

# team17®

## Admission Document



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if you are in the United Kingdom, or, if outside the United Kingdom, from another appropriately authorised independent adviser.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire share capital, issued and to be issued pursuant to the Placing, of Team17 Group plc. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and has not been drawn up in accordance with the Prospectus Rules or filed with or approved by the FCA or any other competent authority.

**Application has been made for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Shares will commence on AIM on 23 May 2018.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

**The whole of this document should be read. Your attention is drawn in particular to Part II of this document entitled “Risk Factors”, which describes certain risks associated with an investment in Team17 Group plc.**

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# TEAM17 GROUP PLC

*(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 11205116)*

**Placing of 27,325,482 New Shares and 37,849,200 Sale Shares at  
165 pence per Share  
and  
Admission to trading on AIM**



**BERENBERG**  
PARTNERSHIP SINCE 1590

**Sole Global Co-ordinator and Broker**



**GCA ALTIUM**

**Nominated Adviser**

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The Selling Shareholders are offering 37,849,200 Sale Shares in aggregate for sale under the Placing and the Company is offering up to 27,325,482 New Shares for subscription under the Offer. All of the Shares, including the New Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions declared, made or paid on the Shares after Admission.

GCA Altium Limited (“**GCA Altium**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as nominated adviser in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of GCA Altium or advising any other person in connection with the Placing and Admission. GCA Altium’s responsibilities as the

Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers will be owed solely to London Stock Exchange and not to the Company, the Directors or to any other person in respect of such person's decision to subscribe for or acquire Shares in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on GCA Altium by the FSMA or the regulatory regime established under it, GCA Altium does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by GCA Altium with respect to the accuracy or completeness of this document or any part of it.

Joh. Berenberg, Gossler & Co. KG, a firm which is authorised by the German Federal Financial Supervisory Authority (BaFin) and subject to limited regulation in the United Kingdom by the Financial Conduct Authority ("**Berenberg**"), is acting exclusively (through its London branch) for the Company as broker in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Berenberg or advising any other person in connection with the Placing and Admission. Apart from the responsibilities and liabilities, if any, which may be imposed on Berenberg by the FSMA or the regulatory regime established under it, Berenberg does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Berenberg with respect to the accuracy or completeness of this document or any part of it.

This document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, South Africa or Japan. The Shares have not been and will not be registered under the US Securities Act nor under the applicable securities laws of any States of the United States or any province or territory of Canada, Australia, South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Shares may not be offered or sold directly or indirectly in or into the United States, Canada, Australia, South Africa, Japan or to any resident of the United States, Canada, Australia, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Holding Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Copies of the document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered offices of the Company and the offices of Squire Patton Boggs (UK) LLP, 7 Devonshire Square, London EC2M 4YH for one month from the date of this document. This document is also available on the Company's website, [www.team17.com](http://www.team17.com).



## IMPORTANT INFORMATION

This document should be read in its entirety before making any decision to subscribe for or purchase Shares. Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, GCA Altium or Berenberg or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the AIM Rules for Companies, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company, GCA Altium or Berenberg or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if you are in the United Kingdom, or, if outside the United Kingdom, from another appropriately authorised independent adviser.

### **Restrictions on sales in the United States**

The Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States. The Shares are being sold outside of the United States in offshore transactions in reliance on Regulation S.

### **Notice to prospective investors in the EEA**

In relation to each member state of the EEA other than the United Kingdom, no Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Member State, all in accordance with the Prospectus Directive, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

- (1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (2) to fewer than 150, or, if the relevant Member State has not implemented the relevant provision of the Prospectus Directive, 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such relevant Member State; or
- (3) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Member State and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law of the Member state implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression "an offer to the public" in relation to any offer of Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression the "Prospectus Directive" means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in each Relevant Member State.

## **Notice to prospective investors in the United Kingdom**

This document is being distributed to, and is directed only at, persons in the United Kingdom who are “qualified investors” within the meaning of section 86 of the FSMA: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**FPO**”); and/or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the FPO; and (iii) other persons to whom it may otherwise be lawfully distributed (each a “relevant person”). Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with such persons. Persons who are not relevant persons should not rely on or act upon this document.

## **Forward looking statements**

Certain statements in this document are or may constitute “forward looking statements”, including statements about current beliefs and expectations of the Directors. In particular, the words “expect”, “anticipate”, “estimate”, “may”, “should”, “plans”, “intends”, “will”, “believe” and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking statements. Such forward-looking statements are based on the Board’s expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Group’s financial performance. Though the Board believes these expectations to be reasonable at the date of this document they may prove to be erroneous. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements and performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements.

Any forward looking statement in this document speaks only as of the date it is made. Save as required by law or the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward looking statements in this document that may occur due to any change in the Board’s expectations or to reflect events or circumstances after the date of this document.

Any forward looking statement in this document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

## **Presentation of financial information**

The combined and consolidated historical financial information of the Operating Group for the three years ended 31 December 2017 set out in Section B of Part III of this document has been prepared in accordance with IFRS.

The Operating Group is defined as prior to 1 September 2016, Team 17 Software Limited and its subsidiaries and undertakings, and thereafter Team 17 Holdings Limited and its subsidiaries and undertakings.

The Operating Group has historically reported under UK Generally Accepted Accounting Practices (“**UK GAAP**”) and has reported under IFRS for the first time for the year ended 31 December 2017. The combined and consolidated financial information has also been prepared under IFRS. An explanation of the changes to the Operating Group’s financial information on transition from UK GAAP to IFRS is presented in note 29 of the combined and consolidated historical financial information.

Certain non-statutory financial measures such as EBITDA (earnings before interest, tax, depreciation and amortisation (excluding amortisation of development costs)) and Adjusted EBITDA (EBITDA excluding exceptional share-based payments and exceptional transaction-related costs) have been included in the combined and consolidated financial information contained in this document as the Directors believe that these present important alternative measures with which to assess the Operating Group’s performance. These measures should not be considered as an alternative to revenue and operating profit, which are IFRS measures, or other measures of performance under IFRS. In addition, the Operating Group’s calculation of

EBITDA and Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

### **Rounding**

The financial information and certain other figures in this document have been subject to rounding adjustments. Therefore, the sum of numbers in a table (or otherwise) may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this document reflect calculations based on the underlying information prior to rounding and accordingly may not conform exactly to the percentages that would be derived if the relevant calculations were based on the rounded numbers.

### **Market, industry and economic data**

Unless the source is otherwise identified, the market, economic and industry data and statistics in this document constitute the Company's estimates, using underlying data from third parties. The Company obtained market and economic data and certain industry statistics from internal reports, as well as from third-party sources as described in the footnotes to such information. The Company confirms that all third-party information set out in this document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified. Such third-party information has not been audited or independently verified.

This document includes market share, industry and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this document, the Company has obtained market and industry data relating to the Group's business from providers of industry data, including publications and data compiled by PricewaterhouseCoopers LLP. The Company has obtained market data from the following reports:

- PricewaterhouseCoopers LLP, Global Entertainment and Media Outlook 2017-2021, Video Games
- IFPI, Global Music Report 2017, Annual State of Industry
- Motion Picture Association of America, Theatrical Market Statistics 2016
- Unity, Can't Stop, Won't Stop: 2016 Mobile and VR Games Year in Review

Market and industry data is inherently predictive and speculative, and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including that: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, none of PricewaterhouseCoopers LLP, IFPI, Motion Picture Association of America or Unity have authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by PricewaterhouseCoopers LLP, IFPI, Motion Picture Association of America or Unity for the accuracy or completeness of any market data attributed to them which is included in this document.

### **No incorporation of website information**

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

## Notice to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Berenberg will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

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## PLACING STATISTICS AND EXPECTED TIMETABLE

### Placing Statistics

Placing Price (per Share)	165p
Number of Existing Shares	103,962,794
Number of Shares in the Placing:	65,174,682
– To be issued by the Company (the New Shares)	27,325,482
– To be sold by the Selling Shareholders (the Sale Shares)	37,849,200
New Shares as a percentage of the Enlarged Share Capital	20.8 per cent.
Number of Shares in issue following the Placing and Admission	131,288,276
Market capitalisation of the Company at the Placing Price following Admission <sup>(1)</sup>	£217 million
Estimated net proceeds of the Placing receivable by the Company <sup>(2)</sup>	£42.8 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders <sup>(3)</sup>	£59.4 million
AIM ticker	TM17
ISIN	GB00BYVX2X20
SEDOL	BYVX2X2
LEI	2138006EUUCCL4ZI5E51

#### Notes:

- (1) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will equal or exceed the Placing Price.
- (2) After deduction of estimated fees and expenses payable by the Company of approximately £2.3 million.
- (3) After deduction of estimated commissions, fees and expenses payable by the Selling Shareholders of approximately £3.1 million.

### Expected Timetable

Publication of this document	18 May 2018
Admission and commencement of dealings in the Shares on AIM	23 May 2018
Placing Shares credited to CREST accounts (where applicable)	8.00 a.m. on 23 May 2018
Despatch of definitive share certificates (where applicable)	by 1 June 2018

*All times are London, UK times. Each of the times and dates in the above timetable is indicative only and is subject to change without further notice.*

## COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Deborah Jayne ('Debbie') Bestwick ( <i>Chief Executive Officer</i> ) Jonathan Paul ('Paul') Bray ( <i>Chief Financial Officer and Chief Operating Officer</i> ) Christopher ('Chris') Bell ( <i>Chairman</i> ) Penelope Ruth ('Penny') Judd ( <i>Non-Executive Director</i> )
<b>Company secretary</b>	Richard Almond
<b>Registered office</b>	Castleview House Calder Island Way Wakefield West Yorkshire United Kingdom WF2 7AW
<b>Website</b>	<a href="http://www.team17.com">www.team17.com</a>
<b>Nominated Adviser</b>	GCA Altium Limited 3rd Floor 1 Southampton Street London WC2R 0LR
<b>Broker</b>	Joh. Berenberg, Gossler & Co. KG (London Branch) 60 Threadneedle Street London EC2R 8HP
<b>Legal advisers to the Company</b>	Squire Patton Boggs (UK) LLP 6 Wellington Place Leeds LS1 4AP
<b>Legal advisers to the Nominated Adviser and the Broker</b>	Jones Day 21 Tudor Street London EC4Y 0DJ
<b>Auditors and Reporting Accountants</b>	PricewaterhouseCoopers LLP Central Square 29 Wellington St Leeds LS1 4DL
<b>Registrars</b>	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>PR advisers to the Company</b>	Vigo Communications Limited 180 Piccadilly London W1J 9HF

