements arising on the revaluation of foreign subsidiaries into the presentation currency of the consolidated accounts, GBP, are included in other comprehensive income and held in the currency translation reserve.

Other reserves
Other reserves are made up of the following:

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

24. Share based compensation

The following share schemes have been awarded but not yet vested at 31 December 2022:

Share scheme name	Award date	Vesting date	Maximum number of share options outstanding	Exercise price per share option
Executive LTIPs – 2020	10 September 2020	9 September 2023	20,057	£Nil
Executive LTIPs – 2021	8 July 2021	7 July 2024	176,100	£Nil
Executive LTIPs – 2022	29 June 2022	28 June 2025	313,500	£Nil
Free shares (Multiple awards)	See note	See note	110,368	£Nil
Nil cost options (Multiple awards)	See note	See note	110,166	£Nil
Other LTIPs	See note	See note	12,535	£Nil
Senior management LTIPs	29 June 2022	28 June 2025	49,718	£Nil
Share Incentive Plan (See note below)	Monthly award	3 years from award date	27,688	£Nil

The maximum number of outstanding share options at 31 December 2022 was 820,132 (2021: 1,335,490). Of these share options 300,798 (2021: 166,606) will be settled from shares already held by the Team17 Employment Benefit Trust. All share options have both and award and exercise price of £Nil and there are no dividends expected to be paid during the option vesting period.

Share based payment charges are included within either cost of sales or administrative expenses (depending on which employees the shares were issued to) in the Consolidated Statement of Profit or Loss and included within retained earnings in the Consolidated Statement of Financial Position. In addition, social security costs are being accrued in the balance sheet at the rate applicable to the recipient multiplied by the balance sheet share price multiplied by the number of shares expected to vest. This is recognised over the vesting period within either cost of sales or administrative expenses and accruals in the Consolidated Statement of Financial Position.

Included within the consolidated financial statements is the following:

	31 December 2022 £'000	31 December 2021 £'000
Consolidated Statement of Comprehensive Income		
Share options charge	**444**	648
Employers national insurance	**(537)**	356
	(93)	1,004
Consolidated Statement of Financial Position		
Accruals (cumulative employers national insurance balance)	**170**	1,373
Retained Earnings (cumulative balance)	**3,197**	2,753

At the date of award, in order to calculate the fair value of share options the likelihood of the options vesting is estimated. This percentage based estimate is made up of:

- Assessment of meeting results based performance targets (where applicable)
- Assessment of the likelihood for remaining employed throughout the vesting period

The combination of these make up the estimate of options vesting percentage as shown in the tables below.

24. Share based compensation continued

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 at each reporting date to reflect the Group's position against the targets.

Share options awarded to Executive Directors in 2020 under the Team17 Group plc Long Term Incentive Plan have a performance criteria based on meeting the Group's Cumulative AEPS target over three financial years FY20 to FY22.

Award date	10 September 2020	8 July 2021	29 June 2022
Vesting date	9 September 2023	7 July 2024	28 June 2025
Underlying share price (£)	6.86	7.95	3.95
Vesting period	3 years	3 years	3 years
Estimate of options vesting	100%	0%	100%
Risk free rate	0.83%	0.83%	0.83%
Fair value at vesting date (£'000)	138	1,400	1,238
Performance targets	Group's cumulative AEPS targets	Group's EPS Compound annual growth targets	Group's adjusted EPS compound annual growth targets
Performance period	FY20 to FY22	FY21 to FY23	FY22 to FY24

Free shares
There have been two separate issues of free share options to all staff employed by Team 17 Digital Limited. 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 is calculated as the fair value multiplied by the number of share options issued. The expense is apportioned over the vesting period. These share options will be settled from shares already held by the Team17 Employment Benefit Trust.

