TEAM17 GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2023

A LIFETIME OF PLAY

TEAM17 GROUP PLC, A LEADING GLOBAL INDEPENDENT ("INDIE") GAMES LABEL DEVELOPER AND PUBLISHER OF PREMIUM VIDEO GAMES AND APPS.

DIVISIONAL REPORTING

Team17 Games Label
/ Indie Games Label

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

FIND OUT MORE ON PAGES
16-19

astragon
/ Working Simulation

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

FIND OUT MORE ON PAGES
20-23

StoryToys
/ Edutainment

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

FIND OUT MORE ON PAGES
24-27

HIGHLIGHTS

2023 Operational Highlights

- Revenues grew 12% to £159.1 million (FY 2022: £142.3 million) with 17 new games and apps released in the period (FY 2022: 12) alongside 6 existing games released on additional platforms (FY 2022: 6).
- Revenues from the back catalogue grew 10%, accounting for 71% of Group revenues (FY 2022: 73%), while the Group's first-party IP represented 35% of total revenues (FY 2022: 40%).
- Games Label showed revenue growth of 12%, launching 11 new games (FY 2022: 11) including the multi award-winning 2023 game ***Dredge***, which has sold over one million units, along with ***Blasphemous 2, Headbangers: Rhythm Royale, Killer Frequency, Moving Out 2*** and ***Trepang 2***. In addition, five existing games were released on new platforms. Games Label's content portfolio now comprises over 900 digital revenue lines (FY 2022: over 700 digital revenue lines).
- astragon delivered revenue growth of 5%, launching 3 new games (FY 2022: 3) – ***Tram Simulator, ABRISS*** and ***Howl*** – as well as one additional existing first-party IP game released on additional platforms and 16 paid DLCs[4] across its existing IP. It completed the acquisition of Independent Arts Software GmbH ("IAS") in April 2023, expanding the working simulation development team to accelerate the creation and launch of a new first-party IP game.
- StoryToys posted revenue growth of 26%. It developed and launched 3 new apps, including ***Barbie™ Color Creations, LEGO® DUPLO® DISNEY - MICKEY AND FRIENDS*** and ***Marvel HQ*** and 327 apps updates across its existing titles (FY 2022: 216). Active subscribers continue to grow and now exceed 320,000 (FY 2022: over 300,000).
- 2023 was a strong year for gaming awards across the Group, with multiple awards for ***Dredge*** (including Best Indie Game – IGN & Windows Central, Best Setting – PC Gamer) and ***Blasphemous 2*** (including Best Game – IndieDevDay2023, Best Game Rising Star Award – TGBUS), with ***Moving Out 2*** winning Best Strategy Game (Playstation Universe) and ***LEGO® DUPLO® DISNEY*** (Google Play Best of 2023, Best for Families, Honourable Mention).
- A thorough review of the Games Label strategic direction (now re-focussed on its core indie games roots), cost base structure and processes was completed in the last quarter of 2023.
- Headcount reduced to 348 as at 31 December 2023 (FY 2022: 392), reflecting the impact of the Games Label restructuring review and increased utilisation of an outsourced studio resourcing model.
- Continued to strengthen the Board and leadership team, bringing in operational depth and video gaming experience. Frank Sagnier joined the Board as Chair, with Debbie Bestwick moving to a Non-Executive Director role, also joined by Peter Whiting. Steve Bell joined as Group Chief Executive Officer. Other additions include a Group People & Culture Director and Group Investor Relations Director.

2023 Financial Highlights

£159.1m
Revenue
(FY 2022: £142.3m)

+12%
Revenue Growth
(FY 2022: +54%)

£57.5m
Gross Profit
(FY 2022: £69.6m)

£29.9m*
Adjusted EBITDA[1]
(FY 2022: £48.8m)

(£1.1m)
(Loss)/Profit Before Tax
(FY 2022: £28.7m)

£28.7m
Adjusted Profit Before Tax[1]
(FY 2022: £47.1m)

(2.6p)
Basic Earnings per Share
(FY 2022: 16.5p)

£42.8m
Cash and Cash Equivalents
(FY 2022: £50.8m)

87%
Operating Cash Conversion[3]
(FY 2022: 108%)

17.5p
Adjusted Earnings per Share[2]
(FY 2022: 27.8p)

*£41.0 million excluding title impairments

The review of the carrying value of intangible assets resulted in one-off non-cash charges of £11.1 million relating to games title impairments and a £20.9 million charge goodwill impairment charge relating to the acquisition of The Label Inc.

1. A full description of Alternative Performance Measures, the rationale for their use, and reconciliation between adjusted and reported statutory measures can be found within the Chief Financial Officer's Report on page 13.

   Adjusted profit before tax excludes acquisition-related costs and adjustments, amortisation and impairment of acquired intangible assets, share-based compensation and one-off Games Label restructuring costs from the statutory measure whilst adding back development cost amortisation eliminated through acquisition fair value adjustments.

   Adjusted profit after tax excludes the same items as adjusted profit before tax removing corporation tax net of any tax effects on these items.

   Adjusted EBITDA can be calculated from adjusted profit after tax by adding back all remaining finance income and costs, tax, depreciation, amortisation and impairment except for those on development costs.
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 basic or diluted).
3. Operating cash conversion is defined as cash generated from operating activities adjusted to add back payments made to satisfy pre-acquisition liabilities recognised under IFRS 3 "Business Combinations", divided by earnings before interest, tax, depreciation and amortisation ("EBITDA")
4. Downloadable content.

CHAIR'S STATEMENT

> "THE GROUP HAS AN ENVIABLE TRACK RECORD OF DISCOVERING INNOVATIVE NEW GAMES, BRINGING THEM TO MARKET, AND NURTURING MANY OF THEM INTO ENDURING, QUALITY FRANCHISES."

FRANK SAGNIER, CHAIR

I have been involved in the games industry for over 25 years and have long admired the Team17 Group as a business, as well as the passion and dedication of the team behind the name. When the opportunity arose to join the Group as Chair, I was delighted to accept and to support on the next phase of its growth.

The Group has an enviable track record of discovering innovative new games, bringing them to market, and nurturing many of them into enduring, quality franchises. As a leading Indie games developer and publisher, the Group has built a solid foundation for the business to scale upon. I am excited to be part of this journey going forward.

I would like to personally thank Chris Bell for his significant contribution to the Group throughout his tenure as Chair. Chris joined the business pre-IPO to provide guidance and insight during the process of transitioning from a private to public business, which has been invaluable. I have had the pleasure of working with Chris as we undertook a thorough handover, and I wish him every success with his future endeavours.

In the year ended 31 December 2023, the Group generated revenues of £159.1 million (FY 2022: £142.3 million), gross profit of £57.5 million (FY 2022: £69.6 million) and adjusted EBITDA of £29.9 million (FY 2022: £48.8 million). Despite our strong revenue performance, we are disappointed to deliver this level of adjusted EBITDA alongside a reported statutory loss, both of which were significantly impacted by one off non-cash impairment charges. More detail is provided later in the Chief Financial Officer's review. We feel these results fall short of our own expectations and do not reflect the potential of the Group. We have proactively sought to realign our underlying cost base and development costs to support an improvement in the future underlying trading performance of the Group.

£159.1m
Group revenues for the year ended 31 December 2023

The Group continues to boast a strong balance sheet, with £42.8 million of cash and cash equivalents at 31 December 2023 (FY 2022: £50.8 million). The senior team is firmly focused on ensuring the Group's cash position is leveraged effectively to expand the business' existing operational capabilities and support enhanced revenue generation across the Group. The performance of astragon and StoryToys highlights the importance of quality M&A as a pillar in the Group's strategy to complement the existing business as and when compelling opportunities arise.

The Group has created a uniquely diversified portfolio of games and IP over the last 30 years, which reaches and engages with a growing global audience. The team has successfully expanded its footprint through a number of highly targeted acquisitions, which further strengthened its commercial position. These acquisitions are delivering new customer segments and gaming genres, alongside providing a reliable contribution to Group revenues. In addition, the Group has also grown its back catalogue, which represents 71% of total Group revenues, demonstrating its ability to successfully manage product lifecycle.

More people than ever are playing games, with 3.3 billion[1] gamers in 2023 rising to an estimated 3.8 billion by 2026, supporting a global games market generating revenues of $184 billion[1] in 2023 expected to rise to $205 billion[1] by 2026. This growth is underpinned by increasing demand for interactive entertainment, advancements in technology, growth in new geographies, expanding demographics, and the rise of new gaming platforms and business models.

At the same time, the number of games coming to the market is currently growing at a faster rate than revenues, and the quality of the top games is getting higher. Competition for gamers' time and disposable income is intense, and the current headwinds from the cost of living crisis clearly remain an obstacle.

In a market where launching new IP is challenging, the Group is, more than ever, the partner of choice thanks to its experience, know-how and proven track record of working alongside independent developers to create long-running, successful projects and franchises. There are plenty of talented developers who will look for a trusted partner for their games. Major releases such as ***Hell Let Loose*** (full release launched at the end of FY 2021), ***Blasphemous 2*** and ***Dredge*** (both launched in FY 2023) are just a few examples of successes we have brought to market.

From game design to production processes and technology, we assist talented developers in optimising their game's quality while providing the full suite of publishing services and leveraging our extensive relationships in the global gaming eco-system to maximise success.

Last year saw quite a few changes at the Group, and we entered 2024 with several new team members ready to support the business on its next stage of growth. During 2023, Chris Bell, Martin Hellawell and Jennifer Lawrence stepped down from the Board. Debbie Bestwick also stepped down as CEO of the business and has transitioned to a Non-Executive Director role. As founder and former CEO, as well as the biggest shareholder, Debbie will continue to help guide the business, albeit on a more strategic level. Chris, Martin and Jennifer worked alongside Debbie during the period after the Group's IPO, and the Group would not be where it is today without their valuable insights and contributions.

The renewed Board will bring deeper insights and knowledge from their games industry experience, guiding management to scale the business and build on the strong foundations in place.

We have proven talent across the senior management team, and I look forward in particular to working alongside our Group CEO Steve Bell, an entrepreneur with a proven pedigree for scaling and managing businesses. With Steve – and supported by our outstanding divisional leaders – I believe the team is well positioned to guide the Group forwards, to maximise our growth potential. I have been particularly impressed with the thoroughness and rigour demonstrated by the senior management team and am confident with the strategic plans that have been put together for FY 2024 and beyond.

Following Michael Pattison's departure as CEO of our Games Label, Ann Hurley, a highly experienced games industry veteran, has been overseeing the division on an interim basis. Supported by a global search agency to review a range of potential candidates, Ann has formally been confirmed as General Manager for the Games Label on a permanent basis with immediate effect. In her role she will continue to lead the great team we have in place to deliver on our near-term release roadmap.

Publishing games remains a highly competitive and complex process. Today's market is now highly challenging, with consumers splitting their time between gaming and other entertainment activities, alongside the pressures created by the ongoing cost of living crisis reducing historic levels of discretionary spending. Set against this backdrop, the Group's track record of successfully bringing products to market should ensure it remains well positioned to continue to gain market share over the coming years.

We look forward to driving and scaling the business in the medium term through both organic growth and, where appropriate, selective, value-accretive acquisitions.

Frank Sagnier
Chair

16 May 2024

1. https://newzoo.com/resources/blog/explore-the-global-games-market-in-2023

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

"I AM EXCITED TO EXPLORE HOW MY EXPERIENCE WITHIN DIGITAL MARKETING CAN FURTHER SUPPORT DISCOVERABILITY OF OUR CONTENT IN AN EVER EXPANDING AND RAPIDLY EVOLVING MARKETPLACE."

STEVE BELL, CHIEF EXECUTIVE OFFICER

Introduction
I was excited to join Team17 Group plc as the Group's Chief Executive Officer designate in September 2023, and since my arrival I have been hugely impressed by the talent and enthusiasm that defines our team. We are proudly committed to producing market leading, engaging, high-quality Indie games, working simulation experiences and edutainment apps that appeal to a broad demographic across multiple genres. The shared drive of our people to deliver this has been evident to me from the very outset of my time at the Group.

The market backdrop this year has been immensely challenging, with exceptional competition in the sector throughout the year. In this context, we delivered a strong revenue performance with Group revenues of £159.1 million (FY 2022: £142.3 million).

Profits came in below our initial expectations, with gross profit of £57.5 million (FY 2022: £69.6 million), and adjusted EBITDA of £29.9 million (FY 2022: £48.8 million), driven by certain games within the Games Label not meeting internal expectations. The outcome also reflects the result of the review of the carrying value of intangible assets which led to an impairment charge on some launched games and on some games currently under development. Reported profit before tax was significantly impacted by one off non-cash impairment charges which resulted in a reported loss of £1.1 million (FY 2022: £28.7 million profit). More detail is provided later in the Chief Financial Officer's review.

"THE GAMES LABEL HAS RE-FOCUSSED BACK TO ITS CORE INDIE GAMES ROOTS."

"3 OF THE TOP 5 GAME REVENUES ACROSS THE GROUP COME FROM FIRST-PARTY IP GAMES."

In the second half of the year, we undertook a comprehensive review of our cost base within the Games Label, which was completed in November 2023. Whilst this unfortunately resulted in redundancies, we believe our cost base is now aligned to our core Indie strategy, and the business is now even better placed to capitalise on future opportunities while continuing to optimise our existing pipeline.

The Group retains a strong balance sheet, with £42.8 million of cash and cash equivalents at 31 December 2023 (FY 2022: £50.8 million).

The senior team is firmly focused on effectively leveraging the business' operational capabilities to support enhanced revenue generation across the Group. The successful addition of astragon and StoryToys to the Group, highlights the importance of identifying quality acquisitions that complement the existing business as and when compelling opportunities arise.

As at 31 December 2023, the Group had 348 employees (FY 2022: 392), spread across 8 locations in 5 countries. Over the course of FY 2023, we invested in our senior leadership team, including the recruitment of a Group People & Culture Director and Group Investor Relations Director, and now benefit from a strengthened divisional management structure to support all team members across all locations.

17
new games and apps released in 2023, with ***Dredge*** being the highest selling title across the Group

Operational Review
The Games Label launched 11 new games in the period, including the hugely successful ***Dredge***, which has sold over one million copies to date and has received high praise from critics and players alike. More generally, the average review score on Steam for our 5 bestselling new releases during FY 2023 was 91%. Other major releases included ***Moving Out 2, Blasphemous 2, Killer Frequency, Trepang 2, Gord*** and ***Headbangers – Rhythm Royale***, along with additional content for games including ***Golf With Your Friends***. The Games Label also released multiple content updates for its existing portfolio, demonstrating the strength of its back catalogue and the focus of the team on maximising the lifecycle of games within the portfolio.

StoryToys' content portfolio continued to expand this year, with the launch of new apps, such as ***Marvel HQ*** in May and ***Barbie™ Color Creations*** in July, and a further 327 app updates across nine apps, including ***Iron Man Target Game***, which was added to the ***Marvel HQ*** app in October. Additionally, we have increased the number of platforms on which our products are available, with users now able to access ***Barbie™ Color Creations*** and ***LEGO® DUPLO® WORLD*** via Apple Arcade. StoryToys strengthened its licensing partnerships with leading, international brands in the period, notably adding Mattel to its existing roster, which to date includes: The LEGO Group, Disney, Pixar, Marvel Entertainment, Penguin Books, and Dick Bruna. These partnerships are a testament to StoryToys' strong track record and growing reputation as an established, reliable partner for international companies looking to expand their trusted and iconic brands into the edutainment space.

astragon's working simulation games continued to perform strongly in FY 2023, driven by the launch of additional content across numerous games, including ***Police Simulator – Crime Scene Update*** and ***Firefighting Simulator – The Squad***. In addition, ***ABRISS – Build to Destroy***, an atmospheric physics-destruction building game developed by Randwerk Games and published by astragon, was launched across all platforms in FY 2023, receiving positive user reviews as well as critical acclaim, having been awarded the title of Best Graphic Design at the German Computer Game Awards. FY 2023 also saw the successful introduction of season passes, 16 paid DLCs across first-party IP games and the introduction of five new brand licenses.

3 of the top 5 game revenues across the Group come from first-party IP games and within the top 10 selling games there is a spread of games from each division with 5 from Games Label, 3 from astragon and 2 from StoryToys, demonstrating the breadth of the portfolio across the Group. The top ten selling games represent 60% of total revenues in FY 2023, which compares with 65% in FY 2022.

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

"OUR SENIOR LEADERSHIP TEAMS BRING WELL OVER 200 YEARS OF SPECIALISED SECTOR AND MARKET EXPERTISE."

The Team
The quality of our games is testament to the exceptional talent and depth of experience across our business. The team's unwavering dedication and technical prowess are essential to developing games that immerse and captivate their audiences. I have particular respect and understanding for the creative process, gained from my own experience working for over 25 years across the branding and digital marketing arena, which has enabled an instant connection to the team. I have been extremely impressed by their ability to craft compelling narratives and to design captivating user journeys that are both seamless and intricately detailed. Each game and content release showcases the immense passion of those in the Group and their commitment to continually enhance the games within our broader portfolio.

The Group benefits enormously from its dedicated divisional leaders – Ann, Emmet, Tim and Julia – who, along with their senior leadership teams, bring well over 200 years of specialised sector and market expertise as well as industry relationships. This is crucial in identifying key trends in their respective market segments, and in delivering unique and captivating content to their distinct target audiences, from multi-genre Indie games in the Games Label, to working simulation experiences in astragon, and children's edutainment apps in StoryToys. This agility in the face of rapidly evolving market dynamics ensures the Group is able to capitalise on new opportunities and stay ahead of the curve when it comes to producing innovative, exciting content for our diverse customer base.

Our leadership team will also benefit from the valuable industry experience offered from our new Board members, especially our Chair, Frank Sagnier, and from the strategic rigour and gaming knowledge Debbie Bestwick will provide in her new role as a Non-Executive Director.

2023 was one of the most competitive and challenging years seen in the games industry in terms of high-quality launches and aggressive product discounting, set against the well documented cost of living crisis. Like its peers in the sector, the Games Label felt the pressure associated with these challenges acutely. Combining the external market conditions with an internal strategic review, the Group made the difficult decision to initiate a reorganisation of the division in October, resulting in a reduction in headcount. Management is confident that the business' cost base is now aligned with the Group's long-term focus, enabling it to better leverage both fixed and flexible resources and invest in the games and teams of the future.

At a broader, Group level, the business remains cognisant of the inherently higher attrition levels observed across the games industry, and the detrimental impact this can have on preserving the quality and drive of our teams if not managed proactively. To this end, we continue to implement internal programmes and processes, outlined in the ESG report on page 28, to ensure high retention levels and a positive working environment for our people.

Strong communication is integral to the culture within the Group, both in terms of employee engagement but critically in terms of superior market execution. We are committed to keeping pace with changing expectations within workplaces to facilitate a range of office, home-based, and hybrid working, and support multiple flexible working arrangements for our people. However, we have implemented various initiatives to preserve a collaborative, collegiate environment amongst our teams. We have regular town hall meetings – online and in-person events for both team members and their families – and multiple social groups that are all supported by management. In addition, our employee-led environmental groups, including Green17 in the UK, continue to raise awareness and drive the Group's ESG strategy. More details on our environmental initiatives can be found in the Environmental section on page 32.

Strategy and Business Priorities
I firmly believe the Group provides a differentiated and compelling investment proposition within the games industry. Alongside the development of high-quality, engaging games and apps, we have a track record of consistently leveraging the strength of our back catalogue to drive additional, reliable revenue streams from our existing content portfolio. In addition, the Group benefits from a distinct divisional structure, wherein each of the distinct business offerings is headed by talented industry leaders who are all experts in their respective fields.

As we seek to move the business forward, I will be focusing on five core strategic pillars, namely:

- Building relationships; to be the leading Indie publisher, nurturing world-class partnerships with developers, platforms or licenses.
- Creating evergreen brands; to focus on our original first-party IP games while fully leveraging our lifecycle management skills.
- Powering up; to foster greater collaboration between teams and divisions, fully harnessing our collective skills and strengths to optimise efficiencies.
- Attracting talent; to deliver our strategic and financial ambition by nurturing a culture that enables ambition, creativity and belonging.
- Leveraging our pioneering minds; to drive growth into new markets, audiences & IP organically and through M&A.

StoryToys and astragon are focused on developing and bringing the highest quality working simulation games and edutainment apps to our users, the latter collaborating with some of the best known and most loved brands in the world.

"THE GROUP'S FIRST-PARTY IP REPRESENTED 35% OF TOTAL REVENUES."

"WE ARE BACK ON FORM IN 2024, WITH A SOLID SLATE OF GAMES AND APPS, OUR EXCEPTIONAL BACK CATALOGUE AND A CLEAR PLAN FOR GROWTH ACROSS THE GAMES LABEL, ASTRAGON AND STORYTOYS. THE YEAR HAS STARTED WELL."

Amongst our peers, the Games Label remains a market leader within the Indie games community, developing games in-house while also acting as a co-developer and publisher for independent developers looking for a partner to support them in bringing games to market. We have an exceptional game scouting team, which continuously assesses vast numbers of game submissions through the Games Label's greenlight process.

Whilst we had seen an increase in the budgets of games we developed in the Games Label over the last couple of years, during the second half of FY 2023 we sought to realign our strategy to focus on our core strength of developing and publishing Indie games. While we will continue to invest in our established and highly profitable larger first-party IP franchises, the focus of new third-party game releases will in future be firmly in the Indie space, where we believe we can make the highest returns from our investment. This return to our historic strengths should ensure that only the very best games make it through our extensive quality control processes and into our launch schedule.

I am excited to explore how my experience within digital marketing can further support discoverability of our content in an ever expanding and rapidly evolving marketplace.

The Group has long been an advocate of first-class lifecycle management as a means to expand and enhance returns on its back catalogue of existing titles, ensuring the generation of sustained revenues through the launch of engaging new content and continuous improvements to user experience. This core component of the business model is as important as it has ever been, driving multi-year revenue generation and underpinning profits well into the future. Following multiple game and app launches over the course of FY 2023, in the Games Label alone our back catalogue has grown, to over 900 digital revenue lines ("DRL") (FY 2022: over 700 DRL), which will continue to expand in the years to come.

We have already developed collaboration and cross-selling opportunities between our divisions, and the potential for additional synergies and sharing of resources, best practice and industry relationships will only accelerate as the business grows. Driving operational efficiencies across the Group has always been a key business focus, and I believe there is still much more to be gained from our broader operational footprint. A key part of my role as Group CEO will be finding ways to capitalise on these priorities to drive further innovation and efficiencies across all segments of the business, drawing on my experience of acquiring, integrating and further developing businesses in my previous role. We have invested in "Group-wide" functions to step up our performance, drive greater levels of efficiencies and reposition the business back to strong growth and improved profitability over the mid-term.