## DEFINITIONS

<b>Adjusted EBITDA</b>	EBITDA excluding exceptional share-based payments and exceptional transaction-related costs
<b>Admission</b>	the admission of the Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
<b>AIM</b>	the AIM market of the London Stock Exchange
<b>AIM Rules for Companies</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>AIM Rules for Nominated Advisers</b>	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
<b>Back Catalogue</b>	titles released by Team17 prior to the current financial year
<b>Berenberg</b>	Joh. Berenberg, Gossler & Co. KG (London Branch)
<b>Board</b>	the board of directors of the Company
<b>CAGR</b>	compound annual growth rate
<b>Companies Act</b>	the Companies Act 2006 (as amended)
<b>Company</b>	Team17 Group plc
<b>DLC</b>	downloadable content
<b>Directors</b>	the directors of the Company as at the date of this document, whose names appear on page 9 of this document
<b>Dollars or US\$</b>	United States dollars
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation (excluding amortisation of development costs)
<b>EEA</b>	the European Economic Area
<b>Enlarged Share Capital</b>	the issued share capital of the Company immediately following Admission, comprising the Existing Shares and the New Shares
<b>Executive Directors</b>	the executive Directors of the Company
<b>Existing Shares</b>	the 103,962,794 Shares in issue immediately prior to completion of the Placing
<b>FCA or Financial Conduct Authority</b>	the Financial Conduct Authority of the United Kingdom
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>Games Label</b>	the Team17 games label model of assisting to develop and publish third party content, launched in 2014
<b>GCA Altium</b>	GCA Altium Limited

<b>Group</b>	prior to completion of the Reorganisation, the Operating Group and following completion of the Reorganisation, the Company and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act)
<b>Historical Financial Information</b>	the combined and consolidated historical financial information of the Operating Group for the three years ended 31 December 2017, as set out in Section B of Part III of this document
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the European Union
<b>IP</b>	intellectual property
<b>ISIN</b>	International Securities Identification Number
<b>Key Customers</b>	Apple, Google, Nintendo, Sony, Valve and Microsoft
<b>LDC</b>	LDC (Managers) Limited, LDC V LP, LDC Parallel V LP, and LDC Equity V LP
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Member State</b>	a member state of the EEA
<b>New Shares</b>	the 27,325,482 new Shares to be issued by the Company pursuant to the Placing
<b>Non-Executive Directors</b>	the non-executive directors of the Company (including the Chairman)
<b>Operating Group</b>	prior to 1 September 2016, Team 17 Software Limited and its subsidiaries and undertakings, and thereafter, Team 17 Holdings Limited and its subsidiaries and undertakings
<b>Placing</b>	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
<b>Placing Agreement</b>	the conditional agreement entered into on or about the date of this document between the Company, the Selling Shareholders, GCA Altium, Berenberg and the Directors in relation to the Placing and Admission, details of which are set out in paragraph 9 of Part V of this document
<b>Placing Price</b>	165 pence per Placing Share
<b>Placing Shares</b>	the New Shares and the Sale Shares
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of the European Union
<b>Prospectus Rules</b>	the prospectus rules made by the FCA under Part VI of the FSMA, as amended
<b>QA</b>	quality assurance
<b>QCA</b>	the Quoted Companies Alliance
<b>QCA Code</b>	the Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 published by the QCA as amended or replaced from time to time

<b>Reorganisation</b>	the pre-Admission reorganisation of the Company's share capital and acquisition of the shares of Team 17 Holdings Limited, relevant details of which are set out in paragraph 2.3 of Part V of this document
<b>Regulation S</b>	Regulation S under the US Securities Act
<b>Sale Shares</b>	the Shares to be sold by the Selling Shareholders pursuant to the Placing
<b>Selling Shareholders</b>	those persons selling Sale Shares at Admission, as set out in paragraph 9.2 of Part V
<b>Shares</b>	ordinary shares of £0.01 each in the capital of the Company
<b>South Africa</b>	the Republic of South Africa
<b>Takeover Code</b>	the Takeover Code published by the Takeover Panel
<b>Takeover Panel</b>	the UK Panel on Takeovers and Mergers
<b>Team17</b>	the Company or the Group, as the context permits
<b>US or United States</b>	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
<b>US Persons</b>	has the meaning given in Regulation S
<b>US Securities Act</b>	the US Securities Act of 1933, as amended
<b>£ and p</b>	United Kingdom pounds Sterling and pence respectively



## PART I: INFORMATION ON THE GROUP

### 1. Introduction

Team17 is a leading video games label and creative partner for independent (“indie”) developers. The Group supports both owned first party IP and third party IP – through partnering with indie developers globally – in the development and publishing of games across multiple platforms typically for a fixed revenue share. The Group focuses on premium, rather than free to play games, and its portfolio comprises over 90 games, including the iconic and well-established *Worms* franchise, as well as *Overcooked* and *The Escapists*.

Team17 was founded in 1990 and launched its Games Label in 2014. Team17’s areas of expertise are:

- **Product acquisition:** identifying and partnering with highly creative indie developers, leveraging the Group’s highly selective ‘greenlight’ process to identify, screen and appraise potential titles. In 2017, c.1.5 per cent. of games reviewed successfully completed the greenlight process and were signed to the Games Label.
- **IP & product incubation:** a 100+ employee internal creative development studio providing essential resources including additional code, art, audio, design, quality assurance, usability, release management, cross-platform development and support services.
- **Go-to-market execution:** Team17 uses the experience, skill-set and know-how within its separate commercial team to create consumer awareness and discoverability on digital distribution platforms through sales, marketing, events, public relations, social channels and community marketing.
- **Lifecycle management:** maximising long term enhanced revenue of games through dynamic price management, incremental downloadable content, promotional planning and strategic additional platform releases.

88 per cent. of the Group’s revenues are generated from digital sales, which facilitates a high level of control over pricing and game lifecycle management, with minimal additional development costs post launch. Team17 has released over 90 premium games during its history, including the highly successful *Worms* franchise, which has continued to generate approximately £5 million in annual revenue between 2009 and 2017. Due to the Group’s diverse portfolio of owned and third party IP, coupled with its approach to lifecycle management, a substantial portion of revenue has been generated from Back Catalogue sales (revenue from titles released in previous years accounted for 53 per cent. of 2017 revenue). In addition to this a material proportion of new releases are new titles from existing franchises (follow-on titles from existing franchises with proven audiences) that accounted for 25 per cent. of 2017 revenue.

In the three-year financial period to 31 December 2017, the Group generated a revenue CAGR of 69 per cent. and Adjusted EBITDA CAGR of 80 per cent. The Directors believe that Team17 has a strong product pipeline, with seven releases planned for 2018.

### 2. History and background

Team17 was founded in 1990, publishing third party IP games principally for the Commodore Amiga platform. The Group released over 20 games with numerous games developers from around the world prior to the launch of *Worms* (including the highly successful *Alien Breed* franchise) and, in 1993, won the Golden Joystick award for “Software House of the Year” (jointly with Electronic Arts).

In 1995, Team17 released *Worms*, a turn-based strategy game which would subsequently win numerous awards across all major gaming platforms. Between 1995 and 2010, the Group was principally a games developer focused on developing titles for its *Worms* franchise for numerous games publishers, such as Ubisoft, Sega and Hasbro.

In 2011, Team17 co-founder and CEO Debbie Bestwick MBE and Paul Bray, who joined the Group in 2010 as CFO/COO, led a management buy-out which culminated in a strategic repositioning of the Group and the launch of the Games Label in 2014.

In September 2016, private equity investor LDC acquired a minority shareholding in the Group.

During 2017, Team17 released successful titles including *The Escapists Mobile*, *Overcooked*, *The Escapists 2*, *Aven Colony* and *Yooka-Laylee*, and signed nine new games developers to its global Games Label.

### 3. Key differentiators and competitive advantages

The Directors believe that Team17 has the following key differentiators and competitive advantages:

- **Strong market position:** Team17 is focused on the premium high-quality indie gaming market, which is experiencing strong growth due to the adoption of digital distribution and reduced barriers to entry for smaller development teams through middleware gaming engines such as Unity and Unreal providing more accessible development tools. The Directors believe that the Group is strongly positioned as a games label for the indie market due to its independent heritage and its demonstrable success as a developer of award winning games. The Directors believe that Team17 has created a highly successful games label and development model, as demonstrated by its track record of successfully launching and managing numerous leading indie gaming franchises (e.g. *Worms*, *The Escapists*, *Overcooked* and *Yooka-Laylee*).
- **Low risk approach:** Team17's business model in respect of new owned and third party IP is focused on return on investment for both Team17 and the developer. The Group evaluates potential partnership opportunities from a broad range of sources and its review process involves detailed commercial analysis from an experienced and diverse greenlight team with over 160 years of industry experience.
- **Broad portfolio of owned and third party IP:** Team17 has released over 90 games and has an extensive Back Catalogue which contributed 53 per cent. of revenue in 2017. The Group has no single franchise or title dependency and is platform agnostic, with a strong pipeline of new IP planned for launch in 2018 and beyond.
- **Strong track record and deep relationships with key platforms:** Team17 has over 25 years of experience in the gaming industry, launching games successfully onto key platforms, including Android, Apple iOS, Switch, PC, PlayStation and Xbox. Team17 has a strong track record of partnering with leading indie developers and releasing high-quality games across these multiple platforms.
- **Experienced management team:** led by CEO Debbie Bestwick, who was awarded an MBE in 2016 for services to the video games industry, Team17 has a proven senior management team with over 140 years of experience in the gaming industry, including prior experience at EA, 2K Games and Ubisoft. Team17's internal creative studio has won numerous awards for its own created IP and has a broad range of skills, relating to cross-platform development and other added value resources such as code, art, audio, design, QA and usability.
- **Proven financial record:** Team17 has achieved strong growth in revenue and profits since launching its Games Label. Over the three-year financial period ending 31 December 2017, the Group delivered revenue and Adjusted EBITDA CAGRs of 69 per cent. and 80 per cent. respectively, with an average operating cash flow to EBITDA generation of 103 per cent. over the same period. Average operating cash flow to EBITDA generation is defined as the average over the three-year financial period ended 31 December 2017 of net operating cash flows as a percentage of EBITDA.