Award date	4 April 2019	29 April 2022
Vesting date	3 April 2022	28 April 2025
Underlying share price (£)	2.825	4.35
Estimate of options vesting	52%	69%
Fair value at vesting date (£'000)	186	157
Maximum number of options outstanding	63,550	48,391

Nil cost options
During the current and previous years there have been multiple awards provided to employees of the Group. These have been issued at different points over the years as shown in the table below. 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. All of these options have both an award and exercise price of £Nil.

The fair value of these share options is 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.

Award date	Vesting date	Underlying share price (£)	Estimate of options vesting	Fair value at vesting date (£'000)	Maximum number of share options outstanding
8 April 2019	8 April 2022	2.665	80%	76	8,184
18 December 2019	18 December 2022	3.425	100%	60	17,392
22 April 2020	21 April 2023	5.52	80%	22	3,208
6 May 2020	5 May 2023	5.2	80%	77	6,883
1 May 2021	30 April 2024	7.05	80%	277	33,468
27 April 2022	26 April 2025	4.6	80%	55	12,846
29 July 2022	28 July 2022	4.4	69%	15	5,104
31 October 2022	30 October 2022	4.125	69%	16	3,856

Senior management LTIPs
A further LTIP scheme was awarded during the year with no results based performance criteria. One third of the options vest on each anniversary of the award date so long as the recipient remains employed however these options may not be exercised until 3 years from the date of award.

Award date	29 June 2022
Earliest exercise date	28 June 2025
Underlying share price (£)	3.95
Estimate of options vesting	80%
Fair value at vesting date (£'000)	157
Maximum number of options outstanding	49,718

Other LTIPs
During the year, options were issued under the LTIP scheme. Unlike the LTIPs discussed above these had no performance related targets to satisfy and instead vest over the length of the award so long as the recipient remains employed. The options also have a vesting period of less than 3 years.

Award date	23 November 2021	23 November 2021
Vesting date	22 November 2022	17 November 2023
Underlying share price (£)	6.40	6.40
Estimate of options vesting	52%	69%
Fair value at vesting date (£'000)	59	21
Maximum number of options outstanding	9,265	3,270

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 is calculated as the fair value at the award date multiplied by the number of share options multiplied by the estimate of options vesting. All SIP option schemes use an estimate of 69% for the estimate of options vesting. The expense is apportioned over the vesting period. These share options will be settled from shares already held by the Team17 Employment Benefit Trust.

25. Cash generated from operations

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flow from operating activities		
Profit before tax	**28,665**	29,109
Adjustments for:		
Depreciation of property, plant and equipment	**625**	413
Depreciation of right-of-use assets	**461**	311
Amortisation of intangible fixed assets	**19,593**	8,630
Loss on disposal of fixed assets	**–**	36
Fair value movement in contingent consideration	**884**	–
Share based compensation	**443**	648
Share of profits of associates	**(347)**	–
Finance income	**(34)**	(10)
Financial expenses	**3,983**	144
Operating cash flow before changes in working capital	**54,273**	39,281
(Increase)/Decrease in trade and other receivables	**(1,892)**	509
Increase in provisions	**31**	33
Increase/(Decrease) in trade and other payables	**4,510**	(4,743)
Increase in inventory	**(735)**	–
Cash generated from operations	**56,187**	35,081

26. Commitments and contingencies

The Group had no contracted capital commitments at 31 December 2022 (31 December 2021: £Nil).

27. Financial instruments

At 31 December 2022	Note	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at fair value through profit and loss £'000	Carrying value £'000	Fair value £'000
Financial assets						
Trade and other receivables	17	**30,236**	**–**	**–**	**30,236**	**30,236**
Cash and cash equivalents	18	**50,828**	**–**	**–**	**50,828**	**50,828**
Financial liabilities						
Trade and other payables	19	**–**	**(22,255)**	**(17,965)**	**(40,220)**	**(40,220)**
Contingent consideration in two to five years	20	**–**	**–**	**(9,369)**	**(9,369)**	**(9,369)**
Lease liabilities in under one year	21	**–**	**(364)**	**–**	**(364)**	**(364)**
Lease liabilities in two to five years	21	**–**	**(1,726)**	**–**	**(1,726)**	**(1,726)**
Lease liabilities in over five years	21	**–**	**(899)**	**–**	**(899)**	**(899)**
		81,064	**(25,244)**	**(27,334)**	**28,486**	**28,486**