We have taken considerable steps to strengthen our rigour around commercial governance and controls, in particular new game development costs. This includes implementing a more comprehensive contract review process, updating our milestone payments process, and ensuring more rigorous internal procedures are in place.

Outlook
The Group has made a pleasing start to FY 2024, although we remain mindful of the challenging near-term competitive landscape; we know of a number of high-quality new games releases that have been delayed into the current calendar year; the cost of living pressure continues to impact discretionary spending across the board; and geopolitical uncertainty continues to weigh on global markets more broadly.

However, the vision for the Group remains clear – to accompany our gamers through a lifetime of play, creating pioneering and captivating experiences that enrich and inspire players around the world. This will be achieved through the release of new games and apps, as well as continuing to innovate lifecycle management strategies, supported by the launch of additional content updates across the portfolio to capitalise on the existing audience demand for our games.

In addition, an action plan is in place to accelerate revenue and profit growth, which includes increasing the proportion of revenues from first-party IP over time, sharpening our greenlight process, more innovative marketing and publishing models, while pursuing an active M&A agenda.

We have a strong pipeline of new games and apps scheduled for launch in FY 2024 and beyond, and we will continue to develop and launch additional content across the existing portfolio.

We remain confident that the Group can deliver an improved underlying trading performance in FY 2024 and is well positioned for growth over the mid to long term. We look forward to updating all stakeholders on our progress as the year continues.

Steve Bell
Group Chief Executive Officer

16 May 2024

GROUP STRATEGY AND BUSINESS MODEL

OUR ATTRACTIVE INVESTMENT CASE

- IP and talent in place to deliver accelerated growth
- Proven franchise creation and lifecycle management capabilities
- Dependable back catalogue
- Track record of market-beating growth
- Strong balance sheet and cash generation
- M&A optionality

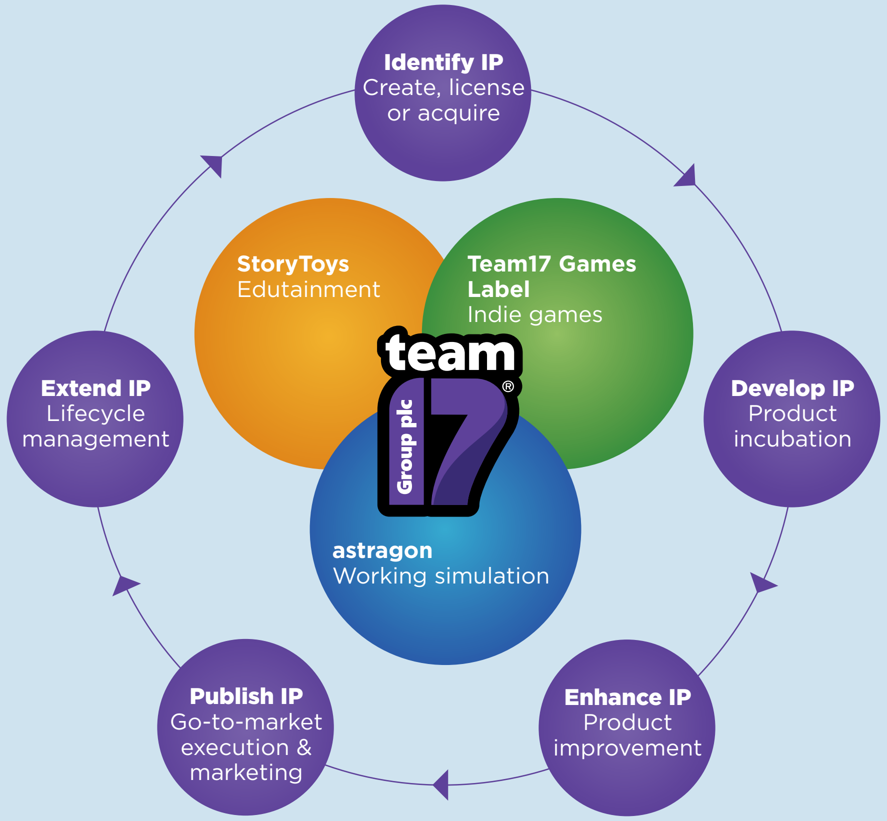
WHO WE ARE

Team17 Group plc is a leading global publisher and developer of Indie games, listed on the London Stock Exchange in 2018. The Group consists of three complementary but distinct value creators:

- Team17 Games Label: Experts in premium Indie games
- astragon: Experts in first-party IP working simulation games
- StoryToys: Experts in edutainment apps for children with licensed global brands

A LIFETIME OF PLAY

Delivering high quality product to passionate audiences



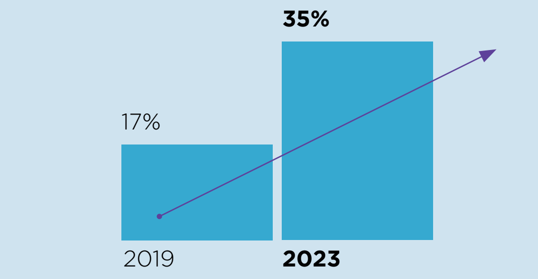
- **Our vision** is to create pioneering and captivating experiences that enrich and inspire players around the world
- **We are experts** in identifying, developing, publishing, distributing & licensing a mix of first-party & third-party IP games
- **We support** our unparalleled diverse Indie back catalogue with world class lifecycle management capabilities
- **Genre and platform agnostic** games and apps
- **Premium games portfolio** with over 100 titles across all platforms

ACTION PLAN FOR GROWTH

Accelerating growth

1. Double down on Indie focus
2. Prioritise evergreen franchises to drive back catalogue
3. Progressive Participation Marketing
4. Innovative publishing models
5. M&A

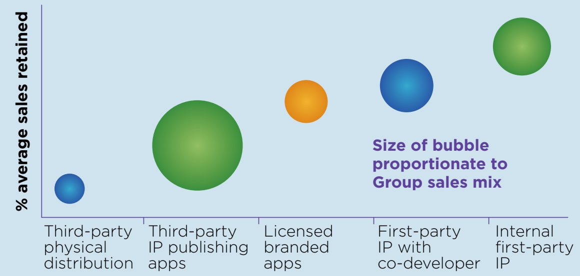
Increasing % revenues from first-party IP



Improving profitability & ROI

1. Increase sales mix of first-party IP
2. Sharpened greenlight process
3. New Games Label investment limits
4. Tightened cost controls

Prioritising investment in higher margin areas



UNIQUELY POSITIONED TO BECOME THE INDIE POWERHOUSE

A top Indie publisher with huge market share potential

Global, multi-platform reach

- Platform agnostic
- Sales span six continents
- 8 global hubs

Strong cross-genre IP franchises

- 35% sales from first-party IP
- >100 titles generate sales[1]
- 15 franchise sales[2] >£10m, four >£45m, one >£100m

Exceptional back catalogue

- 71% sales
- Growing 10%[1]
- Consistently fed by new release pipeline

Diversified portfolio

- Hard core gamers to casual users and enthusiasts
- A lifetime of play: ages 2 to 60+
- No game >15% revenues

Compelling proposition for developers

- Multi-platform reach
- Access to insight-driven data
- Financial resources

Strong balance sheet

- Enhance IP, growth and scale though M&A

1. 2023
2. Lifetime sales to April 2024

CHIEF FINANCIAL OFFICER'S REVIEW

"STRONG BALANCE SHEET AND RENEWED RIGOUR AROUND COST CONTROLS AND WORKING PRACTICES UNDERPINS OUR FOCUS ON PERFORMANCE DELIVERY IN 2024 AND BEYOND."

MARK CRAWFORD, CHIEF FINANCIAL OFFICER

Performance Overview

FY 2023 was a challenging and highly competitive year for the gaming sector. Against this backdrop, the Group increased revenue by +12% compared to the prior year. This growth was generated solely through revenues from existing businesses. The Group saw strong sales growth delivered through a combination of new releases alongside continued strengthening and broadening of the back catalogue. However, reported results were impacted by lower margins, weak cost controls and one-off non-cash impairment charges meaning that the Group delivered an overall loss before tax of £1.1 million (FY 2022: £28.7 million profit).

Towards the back end of FY 2023, management identified a number of operational issues within the Games Label and implemented a series of more rigorous cost controls and strategic initiatives to address areas that had impacted the profitability of the division. A thorough review of the strategic direction of the Games Label, its cost base structure and processes was completed in the last quarter of FY 2023, resulting in a restructuring program that impacted both headcount and cost control processes. Most notably, the Games Label has re-focussed back to its core Indie games roots, resulting in changes to games scouting and increased rigour around development spend. These changes were implemented to ensure that the Games Label can return to its historical track record as a consistent performer and one of the leading developer and publishers of Indie games.

"100% OF THE REVENUES IN THE PERIOD WERE GENERATED FROM EXISTING BUSINESSES, WITH ALL THREE DIVISIONS CONTRIBUTING IN LINE WITH EXPECTATIONS."

Revenue

100% of the revenues[1] in the period were generated from existing businesses, with all three divisions contributing in line with expectations and delivering a pleasing uplift in trading across the Black Friday and festive seasonal periods resulting in Group revenues up 12% to £159.1 million (FY 2022: 142.3 million). The Games Label contributed £103.6 million (FY 2022: £92.8 million) growing 12% and astragon delivered £36.0 million (FY 2022: £34.1 million) showing growth of 5% against a very strong revenue comparative in FY 2022 whilst StoryToys revenue grew 26% with revenues of £19.5 million (FY 2022: £15.4 million).

Overall Group first-party IP revenues were £55.9 million (FY 2022: £56.4 million) reflecting a solid performance on games such as ***Hell Let Loose*** which remains one of the Group's top selling individual games together with astragon's ***Construction Simulator*** and ***Police Simulator***. Third-party game revenues grew 20% to £103.3 million (FY 2022: £85.8 million). There were pleasing performances across the portfolio led by the standout third-party game ***Dredge*** which was released on 30 March 2023. Growth was also seen in new release revenues to £45.5 million (FY 2022: £38.8 million) in FY 2023, a growth of 17%, coming from games including ***Trepang 2*** and ***Blasphemous 2*** alongside the aforementioned ***Dredge***.

In a highly competitive market that was reported to have grown[2] at <3% in the calendar year 2023, the Group's back catalogue continues to strengthen, growing at 10% with revenues of £113.6 million (FY 2022: £103.5 million) representing 71% (FY 2022: 73%) of total revenues. This growth is testament both to the quality of the Group's portfolio, and the team's skills in lifecycle management.

Gross Profit

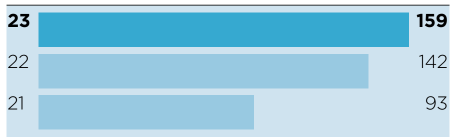
Gross profit in the year fell to £57.5 million (FY 2022: £69.6 million). The reported gross margin fell to 36% from 49%, having been impacted by a number of factors, some one-off in nature. These included: a one-off impairment charge; a higher proportion of third-party revenue; higher development cost amortisation charges; and higher expensed development costs which include the studio related one-off restructuring costs. These are dealt with in turn below.

A full review was undertaken of the value of intangible assets held on the balance sheet which included both released games with a residual net book value as well as future games. As a result of the review, an impairment charge of £11.1 million was made in FY 2023. This one-off non-cash charge correspondingly reduced the intangible assets value held on the balance sheet at year end.

As outlined in our November 2023 trading update, whilst the Group delivered revenues in line with expectations, a higher proportion of third-party games (which generate higher levels of royalty payments) impacted gross margins in the period. Revenues from astragon's first-party IP simulation games represented 47% (FY 2022: 44%) of the Group's first-party IP revenues and unlike the Games Label first-party IP games, these attract a royalty paid to astragon's dedicated development partners, which in turn further reduced the overall gross profit margin.

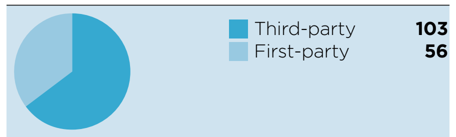
Development cost amortisation charges grew to £12.7 million (FY 2022: £9.3 million). This results from an increase in capitalised development costs within astragon (which has typically larger development spend by game, similar to that invested in the Games Label's first-party IP games), together with an increase in development budgets for some larger third-party games within the Games Label division.

Revenue £m

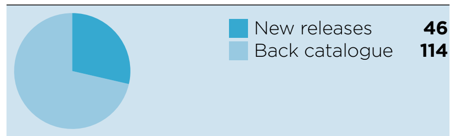


Divisional Revenue Split £m, 2023

IP Revenue Split £m, 2023



Title Revenue Split £m, 2023



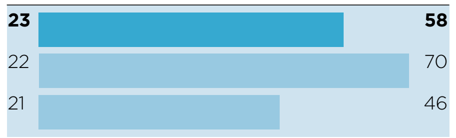
"REVENUES FROM NEW RELEASES GREW 17%."

1. Due to a change in accounting policy, revenue recognition on digital sales through Apple and Google app stores is now recognised gross of any platform fees charged where historically the net amount was recognised. For these platforms only, the platforms are deemed to be an agent in the transaction under IFRS15, this change has no impact on profits in either the current or prior year, however, does impact both gross margin and adjusted EBITDA margin percentages, see note 2

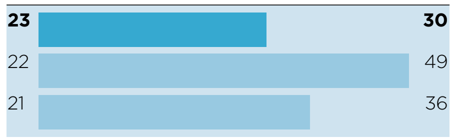
2. NewZoo global games report January 2024 Update

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Gross Profit £m



Adjusted EBITDA £m



The Group's overall amortisation policy is to charge back a high proportion of the capitalised development costs within the first twelve months after launch (Games Label 70% in year 1 and astragon 50% in year 1) and correspondingly the annual amortisation charge reflects not only the level of historic investment but also the timing and quantity of games launched in the period and in the prior year.

The final driver of gross margin pressure came from expensed development costs which were also elevated in the year. This reflected increased support costs post launch including investment in free DLC within the Games Label; post launch support to live games such as ***Hell Let Loose***. In addition, expensed development costs included £1.0 million out of a total £1.2 million costs associated with the restructuring within the Games Label.

Capitalised development costs IAS 38 requires development costs to be capitalised during the process of creating a game until its launch. If a game is launched on Early Access, then the incremental costs of developing the title to full release are also capitalised. Development costs that were capitalised in the year increased to £32.2 million (FY 2022: £26.1 million) of which £22.5 million (FY 2022: £18.3 million) related to Games Label, £7.1 million (FY 2022: £6.3 million) related to astragon and £2.6 million (FY 2022: £1.4 million) related to StoryToys. As outlined above, the review of intangible assets resulted in £11.1 million of the carrying value of capitalised development costs being impaired. As a result of the capitalisation, the one-off impairment and development cost amortisation charges, capitalised development costs on the balance sheet at the end of the period stood at £35.1 million (FY 2022: £26.8 million).

The levels of investment in capitalised development costs have increased significantly over the last two years. This resulted in part from the acquisitions – astragon in particular has a higher investment per game, similar to the levels of Games Label's first-party IP investment. Further increases resulted from the shift by the Games Label over the last two years to larger third-party game development investments, a move which took the business away from its core Indie-focused business model and one that, as outlined above, has been reversed towards the end of FY 2023. As a result of that reversal, the majority of third-party game investments are expected once more to fall in or below the range £1.0 million to £1.5 million. A small number of games may exceed that range should they meet the relevant internal investment hurdles. Investment in the Games Label's first-party IP (which is entirely internal) will be higher, as has been the case historically. These changes are expected to result in lower investment in development costs within the Games Label.

Within StoryToys, our strategy has been to broaden our licence partners and subsequent apps, and within astragon, our focus has been to grow our content portfolio with new first-party IP simulation games. In the short term, reductions in investment in the Games Label will be offset by increased investment in the two other divisions, enabling both StoryToys and astragon to continue to deliver on their growth ambitions.

Administrative Expenses
Total costs in the period increased to £57.6 million (FY 2022: £37.8 million). Within this total are acquisition-related adjustments, costs and amortisation of £9.2 million (FY 2022: £15.2 million) and a £20.9 million (FY 2022: nil) one-off non-cash impairment of goodwill charge relating to The Label Inc., following the annual review of the carrying value on all acquisitions. This is covered in more detail below.

Marketing costs were elevated in H1 2023 in particular, however, tighter controls were implemented in H2 2023 to help reduce the overall increase in spend in the year to £0.8 million and importantly to ensure that these costs are better aligned to the Indie model and reduced in FY 2024 and beyond. Some FX cost pressure was experienced in year compared with a positive FX tailwind in FY 2022. However other costs including premises, professional fees and travel & entertainment were lower than the prior year demonstrating tighter controls in place particularly in the latter part of the year.

Staff costs within administrative expenses were lower in the period reflecting the fact that performance bonus payments were not made within the Games Label nor at Group level. They include £0.2 million out of a total £1.2 million costs associated with the restructuring within Games Label.

Headcount for the Group at year end reflects the impact of the Games Label restructuring review as well as reflecting the move to increase the utilisation of an outsourced studio resourcing model in areas such as QA (game testing), localisation and console porting. As a result, the total headcount for the Group at 31 December 2023 was 348 (31 December 2022: 392) with the average headcount higher at 380 (FY 2022: 351) resulting from the timing of the restructuring within the Games Label team.

The annualised cost reduction impact of the restructuring within the Games Label business administrative expenses is anticipated to be £0.7 million. Additional savings in studio headcount costs have been partly offset by increased spend on outsourced providers. The restructuring was completed mid-November so had a relatively small impact on operational costs in the period. The associated one-off costs of the restructuring are not included within the adjusted EBITDA measure which is covered in more detail in the Alternative Performance Measures below.

The headcount totals also reflect the addition of 45 employees that joined the astragon business following the acquisition of Independent Arts Software GmbH ("IAS") earlier in the year together with growth in headcount across astragon and StoryToys to support the broadening of the content portfolio in both businesses.

Following the annual impairment review, the goodwill associated with the acquisition of The Label Inc. (re-named Team17 USA) was impaired. The impairment charge of £20.9 million is marginally offset by the release of £2.6 million contingent consideration previously held on the balance sheet relating to earn-out targets for FY 2023 not being met. Both items reflect the reduced performance of the business compared with expectations at the time of the acquisition. Over the last two years the mobile subscription market has seen increased competition reducing the ongoing performance income received for launched games as well as reduced third-party new mobile games being secured for development.

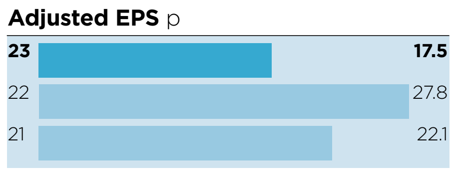
The Team17 USA business continues to be an important part of the Games Label, offering strategic expertise to identify, develop and bring to market mobile subscription games from third-party developers but importantly also provides a route for the Games Label's own back catalogue portfolio where the potential exists to bring key games to mobile subscription platforms. The first of the Games Label games entered this development pipeline towards the end of FY 2023.

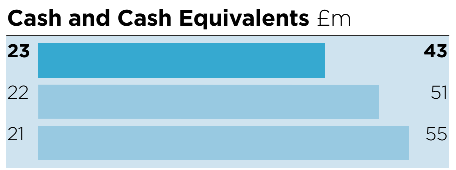
Alternative Performance Measures ("APMs")
The Directors believe that the reported APMs provide meaningful performance information to aid the understanding of the underlying business trading performance and profitability. Although these are not GAAP measures as defined by IFRS, they have been applied to provide an accurate comparison as well as provide readers of the financial statements 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:

	Adjusted EBITDA		Adjusted Profit After Tax	
	FY23 £'000	FY22 £'000	**FY23 £'000**	FY22 £'000
(Loss) / Profit before tax	**(1,080)**	28,665	**(1,080)**	28,665
Impairment of goodwill	**20,879**	–	**20,879**	–
Development cost amortisation eliminated through FV adjustments	**(3,791)**	(976)	**(3,791)**	(976)
Share based compensation[1]	**417**	(93)	**417**	(93)
Games Label restructuring costs	**1,209**	–	**1,209**	–
Acquisition related costs & adjustments				
Amortisation on acquired intangible assets	**13,759**	10,300	**13,759**	10,300
Acquisition related costs	**1,360**	4,708	**1,360**	4,708
Earn out fair value	**(5,086)**	883	**(5,086)**	883
Other fair value adjustments	**–**	238	**–**	238
Interest & FX on contingent consideration	**1,023**	3,392	**1,023**	3,392
Adjusted profit before tax	**28,690**	47,117	**28,690**	47,117
Finance income and costs net of acquisition related costs and adjustments	**(106)**	556	**n/a**	n/a
Depreciation and loss on disposal of tangible assets	**1,289**	1,085	**n/a**	n/a
Amortisation of intangible assets (excluding development costs and acquired intangibles)	**–**	16	**n/a**	n/a
Adjusted EBITDA	**29,873**	48,774		
Taxation (net of impacts on adjustments)		(3,467)	**(7,457)**	
Adjusted profit after tax		25,223	**39,660**	
Adjusted basic EPS[2]			**17.5**	27.8

Note: amortisation and impairment on development costs are included in the calculation of both adjusted EBITDA and adjusted profit after tax.
1. Share-based compensation charges 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 basic or diluted).

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED





Adjusted EBITDA reflects the EBITDA of the Group in a steady state, without the impact of acquisition-related costs which vary year on year based on acquisition activity. In addition, we include the impact of amortisation and impairment of development costs as this reflects the primary costs incurred by the Group in generating revenue. In the current year, restructuring costs have also been excluded as this is also considered a one-off cost impact which is not reflective of the underlying performance of the Group.

Adjusted profit before tax reflects the profitability of the Group, adjusted for the impact on profit of acquisition-related costs which vary year on year based on acquisition activity. This is also adjusted for the goodwill impairment which arose in the year which is not a recurring cost to the Group.

Share-based compensation charges of £0.4 million (FY 2022: £0.1 million credit) relate to options that were granted to the Executive Directors, the senior leadership team and other members of the team under a variety of schemes which other than in the case of the Executive Directors will be satisfied by shares held in the Employee Benefit Trust ("EBT"). The charge in the period was impacted by a credit which relates to the Executive options granted in 2021 that have failed to meet the minimum performance criteria. The credit in the prior year relates to the reversal of a national insurance accrual made in FY 2021 reflecting a lower actual charge in FY 2022.

Acquisition-related adjustments created a net benefit in the period compared to a cost impact in the prior year with a credit of £2.7 million (FY 2022: £9.2 million debit) relating to one-off costs directly associated with the acquisitions made over the last two years. Fair value movements in respect of contingent consideration payments gave rise to a £5.1 million credit (FY 2022: £0.9 million cost).