### 4. Video Games Market

#### 4.1 Market overview

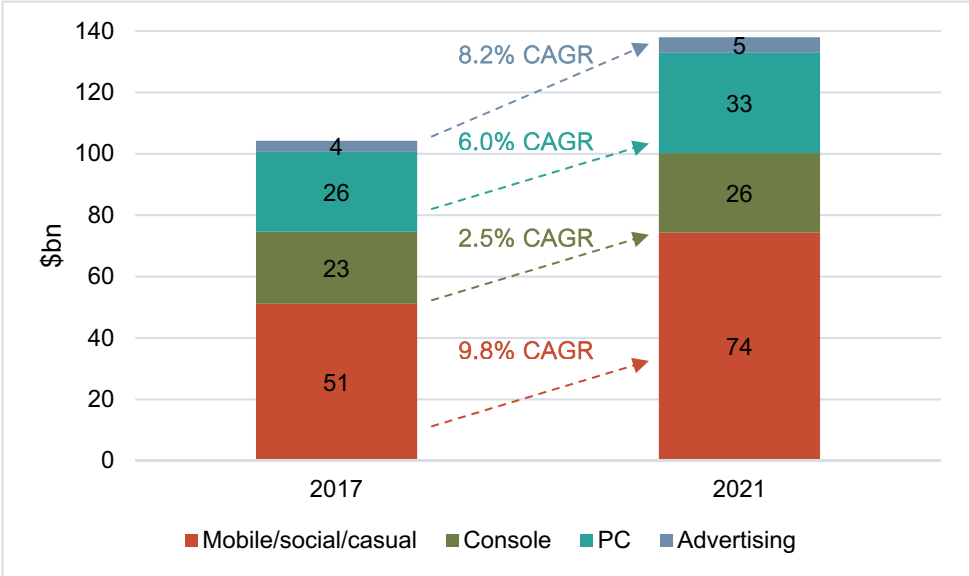
The video games market is one of the largest sectors of the global entertainment industry, valued at US\$104 billion in 2017, and is estimated to be larger than both the music and cinema industries combined<sup>1</sup>. The video games market is forecast to continue to grow at a CAGR of 7.3 per cent. between 2017 and 2021<sup>2</sup>.

Team17's focus to date has been on the premium personal computer and console markets, which were valued at a combined US\$49 billion in 2017. The Group has selectively launched its premium content on mobile to extend the lifecycle and grow the audience for its games (e.g. the release of *Worms* and *The Escapists Mobile*) and the Group has a broad portfolio of IP which it can leverage across multiple gaming platforms.

<sup>1</sup> Source: PwC Global Entertainment and Media Outlook 2017-2021, Video Games. Global Music Report 2017, Annual State of Industry. Motion Picture Association of America, Theatrical Market Statistics 2016

<sup>2</sup> Source: PwC Global Entertainment and Media Outlook 2017-2021, Video Games.

The chart below shows the size of the global video games market by platform.



Global video games market by platform (Source: PwC Global Entertainment and Media Outlook 2017-2021)

4.2 Digital distribution

One of the key market developments that has aided the growth and success of Team17’s Games Label is the disruption of business models in the games industry due to digital downloads. Growth in global personal computer and console video games is being driven by digital distribution platforms, such as Steam (the leading digital distribution platform for PC/Mac/Linux games, owned by Valve Corporation), PlayStation Network, Xbox Live and Nintendo E-Shop, which have made distribution easier and more cost effective, removing the requirement for costly stockholding of physical ‘boxed product’.

Digital distribution enables game publishers to constantly iterate their initial game releases, release additional downloadable content with new levels and features, and to utilise dynamic pricing, all of which are strategies used by Team17 as part of its approach to lifecycle management. In 2017, digital sales represented 88 per cent. of the Group’s revenue.

4.3 Indie developers

Within the video games market, there has been rapid growth in games released by indie developers, driven by a number of supportive market trends:

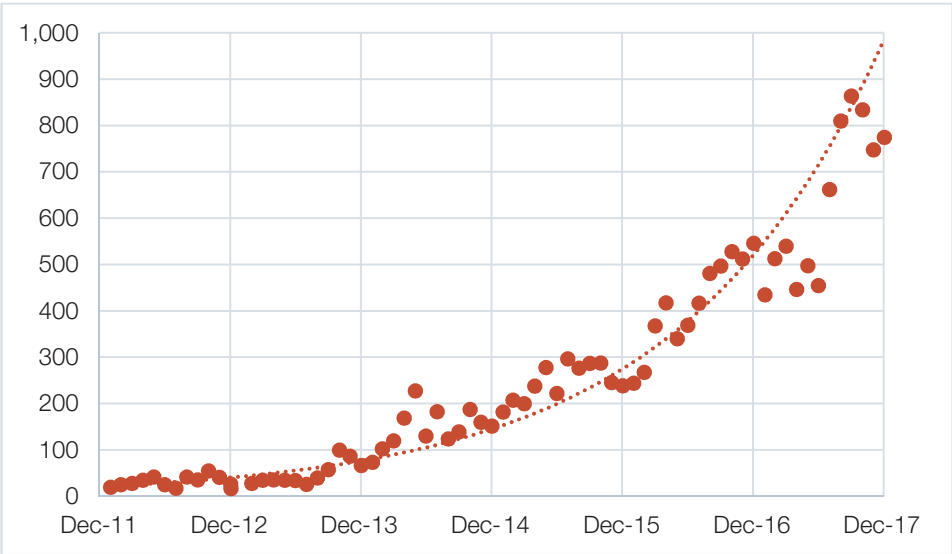
- **Digital distribution:** it is now easier for indie developers to bring games to market via digital distribution platforms and build audiences for their games without relying on physical retail distribution channels.
- **Middleware:** gaming development tools such as Unity (which has 5.5 million registered developers) and Unreal (which has over 4 million registered developers) have made development more accessible to potential developers with non-technical backgrounds<sup>3</sup>.
- **Alternative funding methods:** crowdfunding platforms such as Kickstarter have enabled indie developers to raise financing for their games, many of which would never have otherwise been funded and developed. As an example, in excess of 2,000 gaming projects have received funding from Kickstarter<sup>4</sup> and Team17 proactively engages with developers on crowdfunding platforms to identify potential publishing opportunities.

The growth in the indie market has led to a rapid growth in content – in 2017, c.7,500 games were released on Steam, compared to c.560 in 2013<sup>5</sup>. Whilst indie developers can self-publish their games on Steam and other console digital distribution platforms, the Directors believe that the challenge which indie developers

<sup>3</sup> Source: Unity Can’t Stop, Won’t Stop: 2016 Mobile and VR Games Year in Review and Unreal Engine.  
<sup>4</sup> Source: Kickstarter.  
<sup>5</sup> Source: Steam Spy.

face is discoverability due to the volume of releases. Team17 partners with indie developers and leverages its experience of over 25 years of developing and publishing games in order to ensure its games are of the highest standard, and gain strong exposure and distribution, both at launch and post release.

The chart below shows monthly releases on Steam between 2011 and 2017:



Steam releases per month (Source: Steam Spy)

5. **Business Description**

5.1 **Business model overview**

Since 2014, Team17 has focused predominantly on its Games Label, partnering with indie developers globally to provide a full partnership offering which spans development support, publishing and lifecycle management.

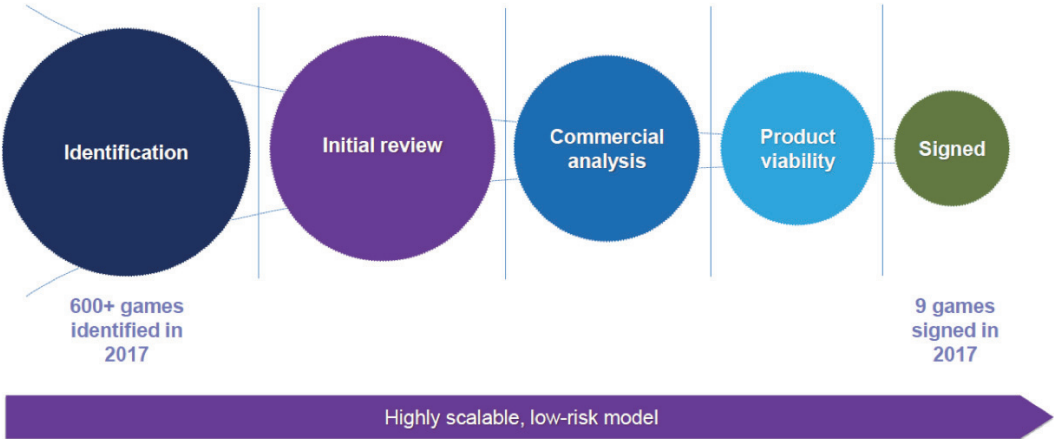
The foundations of Team17’s Games Label are as follows:

**Product acquisition**

Following the launch of its Games Label, Team17 developed its own highly structured greenlight process to identify the best creative ideas and global talent. In 2017, Team17 identified 600+ games and ultimately signed nine, i.e. c.1.5 per cent. of games reviewed.

The commercial agreements with developers and corresponding resources and support provided by Team17 vary title-by-title, depending on the needs of each third party partner but typically involve a revenue share model, with Team17 funding milestone-based payments during the development process.

The stages of the Group’s greenlight process are shown on the diagram below.



Greenlight process (Source: Team17)

### **IP & product incubation**

Team17 partners with a range of indie development studios across the globe – from lone developers through to small, medium and large creative studios, aiding the emergence of the next generation of developers (e.g. Mouldy Toof Studios – *The Escapists*) and helping established game developers build their successful IP (e.g. Playtonic Games – *Yooka-Laylee*, Ghost Town Games – *Overcooked*).

Depending on the specific development team and game requirements, Team17 can provide its partners with creative and development support across a wide range of development capabilities, leveraging the scale and expertise of its 100+ strong development studio, and over 25 years of experience within indie gaming.



*Imagery from My Time at Portia (Source: Team17)*

### **Go-to-market execution**

In order to build awareness of its games, Team17 utilises various channels including influencer marketing (coverage by important YouTube and Twitch influencers), social media, community management, PR and events.

Team17's marketing approach is centred on channels which build and support customer awareness across all stages of the product lifecycle, with a focus on generating return on investment.