At 31 December 2021	Note	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000 (restated)	Financial liabilities at fair value through profit and loss £'000 (restated)	Carrying value £'000	Fair value £'000
Financial assets						
Trade and other receivables	17	16,342	–	–	16,342	16,342
Cash and cash equivalents	18	55,302	–	–	55,302	55,302
Financial liabilities						
Trade and other payables	19	–	(17,344)	(5,287)	(22,631)	(22,631)
Lease liabilities in under one year	21	–	(301)	–	(301)	(301)
Lease liabilities in two to five years	21	–	(1,178)	–	(1,178)	(1,178)
Lease liabilities in over five years	21	–	(864)	–	(864)	(864)
		71,644	(19,687)	(5,287)	46,670	46,670

Trade and other receivables shown above comprises trade receivables, accrued income and other receivables as disclosed in note 17. Trade and other payables comprises trade payables, other payables and accruals as disclosed in note 19.

Management have assessed that for cash and cash equivalents, trade and other receivables and trade and other payables their fair values approximate to their carrying amounts largely due to the short-term maturities of these instruments. They are included in the table above for completeness.

The fair value of contingent consideration has been calculated using discounted cash flows. These are considered as level 3 financial instruments (inputs for the assets or liabilities are not based on observable market data).

The 2021 comparatives in the table above have been restated to include contingent consideration as fair value through profit and loss.

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

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

27. Financial instruments continued

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. The Group's customers are considered to have low default risk, and the historical default rate and frequency of loss are both low. Therefore, the lifetime expected credit loss allowance for trade and other receivables is nominal at 31 December 2022. 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.

Currency risk
The Group receives and remits payments in Euros and US Dollars and manages this foreign currency risk by offsetting payments and receipts along with transferring excess foreign currency balances into GBP at the earliest possible opportunity.

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. Included within trade and other payables within one year is £17,965,000 (2021: £5,287,000) of contingent consideration due within one year. Contingent consideration in non-current assets is £9,369,000 (2021: £Nil) due in two to five years and £Nil (2021: £Nil) in over five years.

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

Lease liabilities
Included within lease liabilities is £364,000 (2021: £301,000) of lease liabilities due within one year, £1,726,000 (2021: £1,292,000) within two to five years and £899,000 (2021: £750,000) due in over five years.

28. Pensions

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

The outstanding pension contributions at 31 December 2022 were £201,000 (31 December 2021: £59,000).

29. Related parties

Ultimate controlling party
At 31 December 2022 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 2022 and there are no loan notes outstanding with related parties at the 31 December 2022.

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.

30. Post balance sheet events

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

On 27 April 2023 astragon Entertainment GmbH acquired 100% of the share capital in Independent Arts Software GmbH. Independent Arts is a games development studio with 39 employees based in Germany. At the time when these financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisitions and assessed the fair value of the consideration. The consideration is split up into two parts with an element of cash paid up front on acquisition and an element of contingent consideration based on the Company meeting certain conditions. The acquisition has been funded through the group's cash position and there has been no debt raised.

Company Statement of Financial Position

As at 31 December 2022
Company Registration Number: 11205116

	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Fixed assets			
Investments	6	**250,803**	179,510
Deferred tax asset		**94**	676
		250,897	180,186
Current assets			
Trade and other receivables	7	**47,047**	43,113
Cash at bank and in hand		**9,944**	37,461
		56,991	80,574
Creditors: amounts falling due within one year			
Trade and other payables	8	**(20,533)**	(59,556)
Net current assets		**36,458**	21,018
Net assets		**287,355**	201,204
Capital and reserves			
Called up share capital	9	**1,456**	1,315
Share premium account	10	**136,775**	44,084
Other reserves	10	**154,245**	154,245
Profit and loss account	10	**(5,121)**	1,560
Total equity		**287,355**	201,204

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 loss (2021: loss) for the year dealt with in the accounts of the Company was £7,125,000 (2021: £1,045,000).