There were no associated management incentive payments in FY 2023 (FY 2022: £3.8 million) and other acquisition costs and fair value adjustments totalled £1.4 million (FY 2022: £1.1 million). Finance costs relating to contingent consideration fell to £1.0 million (FY 2022: £3.4 million) reflecting the lower balances outstanding.

Adjusted EBITDA
Adjusted EBITDA was £29.9 million (FY 2022: £48.8 million) reflecting the pressure on gross margins and administrative expenses and including the non-cash title impairment charges as outlined above. Adjusted EBITDA excludes acquisition related adjustments and fees, amortisation on and impairment of acquired intangible assets, share-based compensation, one-off Games Label restructuring costs and tax.

Loss Before Tax
The non-cash impairment charges outlined above totalling £32.0 million (FY 2022: £nil) had a significant impact in the period resulting in a reported pre-tax loss of £1.1 million (FY 2022: £28.7 million profit). This also reflects the reduced gross margins and the acquisition-related costs that are required to be taken through the profit and loss account. Adjusted profit before tax, adjusting for the items outlined in the APMs table above, was £28.7 million (FY 2022: £47.1 million).

The tax charge for the year was £2.7 million (FY 2022: £5.2 million). There were two significant non-taxable items during the year that affected loss before tax which were goodwill impairment and fair value adjustments on contingent consideration from business acquisitions totalling £18.3 million (FY 2022: negative £0.9 million). Removing these from the loss before tax gives an effective tax rate for the year of 16% (FY 2022: 18%).

Earnings Per Share ("EPS")
Basic EPS was (2.6) pence (FY 2022: 16.5 pence) and reflects the impact of one-off acquisition-related adjustments and fees (net of tax) described in the APMs table above as well as being materially impacted by the non-cash impairment charges. Basic adjusted EPS, reflecting the APM adjustments noted above and calculated using the adjusted profit after tax was 17.5 pence (FY 2022: 27.8 pence).

Statement of Financial Position
The Group remains highly cash generative with an operating cash conversion of 87% (FY 2022: 108%), and a net inflow of cash from operations of £41.4 million (FY 2022: £49.4 million). As a result of the outflow of acquisition-related payments for IAS (£1.8m), cash earn-out payments in the period for astragon, Team17 USA, HLL and IAS (£18.6 million) and investment in capitalised development costs (£32.2 million), there was an overall net decrease in cash and cash equivalents to £42.8 million (FY 2022: £50.8 million) which includes £2.9 million (FY 2022: £3.0 million) held in the Employee Benefit Trust.

The EBT remains an important fund established at IPO to support employee share awards and incentivise team members across the Group. All UK and EU employees across the Group continue to be awarded share options on joining, noting that the use of the EBT ensures that this avoids the issue of new shares to satisfy these and other employee options.

£42.8m
The Group continues to boast a strong balance sheet, with £42.8 million of cash and cash equivalents at the year end

Goodwill and intangible assets now total £210.0 million (FY 2022: £234.1 million) following the impairment reviews outlined above. As at 31 December 2023, the net book value of goodwill was £86.2 million (FY 2022: £113.4 million) which reflects the impairment of goodwill associated with Team17 USA. The value of the Group's brands now stands at £57.6 million (FY 2022: £63.8 million) which takes into account the annual brand amortisation charge. The current net book value of capitalised development costs at year end stands at £35.1 million (FY 2022: £26.8 million).

There were no material trading-related movements in working capital. Trade and other payables reduced significantly at the year end to £35.4 million (FY 2022: £52.3 million) primarily driven by the reduction in contingent consideration reflecting the final anticipated earn-out payment due to be made in the first half of FY 2024.

As a result of the ending of payments related to past acquisitions, and subject to the level of future M&A activity, the Group expects to be cash generative in FY 2024.

Acquisition in the Year
As previously announced on 28 April 2023, astragon Entertainment GmbH completed the acquisition of 100% of the share capital of Independent Arts Software GmbH ("IAS") for a maximum payment of £3.1 million (€3.5 million) subject to the seller and business meeting certain requirements. IAS is a games development studio based in Germany and is now supporting astragon's strategic development of first-party IP simulation games.

Share Issues
As at 31 December 2023, the Group's issued share capital comprised 145,803,620 ordinary shares of £0.01 each (FY 2022: 145,593,271). A total of 210,349 shares were issued during the year as part of the FY 2022 earn-out relating to the acquisition of Team17 USA.

A total of 294,535 (FY 2022: 313,500) share options were issued during the year to the Executive Directors with a three-year vesting period with performance criteria and a further 532,858 (FY 2022: 131,300) share options were issued to other employees across the Group also with a similar three-year vesting period and performance criteria.

The Group has extended the use of its Long-Term Incentive Plan with performance criteria across its senior divisional leadership team together with the deferred bonus share plan for senior management. The Games Label continues to administer an All-Employee Share Incentive Plan ("SIP") which is a UK employee SIP with matching shares open to all UK employees and which continues to be well supported.

Mark Crawford
Group Chief Financial Officer

16 May 2024

"THE GROUP REMAINS HIGHLY CASH GENERATIVE WITH AN OPERATING CASH CONVERSION OF 87%."

THE GAMES LABEL / INDIE GAMES LABEL

THE GAMES LABEL IS A GLOBAL GAMES LABEL, CREATIVE PARTNER AND DEVELOPER OF PREMIUM VIDEO GAMES.

THE GAMES LABEL / INDIE GAMES LABEL

"THE GAMES LABEL PRIDES ITSELF ON HAVING A COLLECTION OF THE MOST PASSIONATE, ENGAGED INDUSTRY SPECIALISTS, INVESTED IN A GAMES-FIRST APPROACH."

ANN HURLEY
GENERAL MANAGER, TEAM17 GAMES LABEL

Our Business Model
We launch a mix of internally developed and published Indie games across all major platforms, including mobile, serving and growing a community of gamers of all ages and tastes. In addition to our in-house IP, we are partners to new and returning independent developers around the globe. Working with studios ranging from one developer through to much larger established outfits overseas, the Games Label helps deliver games both through publishing and development assistance, providing end-to-end support in the game creation process which is tailored and adapted to suit the skill-set of the teams we are working with. The Games Label prides itself on having a collection of the most passionate, engaged industry specialists, invested in a games-first approach. All of us share a passion for securing excellent content, nurturing consumer loyalty and, above all, strengthening our teams to prepare for continuous growth.

Our Strategy
We continually seek to improve our portfolio of 100+ high-quality games by maintaining an active and varied release schedule across our catalogue, heading towards our 150th release in 2024. Back catalogue games, new releases and new content for existing games drive the Games Label's revenues. Maintaining this balance between new releases and back catalogue games provides a predictable revenue stream that underpins the business. Careful lifecycle management means we extend the life of a game while optimising revenues at each stage. The acquisition of The Label in 2022 (now Team17 USA) enabled a new focus on mobile subscription-based games, with two new releases in H1 2023.

Our Customers
The strength and diversity of product planned for 2024 includes a mix of brand new IP, internally created as well as externally developed, and long-awaited sequels with strong partners across a variety of genres appealing to a wide range of gaming audiences of all ages and tastes. Our games are enjoyed by gamers around the globe, across all platforms, from PC and console to mobile. Team17 USA will also enhance our mobile presence by leveraging games and franchises in the Group's back catalogue to new and existing audiences on mobile platforms.

THE GAMES LABEL / INDIE GAMES LABEL

WE ARE A LEADING GAMES PUBLISHER WITH A CLEAR FOCUS ON DEVELOPING AND LAUNCHING PIONEERING INDIE GAMES THAT PLAYERS AROUND THE WORLD WILL LOVE FOR A LIFETIME, WHATEVER THEIR GAMING PREFERENCES.

900+
digital revenue lines

team17 Games Label

2023 Highlights:

- Our award-winning ***Dredge*** game has sold over one million units
- Popular sequels launched with successful IPs such as ***Blasphemous*** with The Game Kitchen
- Consumer and media response to our five bestselling new releases in 2023 was 91% positive on Steam

100+
active high-quality games

28% REVENUES FROM FIRST-PARTY IP,
66% FROM BACK CATALOGUE

ASTRAGON / WORKING SIMULATION

ASTRAGON IS A LEADING DEVELOPER, PUBLISHER AND DISTRIBUTOR OF SOPHISTICATED 'WORKING' SIMULATION GAMES.

astragon ENTERTAINMENT

ASTRAGON / WORKING SIMULATION

> "ASTRAGON HAS A DIVERSIFIED BUSINESS MODEL WITH FIRST-PARTY IPS, THIRD-PARTY PRODUCTS AND AN EXTENSIVE DISTRIBUTION NETWORK."

JULIA PFIFFER AND TIM SCHMITZ
CHIEF EXECUTIVE OFFICERS, ASTRAGON

60+
global brand license partners

Our Business Model
In addition to revenue generated from game sales, we pursue a strategy of providing both complimentary updates and paid DLCs to consistently create fresh value from our content and sustain extended-term revenues. Our first-party IPs have a multi-year development process, which can vary depending on project scope and platform. We introduced our initial first-party IP game more than a decade ago and continue to unveil major new instalments and updates to ensure content engagement among our diverse customer base.

Our Strategy
We remain focused on developing engaging content to expand our audience, strengthening our existing IPs, and securing new licensing partnerships. Our core mission revolves around being the best partner to global game studios across the spectrum of project development, production oversight, marketing strategies, sales initiatives, and project funding. This commitment holds true regardless of the platform, be it PC, console, or mobile. The acquisition of the German development studio Independent Arts Software this year allows us to expedite the diversification of our product portfolio and establish new first-party IP products.

Our Customers
The customer base for our video games is diverse, spanning a wide spectrum of individuals, from young enthusiasts to technical experts and casual gamers. We take pride in our ability to cater to the varied preferences of our audiences, offering a rich and inclusive gaming experience that not only resonates with the seasoned experts but also welcomes newcomers. This diversity within our customer base is a testament to the versatility of our products and our commitment to delivering games that transcend traditional boundaries, ensuring that every player, regardless of their gaming background, finds joy and satisfaction.

ASTRAGON / WORKING SIMULATION

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.

16

Paid DLC releases across our first-party IP games

astragon ENTERTAINMENT

4

first-party IP brands in portfolio

2023 Highlights:

- Launch of ***ABRISS*** and ***Howl*** from our third-party publishing portfolio, demonstrating our commitment to broadening our operational reach and diversifying our revenue base
- Acquisition of German development studio Independent Arts Studios
- Introduction of Season Passes for ***Construction Simulator*** and ***Bus Simulator***
- Release of 16 paid DLCs across our IPs
- Marketed and distributed more than 45 separate third-party releases

STORYTOYS / EDUTAINMENT

STORYTOYS IS A WORLD-CLASS DEVELOPER AND PUBLISHER OF EDUCATIONAL ENTERTAINMENT APPS FOR CHILDREN.

STORYTOYS / EDUTAINMENT

"STORYTOYS FORMS STRATEGIC PARTNERSHIPS WITH BRAND OWNERS TO LICENSE POPULAR KIDS' BRANDS AND HAS A DIVERSE PORTFOLIO OF BRANDS AND LICENSED PARTNERS."

EMMET O'NEILL
CHIEF EXECUTIVE OFFICER, STORYTOYS

Our Business Model
StoryToys acquires licenses for popular kids' brands and creates engaging mobile apps and games featuring these brands. The apps are free to download and access basic content. Parents and caregivers can unlock additional content through a recurring subscription or one-time in-app purchases. Platforms like Apple and Google deduct their fees, and StoryToys pays brand owners royalties based on net revenues and the agreed commercial terms.

Our Strategy
StoryToys forms strategic partnerships with brand owners to license popular kids' brands and has a diverse portfolio of brands and licensed partners. We conduct in-depth research to develop entertaining and enriching mobile apps that address market opportunities. Our comprehensive marketing strategy drives downloads, and we regularly update content to keep users engaged.

Our Customers
StoryToys has a large global footprint, with our apps available worldwide and localised in up to 28 languages. While the US is our largest market, 80% of our users are from outside the US, including in countries such as Brazil, Indonesia, India, the UK, and Mexico. We specialise in designing apps for preschool (ages 2 to 5) and early childhood (ages 4 to 7). Our primary audience is children, while parents and caregivers who download and make purchases are our secondary audience. We take pride in creating apps that kids love and that parents feel good about.

+185m
downloads globally

STORYTOYS / EDUTAINMENT

WE BRING THE WORLD'S MOST POPULAR CHARACTERS, WORLDS, AND STORIES TO LIFE FOR CHILDREN, MAKING APPS TO HELP THEM LEARN, PLAY, AND GROW.

+26%
revenue growth year on year (2023 vs. 2022)

"MY KIDS LOVE STORYTOYS GAMES. I RECOMMEND THEM BECAUSE THEY REALLY ARE SECOND TO NONE."

HUNGRY CATERPILLAR PLAY SCHOOL

2023 Highlights:

- Launched ***LEGO® DUPLO® DISNEY | MICKEY & FRIENDS*** in partnership with The LEGO Group and The Walt Disney Company. This game encourages creative play and learning for young children and provides families with the perfect way to celebrate the magic of Disney.
- Expanded our collaboration with Marvel Entertainment by introducing the new ***Marvel HQ*** app, an edutainment hub designed for kids, featuring a range of fun and age-appropriate activities, videos, books, comics, and interactive characters from the Marvel Universe.
- In our first partnership with Mattel Ltd, we introduced ***Barbie™ Color Creations***. This app highlights diversity and offers an ever-expanding virtual studio filled with colouring pages, art tools, and design challenges.

+72%
subscription renewals year on year

ESG REPORT: PEOPLE FIRST

> "OUR PEOPLE FIRST APPROACH MEANS WE ARE PROUD TO HAVE A COMMON UNDERSTANDING THAT OUR SUCCESS RESTS ON THE DAY-TO-DAY EFFORTS OF EVERY SINGLE TEAM MEMBER."

INTRODUCTION

We have three divisions which are both distinct and complementary. To create the best environments for our people we follow three paths: firstly, we have strong local cultures, and each division takes actions regarding their people that reflect their own circumstances, the personality of the business, their priorities and where the energy of their employees is. Secondly, we increasingly look to share the best ideas across the Group so that we learn from each other. Finally, we work collaboratively to see where it makes sense to implement consistent processes and practices across the Group.

In 2023, we have made progress on all three paths, getting the best of a local approach while also raising our game across the Group.

The Group established a Group People & Culture Director role in September 2023 to work with each division to help make the whole better than the sum of the parts.

Collectively, there is a future focus towards the things we will strive to achieve in 2024, with a strong bias for action. We are committed to setting better baselines for data. We will leverage the power of being part of a Group through the introduction of common approaches, such as our employee survey tool and metrics which will set a baseline for further improvement in 2025 and beyond.

We are also aligning on our well-established drive for diversity, equity and inclusion, building on the Group's existing commitment to development and sustainable business practices. In late 2023, a group of female executives at the Group, including the former Group CEO Debbie Bestwick MBE, set up a podcast series, 'The Purple Panel: Empowering Women in Games Leadership'. This podcast spotlights the stories and perspectives of women leading in the games industry and is available on Apple. From independent game developers to executives at major studios, the series intends to showcase the diverse range of voices, experiences, and leadership styles of women in the field. Each episode will feature interviews with industry leaders, as well as discussions on current topics and challenges facing women in games leadership roles.

The involvement with Women in Games, both as a corporate sponsor and through our employees who act as individual ambassadors, adds another layer of support and advocacy to the diversity and inclusion initiatives in the broader gaming industry. These ambassadors play a crucial role in championing the cause of gender equality and creating a more inclusive environment.

Across the Group we already provide an opportunity for all employees to be a shareholder with the gift of shares after joining. In each business there are important conversations about goals, performance, development and careers. We also invest significant energy in making sure teams are connected and leaders hear what is on the minds of employees – through town halls, formal communications, employee groups, surveys etc. We are also starting to see people taking up opportunities with divisions outside the one they joined.

To showcase this approach we have set out below highlights for each division, but you will see commonality in that every division focuses on:

- Culture and communications
- Wellbeing
- Equality, inclusivity and diversity
- Charity and community
- Creating a great place to work for current and future employees that supports them to do their best work at the same time as we deliver our collective goals.

GAMES LABEL

We place great importance on ensuring an inclusive and connected environment for everyone at the Games Label and creating opportunities for open and transparent communication is key to this. Our employee-led Teamster Engagement Committee, "TEC", continues to play an important role in amplifying feedback and suggestions from colleagues to senior management. A member of TEC joins the Senior Management meetings each month to raise key feedback, and they have also hosted a number of live Q&A sessions with senior leaders throughout the year. This has created greater alignment across all levels on the Games Label's priorities.

Our annual engagement survey continues to be an important way to listen to the subjects that matter most to our people.

The Games Label teams have expressed their desire to build an even greater sense of belonging across the business, particularly as we continue to successfully adapt and embed our hybrid working model.

Opportunities to come together socially have strengthened connections across our teams, with events to celebrate the launch of our games to off-site charity fundraising activities such as the Yorkshire Three Peaks challenge and a beach clean with Surfers Against Sewage, to our popular Studio boardgame nights.

In the spring we held our inaugural Studio Showcase – an in-person event for our team members to hear about the games lined up for launch that they would be working on, and an opportunity to spend the afternoon playing those games. The sun shone again for this year's Team17 Fest in the summertime, which brought together team members from all locations – along with their families, friends and dogs – to enjoy live music, go-karting, and, this year, a Super Mario Smash Bros contest.

Wellbeing continues to be important and a core aspect of our approach to creating a great place to work. We have been active in our support of our teams through periods of change, providing expert facilitated sessions on helping us all respond positively to changes towards the end of the year. We have also introduced new initiatives to build on the support we provide for the mental wellbeing of colleagues. As well as mental health keynotes and Mental Health First Aid training, we launched our internal podcast 'Mind Matters' where colleagues discuss their own experiences in relation to mental wellbeing. From depression, to living with ADHD, to the importance of talking and therapy, the podcast has helped normalise the conversation around mental ill health within the Games Label and has led to new support networks amongst team members through people discovering others with shared experiences and challenges.

We launched a number of initiatives to ensure a psychologically safe environment. This has included the roll-out of our 'Hacking Inclusion' sessions which continue into 2024; a bespoke session designed and facilitated by external equality, diversity and inclusion ("EDI") experts to help identify and address even the smallest barriers to inclusion and equip people with the tools to overcome them. We were delighted to receive a commendation for Best Wellbeing Strategy at the This Can Happen annual awards event in June 2023.

To continue to support an inclusive culture and diverse team, we have pushed forward on a number of fronts. We have recently launched an online way for connecting with gamers who don't yet work for the industry. Our network groups continued to make progress with well received support to increase awareness around neurodiversity; a Women in Games lunch; sourcing expertise on LGBT issues; and generally influencing and building a sense of community.

We have continued to invest in opportunities for members of the Games Label team to develop and broaden their skills. This year saw the launch of our LevelUp Hub, which allows us to house very relevant learning content specific to our business. Managers in the Company have now completed Kitbag, our bespoke management training programme which ensures a consistent approach to line management and excellence across all levels of management. We also recognise that development is enriched through attending conferences, talks and panel discussions, such as Develop:Brighton, a leading conference for developers to stretch their thinking through curated talks and panel discussions. This year, the Games Label enabled multiple individuals to join the conference and report back to the studios on everything they learned to support their own and others' development.

In addition, we have welcomed new colleagues supported by improvements in our talent acquisition processes. This includes an interactive digital resource to help potential candidates explore more about working here.

All this work led to the HR team being shortlisted for HR Team of the Year (HR Excellence) in December 2023.

GAMES LABEL EMPLOYEES TOGETHER FOR AN ENGAGING SESSION IN WAKEFIELD

ESG REPORT: PEOPLE FIRST CONTINUED

ASTRAGON

Diversity is a real priority at astragon. We understand that promoting an inclusive environment is not just about logos and T-shirts. We have run workshops to help each of us understand what the topic means for us. It is important that it is not just a focus for a week, but something that is part of our everyday approach. It has been positive to see diversity topics now being discussed naturally in our teams. As part of International Women's Day, we posted a series of videos. This included our co-CEO's talking about the importance of diversity and how they each bring different perspectives to topics, which makes for a richer understanding of an issue, and those different thoughts are not because of gender, but because of diversity of thought. The videos also tackled stereotypes about women and computer games, with our own team members debunking myths including "women don't really know anything about games" and "women are under-represented because they don't care about games". With our female representation at 44% compared to 54% male and 2% non-binary*, we can disprove these stereotypes. The focus also included dedicating June to Pride Month featuring presentations about diversity and providing a glimpse into the industry for young girls on Girls Day 2023.

In October, the team initiated a charity run as part of the Health Month initiative. There was a donation for every kilometre tracked on foot or by bike to a charitable organisation. This is in addition to the river clean up highlighted in "Our Impact on the Environment".

We work hard at helping everyone work productively together. To address general topics, there's a monthly company-wide stand-up for all employees, and on Fridays, updates about our games are shared. We strengthen collaboration given we have increased our remote working over recent times, with quarterly Office Weeks to bring all employees to the office, enhancing direct interaction. In addition, every employee works from the office for a minimum of four days per month. We celebrate with events like summer and Christmas parties, release parties, game milestones and employee achievements and milestones.

astragon has continued its growth in 2023, leading to a more focused and strategic approach in our people management practices. This has been particularly evident in the area of employee recruitment, where we have seen notable advancements in precision and efficiency. Since the beginning of the year, 11 new employees, 2 interns, and 1 apprentice have joined the company.

TEAM MEMBERS AT ASTRAGON ON INTERNATIONAL WOMEN'S DAY 2023

* Data for astragon, excluding the subsidiary Independent Arts Software (IAS). Data including IAS: 36% female, 62% male, 2% non-binary.

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STORYTOYS

In 2023, StoryToys prioritised employee engagement and organisational development initiatives to foster a positive workplace culture. The year began with the launch of the first engagement survey, leading to a better understanding as to what matters to our people and to the establishment of internal interest groups, such as the Green team and a social team. Over the course of the year, StoryToys organised a diverse range of over 20 virtual and in-person events, reflecting the interests of our multinational workforce of 16 different nationalities. Career pathways were developed in core areas based on survey feedback, and communication efforts were enhanced through monthly All Hands demos and the newly established Internal Comms Newsletter channel, "What's the Story, StoryToys?" which spotlighted both people and products. We stayed committed to enhancing financial well-being in 2023, by offering individual financial consultations to our employees. StoryToys' dedication to continuously improving the employee experience, led to our nomination as a finalist for a 2023 CIPD HR award in "Elevating the Employee Experience."

StoryToys also focused on establishing some important baselines. We implemented comprehensive policy and procedure updates, de-risked the staffing model with a focus on direct employment, and embraced HR digitalisation, with the optimisation of our HRIS and launch of an Applicant Tracking System.