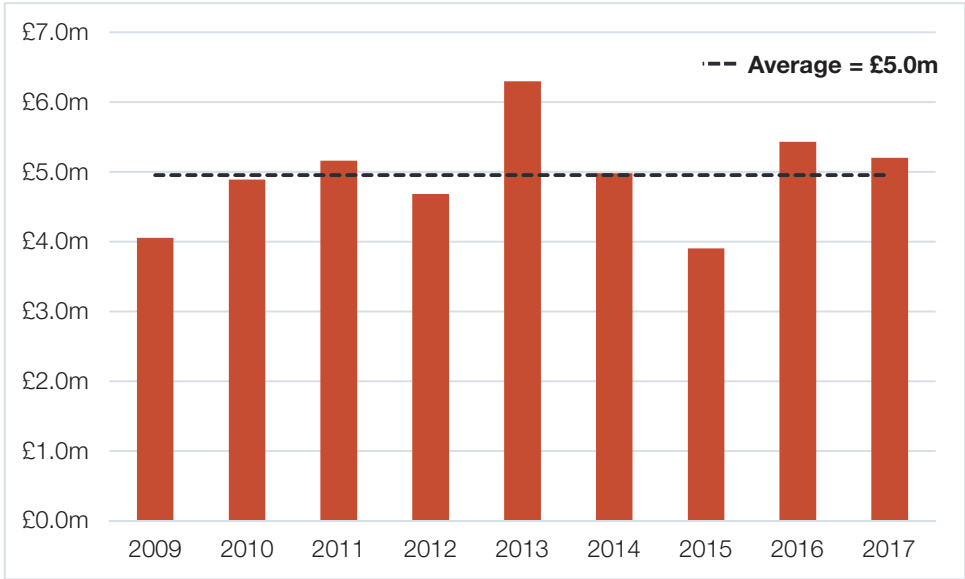
Having released over 90 games, Team17 has long established relationships with major video game platform holders including Sony, Nintendo, Microsoft, Steam, Apple and Google. The Group works with these platform holders to ensure its games have the best possibility of exposure and discoverability at launch and post release for example through inclusion in first party owned media channels. As the indie developer market has grown, the Directors believe their relationships with platform holders have remained strong (having worked with them all for many years) and provide further opportunities as game release volumes increase.

### **Lifecycle management**

Team17 helps its partners to manage the lifecycle of their games in order to maximise long term revenue and build gaming franchises with longevity. The *Worms* franchise (over 20 years old) validates the Group's approach to long term lifecycle management, and helps attract indie developers who aspire to replicate Team17's success and longevity with their own games.



Annual revenue from the *Worms* franchise between 2009 and 2017 is shown in the chart below.



Revenue generated by the *Worms* franchise, 2009-2017  
 (source: Team17, unaudited management information)

In order to generate long term revenue from releases, the Group strategically phases game releases across platforms (including mobile) to extend lifecycles, releases incremental downloadable content (e.g. *The Escapists* ‘Alcatraz’) and actively manages prices and promotions on key platforms and via other marketplaces.

**5.2 Revenue mix and Back Catalogue**

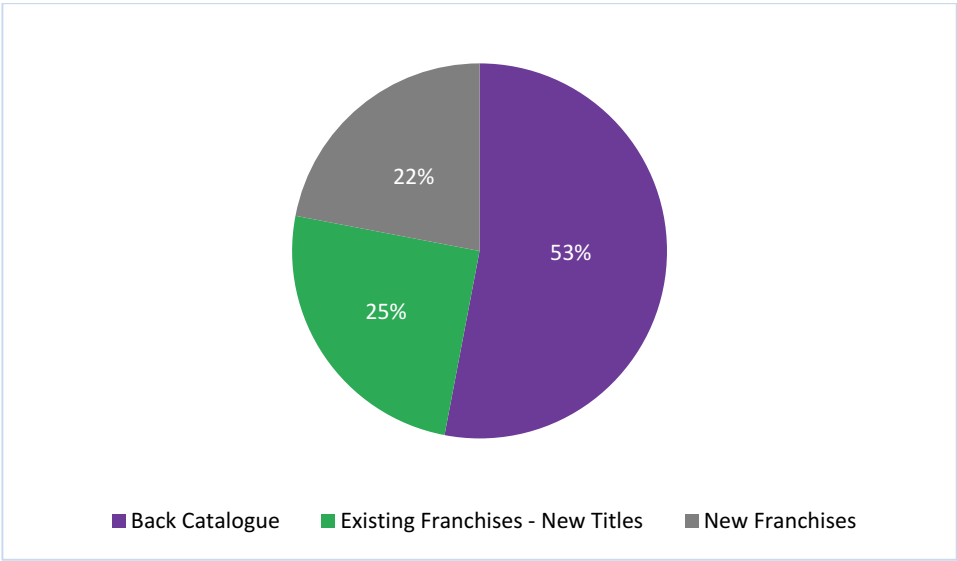
A significant portion of Team17’s future revenues and profitability is underpinned by the existing Back Catalogue. Titles can often earn revenue across many years – there is no significant cost to keeping product “on the shelf” as 88 per cent. of distribution (2017) is digital, and a title can spawn equally successful sequels or updates.

The contribution to revenue from games at various stages can be analysed as follows:

- **Back Catalogue:** revenue from titles released in previous financial years
- **Existing Franchises – New Titles:** revenue from titles released in the current year, from existing franchises (i.e. *The Escapists 2*, the follow-on title for *The Escapists*)
- **New Franchises:** revenue from new franchises released in the current financial year

In 2017, 53 per cent. of revenues were generated from Back Catalogue, 25 per cent. from Existing Franchises – New Titles and 22 per cent. from New Franchises. The Back Catalogue spans titles released over the Group’s 25+ year history and is continually supplemented by new game releases, which migrate to the Back Catalogue in the year after release.

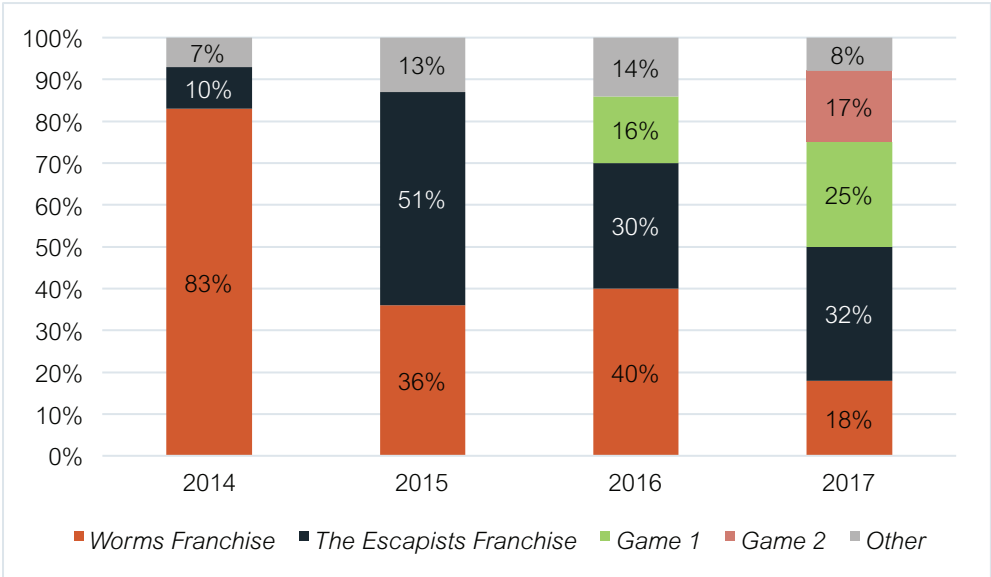
The chart below shows 2017 revenue split between Back Catalogue, Existing Franchises – New Titles and New Franchises.



Revenue generated by category, 2017 (source: Team17, unaudited management information)

Given the breadth of IP released by Team17’s Games Label there is the opportunity for a growing number of follow-on titles from existing franchises. The Group’s model has proven these releases are inherently lower risk than New Franchise releases, as an audience has already been established for these games – for example following the 2015 launch of *The Escapists*, the 2017 release of *The Escapists 2* achieved breakeven on pre-orders alone.

Until 2014, the Group was heavily reliant on revenue from the *Worms* franchise, (contributing 83 per cent. of revenue in 2014), however revenue generating IP has substantially diversified and in 2017 *Worms* contributed 18 per cent. of revenue. Revenue by franchise between 2014 and 2017 is shown in the chart below.



Revenue generated by franchise, 2014-2017 (source: Team17, unaudited management information)

Team17’s products are sold internationally with exports accounting for 88 per cent. of revenue.

**5.3 Approach to game selection and investment**












































The Directors believe that they have developed a low risk approach to game selection and investment, leveraging a rigorous greenlight process before providing funding and support to developers. Payments made to developers are milestone-based, and the Group’s marketing efforts are focused on low-cost but highly effective social and community marketing methods.

Since the launch of the Games Label in 2014, the Group has released 22 games, with no loss on third party IP of greater than £83,000.

**6. IP Portfolio**

Team17 has significantly diversified its IP portfolio, partnering with a broad range of third party IP owners. In 2017, 50 per cent. of revenue was generated from first party owned IP and 50 per cent. was generated from third party IP.

In addition to Team17’s current portfolio of IP, the Group has seven games planned for release in 2018 and numerous unannounced titles for post 2018 release. The table below shows the evolution of the Group’s IP portfolio, split between owned and third party IP.

Release Year(s)	Team17 Owned IP Title(s)	Third Party IP Title(s)
Pre 2013	 	
2013-2014	  	
2015-2016	  	         
2017-2018	   	                   

First and Third Party IP (Source: Team17)

## 7. Directors and Senior Management

### 7.1 Directors

The following table lists the names, ages, positions and dates of appointment as a director for each Director:

<i>Name</i>	<i>Age</i>	<i>Position</i>	<i>Date appointed</i>
Chris Bell	60	Non-Executive Chairman	1 May 2018
Debbie Bestwick	48	Chief Executive Officer	30 April 2018
Paul Bray	55	Chief Financial Officer and Chief Operating Officer	30 April 2018
Penny Judd	54	Non-Executive Director	1 May 2018

The business address of all of the Directors is the Company's registered office.

The management expertise and experience of each of the Directors is set out below:

#### **Debbie Bestwick MBE (48) – Chief Executive Officer**

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

#### **Paul Bray (55) – Chief Financial Officer and Chief Operating Officer**

Paul Bray was appointed Chief Financial Officer and Chief Operating Officer in 2010 and alongside Debbie Bestwick, led the Group through its 2011 management buy-out, launch of the Games Label and 2016 sale of a minority stake to LDC. Paul qualified as a certified accountant in the 1980s and has approximately 30 years' post-qualification experience as a Finance Director (including positions previously with William Hill).