The financial statements on pages 55 to 93 were approved by the Board of Directors and authorised for issue on 18 May 2023, and were signed on its behalf by:

Debbie Bestwick MBE
Group Chief Executive Officer

Company Statement of Changes in Equity
For the year ended 31 December 2022

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 2021		1,315	44,084	154,245	1,957	**201,601**
Comprehensive income						
Loss and total comprehensive income for the financial year		–	–	–	(1,045)	**(1,045)**
Transactions with owners						
Share based compensation		–	–	–	648	**648**
At 31 December 2021		1,315	44,084	154,245	1,560	**201,204**
Comprehensive income						
Loss and total comprehensive income for the financial year		–	–	–	(7,125)	**(7,125)**
Transactions with owners						
Issue of shares for a business combination	9	6	4,649	–	–	**4,655**
Issue of shares for an acquisition of IP	9	15	11,779	–	–	**11,794**
Issue of shares to satisfy share options	9	10	–	–	–	**10**
Contributions of equity	9	110	76,263	–	–	**76,373**
Share based compensation		–	–	–	444	**444**
Total transactions with owners		141	92,691	–	444	**93,276**
At 31 December 2022		1,456	136,775	154,245	(5,121)	**287,355**

Notes to the Company Financial Statements
For the Year Ended 31 December 2022

1. General information

Team17 Group Plc (the "Company") is incorporated and domiciled in England (United Kingdom) and the principal activity of 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 transitioned from FRS 102 to FRS 101 with an effective date of 1 January 2021. There were no transition adjustments required as a result of the transfer to FRS 101. The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") 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 Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 "Financial Instruments: Disclosures"
- The requirements of paragraphs 91-99 of IFRS 13 "Fair Value Measurement"
- The requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
- Paragraph 79(a)(iv) of IAS 1;
- Paragraph 73(e) of IAS 16 "Property, Plant and Equipment"; and
- Paragraph 118(e) of IAS 38 "Intangible Assets"
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements"
- The requirements of IAS 7 "Statements of Cash Flows"
- The requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- The requirements of paragraph 17 and 18A of IAS 24 "Related Party Disclosures"
- The requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 "Impairment of Assets"
- The requirements of B64(d), (e), (g), (h), (j)-(m), (n)(ii), (o)(ii), (p), (q)(ii), B66 and B67 of IFRS 3 "Business Combinations"
- The requirements of 45(b) and 46-52 of IFRS 2 "Share-based payments"

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

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

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

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

1. General information 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 is recognised as an expense in the Statement of Comprehensive Income over the vesting period of the options with a corresponding credit included within retained earnings. Employers National Insurance due on the share options are included over time within the Statement of Comprehensive Income based on the estimated 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.

Valuation of investments
Investments in subsidiaries are measured at cost less accumulated impairment. The Company assesses at least every year whether there is an indication that an asset may be impaired. If any indication exists, or when impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

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 asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

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.

Other income
Other income represents income from group management charges recognised at the point the performance obligation is satisfied.

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in other creditors as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

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 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
Includes all current and previous retained profits and losses.

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

Impairment of investments (Estimate)
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 other key assumptions such as the discount rate and long term growth rate. Further details regarding the estimates of the value in use for the business is included in note 11 of the consolidated financial statements covering the value in use estimate for goodwill.

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

The value of the intangible assets acquired are estimated using forecasts and apply an appropriate discount rate for the calculation. Further details of these discount rates for acquisitions that occurred during the year are included within consolidated notes 11 and 12.

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

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

4. Operating Profit

Remuneration paid to our auditors is stated in note 6 of the consolidated financial statements and has not been included within the individual entity accounts.