Talent acquisition and retention efforts in 2023 resulted in over 25 new joiners, improvements in diversity, and a decreasing trend in attrition. Key hires, including the Head of Studio and other key leadership/management hires, contributed to organisational growth and leadership development. We also saw opportunities for Games Label employees to work in the StoryToys business. Finally, our employer brand has been strengthened (as measured through LinkedIn), showing 43% growth in 2023.

As of 31 December 2023, StoryToys had 58 direct team members, with a gender distribution of 55% male and 45% female. This marked an increase of 9% female representation from 2022. Specifically, we reached 50:50 gender balance in our QA team and improved gender diversity in engineering. The organisation operated from one office location in Dublin, offering variable working setups, including a "Work from Anywhere" policy. StoryToys promoted diverse working models through guidelines, a remote working policy, and community groups on Slack. We transitioned to Office365 enhancing connectivity, with tools like Teams, SharePoint, and Zendesk facilitating collaboration and transparency. StoryToys engaged our disparate workforce through a mix of online social events co-created with the business, ensuring inclusivity for all groups, locations, and time zones.

It is important we provide opportunities for our teams to continue to learn and develop. We are excited to have secured funding from IDA Ireland to invest in learning opportunities across 2023-2026. We also initiated a masterclass series in 2023 with keynote speakers and industry experts. New ideas have also come from exploring AI and Agile to enable future ways of working and to help us to stay ahead in technology adoption.

THE STORYTOYS TEAM ENJOY A FESTIVE CELEBRATION AT THE END OF A SUCCESSFUL YEAR

ESG REPORT: OUR IMPACT ON THE ENVIRONMENT

"WE CONTINUE TO DEVELOP INITIATIVES WHICH ENHANCE INVOLVEMENT OF OUR TEAMS WITH ENVIRONMENTAL ISSUES AND SUPPORT A REDUCED CARBON FOOTPRINT."

OUR FOCUS FOR 2023

People and Communities
With the increasing importance of environmental issues, expand our involvement to all departments within our divisions. Raise awareness of the environmental footprint of each departments' activities across the Group.

Collecting Data
Collect material environmental data for all divisions.

Carbon Reduction
Establish sustainable environmental practices and carbon reduction plans to reduce emissions, prior to removing carbon to compensate for the remaining emissions as we journey towards net zero.

Range of Influence
As we learn more about ESG, spread this learning to a broader audience both within and outside of the Group, including engaging with our developers and key suppliers on environmental issues.

PROGRESS IN 2023

People and Communities
Within the Games Label we held monthly Green17 meetings and worked with Surfers Against Sewage with team members volunteering to clean three beaches – Blackpool, Scarborough and Skegness for a day. Within astragon, the Environmental Responsibility Team met periodically to discuss green initiatives, including a dedicated "Green Month" to address sustainability and ecological issues. One notable event was the Rhine Clean-up, in which astragon team members volunteered to clean a local section of the Rhine for a day. Within StoryToys, the partnership with Clean Coasts was used to educate their team in environmental issues and some volunteered to clean the Royal Canal for a day.

Collecting Data
We collect Scope 1, 2 and 3 data for Games Label, astragon and StoryToys. As well as analysing this data to compare internally between our divisions, we can also compare emissions with external benchmarks, and look to establish carbon reduction strategies in each area.

Carbon Reduction
New energy efficient computers were issued to all team members of the Games Label during the year, and we are reviewing office energy usage across the Group.

StoryToys have updated their Travel and Expenses Policy to encourage sustainable travel practices, while astragon have taken measures to ensure Waste from Electrical and Electronic Equipment ("WEE") compliance and surveyed the team to ascertain where most interest in sustainability issues lies.

We have continued to invest in carbon removal projects through our partner Supercritical in order to cover our Group Scope 1 emissions. Supercritical's experience and insights are proving very helpful in our long-term planning route to net zero.

Our energy reduction initiatives are driven by data gathered for our forthcoming energy audit with NQA.

Other Activities Supporting Environmental Good Causes
In terms of alignment with Sustainable Development Goals our focus has been addressing Sustainable Development Goal 13 ("SDG13") Climate Change.

We recognise the importance of addressing biodiversity loss as well as emissions reductions. Hence the development of 'Team17 Forest' where we have sponsored the planting of 10 trees for each year the Group has been trading with our partners Make it Wild.

As well as addressing climate change and biodiversity loss, this will also be used to educate our teams about environmental issues and the importance of biodiversity. By making our investment in 'Team17 Forest', we are raising the profile of the importance of addressing biodiversity loss to our various stakeholders.

This year, the Games Label participated in the World Oceans Day event on Steam with ***Dredge*** and ***Before We Leave***. In co-ordination with our development partners, we donated a percentage of the revenue generated during the five day sale to Whale and Dolphin Conservation.

Expanding our Range of Influence
This aligns with SDG 17 'Partnerships for the Goals' and SDG 16 'Peace, Justice, and Strong Institutions'. Developing green content for our games is vital if we are to spread messages to a much broader audience. This is already happening in astragon and StoryToys, who both promote sustainable transport and other green themes in their games.

13 CLIMATE ACTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

PROGRESS IN 2023 continued

During 2023 we held bi-monthly meetings with our developer partners to share what we are doing on environmental issues and to learn from initiatives they are carrying out around the world. This peer-to-peer sharing of ideas has proved useful in sharing our green initiatives and learning about environmental differences between studios around the world.

The statistics below 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. 2022 data has been restated as we better understand our emissions, in particular our gas usage at our offices and categorisation of emissions from commuting.

The Scope 3 categories include purchased goods and services, business travel, working from home and employee commuting. Use of sold products is excluded because we are unable to calculate with any degree of accuracy the energy used by players of our games. End of life treatment of sold products, such as disposal of physically produced games, is implicitly included via the purchased good and services category.

FUTURE PLANS

We are developing a range of initiatives below which will enhance involvement of our teams with environmental issues, gather more data to meet future legislative requirements and enhance our sustainability initiatives and carbon reduction plans and range of influence.

Emissions Reduction Plans
99% of our emissions arise from the following five areas:

- Energy
- Supply chain
- Working from home and commuting
- Travel
- End of life treatment of sold product

Our focus for 2024 will continue to be on energy reductions as identified in our ISO 50001 audit through better supply chain management and travel planning. Moving forwards, the greater use of outsourcing across the Group will add a more flexible nature to our Scope 3 emissions. We anticipate supply chain emissions growing as a proportion of our Scope 3 emissions in 2024 and working from home and commuting reducing as a proportion.

Supply Chain Management
We will use our supply chain analysis to build stronger relationships with our major suppliers and monitor closely what they are doing on carbon reduction, other 'green' initiatives, and where they are on their carbon removal journeys.

We will also strengthen our due diligence procedures to ensure environmental credentials are considered in supplier selection.

Net Zero Planning
We will continue to work on net zero modelling in 2024 as we better understand our carbon reduction opportunities on one side of the equation and carbon removal opportunities and costs on the other side. We will involve a broader cross-section of the business teams in this process in the future.

IFRS S1 and S2 and Corporate Sustainability Report Directive
With the broadening of the range of reporting requirements on the horizon (climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy) we will put processes in place to gather the additional data required and governance procedures needed to meet the requirements of these standards. Whilst some of this legislation will not be mandatory for some time, we will commence planning to gather the data early in anticipation of future requirements.

Internal Reporting of Emissions
During 2023, we developed Power BI dashboards to summarise our emissions internally. These will be embedded within the reporting process for 2024, thereby engaging senior department heads in our journey towards net zero.

As new data points are identified the data sets will also be expanded in the future.

Scope 1, 2 and 3 Emissions

	CO2e tonnes 2023	CO2e tonnes 2022 (restated)
Scope 1	**23**	21
Scope 2	**124**	104
Scope 3	**927**	972
Total	**1,074**	1,097
Energy consumption used to calculate above emissions (kWh)	**679,618**	644,640
UK proportion of energy usage reported	**80%**	84%
Average number of employees	**380**	351
Intensity ratios:		
Emissions per FTE (CO2 e tonnes)	**2.83**	3.13
Emissions per FTE (kWh)	**1,788**	1,837

PRINCIPAL RISKS & UNCERTAINTIES

The Group operates in a competitive and dynamic market environment. The Group has grown substantially since the IPO in 2018 through a combination of organic growth and addition of strategic and complementary acquisitions. An enlarged senior leadership team actively manages the individual risks of the Group's divisions which are subsequently collated into a combined Group risk register that is 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 2022
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 with the barriers to the latter now lower than ever before. Slower than expected market growth or a failure to remain competitive would adversely affect the Group's performance.

The diversification of the Group through organic and acquisitive growth has broadened the portfolio and provides a wider portfolio protection from a genre, geographic and customer age perspective. Furthermore, in addition to the in-house development of games and apps, the Group continues to drive a rigorous game scouting process to secure new IP games as well as securing incremental licensed partners driving new apps. 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 2022
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 – no change from 2022
The Group's products rely on a relatively small but growing number of commercial partners 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 partners 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 broader Group provides additional routes to market, with games 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 development and licensed brand partners, and in delivering consistent high-quality IP content across its growing portfolio of games and apps. 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 games within the Group's revenue – no change from 2022
Historically, the Group has been reliant on a subset of successful games to generate a large share of its revenues as well as the successful launch on new first-party and third-party games. Should the Group fail to competently develop, launch and manage the lifecycle of its portfolio of games, this may adversely affect its financial results.

The Group has significantly expanded its portfolio with the three divisions providing a broader portfolio of first-party and third-party games. In addition, the acquisition of key IP, such as ***Golf With Your Friends*** and ***Hell Let Loose*** has strengthened the underlying portfolio.

The Group's games scouting approach is also designed to enable it to swiftly identify exciting new IP and act dynamically to continue to grow the portfolio with the introduction of new games for development and future release.

The Group continues to look to develop a broader and stronger back catalogue of games as well as create successful games that can become franchises with sequels providing wider portfolio protection and longer evergreen franchise revenues. This can be seen within each of the three divisions with games from each of these now part of the top ten games by revenue in the year. This broader more balanced portfolio approach helps give the Group protection against individual games that may underperform within a financial period and the overall year on year growth in the back catalogue that represents 71% of the annual revenues, provides a strong underlying content base that is subsequently supported by the launch of new games and additional content each year across the Group.

Commercial launch pipeline – increased since 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, increased levels of investment, competition with external game releases, reduced barriers to developers to self-publish, 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. New games are also robustly evaluated through the 'greenlight' process and throughout the development process to minimise delivery risk.

The 'greenlight' process within the Games Label has been re-focused on the historic successful business model working on Indie games where the typical investment levels are significantly lower than those seen in AA or AAA game development. In addition, the ongoing review of games in development has been tightened up in line with other cost control measures implemented in FY 2023.

Operational Risks

The ability to recruit, develop and retain key team members – increased since 2022
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, although the Group has moved to a more outsourced model to manage the changes in dynamic work patterns and resource requirements. This does also have risks associated with securing and managing suitable outsource partners, however the Group's combined purchasing power linked with leading outsource management expertise helps minimise these risks.

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 regular employee engagement surveys that are now consistently applied across the Group, 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. 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.

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

Effective management of costs – increased since 2022
During the latter part of the year, it was identified that tighter cost controls were required within the areas of development and commercial areas within the UK Games Label division and additional measures were put in place.

Development milestone review frequency was increased to improve the visibility and tracking of spend on individual game development projects.

Authority levels of spend were reduced in all areas with more rigour placed on tracking and controlling spend.

The implementation of the new finance system planned within the Games Label for later in 2024 will also help to tighten up the authority/approval process with more efficient online controls on spend as well as provide better visibility and reporting in this area.

Monthly divisional Board meetings in which the Group CEO and CFO to discuss financial results, risks and opportunities and going forward to specifically review the identified risk areas around development and commercial spend.

IT cyber security/Data Privacy – no change from 2022
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 and data protection including third-party monthly online security interactive programs to continue training and awareness which are being rolled out across all divisions across the Group.

GDPR reviews are underway across the Group to provide further insight into specific data held and treated and recommend any additional changes required. In addition, a new Group Legal Director will be joining the business in the first half of 2024 to help support the teams on all legal matters and will also be taking on the role of Data Protection Officer to focus on how the Group can continually assess the security, management and protection of data held within the divisions.

Currency / Socio-Economic Risks

Currency fluctuations – no change from 2022
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") alongside a lower level of exposure to Euro. As such, despite global fluctuations in currency movements being less aggressive than in prior years, there is a risk that the Group's financial performance could be adversely affected by unfavourable movements in foreign exchange.

The Group receives a significant amount of USD and Euros, makes developer milestone payments and royalties in USD where possible, and the majority of operational expenditure remains in GBP. The Group continues to assess ways to mitigate this risk in FY 2024 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 – no change from 2022
The rate of inflation impacting the cost of living, continued to rise over the early part of 2023 and although the inflationary pressures are reducing in 2024 it is felt that they still present a negative impact on consumer spend and also puts ongoing pressure on staff costs. This is outside the control of the Group and although inflation is expected to continue to fall in FY24, actual levels of inflation remain uncertain.

To support our team members with cost of living pressures, the Group has implemented policies and procedures that support the team as we embrace hybrid and remote working structure, 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 continue to monitor closely in 2024.

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 Group 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 the Group and we have sought to build a business that recognises and supports this. Since the acquisition of astragon and The Label in 2022 and StoryToys in 2021, we have monitored the integration of the team members into the broader Group structure, while maintaining a strong focus on 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 2024. StoryToys, astragon and the Games Label have each 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 who 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.	PEOPLE FIRST REPORT ON PAGES 28-31
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 players through public gaming notice boards, building long- term trust through engagement and delivering the improvements that the community wants most 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. We have continued to attend industry leading events, such as Gamescom, where members of the teams from Games Label and astragon represent the Group and have face-to-face interaction with our customers, suppliers, development partners, and peers.	GROUP STRATEGY AND BUSINESS MODEL ON PAGES 08-09

BOARD ENGAGEMENT WITH STAKEHOLDERS CONTINUED

Stakeholder Group	Importance & Engagement	Other References in this Report
Platform Partners	Our customer reach has expanded further in 2023, and now includes a broader 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 first-party IP, third-party products, and distribution games with the right partners and platforms to maximise awareness and mutual commercial success.	GROUP STRATEGY AND BUSINESS MODEL ON PAGES 08-09
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 08-09
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 Group. Throughout the year, the Group Chief Executive Officer and Group 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. During 2023, we hired a Group Investor Relations Director to further support our engagement with shareholders. We have developed a comprehensive IR plan and calendar to provide further touchpoints between the Group and existing shareholders, as well as to broaden our shareholder base. The Group 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 full-year and half-year results. Presentation material was also posted on the Group website to engage with a wider shareholder base. Our Annual General Meeting affords all shareholders the opportunity to hear from the Group directly, to ask questions and participate in the Group's key decisions. 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.	

Stakeholder Group	Importance & Engagement	Other References in this Report
Suppliers	Whilst some 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 to manage development workload requirements throughout the year. The value that these external sources have added to the Group and its systems has been significant. This year, we have increased our focus on outsourcing partners to maintain this high level of quality and strengthen our relationships. At astragon, we work very closely to maintain long standing relationships with dedicated third-party development partners on each of the first-party IP simulation games. 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 the Group and use this to set KPIs for future years and 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 08-09
Local Community	Following the acquisitions made in 2022, we now operate across 8 locations in 5 countries. 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, our employee-led Teamster Engagement Committee, "TEC", continues to play an important role in amplifying feedback and suggestions from colleagues to senior management. A member of TEC joins the Senior Management meetings each month to raise key feedback, and they have also hosted a number of live Q&A sessions with senior leaders throughout the year. This has created greater alignment across all levels on the Group's priorities. Across the wider Group, we continue to donate to international charities. Full details of the support to charities can be found in the ESG Report. We are part of the global gaming community, with members of the senior team at astragon holding positions on industry panels in Germany. The Games Label 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.	ESG REPORT ON PAGES 28-33

BOARD OF DIRECTORS

FRANK SAGNIER
CHAIR

Frank is an experienced executive and entrepreneur with a successful track record in the video games industry. He brings over 25 years of gaming sector experience to the Board, having held plc, private equity and senior roles with Codemasters, Electronic Arts, Acclaim Entertainment, Double Fusion, and Funcom.

In 2014, Frank was appointed CEO of Codemasters. During his tenure he led the transformation and restructuring of the business, building one of the most iconic racing games development studios and publishers of the F1 racing brand, before leading the company's successful IPO in 2018. Codemasters was later acquired by EA in 2021 (NASDAQ: EA), in a deal worth $1.2bn.

Frank is currently serving as non-executive Chair for video game developers nDreams and Steel City Interactive.

STEVE BELL
GROUP CHIEF EXECUTIVE OFFICER

Steve was appointed Group Chief Executive Officer in September 2023. Steve joined the Group from Iris Worldwide Holdings Limited ("Iris"), a global integrated marketing agency specialising in brand and digital marketing strategy. Steve amassed extensive digital marketing expertise at Iris, having held numerous senior leadership roles since co-founding Iris in 1999, including the role of Global Group Chief Executive since 2021. Steve managed over 1000 employees in 14 offices around the world, and oversaw Iris' work with some of the biggest, most creatively driven and technologically advanced global brands, and was instrumental in developing and delivering Iris' commercial and M&A strategies.

Prior to co-founding Iris, Steve worked for the advertising and retail agency Arc Worldwide, spending over five years working across a number of high-profile integrated accounts.

MARK CRAWFORD
GROUP CHIEF FINANCIAL OFFICER

Mark joined the Board in April 2020 having been interim Chief Financial Officer since November 2019. Mark has over two decades at Executive and Board level and is a qualified Chartered Management Accountant.

He joined the Group 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.

DEBBIE BESTWICK MBE
NON-EXECUTIVE DIRECTOR

Debbie is an industry leader with over 30 years' experience in the games industry and is one of the founding members of Team17 Group plc. Initially leading the Group'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 Group 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 was awarded the highly prestigious Develop Star Award in 2021.

PENNY JUDD
NON-EXECUTIVE DIRECTOR

Penny joined the Board in 2018 in advance of the successful IPO on AIM and is Chair of the Audit Committee. Penny has over 30 years' experience in Compliance, Regulation, Corporate Finance and Audit. Penny is currently Chair of FRP Advisory Group PLC, and 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. 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.

PETER WHITING
SENIOR NON-EXECUTIVE DIRECTOR

Peter was appointed Non-Executive Director in August 2023. Peter is a highly experienced NED, having spent over ten years in several non-executive roles across a wide range of boards. Beginning his career as an equity research analyst at Panmure Gordon, Peter later moved to UBS where he specialised in UK Technology, Engineering and Automotive sectors, before going on to become Chief Operating Officer of UBS European Equity Research.

Since leaving UBS in 2011, Peter has served on a variety of boards, and is currently Chair of Kooth plc, Senior Independent Director of FDM Group plc, and an independent Non-Executive Director for Aurrigo International plc. Peter Chairs the Audit Committee for Kooth plc and Remuneration Committee for FDM Group plc. He is also a NED and RemCo chair at Celebrus Technologies plc and audit chair at Aurrigo.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

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
A full business review for FY 2023 is detailed in the CEO, CFO and divisional reporting sections on pages 04 to 27.

Trading for the period from 31 December 2023 to the date of this document has been positive and is consistent with the Board's expectations for the year.

The Group has released 4 new games within the Games Label, 1 from astragon and 2 apps from StoryToys in the year to date. In addition, there are new game releases planned during the course of 2024 across the wider businesses, and through its 'greenlight' process the Group continues to review and sign new games 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 loss for the year, after taxation, amounted to £3.7 million (FY 2022: £23.5 million profit). The Directors have not recommended the payment of a dividend (FY 2022: £Nil).

Post Balance Sheet Events
There have been no material post balance sheet events since the end of the 2023 financial year.

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

Christopher Bell (resigned on 31 December 2023)
Debbie Bestwick MBE (transitioned to non-executive director on 1 January 2024)
Mark Crawford
Martin Hellawell (resigned on 31 July 2023)
Penny Judd
Jennifer Lawrence (resigned on 22 June 2023)
Peter Whiting (appointed on 1 August 2023)
Frank Sagnier (appointed on 6 September 2023)
Steve Bell (appointed on 4 September 2023)

Full details of the Board members' profiles can be found on page 40 to 41.

Directors' Indemnity and Insurance
The Group provides for Directors and Officers' liability insurance in respect of the Group and its Directors which was maintained throughout the financial year ended 31 December 2023 and remains in place at the date of signing the annual report and accounts.

Disclosures	
Emissions Data	Details of the Group's greenhouse gas emissions, energy consumption and energy efficiency action can be found on page 33 of this report
Charitable Donations	Over the course of the previous financial year, the Group has made donations to various charities across the Group totalling £6,019.
Political Donations	The Group has not made any this year.
Fostering Relationships with key stakeholders & s.172 statement	Details of how the Group fosters and manages relationships with key stakeholders can be found in the s172 statement on pages 37 to 39 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 2024 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 34 to 36.

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 2023, 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)	**15,573,889**	10.68
Octopus Investments (London)	**11,471,778**	7.87
Janus Henderson Investors (London)	**9,753,466**	6.69
BlackRock Investment Mgt (London)	**7,637,659**	5.24
Anicom Gestion (Brussels)	**6,200,000**	4.25
Aberdeen (Standard Life) (Edinburgh)	**6,062,500**	4.16
Interactive Investor (Manchester)	**4,455,885**	3.06

Source: Orient Capital Shareholder register 31 December 2023)

Corporate Responsibility in Employment
The Group now operates 8 locations across 5 countries 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 ESG Report on pages 28 to 31. We have a diverse team and do not tolerate discrimination of any kind.

Our team members play a fundamental role in shaping 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 28 to 33.

Research and Development
The vast majority of the Group's capital investment is to develop first-party and third-party co-developed games that are released in future years. As such investment in development is capitalised in the Development Costs in the balance sheet where applicable under IAS38.

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 employee engagement are included in the ESG Report on pages 28 to 31 and also in the Section 172 statement on pages 37 to 39. Feedback relating to the engagement survey results are shared with the Directors and reviewed at Board meetings, often inviting the CEOs 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 14 of this report.

Website
The Directors are responsible for ensuring the annual report and accounts 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

Steve Bell
Group Chief Executive Officer

16 May 2024

CORPORATE GOVERNANCE REPORT

Dear Shareholder,
As the new Chair of the Board of Directors, I am pleased to present this year's Corporate Governance statement for Team17 Group plc. Over the past year, the Company has noted a significant increase in focus on effective governance within public companies. In keeping with this, the Board has placed a stronger emphasis on encouraging open and transparent debates that allow for proactive decision-making.

As Chair, it is my responsibility to ensure that these vital governance practices are integrated into both the overall objectives and day-to-day activities of the Board. In acknowledgement of the importance of this integration and of the high standards of Governance, the Board has 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").