#### **Chris Bell (60) – Non-Executive Chairman**

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

#### **Penny Judd (54) – Non-Executive Director**

Penny has over 30 years of experience in Compliance, Regulation, Corporate Finance and Audit and is currently Chair of AIM-listed Plus500 Ltd. Penny is also a Non-Executive Director of Alpha Financial Markets Consulting plc and AIM-listed TruFin plc, (which she took to market), where she serves as Chairman of the Audit Committee of both companies. Penny was, until June 2016, a Managing Director and EMEA Head of Compliance at Nomura International plc, a position she held for three years. Prior to this, Penny worked at UBS Investment Bank for nine years and held the position of Managing Director,

EMEA Head of Compliance. Penny also acted as Head of Equity Markets at the London Stock Exchange and qualified as a Chartered Accountant.

## 8. Selected Historical Financial Information

The following financial information has been derived from the combined and consolidated financial information contained in Section B of Part III and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information set out below.

<i>Year ended</i>	<i>31 December 2015 £'000</i>	<i>31 December 2016 £'000</i>	<i>31 December 2017 £'000</i>
Revenue	10,382	13,458	29,634
Cost of Sales	(5,048)	(5,518)	(12,782)
Gross profit	5,334	7,940	16,852
Administrative expenses	(1,450)	(2,584)	(5,933)
Exceptional costs	–	(1,320)	(1,988)
<b>Operating profit</b>	<b>3,884</b>	<b>4,036</b>	<b>8,931</b>
Finance income	2	5	8
Finance costs	(39)	(1,266)	(3,581)
Profit before tax	3,847	2,775	5,358
EBITDA	3,971	4,770	10,928
<b>Adjusted EBITDA</b>	<b>3,971</b>	<b>6,090</b>	<b>12,916</b>

EBITDA and Adjusted EBITDA have been calculated as set out below:

	<i>31 December 2015 £'000</i>	<i>31 December 2016 £'000</i>	<i>31 December 2017 £'000</i>
Operating profit	3,884	4,036	8,931
Depreciation	87	140	214
Amortisation – Brands	–	594	1,783
EBITDA	3,971	4,770	10,928
Exceptional costs included in operating profit:			
Transaction costs	–	920	–
Payment to former shareholders	–	400	–
Share-based compensation charge	–	–	1,764
Employers NIC on share-based compensation charge	–	–	224
Adjusted EBITDA	3,971	6,090	12,916

## 9. Current trading and prospects

Trading for the period from 31 December 2017 to the date of this document has been positive and is consistent with the Board's expectations and profitability and cash generation remain encouraging. The Group has recently released a number of games, with further releases planned during the second half of 2018. Through its greenlight process the Group continues to review and sign new titles to its Games Label, in addition to maximising the revenue opportunity provided by its substantial Back Catalogue.

There has been no significant change in the financial or trading position of the Operating Group since 31 December 2017, being the date to which the financial information in Part III has been prepared.

There has been no significant change in the financial or trading position of the Company since 14 February 2018, being the date the Company was incorporated.



## 10. Reasons for Admission, the Placing and use of Proceeds

The Directors believe that, while the Group has enjoyed a period of solid investment under its current ownership, the Placing and Admission will allow the Group to retain its independence and strong culture going forward and to invest more readily in its future expansion. In addition, Admission is expected to further enhance the Group's profile and brand recognition amongst potential development partners and Key Customers and to assist in the recruitment, retention and incentivisation of senior management and employees at all levels. In addition, the Placing will raise approximately £62.5 million (before expenses) for the Selling Shareholders.

On Admission, the Company will have 131,288,276 Shares in issue and a market capitalisation of approximately £217 million (on the basis of the Placing Price of £1.65 per share). Berenberg has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place 27,325,482 New Shares and 37,849,200 Sale Shares with institutional and other investors. The Placing Shares will represent approximately 49.6 per cent. of the Enlarged Share Capital. The Placing Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Shares.

The Placing will raise in total gross proceeds of approximately £45.1 million for the Company and £62.5 million for the Selling Shareholders. The Group plans to apply the net proceeds from the sale of New Shares, being approximately £42.8 million, primarily to repay outstanding loan notes, directors' loans and other debt-like items.

The Placing, which is not being underwritten, is conditional, *inter alia*, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 23 May 2018, or such later date as Berenberg and the Company may agree, being not later than 31 May 2018.

The New Shares will rank *pari passu* in all respects with the Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

Further details of the Placing Agreement are set out in paragraph 9 of Part V of this document.

## 11. Dividend policy

The Directors intend to reinvest a significant portion of the Group's earnings to facilitate plans for further growth. Accordingly, whilst the Directors do not expect to declare any dividend in respect of the current financial year ending on 31 December 2018, it is the Board's intention, should the Group generate a sustained level of distributable profits, to consider a progressive dividend policy in future years.

Declaration of dividends will always remain subject to all applicable legal and regulatory requirements and recommendations of final dividends and payments of interim dividends will be at the discretion of the Board. The Board will not exercise such discretion where it is not commercially prudent to do so taking into account the policy set out above. Whilst the Board considers dividends as the primary method of distributing profit to shareholders, it may, at its discretion, consider share purchases, when advantageous to shareholders and where permissible. The Company may revise its dividend policy from time to time.

## 12. Corporate governance

The Directors acknowledge the importance of high standards of corporate governance and intend to comply with the principles set out in the Corporate Governance Code for Small and Mid-Size Quoted Companies, as issued by the QCA, to the extent that the Board considers appropriate for a business of the Company's size and nature.

Upon Admission, the Board will comprise four Directors, two of whom are Executive Directors and two of whom are independent Non-Executive Directors, reflecting a blend of different experiences and backgrounds. The Board are intending to appoint a further independent non-executive director as soon as

practicable and, in any case, within six to twelve months of Admission. Chris Bell and Penny Judd are considered independent by the Board.

The Board intends to meet regularly to review, formulate and approve the Group's strategy, performance and corporate actions. The Company has established an Audit Committee, Nomination Committee and a Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. Each of these committees will meet regularly on the frequencies set out in this paragraph 12. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

#### *Audit Committee*

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than two times in each financial year and will have unrestricted access to the Group's external auditors. The Audit Committee comprises Chris Bell and Penny Judd and is chaired by Penny Judd.

#### *Remuneration Committee*

The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will meet as and when necessary, but at least once each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the Remuneration Committee Guide for Small and Mid-Size Quoted Companies published by the QCA and associated guidance. The Remuneration Committee comprises Chris Bell and Penny Judd and is chaired by Chris Bell, until such time as a third non-executive director is appointed who is anticipated to chair the Remuneration Committee going forward.

#### *Nomination Committee*

The Nomination Committee will lead the process for board appointments and make recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary, but at least once a year. The Nomination Committee comprises Debbie Bestwick, Chris Bell and Penny Judd and is chaired by Chris Bell.

#### *Relationship with Major Shareholder*

Debbie Bestwick is currently the holder of approximately 44.0 per cent. of the Existing Shares. Immediately following Admission Debbie Bestwick will hold approximately 22.2 per cent. of the Enlarged Share Capital. The Company has entered into a Relationship Agreement with Debbie Bestwick which governs the relationship between Debbie Bestwick to ensure that the Company is able to carry on its business independently. Debbie Bestwick has agreed that all transactions and relationships between her and the Company shall be on an arms' length basis and on a normal commercial basis. Debbie Bestwick will have the right to appoint a nominee director (to the extent she is not a director personally) where she holds 15 per cent. or more of the total voting rights in the Company. Further details of the Relationship Agreement are set out in paragraph 10.2 of Part V of this document.

### **13. Share dealing policy**

The Company has adopted a share dealing policy regulating trading and confidentiality of inside information for persons discharging managerial responsibility ("PDMRs") and persons closely associated with them which contains provisions appropriate for a company whose shares are admitted to trading on AIM. The Company will take all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of that share dealing policy.

#### 14. **Share incentive plans**

The Company has adopted a long term incentive plan and deferred bonus plan. In addition, the Company will also establish an all-employee share incentive plan. Details of these plans are set out in paragraph 4 of Part V of this document.

#### 15. **Admission, Settlement and Dealings**

Application has been made to the London Stock Exchange for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares will commence on 23 May 2018. The Shares will be in registered form. The Articles permit the Company to issue Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer.

The ISIN of the Shares is GB00BYVX2X20.

#### 16. **Taxation**

Your attention is drawn to the taxation section contained in paragraph 14 of Part V of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

#### 17. **The Takeover Code**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests (or series of acquisitions of interests) in Shares were to increase the aggregate holding of the acquirer and its concert parties to interests in Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, any persons acting in concert with it, would be required (unless the Takeover Panel otherwise agrees) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for interests in Shares by the acquirer or any persons acting in concert with it during the previous 12 months. This requirement would also be triggered when, unless the Takeover Panel otherwise agrees, any person (together with persons acting in concert with him) who is interested in Shares which carry not less than 30 per cent. of the voting rights of the Company but does not hold Shares carrying more than 50 per cent. of such voting rights, and such person (or a person acting in concert with such person) acquires any interest in Shares which increases the percentage of Shares carrying voting rights in which he is interested.

Debbie Bestwick and Paul Bray (the "**Concert Party**") are considered to be acting in concert with each other in relation to the Company for the purpose of the Takeover Code (which creates a presumption that shareholders in a private company who, following the re-registration of that company as a public company, become shareholders in a company to which the Takeover Code applies, are acting in concert). Following Admission, the Concert Party will control approximately 27.7 per cent. of the voting rights in the Company.

Further information on the provisions of the Takeover Code can be found in paragraph 15 of Part V of this document.

#### 18. **Further information**

You should read the whole of this document, which provides additional information on the Group and the Placing, and not just rely on the information contained in this Part I. In particular, your attention is drawn to the risk factors in Part II of this document and the additional information contained in Part V of this document.

## PART II: RISK FACTORS

*Investing in and holding Shares involves financial risk. Prospective investors in the Shares should carefully review all of the information contained in this document and should pay particular attention to the following risks associated with an investment in the Shares, the Group's business and the industry in which it participates.*

*The risks and uncertainties described below are not an exhaustive list and do not necessarily comprise all, or explain all, of the risks associated with the Group and the industry in which it participates or an investment in the Shares. They comprise the material risks and uncertainties in this regard that are known to the Company and should be used as guidance only. Additional risks and uncertainties relating to the Group and/or the Shares that are not currently known to the Company, or which the Company currently deems immaterial, may arise or become (individually or collectively) material in the future, and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects. If any such risk or risks should occur, the price of the Shares may decline and investors could lose part or all of their investment. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this document and their personal circumstances.*

### **RISKS RELATING TO THE GROUP'S BUSINESS AND THE INDUSTRY IN WHICH IT OPERATES**

#### ***The Group will need to continue to publish new games and enhance existing games***

The success of the Group will continue to depend on its ability to identify, develop and publish new games operating in a highly competitive industry. This fast moving sector sees a number of start-ups and new games fail each year and the Group must continue to release new products and develop existing games in seeking to achieve continued success. In order to preserve its ability to continue to successfully develop new games and continue developing existing titles, the Group is required to adapt to a fast changing market, including consumer preferences, to ensure consumer engagement in existing games and to remain competitive in a growing industry. In the past, the Group has been able to mitigate this risk by building up a strong Back Catalogue, so that in the event new games and titles are not identified, or are identified and are unsuccessful, the Back Catalogue will continue to support Group revenue, however the Group may not be able to do so in the future.