5. Staff numbers and costs

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

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
Support	**3**	–
Executive directors	**2**	2
Non-executive directors	**4**	4
	9	6

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	**1,941**	1,243
Social security costs	**(345)**	486
Other pension costs	**56**	29
Share based compensation	**59**	525
	1,711	2,283

The following tables sets out the executive directors' payroll costs:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Aggregate remuneration	**1,370**	1,243
Social security costs	**(428)**	486
Company contributions to money purchase scheme	**44**	29
Share based compensation	**(24)**	525
	962	2,283

Retirement benefits are accruing to 2 executive directors (2021: 2 directors) under money purchase schemes. In addition, long-term share incentive schemes are in place for 2 (2021: 2) executive directors.

During the year one (2021: Nil) director exercised share options as set out in note 10.

The remuneration of the highest paid Director was:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Aggregate emoluments	**683**	660
Share based compensation	**(87)**	363
	596	1,022

6. Investments

Cost	£'000
At 1 January 2021	156,475
Additions	23,035
At 31 December 2021	179,510
Additions	71,293
At 31 December 2022	**250,803**
Net book value	
At 31 December 2022	**250,803**
At 31 December 2021	179,510

Included in the additions balance is £70,897,000 representing the acquisitions of astragon Entertainment GmbH and £22,912,000 included in 2021 representing the acquisition of StoryToys Limited. The remaining additions of £396,000 (2021: £123,000) represents the value of share options issued to employees employed by Team17 Group plc's subsidiaries.

The list of subsidiaries and associates is included in note 13 to the consolidated financial statements.

7. Trade and other receivables

Amounts falling due within one year:

	31 December 2022 £'000	31 December 2021 £'000
Amounts owed by group undertakings	**45,983**	42,926
Other receivables	**271**	20
Prepayments	**793**	167
	47,047	43,113

During the current and previous year, amounts owed by group undertakings are interest free and repayable on demand.

8. Trade and other payables

Amounts falling due within one year:

	31 December 2022 £'000	31 December 2021 £'000
Trade payables	**208**	99
Amounts owed to group undertakings	**9,713**	51,282
Other payables	**8,865**	5,287
Current tax liabilities	**31**	28
Taxation and social security	**54**	96
Accruals and deferred income	**1,662**	2,764
	20,533	59,556

During the current and previous year, amounts owed to group undertakings are interest free and repayable on demand.

9. Called up share capital

	31 December 2022 £'000	31 December 2021 £'000
Authorised, allotted, called up and fully paid 145,593,271 (2021: 131,473,222) ordinary shares of 1p each	**1,456**	1,315
	1,456	1,315

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

On 11 January 2022 the Company issued 604,543 to the sellers of the Label and 1,531,780 shares to the sellers of Hell Let Loose. These shares were valued at £7.70 per share.

On 18 January 2022 the Company placed an additional 11,010,999 shares at the price of £7.14 per share with gross proceeds of £78.6m. Directly attributable fees of the placing totalled £2.2m for net proceeds of £76.4m.

Debbie Bestwick MBE, a director of Team17 Group Plc, received 972,727 share options on 23 May 2018 which fully vested on 23 May 2021. These Nil cost options were then exercised and the shares were issued on 20 May 2022.

10. Reserves

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. As part of the issue of shares on 11 January 2022, share premium of £92,691,000 was added to the reserve.

Profit and loss account
Includes all current and previous retained profits and losses.

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

11. Share based compensation

Please see note 25 in the consolidated Team17 Group Plc consolidated financial statements for further information on the share based compensation charge in the year.

12. Related parties

Ultimate controlling party
At 31 December 2022 there was not considered to be a single ultimate controlling party of Team17 Group Plc.

Transactions with key management personnel
The key management personnel of the Group are deemed to be the Board of Directors and details of their aggregate remuneration can be found in note 7 to the Group financial statements.

13. 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 2022 were £9,000 (2021: £3,000).

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