Each member of the Board recognises the value that good governance practices can bring to each aspect of the business and believes that compliance with the QCA Code enables us to serve the interests of all of our key stakeholders through the creation and maintenance of long-term value in the Company.

This report describes our approach to applying the principles of the QCA code and encouraging good governance throughout the business, through relevant policies, initiatives and the operation of the Board and its Committees.

Frank Sagnier
Group Non-Executive Chair

16 May 2024

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 executive team are directed to the day-to-day management and are accountable to the rest of the Board. The Board and Committees, in turn, meet regularly to oversee the successful operation of the Company. 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 expanded on further throughout this report.

These disclosures are updated at least annually in the manner recommended by the QCA Code.

Principle	Disclosure
Principle 1: Establish a strategy and business model which promotes long-term value for shareholders	The Company develops and publishes games across multiple platforms. Through its three divisions (Games Label, astragon and StoryToys), 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 08 to 09, and commentary of progress in the last year against this can be found in the strategic reviews on pages 04 to 07 and pages 16 to 27.
Principle 2: Seek to understand and meet shareholder needs and expectations	See the section 172 Statement on page 38.
Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board is conscious of the impact that the Group's activities may have on both immediate stakeholders and the wider social environment. A detailed report on how the Company has taken into account both immediate and wider stakeholders can be found in the ESG reports on pages 28 to 33 and in the s172 statement outlined on pages 37 to 39 respectively.
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 divisional 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 34 to 36.

Principle	Disclosure
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, three Non-Executive Directors and two Executive Directors. Three of the Non-Executive Directors - Frank Sagnier, Penny Judd, and Peter Whiting - 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 47 to 48. The Non-Executive Directors were selected with the objective of increasing the breadth of skills and experience of the Board and bringing independent judgement 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.
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 pages 40 to 41. The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives. The Nominations Committee has assisted the Company in ensuring that any changes to the Board do not affect this balance.
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. Since the independent evaluation conducted in 2022, the Directors have worked to ensure that all key learnings surrounding the Board's ability to deliver growth, maintain a dynamic framework and build trust have been acted on. The Board has since worked with the Nominations Committee to factor these learnings into the process of hiring new Directors. Given the recent appointments to the Board, the Directors believe that another independent performance evaluation should be conducted once the new Directors have fully settled into their roles. The results of which will be benchmarked against previous evaluations to ensure consistent improvement.
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. The Directors take ultimate responsibility for ensuring that these are promoted and maintained throughout the organisation, that they guide the Company's business objectives, and that they 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. The central role that sound ethical values and behaviour plays within the Company is enshrined in the Employee Handbook, which promotes this culture through all aspects of the business, from initial recruitment and hiring to career advancement. The Employee Handbook also sets out the Company's requirements and policies on such matters as whistleblowing, communication and general conduct of employees. Details of the Group's Whistleblowing Policy, Grievance Policy, Anti-Corruption & Bribery Policy and Anti Modern Slavery Policy can also be found on our website.

CORPORATE GOVERNANCE REPORT CONTINUED

Principle	Disclosure
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 47 to 48.
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.

The Board

Board Composition
Full biographies of the Directors can be found on page 40 to 41. At the date of this report, the Board comprises two Executive Directors and four Non-Executive Directors, three of whom are independent, including the Non-Executive Chair.

- **Frank Sagnier** – Independent Non-Executive Chair who joined the Board in September 2023
- **Steve Bell** – Chief Executive Officer who joined the Board in September 2023
- **Mark Crawford** – Chief Financial Officer who joined the Board in April 2020
- **Debbie Bestwick MBE** – Non-Executive Director who joined the Board in May 2018
- **Penny Judd** – Independent Non-Executive Director who joined the Board in May 2018
- **Peter Whiting** – Independent Non-Executive Director who joined the Board in August 2023

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.

Each Director is committed and individually responsible for keeping up to date their skillset in relation to the Company's operations and all regulatory obligations. The Company Secretary, along with legal advisers and the nominated adviser, provides appropriate training on regulatory updates and refresher training on ongoing obligations. The Directors are supported in their knowledge of operational matters through access to the Company's officers and key employees.

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

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

Committees
The Board has in place Audit, Nomination, Remuneration and ESG Committees, which each comply with their own stated terms of reference. Detailed reports on the Audit and Remuneration Committees can be found on pages 49 to 54.

ESG Committee
Penny Judd chairs the ESG Committee. Frank Sagnier, Debbie Bestwick, Peter Whiting, Mark Crawford and James Targett (Group Investor Relations Director) are the other members of the Committee.

The ESG Committee met formally once in 2023 and oversees and scrutinises the strategies, policies, and performance of the Group and aims to drive the improvement of each of these to meet the Company's high ESG standards.

Further details of the work done by the Company can be found in the ESG reports on pages 28 to 33.

Nominations Committee
Frank Sagnier chairs the Nomination Committee. Steve Bell, Debbie Bestwick, Penny Judd and Peter Whiting 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. During the year the Committee held numerous meetings in connection with the changes to the Board composition, most notably to oversee the successful search for a new Chair and Group CEO to replace the Chris Bell as outgoing Chair and Debbie Bestwick who stepped down from her role as Chief Executive Officer to take a role remaining on the Board as Non-Executive Director at the end of the financial year.

Board/Committee Attendance

The attendance of the Board and Committees is as follows:

		Board		Committees				
Director	Position	Max possible attendance	Meetings attended	Nomination	Audit & Risk	Remuneration	ESG	Independence
Christopher Bell	Independent Non-Executive Chair*	8	7	2	2	4	1	Y
Steve Bell**	Group Chief Executive Officer*	3	3	N/A	N/A	1	N/A	N/A
Debbie Bestwick MBE	Non-Executive Director*	8	8	2	N/A	1	N/A	N
Mark Crawford	Group Chief Financial Officer	8	8	N/A	N/A	2	1	N/A
Martin Hellawell**	Independent Non-Executive Director	4	4	N/A	1	3	N/A	Y
Penny Judd	Independent Non-Executive Director	8	8	2	3	3	1	Y
Jennifer Lawrence**	Independent Non-Executive Director	4	4	N/A	1	3	N/A	Y
Frank Sagnier**	Independent Non-Executive Chair*	2	2	N/A	N/A	1	N/A	Y
Peter Whiting**	Independent Non-Executive Director	4	4	N/A	2	1	1	Y

* Between September 2023 and December 2023, Steve Bell and Frank Sagnier served as designates in their roles. On 31 December 2023, Debbie Bestwick MBE was made a Non-Executive Director and Chris Bell stepped down from the Board.

** The following Directors have had access to a reduced number of meetings due to changes to the Board's structure, the dates of their appointment/resignation have been listed below for context:
- Steve Bell joined the Board in September 2023
- Frank Sagnier joined the Board in September 2023
- Peter Whiting joined the Board in August 2023
- Martin Hellawell left the Board in July 2023
- Jennifer Lawrence left the Board in June 2023

CORPORATE GOVERNANCE REPORT CONTINUED

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's senior management team is comprised of the Group CEO, the Group CFO and the CEOs of each division of the Group. The team meets 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. Further details on the Company's approach to risk management can be found on pages 34 to 36.

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 maintained throughout the organisation and that they guide the Group's business strategy. The Group has clearly defined policies that help define these values and can be found at the Group's website www.team17groupplc.com. 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 new Directors will stand for election and Mark Crawford, Debbie Bestwick and Penny Judd 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 proposed by the Company's Directors. This year's AGM is currently planned to be held at 09:30 on 19 June 2024. The Notice of AGM, setting out the resolutions proposed, is contained in a separate document and is available on the Company's website at www.team17groupplc.com.

Approved by order of the Board.

Richard Almond
Company Secretary

16 May 2024

AUDIT COMMITTEE REPORT

Introduction

As the Chair of the Audit Committee, I am pleased to present the report for the year ended 31 December 2023. 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 changed across the year reflecting the changes to the Board of Directors but now include Frank Sagnier, Peter Whiting and Debbie Bestwick. The Committee has a wealth of knowledge from both within the gaming sector alongside other wider 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 pages 40 to 41. The Committee met twice during the year with all members in attendance and also attended by the Group Chief Executive and Group Chief Financial Officer by request of the Committee to facilitate discussions of the financial statements and internal controls to which the auditors PricewaterhouseCoopers LLP (PwC) were invited. A third meeting was held with an approved sub-committee with myself, Peter Whiting and the Group Chief Financial Officer. Outside the formal audit review meetings, various other discussions held throughout the year to review accounting policies, updates on acquisition accounting, impairment reviews, 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.
- Meeting with the CFO and key members of the finance team and formally reviewing the effectiveness of the audit process and the appointment or reappointment of the auditor.
- 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.

The Company is not bound to have any formal process for auditor tendering although does have regard to the requirement for larger listed companies to put their audit out to tender every ten years. As outlined in the Audit Committee report published in 2022, a formal market review was undertaken for the audit services for the Group and PwC were retained with a new lead partner following their normal rotation policy. There are no current contractual restrictions that affect the Company's choice of auditor.

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 including the decision based on discussions and conclusions made by the Board to change the accounting policy for sales arrangements via Apple and Google stores, where it was determined that the Group are the principal to the end user and therefore report revenue on a gross basis.
- Capitalised development costs and their useful life to review the policies for amortisation of capitalised development costs.
- Performance measures and KPIs that feed into the regular monthly reporting at the divisional and Board level providing better insight at Board level to track performance.
- Carrying value of goodwill and intangible assets with detailed impairment reviews.
- Purchase price allocation and acquisition accounting.
- Going concern looking across the Group looking at reasonable worst-case scenarios to stress test the Group's working capital levels and making recommendations to the Board for approval.

Internal Controls and Risk Assessment
Alongside the audit activities the Committee oversees the risk processes and reporting within the Group to ensure that the risk register is compiled with inputs from each division across the Group to understand the key areas of risk and seeking assurance that the outputs from the risk register are acted upon. A summary of the output is shown in the Principal Risk and Uncertainties report on pages 34 to 36.

The Committee's other responsibilities also include the oversight of a delegated authority system for approving Company spending. This was further re-examined in the second half of the year to implement tighter cost controls across the development and commercial teams within the UK Games Label division as well as the wider Group to apply additional rigour and improve communication and awareness.

Given the Group's current size and scale there is currently no internal audit function, however this remains under review as the Group continues to grow.

Finance System Upgrade
Work has continued at a slower pace than anticipated to complete the final user testing and the full system rollout within the Games Label in the UK is now anticipated to go live in 2024. The new system will help provide improved cost controls linked to the revised delegation of authority processes. Consideration is also being taken to roll-out the system implementation across the Group.

Going Concern
The Audit Committee recognises the ongoing challenging external market combined with recent internal strategic review and improved costs controls within the UK and wider business divisions which impact the Group's 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.

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

Penny Judd
Chair of the Audit Committee

16 May 2024

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 2023. This is my first report following my appointment to the Board on 1 August 2023. 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 in the year to 31 December 2023; and 4. the proposed implementation of the policy for the upcoming year.

This report will be submitted to an advisory shareholder vote at our 2024 AGM.

1. Director's Remuneration Policy

The Committee is focused on setting a remuneration policy that takes 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. All such fees are paid in cash. The Chair fee is decided by the Remuneration Committee – the Non-Executive Directors' fees are decided by the Board.

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 Long Term Incentive Plan 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.

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

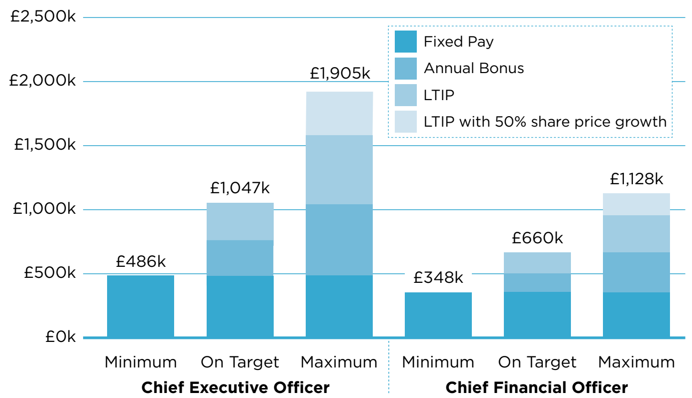
Performance-related Bonus:
Annual bonus payments are based on performance against challenging targets which are aligned to the Group's strategic objectives and are designed to deliver shareholder value. The majority of the outcome is based on the Group's adjusted EBITDA performance with the balance determined by one or more individual strategic objectives. The maximum earning opportunity is 120% and 100% of salary for the CEO and CFO respectively, with 50% of the maximum awarded for on-target performance, and a further 50% of the maximum if the Company achieves its stretch performance targets (and typically a straight-line outcome between these two points). In 2024, we are introducing provisions to defer 30% and 20% of the awarded bonus for the CEO and CFO respectively into shares with a two-year holding period and malus and clawback provisions for that period.

Long Term Incentive Plan ("LTIP")
The Company makes annual awards to Executive participants under the LTIP. Awards are released subject to continued employment and the 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 financial statements and also for other defined reasons. Alongside this, from 2024 a two-year holding period following the vesting date will be introduced.

This report will be submitted to an advisory shareholder vote at our 2024 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 2024 financial year is illustrated below (all figures are shown before income taxes):



Minimum Performance:	Comprising the minimum remuneration receivable (i.e. fixed pay only made up of base salary, pension allowances and an estimate of benefits for the 2024 financial year).
On Target Performance:	Comprising fixed pay, with the annual bonus and LTIP each achieving 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 (120% and 100% of salary respectively for the CEO and CFO) and 100% vesting of LTIP awards (135% and 100% of salary for the CEO and CFO respectively). The maximum performance scenario also illustrates the potential pay-out under the LTIP assuming a 50% share price appreciation over the three-year performance period.

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 monitors the overall approach to reward including 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 from which it is recruited; 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 enter 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 current members of the Committee are as follows:

1. Peter Whiting (Chair – from 1 August 2023)
2. Frank Sagnier (from 6 September 2023)
3. Penny Judd
4. Debbie Bestwick (from 1 January 2024)

Other members who served during the year were:

- Jennifer Lawrence (until 22 June 2023)
- Chris Bell (until 31 December 2023)
- Martin Hellawell (until 31 July 2023)

The committee met four times over the year as outlined on page 47. The primary role of the Committee is to review and set the remuneration of the Executive Directors and Chair and to review the divisional and Group senior management remuneration.

Key responsibilities include:

1. Setting and monitoring the remuneration of the Executive Directors and Chair;
2. Monitoring the remuneration of the divisional and group Senior Management Team which includes salary, annual performance-related bonus and any LTIP arrangements;
3. Monitoring of the Group's overall annual performance-related bonus payments and annual salary review; and
4. Approval of all share award plans and subsequent issue of share awards to team members.

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

REMUNERATION COMMITTEE REPORT CONTINUED

3. Annual Statement (Unaudited Information)

Directors' Remuneration for the Year Ended 31 December 2023
The following table sets out the total remuneration for Executive and Non-Executive Directors for 2023, showing 2022 remuneration for comparison:

All figures shown in £'000		Salary and fees	Benefits[1]	Pension	Annual Bonus	LTIP[2]	Total Remuneration	Total Fixed Pay	Total Variable Pay
Executive Directors									
Debbie Bestwick MBE	**2023**	**437**	**69**	**22**	**–**	**–**	**528**	**528**	**–**
	2022	420	25	21	392	–	858	466	392
Steve Bell	**2023**	**144**	**3**	**10**	**–**	**–**	**157**	**157**	**–**
	2022	–	–	–	–	–	–	–	–
Mark Crawford	**2023**	**309**	**11**	**25**	**–**	**–**	**345**	**345**	**–**
	2022	283	10	16	211	85	605	309	296
Non-Executive Directors									
Christopher Bell	**2023**	**112**	**–**	**–**	**–**	**–**	**112**	**112**	**–**
	2022	108	–	–	–	–	108	108	–
Penny Judd	**2023**	**62**	**–**	**–**	**–**	**–**	**62**	**62**	**–**
	2022	59	–	–	–	–	59	59	–
Jennifer Lawrence	**2023**	**31**	**–**	**–**	**–**	**–**	**31**	**31**	**–**
	2022	59	–	–	–	–	59	59	–
Martin Hellawell	**2023**	**37**	**–**	**–**	**–**	**–**	**37**	**37**	**–**
	2022	59	–	–	–	–	59	59	–
Peter Whiting	**2023**	**26**	**–**	**–**	**–**	**–**	**26**	**26**	**–**
	2022	–	–	–	–	–	–	–	–
Frank Sagnier	**2023**	**36**	**–**	**–**	**–**	**–**	**36**	**36**	**–**
	2022	–	–	–	–	–	–	–	–

1. Benefits represents the taxable value of benefits paid. Taxable benefits provided to Executive Directors include: private health cover; car allowance and accrued holiday not taken but paid in lieu in 2024 for the CEO.
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. The value on vesting (10 September 2023) was £66,000.

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

Financial performance during the year resulted in no bonus being awarded for the CEO and CFO.

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:

	Date of grant	Awards held on 1 January 2023	Awards made during year	Awards lapsed / forfeited during year	**Awards held on 31 December 2023**	Awards vested during year	End of performance period	Exercise Period
Director								
Debbie Bestwick MBE	8 July 2021[1]	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
Debbie Bestwick MBE	18 July 2023	–	200,133	–	**200,133**	–	31 Dec 2025	10 years from grant
Mark Crawford	10 Sept 2020	20,057	–	–	**20,057**	20,057	31 Dec 2022	10 years from grant
Mark Crawford	8 July 2021[1]	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
Mark Crawford	18 July 2023	–	94,402	–	**94,402**	–	31 Dec 2025	10 years from grant

1. The performance conditions for the 2021 award have not been achieved and so the award will lapse on 8 July 2024.

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 annual bonus and 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.

	Beneficially owned at 31 December 2022	**Beneficially owned at 31 December 2023**	Interest in LTIP awards (subject to performance conditions)	Interest in LTIP awards (not subject to performance conditions)	Interest in other awards (not subject to performance conditions)	Shareholding at 31 December 2023 as % of base salary
Executive Directors						
Debbie Bestwick MBE	30,266,945	**30,266,945**	510,076	–	–	>200%
Steve Bell	–	**54,050**	–	–	–	23%
Mark Crawford	16,623	**34,565**	194,559	20,057	392	20%
Non-Executive Directors						
Christopher Bell	90,909	**30,335**	None	–	–	n/a
Penny Judd	24,242	**77,717**	None	–	–	n/a
Jennifer Lawrence	1,864	**–**	None	–	–	n/a
Martin Hellawell	10,000	**–**	None	–	–	n/a
Peter Whiting	–	**20,900**	None	–	–	n/a
Frank Sagnier	–	**108,000**	None	–	–	n/a

REMUNERATION COMMITTEE REPORT CONTINUED

4. Implementation of Policy in 2024 (Unaudited)

There are changes to the Directors' Remuneration Policy in 2024 with the introduction of a two-year partial deferral in the Annual Bonus and a two-year holding period for the LTIP as set out in section 1 above.

On 1 January 2024, Debbie Bestwick transitioned from Group CEO to a Non-Executive Director role and was succeeded by Steve Bell.

Steve Bell joined as Group CEO Designate in September 2023, and his base salary of £440,000 will not be reviewed until October 2024. Mark Crawford's salary of £312,000 remains unchanged.

Annual Bonus
As noted above the maximum earning opportunity is 120% and 100% of salary for the CEO and CFO respectively, with 50% of the maximum awarded for on-target performance, and a further 50% of the maximum if the Company achieves its stretch performance targets (and typically a straight-line outcome between these two points).

Performance measures will be based 80% on a sliding scale range of adjusted EBITDA targets and 20% on individual objectives.

30% and 20% of the awarded bonus will be deferred for the CEO and CFO respectively into shares with a two-year holding period.

LTIP
The award level for 2024 will be equivalent to 135% 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 two performance measures.

- 50% on a stretching range of adjusted EPS growth measured over the three years to 31 December 2026. 25% of the award vests for a threshold level of performance with 100% of the award vesting at the top end of the performance range. This performance range reflects the continued strategy of driving profit growth at levels ahead of the wider market.
- 50% on relative Total Shareholder Return compared to the constituents of the AIM100 index measured over the three years to 31 December 2026. 25% of the award vests for performance at the median level of the index constituents, with 100% of the award vesting at upper quartile performance and a straight-line interpolation between these two points.

Non-Executive Director Remuneration
Following a review by the Board, the annual base fees payable to the Non-Executive Directors have been increased by 3% effective 1 April 2024.

Non-Executive Director	Fee at 31 December 2023	**Fee with effect from 1 April 2024**	% increase
Chair	113,360	**116,760**	3
Non-Executive Director base fee	51,064	**52,595**	3
Senior Independent Director	11,336	**11,676**	3
Committee Chair fee	11,336	**11,676**	3

Signed for and on behalf of the Board by

Peter Whiting
Chair of the Remuneration Committee

16 May 2024

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 2023 and of the group's loss 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 Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2023; the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the Notes to the Financial Statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Our audit approach

Overview

Audit scope

- We identified Team 17 Digital Limited and astragon Entertainment GmbH as requiring a full scope audit based on their financial significance to the group. We also performed a full scope audit of Team17 Group plc (the company).
- 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, RSM Ebner Stolz, based in Dusseldorf, Germany. The group audit team issued formal instructions, had a number of virtual meetings and performed a review of their working papers.
- Two non-significant components were also subject to audit procedures performed by the group engagement team. StoryToys Limited required procedures over prepayments, trade receivables and accruals and deferred income, and The Label Inc. required procedures over licence revenue, due to their contribution to the overall financial statement line items in the consolidated financial statements.
- As a result of this scoping, we obtained coverage over 84% of group revenue, 78% of group loss before tax (adjusted for impairment) and 82% of group net assets (being total assets less total liabilities).

Key audit matters

- Licence revenue recognition (group)
- Impairment of goodwill relating to the acquisition of The Label Inc. (group)
- Impairment of capitalised development costs (group)
- Impairment of investments (company)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEAM17 GROUP PLC CONTINUED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Materiality

- Overall group materiality: £1,500,000 (2022: £1,850,000) based on 5% of loss before tax adjusted for the impact of impairments (2022: approximately 4% of adjusted profit before tax).
- Overall company materiality: £1,350,000 (2022: £1,650,000) based on 1% of total assets, capped at £1,350,000 being an allocation of group materiality (2022: 1% of total assets, capped at £1,650,000 being an allocation of group materiality).
- Performance materiality: £1,125,000 (2022: £1,350,000) (group) and £1,012,500 (2022: £1,237,500) (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.

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.