Furthermore, operating in an extremely competitive industry, there are numerous new developers and publishers entering the video games market constantly, with varying degrees of success. Whilst the Group has developed a strong consumer base, and a substantial Back Catalogue, there is no guarantee that the Group will maintain its competitive edge against new rivals in the industry. The Group must be innovative and adapt to technological advances and changes in consumer preferences and demands. This may require increased capital investment in existing games and the expansion of new titles, including additional investment in marketing in the long run, which may adversely affect profitability. Failure to maintain the strong customer base and popularity amongst end-users may result in a significant adverse effect on the Group's revenue and business success.

#### ***Dependence on a concentrated platform base***

The Group is largely dependent on six Key Customers. In the year ended 31 December 2017, these Key Customers in aggregate contributed up to at least 84 per cent. of the Group revenue and further consolidation in 2018 and 2019 is anticipated. Therefore, the Group's loss of any one of its six Key Customers may have a significant impact on the Group's revenue and success.

The Group requires the continued success and availability of distribution channels developed by its Key Customers and exposes the Group to dependence on those distribution channels. If a Key Customer were required to remove their platform or distribution channel, for example due to the failure of their business, owing to a security breach or due to general operational issues, this would have an immediate impact on the Group's profitability. This adverse impact would likely subsist until such time as the platform or distribution channel was relaunched, or in the event the relevant business has failed, until an alternative platform or distribution channel is made available.

### ***Dependence on key personnel/Loss of management***

The Group's performance relies heavily on the efforts and abilities of its directors and executive officers. Their knowledge, expertise and experience are vital contributors to the continued success of the business. The failure to retain the services of any of the directors could in the medium to long term, have a material adverse effect on the Group's profitability.

### ***Ability to recruit and retain skilled personnel***

The success of the Group's business and revenues depends upon the talent and skills of its personnel. It may prove increasingly difficult in a fast growing competitive industry to recruit highly trained employees. The Group's production team possesses key skill sets that are essential to the success of the business. Should the Group no longer be able to retain such employees and/or attract new employees, the Group's business, revenues and prospects could suffer significantly. The Directors are confident that the Group's strong incentive packages ensure that current employees will remain motivated and incentivised to continue their employment with the Group. Such incentivisation also aids in attracting and recruiting new skilled personnel. The Directors note the failure to do so may have a detrimental effect upon the trading performance of the Group.

### ***The business is dependent on security, integrity and operational performance of the system and products it offers***

The Group, as with the video games industry as a whole, is subject to the threat of IT security breaches. The Group is dependent on the availability and functionality of the IT systems in place to ensure they can meet their operational needs. In the event that the IT systems significantly fail at either of the sites used by the Group, there is a disaster recovery policy in place, which is designed to ensure that all information is stored and there will be a rapid rectification of any issue. However, such policies cannot be guaranteed to prevent business interruption and prevent a level of impact to business operations that may in turn reduce profitability.

The Group is aware of the ongoing risk posed by potential IT security breaches both to its IT infrastructure during the ongoing development and publication of games. The unavailability of the Group's IT systems may have a significant adverse effect on the Group's ability to deliver new games and generate revenue from such games in development which may adversely impact the Group's ability to develop new titles and subsequently increase revenue. The Group's disaster recovery policy and periodic penetration testing may not prevent such a breach occurring.

### ***The Group may be unable to protect its IPR or could be sued for the infringement of third party IPR***

The Group's continuing success is dependent on its ability to protect and register IP rights. The Group operates with both first party and third party IP rights. The Group endeavours to protect its own rights through registered trade marks, confidentiality agreements and robust employment contracts. However, there is an inherent risk that individuals may assert that the Group's systems or products infringe their proprietary rights; even if such claims are without merit, it could cause the Group significant costs in defending such a claim.

The Group's continuing success will depend on its ability to operate without violating the IP rights of others. Whilst the Group takes precautions to minimise the risk of any infringement of third party IP, there can be no assurance that the products that the Group is currently marketing or the products the Group may market in the future do not currently, and will not in the future, infringe any proprietary rights of others. Thus, the Group may need to engage in litigation to defend itself against any such claims. Litigation is inherently expensive and time consuming and even if the outcome of litigation is ultimately favourable to the Group, litigation can result in the diversion of substantial resources from the Group's other activities as well as exposing the Group to adverse publicity and reputational risk. Disputes relating to contested IP rights and related litigation may therefore have a material adverse effect on the Group's business, financial condition and/or operating results.

### ***Onerous contract terms***

A number of the Group's Key Customer contracts contain unfavourable terms. Such terms include wide ranging warranties and indemnities, provided in some cases on an uncapped basis. These wide ranging warranties and indemnities are not limited to the contracting party, they are in certain cases extended to the



Group as a whole or in some cases third parties. Such warranties and indemnities given by the Group create an inherent risk that its liability for any breach could be extensive, given the uncapped basis. This would have a significant impact on the Group's profitability. The Directors believe that such onerous terms with the Key Customers are prevalent in the gaming industry and do not unjustly prejudice the Group.

Additionally, a number of the Group's Key Customer contracts contain foreign jurisdiction clauses. This means that claims brought against the Group, and any claims brought by the Group under the terms of the customer contracts will be governed by the applicable jurisdiction clauses. Therefore, both bringing and defending such a claim is likely to require overseas counsel and input, resulting in potentially costly and lengthy litigation affecting the Group's profits. In particular the distribution of the Group's game software to users in the US, and its submission to jurisdiction in the agreements, will potentially subject the target to the jurisdiction of US federal and state courts. Since US litigation is costly compared to the rest of the world (due to class actions, jury trials, expansive discovery processes, punitive damages, etc.), this may amplify the financial impact of any other legal issues that arise in relation to the game software.

### ***Contractual termination rights***

A number of the Group's Key Customer contracts contain termination clauses that allow in some cases either party to terminate the contract on short notice for convenience and without cause. As the Group's customer base is so concentrated, any loss of a customer would have an immediate impact on the Group's ability to generate revenue, the Group would have little lead time to then identify and secure a replacement customer, if one is indeed available, given the short notice periods. Whilst such termination rights are considered by the Board to be industry standard and not unfairly prejudicial to the Group in comparison to its competitors, it is possible that such rights could be exercised. The Group has longstanding contractual relationships with its customers, in some cases exceeding fifteen years; whilst the Board considers that this strong foundation may increase the opportunity for open dialogue in the event a breach occurred to allow time to remedy the issue, it is nonetheless possible that this would not be sufficient to prevent or deter such termination.

### ***Defective products/reputation***

The Group's quality checks for the games it develops and publishes may not preclude human error and there are no guarantees that defects can be prevented. If the Group were to release defective products, its operating results could suffer as a result. The result of publishing defective products would have further consequential reputational damage to the Group, as the Group relies significantly on word of mouth and reviews from the users, evidenced by the low marketing spend, such damage could significantly impact the Group's profits in the short term.

### ***Data privacy compliance breaches/failure to protect confidential information***

The Group must ensure ongoing compliance with various data protection laws, including the UK's Data Protection Act 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003. The Group does not hold personal data of the end-users, however is under an obligation to protect private and personal data they do hold, including that of its employees.

The General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") will come into force as of 25 May 2018 and the Group is required to take steps to ensure the implementation and compliance with the GDPR. Any personal information that the Group does hold in respect of its employees would be subject to the GDPR and relevant laws. There is an inherent risk such data could be processed in a manner which is in direct breach of the relevant data protection legislation, the consequence of which would not only be a potentially significant fine, it may also result in damage to the Group's reputation further impacting the Group's revenue. Although the Board considers that the Group has in place adequate procedures to ensure compliance with the GDPR, this does not preclude the possibility of litigation as a result of a perceived breach, or an actual breach of the GDPR.

### ***Global economic political landscape***

Following the United Kingdom's referendum on membership of the European Union, held on 23 June 2016, the United Kingdom voted to renounce its membership and exit the European Union. The landscape of the European Union and the United Kingdom's ongoing relationship with it is unclear at this time, and as a result there is no certainty or visibility as to the consequences of the referendum on the political, economic and



legislative landscape. This uncertainty may result in an impact on the economy of the UK and opportunities for overseas trade. Whilst the Group trades within Europe, it is not clear how the vote will effect profitability, however it may result in an adverse impact on Group revenue in the long term.

In addition to the above, following the appointment of Donald Trump as US President in January 2017, there have been discussions around the application of new trade tariffs on video games imported into the United States. If such a tariff were applied to imported games, this may see a change in consumer spending to cheaper domestic alternatives for which the tariff would not apply. Any adverse change in consumer spending due to the tariffs may in turn impact the Group's revenues in the long term.

### ***Forex risk***

A number of the Group's Key Customer contracts are subject to a variety of foreign currencies (in particular US\$ and Euro). There is therefore a risk that the Group could be adversely affected by any material negative changes in the exchange rate of such currencies albeit the effect is partially offset by outgoings directly related to revenues (royalties) and purchases from suppliers in foreign currencies.

### ***Consumer preference***

Within the video games industry, the purchase of the Group's products represents a discretionary expenditure for consumers. Therefore changing customer preferences or reduction in consumer spending levels for any reason could negatively affect the results of the Group's operations. The Group benefits from producing games under its own IP, this ensures that the return on investment remains higher than most of its competitors. However, as the games representing the Group's own IP contribute a large proportion of its overall revenue, any change in consumer preference away from those games would have a greater impact on the Group's financial success. The Group also incurs much lower marketing costs than its competitors, due to the impact that third party "influencers" have on the popularity of their games. However, if any such "influencer" provided a negative view on a game, this may impact not only the sales but also require further marketing expenditure by the Group to ensure more positive personal relations.

## **RISKS RELATING TO THE PLACING AND THE SHARES**

### ***Share price volatility and liquidity***

AIM is a trading platform designed principally for growth companies, and as such, tends to experience lower levels of trading liquidity than larger companies quoted on the official list of the United Kingdom Listing Authority ("**Official List**") or some other stock exchanges. Following Admission, there can be no assurance that an active or liquid trading market for the Shares will develop or, if developed, that it will be maintained. The Shares may therefore be subject to large fluctuations on small volumes of shares traded. As a result, an investment in shares traded on AIM carries a higher risk than those listed on the Official List.