Impairment of goodwill relating to the acquisition of The Label Inc. and impairment of capitalised development costs are new key audit matters this year. Calculation of the fair value of the consideration in the acquisition of astragon Entertainment GmbH and The Label Inc. and calculation of the fair value of intangible assets acquired in astragon Entertainment GmbH and The Label Inc., which were key audit matters last year, are no longer included because of the fact they related to acquisitions which occurred in the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Licence revenue recognition (group) The group's accounting policy on licence revenue recognition is shown in note 2 of the Notes to the Consolidated Financial Statements and the significant accounting judgements in respect of revenue are shown in note 3. We considered licence revenue recognition as a key audit matter given the level of complexity and judgement involved in recognising 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 under IFRS 15. Contracts are also assessed to determine revenue recognition, including to identify whether contracts provide the customer with a 'right to use' or 'right to access' intellectual property, and whether they contain multiple performance obligations. These determinations can involve management exercising significant judgement, which can have a material impact on revenue. Revenues are recognised as the performance obligations are satisfied.	We obtained and reviewed licence contracts on a sample basis, targeting the larger balances and sampling to high assurance over the remaining contracts. For sampled items, we reviewed the contractual obligations to ensure that revenue has been recognised appropriately under IFRS 15. We challenged management on estimates impacting the cut-off assertion, considering the specific licence terms to verify the timing of revenue recognition This included determination of: • whether contracts provide a licence 'to use', or a licence 'to access' the IP; and • the appropriateness of the allocation of consideration between performance obligations, focusing particularly on contracts where performance obligations span multiple financial years. Based on the procedures performed, we concluded that licence revenue recognition is free from material misstatement.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill relating to the acquisition of The Label Inc. (group) The group's accounting policy on Goodwill is shown in note 2 of the Notes to the Consolidated Financial Statements and the key sources of estimation uncertainty related to impairment of intangible assets are shown in note 3. The related disclosures for goodwill are included in note 11. The performance of The Label Inc. cash generating unit (CGU) has been impacted by increased competition within the mobile subscription market. This has led to a decline in performance-based revenues for mobile games and also increased the difficulty of securing new titles for launch on the mobile subscription market. As a result of the decline in performance, revised management forecasts show the recoverable amount of The Label Inc. CGU is less than the carrying value of the CGU, which has resulted in an impairment of £20.9m against goodwill, as disclosed in note 11 of the Consolidated Financial Statements. We consider the impairment assessment for the goodwill relating to the acquisition of The Label Inc. to be a key audit matter, specifically, in relation to the estimation of future revenues used in the calculation of the recoverable amount.	We challenged the key assumptions around revenues in the model, including revenue from milestone payments, revenue from bonus payments and revenue from subscription service fees. We obtained supporting evidence from management as well as assessing management's historical forecasting accuracy, considering other available evidence in the public domain. We obtained supporting evidence for the key assumptions made, including considering historic forecasting accuracy for bonus income and understanding management's future plans for the entity. We also assessed the reasonableness of future milestone income compared with previously signed contracts. We evaluated management's assessment that the recoverable amount based on the value in use exceeded the fair value less cost to sell of the CGU, concluding that the value in use method derived a higher recoverable amount. We performed sensitivity analysis over the revenue assumptions based on the supporting information available. Based on the procedures performed, we concluded that the post-impairment value of the goodwill balance relating to the acquisition of The Label Inc. is free from material misstatement.
Impairment of capitalised development costs (group) The group's accounting policy on development costs is shown in note 2 of the Notes to the Consolidated Financial Statements and the key sources of estimation uncertainty related to impairment of intangible assets are shown in note 3. The related disclosures for capitalised development costs are included in note 11. There has been an increase in the value of capitalised development costs attributed to increased investment in larger titles. Heavy competition in the market, variability in the success of new titles launched and a refreshed focus on Team17's 'indie' gaming roots, have resulted in impairment triggers across a number of games. In order to estimate the recoverable amount, management are required to make estimates over future revenues of the titles; this is particularly judgemental where titles are not yet released and do not relate to a legacy title, as this means that there is less observable information to support the assessment. We considered the estimates over future revenues for unreleased, non-legacy titles as a key audit matter given the level of estimation and uncertainty involved in these forecasts.	We obtained a detailed understanding of management's forecasting and due diligence process and understood the relevant controls in place for this process. We obtained management's impairment analysis on all games which we assessed to identify which games were at a higher risk of impairment. For such titles, we obtained and reviewed management's impairment assessment supporting the recoverable amount. We reviewed and challenged management forecasts, as well as performing a sensitivity analysis on the forecast revenue. Where impairment was identified, we evaluated management's assessment that the recoverable amount based on the value in use exceeded the fair value less cost to sell, concluding that the value in use method derived a higher recoverable amount. Based on the procedures performed, we concluded that the post-impairment value of the development costs balance is free from material misstatement.
Impairment of investments (company) The company's accounting policy on investments is shown in note 2 of the Notes to the Company Financial Statements and the key sources of estimation uncertainty related to the recoverability of investments are shown in note 3. The company's investments balance is disclosed in note 6. Investments are assessed for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments are estimated in order to determine the extent of the impairment loss, if any. Given the magnitude of the investments balance, we have considered the risk of impairment of these assets as a key audit matter, specifically management's determination of whether or not there are triggers which would require a full impairment assessment to be performed, and where applicable, the key estimates included in management's recoverability assessment. As at the balance sheet date the decline in market capitalisation of the group, in addition to the company's investments value exceeding the net assets of the group, are considered to be indicators of impairment. As a result, management performed a value in use calculation which shows the recoverable amount of the investment exceeds the carrying value. We consider revenue inflows to be the significant assumption within this assessment.	We challenged management over the significant assumptions, being those related to revenue inflows, applied in the model. This included obtaining supporting evidence where appropriate, performing look-back procedures to assess management's historic forecasting accuracy, and performing sensitivity analysis. We verified the financial statement disclosures and considered whether information on significant estimates was appropriately included. Based on the procedures performed, we concluded that the valuation of the company's investment balance is free from material misstatement.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEAM17 GROUP PLC CONTINUED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 central group 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 Entertainment GmbH and Independent Arts Software GmbH and a local finance function in Dublin, Ireland responsible for the accounting records for StoryToys Limited. Both of the local finance functions report into the central group 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. This was determined by considering the significance of each component's contribution to profit before tax adjusted for the impact of impairments, as well as considering the level of coverage obtained for each individual financial statement line item.

We identified three components being Team17 Group plc (the company), Team 17 Digital Limited and astragon Entertainment GmbH, which were subject to a full scope audit. Of these, Team17 Group plc and Team 17 Digital Limited were audited by the group audit team. astragon Entertainment GmbH was audited by a non-PwC component auditor.

The group audit team supervised the direction and execution of the audit procedures performed by the non-PwC component auditor. Our involvement in their audit process gave us the evidence required 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, as well as reviewing work papers and assessing matters reported.

In addition, audit procedures were performed across two non-significant components by the group audit team to gain sufficient audit coverage over certain balances in the Consolidated Financial Statements. StoryToys Limited required procedures over prepayments, trade receivables and accruals and deferred income, and The Label Inc. required procedures over licence revenue. In addition work was performed by the group audit team over the consolidation, including consolidation entries relating to elimination of intercompany balances and investments, equity, goodwill, acquisition accounting and procedures over the financial statement disclosures.

In total, the audit work performed provided coverage over 84% of group revenue, 78% of group loss before tax (adjusted for impairment) and 82% of group net assets. 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 and Company'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	£1,500,000 (2022: £1,850,000).	£1,350,000 (2022: £1,650,000).
How we determined it	5% of loss before tax adjusted for the impact of impairments (2022: approximately 4% of adjusted profit before tax)	1% of total assets, capped at £1,350,000 being an allocation of group materiality (2022: 1% of total assets, capped at £1,650,000 being an allocation of group materiality)
Rationale for benchmark applied	The key objective of the group is to deliver underlying profitable growth to increase long-term shareholder value. As such, we consider profit or loss before tax to be the appropriate benchmark. Profitability in the current year has been impacted by impairments recognised. We believe that loss before tax adjusted for the impact of impairments in relation to goodwill relating to the acquisition of The Label Inc. and capitalised development costs across the group, is an appropriate benchmark to use in assessing materiality. In 2022, adjusted profit before tax (as presented as an alternative performance measure) was applied due to the impact of acquisitions in the year.	The company is a non-trading holding company. The entity's assets primarily relate to the investments in 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 £433,000 and £1,425,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,125,000 (2022: £1,350,000) for the Group Financial Statements and £1,012,500 (2022: £1,237,500) 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 £75,000 (Group audit) (2022: £92,000) and £75,000 (Company audit) (2022: £82,500) 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 2025 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 over the forecast period.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEAM17 GROUP PLC CONTINUED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 2023 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 the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 inappropriate 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 which impact financial performance; 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

16 May 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**Year ended 31 December 2023 £'000**	Year ended 31 December 2022 (restated) £'000
Revenue	5	**159,125**	142,282
Cost of sales		**(101,620)**	(72,666)
Gross profit		**57,505**	69,616
Other income		**176**	469
Administrative expenses		**(57,639)**	(37,819)
Operating profit	6	**42**	32,266
Finance income	8	**344**	34
Finance costs	8	**(1,261)**	(3,982)
Share of net (loss)/profit of associates accounted for using the equity method	13	**(205)**	347
(Loss)/ Profit before tax		**(1,080)**	28,665
Taxation	9	**(2,665)**	(5,187)
(Loss)/Profit for the year		**(3,745)**	23,478
Earnings per share			
– Basic (pence)	10	**(2.6)**	16.5
– Diluted (pence)	10	**(2.6)**	16.4

Certain comparative balances included within the consolidated income statement have been restated as disclosed in note 2.

All amounts relate to continuing operations.

The notes on pages 67 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
(Loss)/profit for the year	**(3,745)**	23,478
Other comprehensive (expense)/income:		
Items that may be reclassified to profit or loss:		
Exchange (loss)/gain on translation of foreign operations	**(3,209)**	8,070
Total comprehensive (expense)/income for the year	**(6,954)**	31,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023
COMPANY REGISTRATION NUMBER: 11205116

	Note	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Assets			
Non-current assets			
Goodwill	11	**86,244**	113,424
Other intangible assets	11	**123,748**	120,685
Investments accounted for using the equity method	13	**867**	1,045
Property, plant and equipment	14	**1,440**	1,692
Right-of-use assets	15	**3,172**	2,785
Total non-current assets		**215,471**	239,631
Current assets			
Inventories	16	**960**	1,225
Trade and other receivables	17	**38,408**	36,044
Cash and cash equivalents	18	**42,824**	50,828
Total current assets		**82,192**	88,097
Total assets		**297,663**	327,728
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	19	**1,458**	1,456
Share premium	19	**137,572**	132,126
Retained earnings	19	**97,514**	100,785
Other reserves	19	**10,235**	18,093
Total equity		**246,779**	252,460
Non-current liabilities			
Lease liabilities	20	**2,889**	2,625
Contingent consideration	21	**-**	9,369
Provisions		**113**	140
Deferred tax liabilities	22	**8,386**	9,169
Total non-current liabilities		**11,388**	21,303
Current liabilities			
Trade and other payables	23	**35,422**	52,339
Tax payables		**3,391**	1,262
Lease liabilities	20	**683**	364
Total current liabilities		**39,496**	53,965
Total liabilities		**50,884**	75,268
Total equity and liabilities		**297,663**	327,728

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

The financial statements on pages 62 to 111 were approved by the board of directors and authorised for issue on 16 May 2024 and were signed on its behalf by:

Steve Bell
Group Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Equity attributable to shareholders of the Group

	Note	Share capital £'000	Share premium account £'000	Retained Earnings £'000	Other reserves £'000	Total Equity £'000
At 1 January 2022		1,315	44,084	76,863	5,374	**127,636**
Comprehensive income						
Profit for the year		–	–	23,478	–	**23,478**
Other comprehensive expense for the year		–	–	–	8,070	**8,070**
Total comprehensive income		–	–	23,478	8,070	**31,548**
Transactions with owners						
Issue of shares for a business combination		6	–	–	4,649	**4,655**
Issue of shares for acquisition of IP		15	11,779	–	–	**11,794**
Issue of shares to satisfy share options		10	–	–	–	**10**
Contributions of equity		110	76,263	–	–	**76,373**
Share based compensation	24	–	–	444	–	**444**
Total transactions with owners		141	88,042	444	4,649	**93,276**
At 31 December 2022		1,456	132,126	100,785	18,093	**252,460**
Adjustment	19	–	4,649	–	(4,649)	**-**
Comprehensive income						
Loss for the year		–	–	(3,745)	–	**(3,745)**
Other comprehensive expense for the year	19	–	–	–	(3,209)	**(3,209)**
Total comprehensive loss		–	–	(3,745)	(3,209)	**(6,954)**
Transactions with owners						
Issue of shares	19	2	797	–	–	**799**
Share based compensation	24	–	–	474	–	**474**
Total transactions with owners		2	797	474	–	**1,273**
At 31 December 2023		1,458	137,572	97,514	10,235	**246,779**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Cash generated from operations	25	**50,721**	56,187
Payments for contingent consideration on business acquisitions	21	**(4,189)**	–
Income taxes paid		**(5,148)**	(6,761)
Net cash inflow from operating activities		**41,384**	49,426
Cash flows from investing activities			
Payment for acquisition of astragon Entertainment GmbH, net of cash acquired	12	**–**	(65,024)
Payment for acquisition of The Label Inc, net of cash acquired	12	**–**	(12,134)
Payment for acquisition of Independent Arts Software GmbH, net of cash acquired	12	**(1,792)**	–
Payments for contingent consideration on business acquisitions	21	**(6,886)**	(5,236)
Payments for IP	21	**(7,500)**	(18,750)
Payments for other intangibles	11	**(900)**	–
Payments for property, plant and equipment	14	**(477)**	(723)
Payments for capitalised development costs	11	**(32,184)**	(26,110)
Proceeds from sale of property, plant and equipment		**35**	–
Interest received	8	**299**	34
Net cash outflow from investing activities		**(49,405)**	(127,943)
Cash flows from financing activities			
Proceeds from issues of shares		**–**	76,397
Interest paid	8	**(89)**	(131)
Principal elements of lease payments		**(546)**	(417)
Repayment of borrowings		**–**	(2,136)
Net cash (outflow)/inflow from financing activities		**(635)**	73,713
Net decrease in cash and cash equivalents		**(8,656)**	(4,804)
Cash and cash equivalents at beginning of year		**50,828**	55,302
Effect of exchange rates on cash and cash equivalents		**652**	330
Cash and cash equivalents at end of year	18	**42,824**	50,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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. Material accounting policy information

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 with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial information has been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities measured at fair value through profit or loss, 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 merger reserve and currency translation reserve separately in the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity. Management believes it to be more relevant to amalgamate these reserves into "other reserves" and further details of these reserves can be found in note 19. Prior year comparatives as at 31 December 2022 have been restated to conform with current year presentation.

Revenue recognition and restatement

The Group is constantly reviewing contracts in line with the significant estimates and judgements as set out in note 3. As part of this review, it has been determined that the Group acts as a principal in contracts generating digital sales through the Apple and Google app stores. Revenue from these contracts should be recognised gross of platform fees with the corresponding platform fees being included in cost of sales to better reflect the substance of the transaction whereas historically revenue was recognised net of platform fees. This restatement has no impact on profits in either the current or prior year. For consistency, the revenue balances for the year ending 31 December 2022 have been restated increasing revenue by £4,838,000 with a corresponding increase in cost of sales.

New and amended standards adopted by the Group

The following accounting standards or IFRIC interpretations are effective for the year ended 31 December 2023:

- Amendments to IFRS 17 'Insurance contracts: Initial Application of IFRS 17' and 'IFRS 9 – Comparative Information'
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2: 'Disclosure of Accounting Policies'
- Amendments to IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates'
- Amendments to IAS 12 'Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to IAS 12 'Income taxes: International Tax Reform – Pillar Two Model Rules' (effective immediately– disclosures are required for annual periods beginning on or after 1 January 2023)

None of these are expected to have a material impact on the Group's financial statements or the accounting policies are already consistent with the new requirements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information continued

Basis of consolidation continued
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.

For any investments 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 479C of the Companies Act 2006 to the Companies listed below for the year ending 31 December 2023. These companies are exempt from the requirements of this Act relating to the audit of financial statements under section 479A of the Companies Act 2006:

- Yippee Entertainment Limited (registration number: 07522716)
- Team 17 Holdings Limited (registration number: 10293313)
- Team 17 Software Limited (registration number: 07416614)

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 annually 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;

The following types of intangibles have been recognised:

- Brands
- Acquired games and 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 the Group'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 (as discussed below)
- Acquired games and apps – 7 to 10 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 launch 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. There are 3 different categories of development costs which have a different amortisation profile to reflect the future economic benefits of the games. These are as follows:

Indie Games are video games launched across PC and other major consoles with the main benefit driven by the initial purchase of the game by the consumer and a relatively short economic life due to the volume of new game releases available to consumers. These games have an amortisation period of 2 years split as follows:

- Month 1 – 30% of original cost
- Months 2 to 12 – 40% of original cost over period (Cumulative 70% at end of Month 12)
- Months 13 to 24 – 30% of original cost over period (Cumulative 100% at end of Month 24)

Edutainment apps are developed for younger audiences based on very successful IP's. Due to the subscription-based nature of the IP's the benefits are received over a longer period as the consumers utilise the apps over several years. The amortisation method is as follows recognising that content later on in the base app's lifecycle will have a shorter life:

- Base App/Platform – 3 to 5 Years straight line
- Edutainment content – 1 to 3 Years straight line

Simulation games are video games such as bus simulator that emulate performing everyday jobs. These titles tend to have sequels and the amortisation profile of the assets are spread over 3 years in line with the expected release of a sequel. The policy is:

- Year 1 – 50% straight line
- Year 2 – 25% straight line
- Year 3 – 25% straight line

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information continued

Amortisation continued

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.

Amortisation on acquired games and apps
The useful economic life for these assets are 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 as it is not considered to directly drive revenues. Amortisation is calculated over the estimated useful life of the games and apps which ranges from 7 to 10 years straight-line.

Amortisation on acquired customer and developer relationships
Customer relationships are acquired as part of business combinations and represent the relationships that the acquired business has built up over time. The useful economic life of the 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 acquired customer and developer relationships as these are not considered to directly drive revenues. Amortisation is calculated over the estimated useful life of the asset which is estimated to be 10 years straight-line.

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 first and third-party intellectual property to both end consumers and digital and physical distributors.

Digital Revenue
The majority of the Group's revenue is in the form of royalties received from third party digital distributors who have a license to sell the Group's own and third-party 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. For sales through the Apple and Google app stores, the Group considers these platforms to be acting as an agent and therefore recognises revenue gross with platform fees being included separately in cost of sales. For all other customers the Group considers the distribution platforms to be the end consumer and therefore revenue is recognised net of platform fees.

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 game 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 game 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.

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.

Principal / Agent considerations
We offer certain software products via third-party digital providers. For sales of our software products via third-party digital storefronts, we determine whether or not we are acting as the principal in the sale to the end user, which we consider in determining if revenue should be reported based on the gross transaction price to the end user or based on the transaction price net of fees retained by the third-party digital storefront. An entity is the principal if it controls a good or service before it is transferred to the customer. Key indicators that we use in evaluating these sales transactions include, but are not limited to, the following:

- the underlying contract terms and conditions between the various parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service; and
- which party has discretion in establishing the price for the specified good or service.

For sales arrangements via Apple and Google app stores, we have determined that we are the principal to the end user and thus report revenue on a gross basis and mobile platform fees charges from these digital storefronts are expensed as incurred and reported within cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information continued

Royalties

Revenue from the distribution of third-party games generate 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 games in development to qualify for VGTR and success of previous submitted claims. An estimate is made throughout the year, and a tax receivable recognised, based on qualifying expenditure during the year.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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 have no exercise price. Volatility therefore has no impact on the share options and the fair value has been estimated as the share price at the issue date.
- 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information continued

Financial assets continued

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.

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 2023 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Material accounting policy information continued

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 2023:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective 1 January 2024)
- Non-current Liabilities with Covenants – Amendments to IAS 1 (effective 1 January 2024)
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (effective 1 January 2024)
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7 (effective 1 January 2024)
- Amendments to IAS 21 to clarify the accounting when there is a lack of exchangeability (effective 1 January 2025)
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

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 (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 2023 are £35,072,000 (FY 2022: £26,830,000).

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 the Company is acting as an agent or a principal in each contract when providing goods or services to a customer. Each contract has been reviewed against the indicators set out in the "Principal / Agent consideration" section included in the accounting policies. Where the Group acts as an agent, revenue is recognised net of selling costs and when the Group is a principal it recognises revenue gross of selling costs. The Group is considered the agent for all digital sales, except those through the Apple and Google app stores where the Group is considered the principal.

In licence revenue contracts there is judgement required in determining the value and allocation of consideration across the elements of the contract.

Impairment of intangible assets (Estimate)
Every year impairment tests are undertaken for all assets with an indefinite life and any assets with a finite life where indicators of impairment have been identified. As part of the impairment assessment, a value in use calculation is used in determining the level of impairment. These value in use calculations are estimated based on cashflow forecasts. These cashflow models are most sensitive to a change in the estimated of cash inflows and details of these and other sensitivities can be found in note 11.

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 are included within notes 11 and 12. This was not considered to be a significant estimate in the year ending 31 December 2023 due to the decrease in the value of business acquisitions during the year.

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 the Group CEO and CFO, 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 2023 £'000	Year ended 31 December 2022 (restated) £'000
UK	**101,690**	106,535
EU	**108,792**	105,588
Rest of World	**4,989**	27,508
	215,471	239,631

The 2022 comparatives have been restated to align group consolidation entries to the respective geographies of the assets.

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 2023 £'000	Year ended 31 December 2022 (restated) £'000
First-Party IP	**55,854**	56,484
Third-Party IP	**103,271**	85,798
	159,125	142,282

The Group is constantly reviewing contracts in line with the significant estimates and judgements as set out in note 3. As part of this review, it has been determined that the Group acts as a principal in contracts generating digital sales through the Apple and Google app stores. Revenue from these contracts should be recognised gross of platform fees with the corresponding platform fees being included in cost of sales to better reflect the substance of the transaction whereas historically revenue was recognised net of platform fees. This restatement has no impact on profits in either the current or prior year. For consistency, the revenue balances for the year ending 31 December 2022 have been restated increasing revenue by £4,838,000 with a corresponding increase in cost of sales.

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 2023 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

5. Revenue continued

The following customers each contributed over 10% of the total revenue in 2023:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 (restated) £'000
Steam	**45,066**	38,310
Microsoft	**17,679**	13,993
Sony	**28,952**	21,104
Nintendo	**17,344**	16,039
Apple	**19,980**	15,667
	129,021	105,113

6. Operating profit

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
The following items are charged/(credited) in arriving at operating profit:		
Cost of sales		
Amortisation of development costs (note 11)	**12,674**	9,277
Impairment of development costs (note 11)	**11,121**	–
Redundancy costs (note 7)	**1,010**	–
Administrative expenses		
Amortisation of intangible assets (note 11)	**13,759**	10,316
Impairment of goodwill (note 11)	**20,879**	–
Depreciation of property, plant and equipment (note 14)	**692**	625
Depreciation of right-of-use assets (note 15)	**563**	461
Redundancy costs (note 7)	**199**	–
Acquisition fees	**44**	863
Fair value adjustment on contingent consideration (note 21)	**(5,086)**	884
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of Team17 Group plc	**180**	187
Additional fees in respect of prior year audit	**53**	80
Fees payable to the Company's auditors for the audit of Company's subsidiaries	**232**	283

During the year £Nil (FY 2022: £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 2023 No.	Year ended 31 December 2022 No.
Development	**205**	196
Commercial & Support	**169**	149
Non-Executive Directors	**4**	4
Executive Directors	**2**	2
	380	351

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Wages and salaries	**18,003**	17,846
Social security costs	**2,158**	1,594
Other pension costs	**1,092**	827
Share based compensation	**474**	533
Redundancy costs	**1,209**	–
	22,936	20,800

Redundancy costs relate to the restructuring review undertaken within the Games Label in FY 2023 which reviewed resource requirements within the studio and commercial teams linked to the strategic review to refocus on the historic indie games business model and increased utilisation of an outsourced studio resource and resulted in reductions in headcount within the Games Label.

Directors' Remuneration

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

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Aggregate emoluments	**1,276**	1,654
Social security costs	**139**	(392)
Company contributions to money purchase scheme	**57**	44
Share based compensation	**(323)**	(24)
	1,149	1,282

During the year no (FY 2022: 1) directors exercised nil cost share options valued at £Nil (FY 2022: £3,744,999). Retirement benefits are accruing to 3 directors (FY 2022: 2) under money purchase schemes. Share based compensation has been a negative in both the current and previous year due to a reduction in the assessment of performance criteria being met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

7. Staff numbers and costs continued

Directors' Remuneration continued

The various elements of remuneration received by each Director were as follows:

2023 Directors' remuneration	Aggregate emoluments £'000	Company contributions to money purchase scheme £'000	**Total £'000**
Debbie Bestwick MBE	506	22	**528**
Steve Bell	147	10	**157**
Mark Crawford	320	25	**345**
Christopher Bell	112	-	**112**
Penny Judd	62	-	**62**
Jennifer Lawrence	31	-	**31**
Martin Hellawell	37	-	**37**
Peter Whiting	26	-	**26**
Frank Sagnier	36	-	**36**
	1,277	57	**1,334**

2022 Directors' remuneration	Aggregate emoluments £'000	Company contributions to money purchase scheme £'000	**Total £'000**
Debbie Bestwick MBE	837	21	**858**
Mark Crawford	504	16	**520**
Christopher Bell	108	–	**108**
Penny Judd	59	–	**59**
Jennifer Lawrence	59	–	**59**
Martin Hellawell	59	–	**59**
	1,626	37	**1,663**

Aggregate emoluments includes both cash and non-cash benefits. Details of share options for the directors can be found in note 24.

8. Finance income and costs

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Finance income		
Bank interest receivable	**344**	34
	344	34
Finance costs		
Interest payable on lease liabilities	**187**	124
Other interest payable	**32**	25
Interest on contingent consideration	**1,126**	2,320
Non-trading foreign exchange movement	**(84)**	1,513
	1,261	3,982

9. Taxation

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Current tax:		
Current year tax	**6,756**	7,284
Video Games Tax Relief	**(1,067)**	(455)
Research & Development Relief	**–**	(75)
Adjustments in respect of prior periods:		
Video Games Tax Relief	**(589)**	(453)
Other	**564**	(127)
Deferred tax:		
Origination and reversal of temporary differences	**(2,999)**	(987)
Total tax charge	**2,665**	5,187

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Reconciliation of total tax charge:		
(Loss)/Profit before tax	**(1,080)**	28,665
Taxation using the UK Corporation Tax rate of 23.5% (FY 2022: 19%)	**(254)**	5,446
Effects of:		
Expenses not deductible for tax purposes	**3,964**	164
R&D Relief	**–**	(75)
Video Games Tax Relief	**(1,067)**	(455)
Adjustment in respect of prior periods	**(25)**	(580)
Change in tax rate	**(192)**	(372)
Overseas tax on profits	**239**	1,059
Total tax charge	**2,665**	5,187

Deferred taxes at the balance sheet date have been measured using the enacted local tax rates of between 12.5% and 30% (FY 2022: 12.5% and 30%).

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. During the year a hybrid rate of 23.5% has been used representing 3 months at the previous tax rate of 19% and 9 months at the new rate of 25%.

10. Earnings per share

The calculation of the basic earnings per share is based on the loss/profit 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 2023	Year ended 31 December 2022
(Loss)/Profit attributable to shareholders £'000	**(3,745)**	23,478
Weighted average number of shares	**143,809,466**	142,644,403
Weighted average diluted number of shares	**144,005,551**	143,247,940
Basic earnings per share (pence)	**(2.6)**	16.5
Diluted earnings per share (pence)	**(2.6)**	16.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

11. Intangible Assets

	Development costs £'000	Brands £'000	Acquired games and apps £'000	Customer and developer relationships £'000	Goodwill £'000	Other intangibles £'000	**Total £'000**
Cost							
At 1 January 2022	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
Additions	32,184	–	–	–	–	900	33,084
Adjustments	–	–	8,269	–	(5,561)	–	2,708
Amounts arising on acquisitions	–	–	–	–	2,103	–	2,103
Translation on foreign operations	(195)	(66)	(405)	(261)	(2,843)	(4)	(3,774)
Disposals	(3,401)	–	–	–	–	–	(3,401)
At 31 December 2023	**84,080**	**80,617**	**37,218**	**5,019**	**107,123**	**1,020**	**315,077**
Amortisation							
At 1 January 2022	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
Charge for the year	12,674	6,118	6,365	512	–	764	26,433
Impairment	11,121	–	–	–	20,879	–	32,000
Translation on foreign operations	(48)	(6)	(100)	(37)	–	(4)	(195)
Disposals	(3,401)	–	–	–	–	–	(3,401)
At 31 December 2023	**49,008**	**22,985**	**10,409**	**1,003**	**20,879**	**801**	**105,085**
Net carrying amount							
At 31 December 2023	**35,072**	**57,632**	**26,809**	**4,016**	**86,244**	**219**	**209,992**
At 31 December 2022	26,830	63,810	25,210	4,752	113,424	83	234,109

Adjustments

During the year the valuation of brands related to the acquisition of Astragon Entertainment GmBH was reassessed and an adjustment was identified in the valuation model after the permitted IFRS 3 measurement period for determining fair value. This reassessment increased the valuation of the acquired apps asset by £8,269,000, whilst decreasing the value of Goodwill by £5,561,000 and increasing the related deferred tax liability by £2,708,000. These reclassification adjustments have been made in the current year accordingly. These reclassification adjustments have been made in the current year accordingly.

Development costs

The Group capitalises the costs of developing new games for release to the market. The balance consists of internal salary costs, advances payable to external developers under development agreements and other external payments. Amortisation is calculated over the assets' useful life of between 2 to 5 years. The assets are tested for impairment annually or more frequently if there are indicators of impairment.

Indicators of impairment

The recoverable amount of development cost assets at 31 December 2023 are determined from the value in use. In arriving at a value in use, management has used a 2 to 3 year cashflow forecast in line with the expected useful life of the assets. These cashflows are not discounted due to the short-term nature of the assets. Through this process, impairment of £11,121,000 was recognised on development cost assets. This impairment is due to the titles not meeting their full market potential in a congested marketplace.

Key assumptions used for value-in use calculations

Management considers the projected future cash inflows to be the key assumption in calculating the value in use of each asset. Budgeting is done on a game by game basis, with game revenues varying based on management's best estimates.

Impact of possible changes in key assumptions

In assessing the carrying value of development costs, management performed sensitivity analysis on each of the key assumptions. In assessing the sensitivity of projected future cash inflows the effects of a decrease in revenue of 10% over the remaining useful life were modelled for all development cost assets with an indicator of impairment and this would cause an additional impairment of £604,000.

Brands

These reflect the value of brands acquired either through direct purchases of IP recognised under IAS 38 "Intangible Assets" or brands recognised under IFRS 3 "Business Combinations". Amortisation on brands are calculated on a straight-line basis over the assets estimated useful life of between 10 and 15 years.

Hell Let Loose (acquired in 2022)

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 was 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%. Contingent consideration was valued at £13.2m.

The purchase was not 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 was 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

Acquired games and 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 games and apps	7 to 10 years straight line

Indicators of impairment

The financial performance of games and apps were assessed against the forecasts produced at the point of acquisition for indicators of impairment. Where an impairment trigger was identified due to under performance, a 10 year cash flow forecast was produced to measure the value in use. No impairment was identified through this process.

Key assumptions used for value-in use calculations

Management consider the pre-tax discount rate to be a key assumption in the calculation of value in use and the rate used in the model is 17.5%. We reviewed sensitivities to this and any increase of the discount rate to over 18.4% would reduce the headroom in the value in use model over the carrying value to £Nil.

Projected future cash inflows (revenue) from unreleased titles are also considered to be a key assumption. Budgeting is done on a game by game basis, with game revenues varying based on management's best estimates. A reduction of 3% to future unreleased sequel revenue in the model would reduce the headroom over the carrying value to £Nil.

Customer and developer relationships

This is the fair value of relationships held with customers and developers acquired through business combinations. Group capitalises the costs of developing new games for release to the market. Amortisation is calculated over the assets estimated useful life of 10 years. The assets are tested for impairment annually or more frequently if there are indicators of impairment.

Customer and developer relationships	10 years straight line

Goodwill

The Group tests for impairment annually, or more frequently if there are indicators that goodwill might be impaired. There are 4 CGUs in the Group which are as follows:

- Team 17 Digital (Indie games)
- StoryToys (Edutainment)
- astragon (Simulation)
- Team17 USA (Mobile licence)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2023

11. Intangible Assets continued

Goodwill continued
The carrying value of Goodwill allocated to those CGU's is split as follows:

	Team 17 Digital £'000	StoryToys (Edutainment) £'000	astragon (Simulation) £'000	Team17 (USA) £'000	**Total £'000**
At 1 January 2022	22,379	19,070	–	–	**41,449**
Acquisitions	–	–	45,410	20,554	**65,964**
Foreign exchange	–	1,054	2,519	2,438	**6,011**
At 31 December 2022	22,379	20,124	47,929	22,992	**113,424**
Adjustment	–	–	(5,561)	–	**(5,561)**
Acquisitions	–	–	2,103	–	**2,103**
Foreign exchange	–	(450)	(1,254)	(1,139)	**(2,843)**
Impairment	–	–	–	(20,879)	**(20,879)**
At 31 December 2023	22,379	19,674	43,217	974	**86,244**

The recoverable amount of each of the CGUs at 31 December 2023 is determined from the value in use which is higher than the fair value less costs of disposal. In arriving at a value in use management has used a discounted 5-year bottom up forecast before applying a long-term growth assumption. The discount rates and terminal growth used in the impairment assessment of each CGU is as follows:

	2023		2022	
CGU	**Pre-Tax Discount Rate Used**	**Terminal Growth Rate Used**	Pre-Tax Discount Rate Used	Terminal Growth Rate Used
Team 17 Digital	**12.9%**	**2.0%**	12.5%	2.0%
StoryToys (Edutainment)	**21.2%**	**2.0%**	19.9%	2.0%
astragon (Simulation)	**17.5%**	**2.0%**	15.9%	2.0%
Team17 (USA)	**29.5%**	**2.5%**	27.8%	3.0%

Key assumptions used for value-in use calculations
When reviewing for impairment of goodwill in CGU's, management prepare cash flow forecasts to estimate the value in use. Management consider the following to be the key assumptions in the cash flow:

- Pre-Tax discount rate
- Terminal growth rate

During the year the pre-tax discount rate has been adjusted to take into account the Group's size risk premium which is based on the market cap for the Group.

Projected future cash inflows (revenue) are also considered to be a key assumption. Budgeting is done on a game by game basis, with game revenues varying based on management's best estimates.

Impact of possible changes in key assumptions
In assessing the carrying value of Goodwill management performed sensitivity analysis on each of the key assumptions. The result of the sensitivity tests on each CGU are detailed below. In assessing the sensitivity of projected future cash inflows the sensitivity test was split between new release revenue and back catalogue revenue. New release revenue is deemed to be inherently riskier in nature and as such a higher level of sensitivity was applied to new release cash inflows than to back catalogue cash inflows.

Impact of possible changes in key assumptions
The recoverable amount of each CGU would equal its carrying amount if the key assumptions were to change as follows:

	2023				2022			
CGU	**Reduction in New Release Revenue**	**Reduction in Back Catalogue Revenue**	**Increase in Discount Rate**	**Decrease of Terminal Growth Rate**	Reduction in New Release Revenue	Reduction in Back Catalogue Revenue	Increase in Discount Rate	Decrease of Terminal Growth Rate
Team 17 Digital	**>100%***	**36%**	**14.4%**	**143%**	>100%*	>100%*	12.1%	42.7%
StoryToys (Edutainment)	**24%**	**23%**	**4.6%**	**10.4%**	33%	15%	6.7%	14%
astragon (Simulation)	**9%**	**32%**	**1.9%**	**3.3%**	>100%*	44%	4.2%	6.8%
Team17 USA	**See impairment section on page 85**				5%	10%	0.5%	0.9%

*In the case of a 100% reduction in new release revenue the recoverable amount of the CGU would still exceed its carrying value.

Impairment of Team17 (USA) Goodwill
The impairment review of Team17 (USA) identified impairment of £20,879,000. Team17 (USA) is focussed on developing games for the mobile subscription market. During the last two years the mobile subscription market has seen increased competition reducing the ongoing performance income received for launched games as well as reduced third-party new games being secured for development. The below table shows the increase in impairment from changes to the key estimates disclosed above:

	Change in key estimate	**Resulting increase in impairment £'000**
Reduction in New Release Revenue	10%	**568**
Reduction in Back Catalogue Revenue	5%	**109**
Increase in Discount Rate	1%	**259**
Decrease of Terminal Growth Rate	1%	**135**

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 Independent Arts Software GmbH
On 27 April 2023 astragon Entertainment GmbH acquired 100% of the share capital of Independent Arts Software GmbH for a maximum payment of £3.1 million (€3.5m) subject to the seller and Company meeting certain requirements. The initial payment for the acquisition was £1.8 million (€2.0m) in cash. A further payment of up to £1.3 million (€1.5 million) is payable in cash based on the seller meeting certain requirements following completion of the acquisition. There was no minimum due on the contingent payment. The results of the business have been included in the Consolidated Statement of Profit or Loss from the date of acquisition. In the period from 1 January 2023 to the date of acquisition, the results of the business were wholly immaterial and therefore not disclosed.

Independent Arts Software GmbH is a talented video game developer based in Germany. The acquisition increases astragon's development capabilities in the simulation space. The total consideration was made up of £1,792,000 of initial consideration and £964,000 of contingent consideration. Details of the movement in contingent consideration can be found in note 21.

Contingent consideration consists of the payments to the sellers included at fair value and payable based on them and the Company meeting certain requirements.

Contingent consideration requirements – Management have assessed the likelihood of these requirements being met. At acquisition, management assessed the fair value of the contingent consideration using a risk weighted model. This will be reassessed at each reporting date and the movement in the fair value of the consideration amount recognised in the Consolidated Statement of Profit or Loss.

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
Property, plant and equipment	29	–	29
Right of use asset	–	135	135
Trade and other receivables	783	–	783
Trade and other payables	(207)	40	(167)
Lease liabilities	–	(127)	(127)
Net identifiable assets acquired	**605**	**48**	**653**
Add: Goodwill			2,103
Total Consideration			**2,756**

The goodwill is attributable to Independent Arts Software's talented development team. It has been allocated to the Simulation segment of the business led by astragon Entertainment GmbH which is the development and publishing of simulation games for the digital and physical market. None of the goodwill is expected to be deductible for tax purposes.

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12. Business combinations continued

Acquisition of astragon Entertainment GmbH (acquired in 2022)
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) were payable in cash if astragon met certain targets during FY 2021 and FY 2022 following completion of the acquisition. There was no minimum due on the contingent consideration.

astragon is a publisher and distributor of sophisticated 'working' simulation games based in Germany. The acquisition allowed the Group to enter a new and complementary simulation game category with its strong back catalogue of evergreen owned franchises and a solid pipeline of products in development. This further expands the Group'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 at acquisition consisted of the earn-out for the sellers included at fair value and payable based on the acquired business reaching certain results during FY 2021 and FY 2022.

The total consideration was made up of £63,030,000 of initial consideration, £1,800,000 of deferred consideration and £6,067,000 of contingent consideration. Details of the movement in contingent consideration can be found in note 21.

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

- Earn-out targets – Management have assessed the likelihood of targets being met. For FY 2021 this is based on the trading results for the year. For FY 2022 earn-out targets, at acquisition management have reviewed a risk weighted forecast for the year.
- Interest costs of £0.3m (FY 2022: £0.6m) from the unwinding of the discounting has 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 games and 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 liabilities	(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.

Acquisition of The Label Inc (acquired in 2022)
On 6 January 2022 Team 17 Digital Limited acquired 100% of the share capital of The Label Inc through Team17 (USA) Inc (a 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) was 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 Label is a USA based indie publisher specialising in mobile subscription games content and will further expand the Group'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) consisted of £17.8m ($24.1m) consideration and £0.1m ($0.2m) deemed to be remuneration from the acceleration of outstanding share options. The total consideration was made up of £17,796,000 of initial consideration and £6,531,000 of contingent consideration. Details of the movement in contingent consideration can be found in note 21.

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 2022 £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 FY 2022, FY 2023 and FY 2024 earn-out targets, at acquisition management have reviewed a risk weighted forecast for the year. This has been 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 £0.3m (2021: £0.7m) 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 2023 of £44,000 (FY 2022: £863,000) are included in administrative expenses in the Consolidated Statement of Profit or Loss.

Results from acquisitions
Financial performance of Independent Arts Software GmbH has not been disclosed as it was wholly immaterial to the results for the year ended 31 December 2023. The business was acquired in order to provide development support to the astragon (Simulation) CGU and received no significant revenues from outside of Group companies.

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FOR THE YEAR ENDED 31 DECEMBER 2023

13. Investments

Details of which the Group acquired 100% of the share capital of the following companies during the year ended 31 December 2023 are disclosed below:

Name of company	Registered address	Principal place of business	Proportion of voting rights and shares held	Activity
Independent Arts Software GmbH	Münsterstraße 5, 59065, Hamm, Germany	Germany	100% acquired on 27 April 2023	Development of simulation video games
StoryToys Canada Limited	Brookfield Place, 181 Bay Street, Suite 1800, Toronto, Canada	Canada	100% from incorporation on 15 June 2023	Provider of development and commercial support for edutainment apps

The following subsidiaries were 100% owned throughout the current and preceding year. A striking off process commenced for these companies during the year on 21 December 2023:

Team 17 Holdings Limited	3 Red Hall Avenue, Wakefield, WF1 2UL	UK	100%	In the process of being struck off the register
Team 17 Software Limited	3 Red Hall Avenue, Wakefield, WF1 2UL	UK	100%	In the process of being struck off the register

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
Team 17 Digital Limited	3 Red Hall Avenue, Wakefield, WF1 2UL	UK	100%	Development and publishing of video games
Mouldy Toof Studios Limited	3 Red Hall Avenue, Wakefield, WF1 2UL	UK	100%	Dormant
Yippee Entertainment Limited	3 Red Hall Avenue, Wakefield, WF1 2UL	UK	100%	Dormant
Touch Press Inc.	1013 Centre Road, Suite 403-B, Wilmington, Delaware, 19805, USA	USA	100%	Intermediate holding company
StoryToys Limited	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 in the prior year 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.

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

	Year ended 31 December 2023 £'000
At 1 January 2022	**–**
Acquisitions	**630**
Translation on foreign operations	**68**
Share of profit from associates	**347**
At 31 December 2022	**1,045**
Translation on foreign operations	**27**
Share of loss from associates	**(205)**
At 31 December 2023	**867**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment

	Leasehold improvements £'000	Plant and equipment £'000	Fixtures and fittings £'000	**Total £'000**
Cost				
At 1 January 2022	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**
On acquisition	–	29	–	**29**
Additions	3	468	6	**477**
Disposals	–	(610)	(20)	**(630)**
Currency translation	–	(13)	–	**(13)**
At 31 December 2023	**931**	**1,830**	**283**	**3,044**
Accumulated depreciation				
At 1 January 2022	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**
Charge for the year	73	577	42	**692**
Currency translation	–	(25)	9	**(16)**
Disposals	–	(541)	(20)	**(561)**
At 31 December 2023	**345**	**1,061**	**198**	**1,604**
Net book value				
At 31 December 2023	586	769	85	**1,440**
At 31 December 2022	656	906	130	**1,692**

15. Right-of-use assets

	Buildings £'000	Plant and machinery £'000	**Total £'000**
Cost			
At 1 January 2022	2,692	–	**2,692**
On acquisition	964	–	**964**
Currency translation	113	–	**113**
At 31 December 2022	3,769	–	**3,769**
On acquisition	135	–	**135**
Additions	446	413	**859**
Disposals	(103)	–	**(103)**
Currency translation	(101)	–	**(101)**
At 31 December 2023	**4,146**	**413**	**4,559**
Accumulated depreciation			
At 1 January 2022	503	–	**503**
Charge for the year	461	–	**461**
Currency translation	20	–	**20**
At 31 December 2022	984	–	**984**
Charge for the year	476	87	**563**
Disposals	(103)	–	**(103)**
Currency translation	(57)	–	**(57)**
At 31 December 2023	**1,300**	**87**	**1,387**
Net carrying amount			
At 31 December 2023	**2,846**	**326**	**3,172**
At 31 December 2022	2,785	–	**2,785**

16. Inventories

	31 December 2023 £'000	31 December 2022 £'000
Finished goods	**960**	1,225
	960	1,225

The balance represents the value of physically produced video games controlled by the company. During the year £7,135,000 (FY 2022: £8,339,000) was recognised through cost of sales. Inventories are stated after provision for impairment of £128,000 (FY 2022: £87,000).