Prospective investors should be aware that the value of an investment in the Group may go down as well as up and that the market price of the Shares may not reflect the underlying value of the Group. There can be no guarantee that the value of an investment in the Group will increase. Investors may therefore realise less than, or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, (i) the performance of the overall stock market, (ii) large purchases or sales of Shares by other investors, (iii) financial and operational results of the Group, (iv) changes in analysts' recommendations and any failure by the Group to meet the expectations of the research analysts, (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions, and (vi) other factors which are outside of the control of the Group.

Shareholders may sell their Shares in the future to realise their investment. Sales of substantial amounts of Shares following Admission and/or termination of the lock-in restrictions (the terms of which are contained in the Placing Agreement and summarised in paragraph 9 of Part V of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Shares available for sale compared to the demand to buy Shares. There can be no guarantee that the price of the Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Shares may decline below the Placing Price. Shareholders may be unable to realise their Shares at the quoted market price or at all.

***Investment risk***

An investment in a quoted company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal. While various investment opportunities are available, potential investors should consider the risks that pertain to professional services companies in general.

***Determination of Placing Price***

Placees will subscribe for the Shares at the Placing Price, which is a fixed price, prior to satisfaction of all conditions for the Shares to be issued. The Placing Price may not accurately reflect the trading value of the Shares when issued, or the Company's potential earnings or any other recognised criteria of value.

***Substantial Shareholders***

On Admission, certain Shareholders whose names are set out in paragraph 6 of Part V of this document will hold, in aggregate, approximately 64.2 per cent. of the Enlarged Share Capital. Notwithstanding the terms of the Relationship Agreement (in relation to Debbie Bestwick), the Articles and applicable laws and regulations, these Shareholders will be able to exercise significant influence over the Company and the Group's operations, business strategy and those corporate actions which require the approval of Shareholders.

***Dilution***

If the Company were to offer equity securities for sale in the future, Shareholders not participating in these equity offerings may be diluted and pre-emptive rights may not be available to certain Shareholders. The Company may also in the future issue Shares, warrants and/or options to subscribe for new Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors.

## PART III: HISTORICAL FINANCIAL INFORMATION

### Section A Accountant's Report on the Historical Financial Information



The Directors  
Team17 Group plc  
Castlevue House  
Calder Island Way  
Calder Island  
Wakefield  
WF2 7AW

GCA Altium Limited (the “**Nominated Adviser**”)  
1 Southampton Street  
London  
WC2R 0LR

18 May 2018

Dear Sirs

#### **The Operating Group**

We report on the combined and consolidated financial information of the Operating Group (being Team 17 Software Limited and its subsidiaries and undertakings prior to 1 September 2016, and Team 17 Holdings Limited and its subsidiaries and undertakings thereafter) for the three years ended 31 December 2017 set out in section B of Part III (“**Historical Financial Information**”) below (the “**Financial Information Table**”). The Financial Information Table has been prepared for inclusion in the admission document dated 18 May 2018 (the “**Admission Document**”) of Team17 Group plc (the “**Company**”) on the basis of the accounting policies set out in note 2 to the Financial Information Table. This report is required by item Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that Schedule and for no other purpose.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with the basis of preparation set out in note 2.1 to the Financial Information Table.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Operating Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 18 May 2018, a true and fair view of the state of affairs of the Operating Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2.1 to the Financial Information Table.

### **Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

## Section B Historical Financial Information

### Combined and consolidated statement of comprehensive income for the years ended 31 December 2015, 31 December 2016 and 31 December 2017

	Notes	2015 £'000	2016 £'000	2017 £'000
<b>Revenue</b>	4	10,382	13,458	29,634
Cost of sales		(5,048)	(5,518)	(12,782)
<b>Gross profit</b>		5,334	7,940	16,852
Administrative expenses excluding exceptional items		(1,450)	(2,584)	(5,933)
Exceptional items	10	–	(1,320)	(1,988)
Total administrative expenses		(1,450)	(3,904)	(7,921)
<b>Operating profit</b>		3,884	4,036	8,931
Finance income		2	5	8
Finance costs	6	(39)	(1,266)	(3,581)
<b>Profit before tax</b>		3,847	2,775	5,358
Income tax expense	11	(706)	(691)	(963)
<b>Profit for the period</b>		3,141	2,084	4,395
<b>Other comprehensive income</b>				
<b>Total comprehensive income</b>		3,141	2,084	4,395
<b>Earnings per share in £ (basic and diluted)</b>	8	15,705	6.04	4.24
Adjusted EBITDA <sup>(i)</sup>		3,971	6,090	12,916

(i) Adjusted EBITDA is a non-GAAP measure and is defined as earnings before interest, tax, depreciation, amortisation (excluding amortisation of development costs) and exceptional share-based payments and exceptional transaction-related costs.

## Combined and consolidated statement of financial position

		1 January 2015	31 December 2015	31 December 2016	31 December 2017
	Notes	£'000	£'000	£'000	£'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	128	321	395	634
Intangible assets	13	1,483	2,084	45,277	43,793
Deferred tax asset	11	–	–	–	335
		<u>1,611</u>	<u>2,405</u>	<u>45,672</u>	<u>44,762</u>
<b>Current Assets</b>					
Trade and other receivables	17	1,125	1,524	3,126	6,618
Prepayments	17	86	66	181	199
Short term investments		–	–	109	–
Cash and short term deposits	18	2,346	3,155	7,193	8,440
		<u>3,557</u>	<u>4,745</u>	<u>10,609</u>	<u>15,257</u>
<b>Total assets</b>		<u><u>5,168</u></u>	<u><u>7,150</u></u>	<u><u>56,281</u></u>	<u><u>60,019</u></u>
<b>Current liabilities</b>					
Trade and other payables	19	191	127	346	1,558
Interest bearing loans and other borrowings	19	3	1,036	3,941	1,345
Accruals and deferred income	19	916	1,451	2,462	3,735
Income tax payable	19	224	87	205	723
		<u>1,334</u>	<u>2,701</u>	<u>6,954</u>	<u>7,361</u>
<b>Net current assets</b>		<u>2,223</u>	<u>2,044</u>	<u>3,655</u>	<u>7,896</u>
<b>Total assets less current liabilities</b>		<u>3,834</u>	<u>4,449</u>	<u>49,327</u>	<u>52,658</u>
<b>Non-current liabilities</b>					
Interest bearing loans and other borrowings	20	–	–	42,744	37,970
Accruals and deferred income	20	–	–	860	3,520
Provisions	21	20	30	40	50
Deferred tax liabilities	11	287	478	4,398	3,674
		<u>307</u>	<u>508</u>	<u>48,042</u>	<u>45,214</u>
<b>Total liabilities</b>		<u><u>1,641</u></u>	<u><u>3,209</u></u>	<u><u>54,996</u></u>	<u><u>52,575</u></u>
<b>Net assets</b>		<u><u>3,527</u></u>	<u><u>3,941</u></u>	<u><u>1,285</u></u>	<u><u>7,444</u></u>
<b>Equity</b>					
Issued capital	22	787	787	10	10
Share premium		–	–	377	377
Merger reserve		–	–	644	644
Retained earnings		2,740	3,154	254	6,413
<b>Total equity</b>		<u><u>3,527</u></u>	<u><u>3,941</u></u>	<u><u>1,285</u></u>	<u><u>7,444</u></u>



## Combined and consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2015		787	–	–	2,740	3,527
Profit for the year		–	–	–	3,141	3,141
Total comprehensive income		–	–	–	3,141	3,141
Share option charge		–	–	–	15	15
Dividends paid	23	–	–	–	(2,742)	(2,742)
Total transactions with owners		–	–	–	(2,727)	(2,727)
As at 31 December 2015		787	–	–	3,154	3,941
Profit of Team 17 Software Limited for the period from 1 January 2016 to 31 August 2016		–	–	–	1,830	1,830
Total comprehensive income		–	–	–	1,830	1,830
Issue of shares		–	94	–	–	94
Share option charge		–	–	–	61	61
Dividends paid	23	–	–	–	(2,150)	(2,150)
Total transactions with owners		–	94	–	(2,089)	(1,995)
For Team 17 Software as at 31 August 2016		787	94	–	2,895	3,776
Eliminate reserves of pre-acquisition ownership interests	5	(787)	(94)	–	(2,895)	(3,776)
Issue of shares		10	377	644	–	1,031
Total transactions with owners		(777)	283	644	(2,895)	(2,745)
Profit of Team 17 Holdings Limited for the period from 1 September 2016 to 31 December 2016		–	–	–	254	254
Total comprehensive income		–	–	–	254	254
As at 31 December 2016 for Team 17 Holdings Limited		10	377	644	254	1,285
Profit and total comprehensive income for the year		–	–	–	4,395	4,395
Share based compensation		–	–	–	1,764	1,764
Total transactions with owners		–	–	–	1,764	1,764
As at 31 December 2017		10	377	644	6,413	7,444

**Combined and consolidated statement of cash flows for the years ended 31 December 2015,  
31 December 2016 and 31 December 2017**

	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Operating activities</b>			
Profit before tax	3,847	2,775	5,358
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	87	140	214
Amortisation of intangible assets	1,210	1,600	3,170
Finance income	(2)	(5)	(8)
Finance costs	39	1,266	3,581
Share option charge	15	60	–
Share based compensation	–	–	1,764
Amortisation of financing fees	–	18	54
Working capital adjustments:			
Movement in trade and other receivables and prepayments	(379)	(1,717)	(3,401)
Movement in provisions	10	10	10
Movement in trade and other payables	471	1,230	2,485
	5,298	5,377	13,227
Interest received	2	5	8
Interest paid	(39)	(404)	(921)
Income tax paid	(652)	(528)	(1,504)
<b>Net cash flows from operating activities</b>	<u>4,609</u>	<u>4,450</u>	<u>10,810</u>
<b>Investing activities</b>			
Acquisition of subsidiary (net of cash)	–	(13,470)	–
Purchase of property, plant and equipment	(280)	(214)	(453)
Capitalisation of development costs	(1,811)	(1,821)	(1,686)
<b>Net cash flows from investing activities</b>	<u>(2,091)</u>	<u>(15,505)</u>	<u>(2,139)</u>
<b>Financing activities</b>			
Dividends paid	(2,742)	(2,150)	–
Receipt from/(repayment of) directors loans	1,033	479	(2,596)
Issue of loan notes (net of costs)	–	16,289	–
Repayment of loan notes	–	–	(4,828)
Proceeds of issue of ordinary shares	–	475	–
<b>Net cash flows (used in)/from financing activities</b>	<u>(1,709)</u>	<u>15,093</u>	<u>(7,424)</u>
<b>Net increase in cash and cash equivalents</b>	809	4,038	1,247
Cash and cash equivalents at 1 January	2,346	3,155	7,193
<b>Cash and cash equivalents at 31 December</b>	<u><u>3,155</u></u>	<u><u>7,193</u></u>	<u><u>8,440</u></u>