17. Trade and other receivables

Amounts falling due within one year:	**31 December 2023 £'000**	31 December 2022 £'000
Trade receivables	**11,915**	16,089
Accrued income	**16,612**	13,329
Corporation tax receivable	**1,660**	–
Other taxes receivable	**2,185**	1,606
Other receivables	**1,697**	819
Prepayments	**4,141**	3,108
Costs of fulfilling contracts	**198**	1,093
	38,408	36,044

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 2022 and 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

18. Cash and cash equivalents

	31 December 2023 £'000	31 December 2022 £'000
Cash at bank and in hand	**39,923**	47,875
Restricted cash	**2,901**	2,953
	42,824	50,828

Included within the restricted cash balance above is £2,901,000 (FY 2022: £2,953,000) held 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.

19. Equity attributable to owners of the parent

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

	31 December 2023 £'000	31 December 2022 £'000
Authorised, allotted, called up and fully paid		
145,803,620 (FY 2022: 145,593,271) ordinary shares of 1p each	**1,458**	1,456
	1,458	1,456

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

On 13 April 2023 the Company issued 210,349 to the sellers of the Label Inc for a total value of £799,000. Of this balance £487,000 related to contingent consideration on the acquisition of the business and the remaining £312,000 was deemed remuneration under IFRS 3 "Business Combinations".

Shares held by subsidiaries
At 31 December 2023, and included in these consolidated financial statements, the Team17 Employment Benefit Trust holds 1,850,658 (FY 2022: 1,867,522) shares in Team17 Group plc with a nominal value of £18,507 (FY 2022: £18,675).

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. During the year premiums of £797,000 (FY 2022: £Nil) have been recognised as part of share issues to the sellers of The Label inc. An adjustment was made during the year to reclass £4,649,000 from the merger reserve to Share premium to reflect the substance of the transaction from the issue of shares to satisfy acquisition consideration of The Label Inc.

Retained earnings
Includes all current and previous retained profits and losses.

	31 December 2023 £'000	31 December 2022 £'000
Other reserves		
Merger reserve	**(153,822)**	(149,173)
Capital contribution reserve	**3,616**	3,616
Merger relief reserve	**154,245**	154,245
Currency translation reserve	**4,761**	7,970
Other	**1,435**	1,435
	10,235	18,093

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. A reclassification was made during the year transferring £4,649,000 from the merger reserve to Share premium to better reflect the substance of the transaction.

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

Merger relief reserve
The premiums on the shares issued as part of historic share for share exchanges have been included in the merger relief reserve.

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

Other
This includes the gain on the sale of shares in the Company from sales of shares held in treasury.

20. Lease liabilities

	31 December 2023 £'000	31 December 2022 £'000
Amounts falling due within one year	**683**	364
Amounts falling due in over one year	**2,889**	2,625
	3,572	2,989

The following reconciles the lease liability movements:

	31 December 2023 £'000	31 December 2022 £'000
At 1 January	**2,989**	2,343
Acquisitions	**127**	964
Additions	**938**	–
Interest	**187**	124
Payments	**(635)**	(541)
Movements in foreign exchange	**(34)**	99
At 31 December	**3,572**	2,989

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21. Contingent consideration

	31 December 2023 £'000	31 December 2022 £'000
Amounts falling due in under one year	**4,944**	17,965
Amounts falling due in over one year	**-**	9,369
	4,944	27,334

Included within trade and other payables is £4,944,000 (FY 2022: £17,965,000) of contingent consideration as disclosed in note 23. Contingent consideration is broken down as follows:

	Business acquisitions £'000	IP Purchase £'000	Total £'000
At 1 January 2022	5,287	–	**5,287**
On acquisition	14,379	13,228	**27,607**
Fair value adjustment	884	–	**884**
Interest	1,240	1,080	**2,320**
Foreign exchange	1,234	–	**1,234**
Payment	(9,998)	–	**(9,998)**
At 31 December 2022	13,026	14,308	**27,334**
On acquisition	964	–	**964**
Fair value adjustment	(2,614)	(2,472)	**(5,086)**
Interest	518	608	**1,126**
Foreign exchange	(332)	–	**(332)**
Payment – Cash (classified as investing activities in the statement of cash flows)	(6,886)	(7,500)	**(14,386)**
Payment – Cash (classified as operating activities in the statement of cash flows)	(4,189)	–	**(4,189)**
Payment – Shares	(487)	–	**(487)**
At 31 December 2023	–	4,944	**4,944**

Contingent consideration on business acquisitions includes the following:

	StoryToys Limited £'000	astragon Entertainment GmbH £'000	The Label Inc £'000	Independent Arts Software GmbH £'000	Total £'000
At 1 January 2022	5,287	–	–	–	**5,287**
On acquisition	–	7,848	6,531	–	**14,379**
Fair value adjustment	–	4,466	(3,582)	–	**884**
Interest	–	560	680	–	**1,240**
Foreign exchange	193	250	791	–	**1,234**
Payment	(5,480)	(4,518)	–	–	**(9,998)**
At 31 December 2022	–	8,606	4,420	–	**13,026**
On acquisition	–	–	–	964	**964**
Fair value adjustment	–	–	(2,601)	(13)	**(2,614)**
Interest	–	257	261	–	**518**
Foreign exchange	–	(184)	(131)	(17)	**(332)**
Payment – Cash	–	(8,679)	(1,462)	(934)	**(11,075)**
Payment- Shares	–	–	(487)	–	**(487)**
At 31 December 2023	–	–	–	–	**-**

The maximum value of outstanding contingent consideration at the year end was £16.7 million (FY 2022: £48.8 million). A fair value adjustment was made during the year reflecting the position of expected earnout payments at the year end and included within administrative expenses in the statement of profit or loss. The value of the earnout was determined based on the performance criteria included in the underlying contract.

22. Deferred taxation

Recognised deferred tax asset:

	Tax losses £'000	Other short-term timing differences £'000	Total £'000
At 1 January 2022	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**
Foreign exchange	150	–	**150**
Deferred tax recognised in profit or loss	(447)	2,530	**2,083**
At 31 December 2023	-	4,028	**4,028**

Recognised deferred tax liabilities:

	Accelerated depreciation for tax purposes £'000	Arising on intangible assets £'000	Other short term timing differences £'000	Total £'000
At 1 January 2022	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**
Adjustment	–	2,708	–	**2,708**
Foreign exchange	–	50	–	**50**
Deferred tax recognised in profit or loss	292	(1,364)	(236)	**(1,308)**
At 31 December 2023	691	11,714	9	**12,414**

The overall deferred tax position is a liability of £8,386,000 (FY 2022: liability of £9,169,000).

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% (FY 2022: 12.5% to 32.5%).

During the year the valuation of brands related to the acquisition of astragon Entertainment GmbH was reassessed. This adjustment increased the valuation of the acquired games and apps asset by £8,269,000 as discussed in note 11. The impact on deferred tax liabilities is an increase of £2,708,000.

23. Trade and other payables

Amounts falling due within one year:

	31 December 2023 £'000	31 December 2022 £'000
Trade payables	**6,530**	8,016
Other payables	**1,387**	1,325
Contingent consideration	**4,944**	17,965
Taxation and social security	**787**	745
Accruals and deferred income	**21,774**	24,288
	35,422	52,339

Contingent consideration of £Nil (FY 2022: £9,369,000) due in over one year is included in non-current liabilities. The carrying amount of trade and other payables is considered to be the same as the fair value due to the short-term nature.

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24. Share based compensation

The following share schemes have been awarded but not yet vested at 31 December 2023:

Share scheme name	Award date	Vesting date	Exercise price per share option
Executive LTIPs – 2021	8 July 2021	7 July 2024	£Nil
Executive LTIPs – 2022	29 June 2022	28 June 2025	£Nil
Executive LTIPs – 2023	18 July 2023	17 July 2026	£Nil
Free shares (Multiple awards)	See note	See note	£Nil
Share Incentive Plan	Monthly award	3 years from award date	£Nil
Nil cost options (Multiple awards)	See note	See note	£Nil
Other LTIPs	See note	See note	£Nil
Senior management LTIPs	29 June 2022	28 June 2025	£Nil

All share options have both an award and exercise price of £Nil and there are no dividends expected to be paid during the option vesting period.

Share scheme name	Outstanding at 1 January 2023	Granted	Forfeited	Exercised	Outstanding at 31 December 2023	Exercisable at 31 December 2023
Executive LTIPs – 2020	20,057	–	–	–	20,057	20,057
Executive LTIPs – 2021	176,100	–	–	–	176,100	–
Executive LTIPs – 2022	313,500	–	(79,500)	–	234,000	–
Executive LTIPs – 2023	-	599,303	(104,861)	–	494,442	–
Free shares	110,368	–	(10,966)	(39,346)	60,056	32,404
Share Incentive Plan	27,688	14,731	(5,566)	(7,694)	29,159	7,238
Nil cost options	110,166	213,359	(10,492)	(17,105)	295,928	27,136
Other LTIPs	12,535	–	–	–	12,535	–
Senior management LTIPs	49,718	–	(14,375)	–	35,343	16,571
	820,132	**827,393**	**(225,760)**	**(64,145)**	**1,357,620**	**103,406**

Of these share options 433,021 (FY 2022: 300,798) will be settled from shares already held by the Team17 Employment Benefit Trust.

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 2023 £'000	31 December 2022 £'000
Consolidated Statement of Comprehensive Income		
Share options charge	**474**	444
Employers national insurance	**(57)**	(537)
	417	(93)
Consolidated Statement of Financial Position		
Accruals (cumulative employers national insurance balance)	**113**	170
Retained Earnings (cumulative balance)	**3,671**	3,197

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 following tables.

Director's share options
The directors of the Company have interest in the following share options:

Share scheme name	Outstanding at 1 January 2023	Granted	Forfeit	Exercised	Outstanding at 31 December 2023	Exercisable at 31 December 2023
Mark Crawford						
Executive LTIPs – 2020	20,057	–	–	–	20,057	20,057
Executive LTIPs – 2021	25,157	–	–	–	25,157	–
Executive LTIPs – 2022	75,000	–	–	–	75,000	–
Executive LTIPs – 2023	–	94,402	–	–	94,402	–
Share Incentive Plan	211	181	–	–	392	13
	120,425	**94,583**	**–**	**–**	**215,008**	**20,070**
Debbie Bestwick MBE						
Executive LTIPs – 2021	150,943	–	–	–	150,943	–
Executive LTIPs – 2022	159,000	–	–	–	159,000	–
Executive LTIPs – 2023	–	200,133	–	–	200,133	–
	309,943	**200,133**	**–**	**–**	**510,076**	**–**

During the year, Debbie Bestwick MBE exercised no (FY 2022: 972,727) nil cost share options. The value of the share options exercised in 2022 was £3.85 per share for a total value of £3,745,000. No (FY 2022: no) other directors exercised share options during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

24. Share based compensation continued

Executive LTIPs

Due to the share options having no exercise price the volatility does not impact the calculation and the fair value is the share price at the issue date. 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.

	2020	2021	2022	2023	2023
Award date	10 September 2020	8 July 2021	29 June 2022	18 July 2023	18 July 2023
Vesting date	9 September 2023	7 July 2024	28 June 2025	17 July 2026	17 July 2026
Underlying share price (£)	6.86	7.95	3.95	3.225	3.225
Vesting period	3 years	3 years	3 years	3 years	3 years
Estimate of options vesting	100%	0%	11%	100%	100%
Risk free rate	0.83%	0.83%	0.83%	4%	4%
Fair value at vesting date (£'000)	138	1,400	1,238	1,703	230
Performance targets	Group's cumulative AEPS targets	Group's EPS Compound annual growth targets	Group's adjusted EPS compound annual growth targets	Group's adjusted EPS compound annual growth targets	Team 17 Digital's adjusted EBITDA compound annual growth targets
Performance period	FY 2020 to FY 2022	FY 2021 to FY 2023	FY 2022 to FY 2024	FY 2023 to FY 2025	FY 2023 to FY 2025

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	32,404	27,652

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.

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	2,835
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	5.20	80%	77	3,701
1 May 2021	30 April 2024	7.05	80%	277	24,425
27 April 2022	26 April 2025	4.60	80%	55	6,423
29 July 2022	28 July 2022	4.40	69%	15	4,176
31 October 2022	30 October 2022	4.125	69%	16	6,363
27 January 2023	26 January 2026	4.80	69%	22	5,486
26 April 2023	25 April 2024	3.45	90%	486	156,673
28 April 2023	27 April 2026	3.62	69%	18	6,838
18 July 2023	17 July 2026	3.225	69%	27	12,133
31 July 2023	30 July 2026	3.16	69%	9	2,804
31 October 2023	30 October 2026	2.65	69%	49	26,767

Senior management LTIPs

The senior management LTIP scheme has 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	35,343

Other LTIPs

During the year, options were issued under the LTIP scheme. Unlike the executive 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

During the year both schemes were modified to remove the requirement to remain employed. The vesting period of the options remains the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2023

25. Cash generated from operations

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Cash flow from operating activities		
(Loss)/Profit before tax	**(1,080)**	28,665
Adjustments for:		
Amortisation of intangible assets	**26,433**	19,593
Impairment of intangible assets	**32,000**	–
Depreciation of property, plant and equipment	**692**	625
Depreciation of right-of-use assets	**563**	461
Loss on disposal of fixed assets	**34**	–
Fair value movement in contingent consideration	**(5,086)**	884
Share based compensation	**(474)**	443
Share of loss of associates	**205**	(347)
Finance income	**(344)**	(34)
Financial expenses	**1,261**	3,983
Operating cash flow before changes in working capital	**54,204**	54,273
Increase in trade and other receivables	**(394)**	(1,892)
(Decrease)/increase in provisions	**(27)**	31
(Decrease)/increase in trade and other payables	**(3,301)**	4,510
Decrease/(increase) in inventory	**239**	(735)
Cash generated from operations	**50,721**	56,187

26. Commitments and contingencies

The Group had no contracted capital commitments or contingencies at 31 December 2023 (31 December 2022: £Nil).

27. Financial instruments

At 31 December 2023	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	**32,172**	**–**	**–**	**32,172**	**32,172**
Cash and cash equivalents	18	**42,824**	**–**	**–**	**42,824**	**42,824**
Financial liabilities						
Trade and other payables	23	**–**	**(20,993)**	**(4,944)**	**(25,937)**	**(25,937)**
Lease liabilities in under one year	20	**–**	**(683)**	**–**	**(683)**	**(683)**
Lease liabilities in two to five years	20	**–**	**(2,159)**	**–**	**(2,159)**	**(2,159)**
Lease liabilities in over five years	20	**–**	**(730)**	**–**	**(730)**	**(730)**
		74,996	**(24,565)**	**(4,944)**	**45,487**	**45,487**

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	23	–	(22,255)	(17,965)	(40,220)	(40,220)
Contingent consideration in two to five years	21	–	–	(9,369)	(9,369)	(9,369)
Lease liabilities in under one year	20	–	(364)	–	(364)	(364)
Lease liabilities in two to five years	20	–	(1,726)	–	(1,726)	(1,726)
Lease liabilities in over five years	20	–	(899)	–	(899)	(899)
		81,064	(25,244)	(27,334)	28,486	28,486

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 23.

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). There are no reasonable changes that could lead to a change in the valuation.

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 lease liabilities, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023. However, certain customers comprise in excess of 10% of the revenue earned by the Group (see note 5). Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

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

The majority of bank balances are held on short term / no notice terms to minimise liquidity risk. Included within trade and other payables within one year is £4,944,000 (FY 2022: £17,965,000) of contingent consideration due within one year. Contingent consideration in non-current liabilities is £Nil (FY 2022: £9,369,000) due in two to five years and £Nil (FY 2022: £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 £881,000 (FY 2022: £364,000) of lease liabilities due within one year, £2,583,000 (FY 2022: £1,726,000) within two to five years and £822,000 (FY 2022: £899,000) 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 2023 were £87,000 (31 December 2022: £201,000).

29. Related parties

Ultimate controlling party

At 31 December 2023 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 2023 and there are no loan notes outstanding with related parties at the 31 December 2023.

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.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

COMPANY REGISTRATION NUMBER: 11205116

	Note	**As at 31 December 2023 £'000**	As at 31 December 2022 £'000
Fixed assets			
Investments	6	**251,585**	250,803
Deferred tax asset		**276**	94
		251,861	250,897
Current assets			
Trade and other receivables	7	**36,821**	47,047
Cash at bank and in hand		**5,797**	9,944
		42,618	56,991
Creditors: amounts falling due within one year			
Trade and other payables	8	**(3,663)**	(20,533)
Net current assets		**38,955**	36,458
Net assets		**290,816**	287,355
Capital and reserves			
Called up share capital	9	**1,458**	1,456
Share premium account	9	**137,572**	136,775
Merger relief reserve	9	**154,245**	154,245
Profit and loss account	9	**(2,459)**	(5,121)
Total equity		**290,816**	287,355

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 in these separate financial statements. The profit (FY 2022: loss) for the year dealt with in the financial statements of the Company was £2,188,000 (FY 2022: £7,125,000).

The financial statements on pages 62 to 111 were approved by the board of directors and authorised for issue on 16 May 2024 and were signed on its behalf by:

S Bell

Group Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Equity attributable to shareholders of the company

	Note	Called up share capital £'000	Share premium account £'000	Merger relief reserve £'000	Profit and loss account £'000	**Total Equity £'000**
At 1 January 2022		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**
Comprehensive income						
Profit and total comprehensive income for the financial year		–	–	–	2,188	**2,188**
Transactions with owners						
Issue of shares	9	2	797	–	–	**799**
Share based compensation	10	–	–	–	474	**474**
Total transactions with owners		2	797	–	474	**1,273**
At 31 December 2023		1,458	137,572	154,245	(2,459)	**290,816**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

Team17 Group Plc (the "Company'') is a public limited company, limited by shares and incorporated and domiciled in England (United Kingdom). 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. Material accounting policy information

Basis of preparation

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 10") 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: Disclosure"
- The requirements of paragraphs 91-99 of IFRS 13 "Fair Value Measurement"
- The requirement in paragraph 38 of IAS 1 "Presentation of Financial Statement" 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
- Paragraph 17 of IAS 24 "Related Party Disclosures" relating to remuneration of key management personnel
- 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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 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.

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. This was not considered to be a significant estimate in the year ending 31 December 2023 due to the decrease in the value of business acquisitions during the year.

Recoverability of investment (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 of the key estimates are discussed in note 6 to the company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 financial statements.

5. Staff numbers and costs

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

	Year ended 31 December 2023 No.	Year ended 31 December 2022 No.
Support	**5**	3
Executive directors	**2**	2
Non-executive directors	**4**	4
	11	9

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Wages and salaries	**1,717**	1,941
Social security costs	**145**	(345)
Other pension costs	**101**	56
Share based compensation	**(320)**	59
	1,643	1,711

The details on directors remuneration can be found in note 7 to the consolidated financial statements.

6. Investments

Cost	£'000
At 1 January 2022	179,510
Additions	71,293
At 31 December 2022	250,803
Additions	782
At 31 December 2023	**251,585**
Net book value	
At 31 December 2023	**251,585**
At 31 December 2022	250,803

Included in the additions balance is £782,000 (FY 2022: £396,000) representing the value of share options issued to employees of Team17 Group plc's subsidiaries. In 2022, the acquisition of astragon Entertainment GmbH resulted in an addition to investments of £70,897,000.

During the year Team 17 Holdings Limited declared a dividend to the Company, which was settled through the distribution of 100% of the shares in Team 17 Digital Limited, this has been treated as a return of capital. The transaction has a £Nil impact on the total value of investments, as the additional investment in Team 17 Digital Limited offsets the return of capital from Team 17 Holdings Limited.

Key assumptions used for value-in use calculations
Management consider the following to be the key assumptions in calculating the value in use of each CGU:

- Pre-Tax discount rate
- Terminal growth rate

Projected future cash inflows (revenue) are also considered to be a key assumption. Budgeting is done on a game by game basis, with game revenues varying based on management's best estimates.

	2023		2022	
CGU	**Pre-Tax Discount Rate Used**	**Terminal Growth Rate Used**	Pre-Tax Discount Rate Used	Terminal Growth Rate Used
Team 17 Digital	**12.9%**	**2.0%**	12.5%	2.0%
StoryToys (Edutainment)	**21.2%**	**2.0%**	19.9%	2.0%
astragon (Simulation)	**17.5%**	**2.0%**	15.9%	2.0%

Impact of possible changes in key assumptions
In assessing the carrying value of Goodwill management performed sensitivity analysis on each of the key assumptions. There were no reasonable changes to key assumptions that led to an impairment in any of the CGU's investment values.

Details of the subsidiaries in which the Company directly 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
astragon Entertainment GmbH (acquired 13 January 2022)	Am Wehrhahn 33, 40211, Duesseldorf, Germany	Germany	100%	Development and publishing of simulation video games
Touch Press Inc.	1013 Centre Road, Suite 403-B, Wilmington, Delaware, 19805, USA	USA	100%	Intermediate holding company
Team 17 Digital Limited	3 Red Hall Avenue, Wakefield, WF1 2UL	UK	100%	Development and publishing of video games

Team 17 Digital Limited became a direct subsidiary of the Company on 21 December 2023 as part of a corporate reorganisation.

The following direct subsidiaries commenced a striking off process during the period. Both companies were dormant prior to striking off on 21 December 2023.

Team 17 Holdings Limited	3 Red Hall Avenue, Wakefield, WF1 2UL	UK	100%	In the process of being struck off the register
Team 17 Software Limited	3 Red Hall Avenue, Wakefield, WF1 2UL	UK	100%	In the process of being struck off the register

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

7. Trade and other receivables

Amounts falling due within one year:	**31 December 2023 £'000**	31 December 2022 £'000
Amounts owed by group undertakings	**36,112**	45,983
Other receivables	**168**	271
Prepayments	**541**	793
	36,821	47,047

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 2023 £'000**	31 December 2022 £'000
Trade payables	**191**	208
Amounts owed to group undertakings	**2,383**	9,713
Other payables	**188**	8,865
Taxation and social security	**89**	85
Accruals and deferred income	**812**	1,662
	3,663	20,533

Amounts owed to group undertakings are interest free and repayable on demand. Other payables in the previous year included £8,606,000 of contingent consideration for the acquisition of astragon Entertainment GmbH as discussed in note 21 to the consolidated financial statements.

9. Capital and reserves

	31 December 2023 £'000	31 December 2022 £'000
Authorised, allotted, called up and fully paid		
145,803,620 (FY 2022: 145,593,271) ordinary shares of 1p each	**1,458**	1,456
	1,458	1,456

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

On 13 April 2023 the Company issued 210,349 shares to Team 17 Digital Limited for the purposes of settling acquisition-related liabilities for a total value of £799,000.

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.

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.

10. Share based compensation

Please see note 24 in the consolidated Team17 Group Plc consolidated financial statements for further information on the share based compensation charge in the year.

11. 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 2023 were £13,000 (FY 2022: £9,000).

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