**Combined and consolidated statement of cash flows**

**Analysis of changes in net debt**

**Year ended 31 December 2015**

	<i>At 1</i>		<i>Other</i>	<i>At 31</i>
	<i>January</i>	<i>Cash flow</i>	<i>movements</i>	<i>December</i>
	<i>2015</i>	<i>£'000</i>	<i>£'000</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash and cash equivalents	2,346	809	–	3,155
Directors loans	(3)	(1,033)	–	(1,036)
	<u>2,343</u>	<u>(224)</u>	<u>–</u>	<u>2,119</u>

**Year ended 31 December 2016**

	<i>At 1</i>		<i>Other</i>	<i>At 31</i>
	<i>January</i>	<i>Cash flow</i>	<i>movements</i>	<i>December</i>
	<i>2016</i>	<i>£'000</i>	<i>£'000</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash and cash equivalents	3,155	4,038	–	7,193
Directors loans	(1,036)	(479)	(2,426)	(3,941)
Loan notes	–	(16,289)	(26,455)	(42,744)
	<u>2,119</u>	<u>(12,730)</u>	<u>(28,881)</u>	<u>(39,492)</u>

**Year ended 31 December 2017**

	<i>At 1</i>		<i>Other</i>	<i>At 31</i>
	<i>January</i>	<i>Cash flow</i>	<i>movements</i>	<i>December</i>
	<i>2017</i>	<i>£'000</i>	<i>£'000</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash and cash equivalents	7,193	1,247	–	8,440
Directors loans	(3,941)	2,596	–	(1,345)
Loan notes	(42,744)	4,828	(54)	(37,970)
	<u>(39,492)</u>	<u>8,671</u>	<u>(54)</u>	<u>(30,875)</u>

## Notes to the combined and consolidated financial information

### 1. Corporate information

Team 17 Holdings Limited (the “**Operating Company**”) is a limited company incorporated and domiciled in England and Wales. The registered office of the Operating Company is Castleview House, Calder Island Way, Calder Island, Wakefield, WF2 7AW and the registered company number is 10293313.

The Operating Company is the holding company of Team 17 Software Limited and its subsidiaries, a list of which are presented in note 14 to this financial information. The Operating Company and its subsidiaries are principally engaged in the development and publishing of computer games for the digital market.

On 1 September 2016, the Operating Company acquired the entire share capital of Team 17 Software Limited and Mouldy Toof Studios Limited (the “**Acquisitions**”). Prior to the Acquisitions, Team 17 Software Limited was the holding company within the group. At the date of Acquisitions and since that date, there was no single ultimate parent company of the Operating Company and the Operating Company became the parent of Team 17 Software Limited.

For the purposes of this historical financial information, the term “Operating Group” and “Group” means prior to 1 September 2016, Team 17 Software Limited and its subsidiaries and undertakings, and thereafter, Team 17 Holdings Limited and its subsidiaries and undertakings.

### 2. Significant accounting policies

#### 2.1 Basis of preparation

The constituent parts of the Group during the track record period are explained in note 1 above. This combined and consolidated historical financial information presents the financial track record of those businesses that were part of the Group for the years ended 31 December 2015, 31 December 2016 and 31 December 2017.

This combined and consolidated historical financial information presents the financial track record of the Group for the three years ended 31 December 2017, and is prepared for inclusion in the Admission Document of the Company for the purposes of admission to AIM, a market operated by the London Stock Exchange plc (the “**LSE**”) (the “**Admission**”). This combined and consolidated historical financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation, the AIM Rules for Companies, in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”), except for the departure explained below, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

IFRS does not provide for the preparation of combined and consolidated historical financial information and, accordingly, in preparing the combined and consolidated historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars, as described in the Annexure to SIR 2000 (Investments Reporting Standard applicable to Public Reporting Engagements on Historical Financial Information) issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in a material departure from IFRS. In all other respects IFRS has been applied.

Due to a change in capital structure of the Group in connection with the acquisitions that took place on 1 September 2016, the historical financial information is prepared on a combined and consolidated basis which reflects the following:

#### *For the year ended 31 December 2015*

The financial information is based on the consolidated financial information of Team 17 Software Limited and its subsidiaries for the year ended 31 December 2015.

#### *For the year ended 31 December 2016*

The financial information is a combination of the consolidated financial information of Team 17 Software Limited for the period from 1 January 2016 to 31 August 2016 and the consolidated financial information of Team 17 Holdings Limited and its subsidiaries (as shown in note 14) for the period from 1 September 2016 to 31 December 2016.

*For the year ended 31 December 2017*

The financial information is the consolidated financial information of Team 17 Holdings Limited and its subsidiaries together with the Employee Benefit Trust for the year ended 31 December 2017.

For the purposes of this combined and consolidated financial information, the Group's deemed transition date to IFRS is 1 January 2015, which is earlier than the Group's deemed transition date of 25 July 2016 applied for the purpose of the Group's statutory financial statements for the 5 month period ended 31 December 2016. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has not applied any of the optional exemptions under IFRS 1.

As set out in note 29 there were items impacting the statement of financial position as at 1 January 2015 arising from the transition to IFRS at 1 January 2015. As the Group has not published a statement of financial position as at 31 December 2017, or a statement of comprehensive income for the year ended 31 December 2017, under any other GAAP no corresponding reconciliation at this date, or for this period, has been provided.

The preparation of historical financial information in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge of the amount, event or actions, actual results may differ from those estimates.

As a result of the acquisitions that took place on 1 September 2016, the financing structure of the Group has changed across the periods covered by this combined and consolidated financial information and as such the finance costs reported in each of the three years ended 31 December 2017 are not directly comparable. Details of the changes in borrowings (which represent the primary financing of the business) that have taken place over the period of this combined and consolidated financial information are detailed in note 20.

The Group accounted for the acquisitions under IFRS 3 Business Combinations as detailed in note 5. The combined and consolidated Statement of Changes in Equity includes an adjustment in respect of the elimination of the pre-acquisition share capital, share premium and retained earnings of Team 17 Software Limited.

This combined and consolidated historical financial information is prepared on a going concern basis and under the historical cost convention. The combined and consolidated financial information is presented in pounds sterling which is the functional currency of the Group and all values are rounded to the thousand (£'000), except when otherwise indicated. The principal accounting policies adopted in the preparation of the combined and consolidated historical financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

#### *Changes in GAAP and accounting policies to IFRS*

As a result of the acquisitions and the change in period length, it is only the financial information presented as at 1 January 2015 and 31 December 2016 and as at and for the year ended 31 December 2015, that have previously been published in accordance with FRS 102. The reconciliations between this and the amounts presented in this financial information are shown in note 29.

#### *New standards*

The requirements of IFRS9 – Financial Instruments and IFRS15 – Revenue from contracts with customers have been adopted early in this financial information. There has been no impact of the adoption of these standards to any balances previously reported.

## **2.2 Basis of consolidation and combination**

The consolidated financial information incorporates the financial information of the Operating Company and all of its subsidiary undertakings (as detailed above). The financial information of all Group companies is adjusted, where necessary, to ensure the use of consistent accounting policies. In line with IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### 2.3 **Going Concern**

Management has produced forecasts which have been reviewed by the Directors. These demonstrate the Group is forecast to generate profits and cash in the year ending 31 December 2018 and beyond and that the Group has sufficient cash reserves and headroom in borrowing facilities to enable the Group to meet its obligations as they fall due for a period of at least 12 months from when this combined and consolidated historical financial information has been signed.

As such, the Directors are satisfied that the Company and Group have adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the combined and consolidated historical financial information.

### 2.4 **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 (see note 10). Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

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

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

### 2.5 **Intangible assets**

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

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

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

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

- Brands – 10-13 years straight line
- Development costs – 24 months straight line

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



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

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

Internally generated intangible assets, consisting of direct labour costs, other specific direct project costs and attributable project support costs, are amortised on a straight line basis over their useful economic lives. The estimated useful lives of current development projects is two years.

Until completion, the assets are subject to annual impairment testing. Amortisation commences upon launch of the game and is shown within cost of sales in the income statement.

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

## **2.6 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 property – straight line over the life of the lease
- Plant and machinery – three years straight line
- Fixtures and fittings – six years straight line
- Motor vehicles – five years straight line

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

## **2.7 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual 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 Cash Generating Unit's ("CGU") 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 for the Group's one CGU. These budgets and forecast calculations are generally covering a period of three years.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

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

## **2.8 Financial instruments – initial recognition and subsequent measurement**

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

### **Financial assets**

#### *Initial recognition and measurement*

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

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through 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 at amortised cost*

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

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

- (i) the asset is held within a business model with the objective of collecting the contractual cash flows; and
- (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

The group does not hold any material financial assets at fair value through other comprehensive income or at fair value through profit or loss. The group does not hold any derivatives and does not undertake any hedging activities.

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

Trade and other receivables are measured at amortised cost less provision for expected credit losses.

### *Cash and cash equivalents*

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short term deposits held with banks with a maturity of three months or less from inception.

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

### *Impairment of financial assets*

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

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

Financial assets are written off when there is no reasonable expectation of recovery. Where receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in 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, loans and other borrowings including directors loans.

### *Subsequent measurement*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the statement of 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 statement of comprehensive income.

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

### *Derecognition*

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is

treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of 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.

## **2.9 Taxation**

### *Current tax*

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

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

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

## **2.10 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

### *Hire purchase agreements and finance lease agreements*

Finance leases and hire purchase agreements that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The leased asset is depreciated over the shorter of the lease term and its useful economic life.

Obligations under such agreements are included within payables, net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated statement of Comprehensive Income so as to produce a constant periodic rate of interest on the net obligation outstanding in each period.

### *Operating lease agreements*

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

Lease incentives are spread over the period of the lease on a straight line basis.

### **2.11 Revenue recognition**

Revenue includes income from the release of full games and early access versions of self-published games.

The group designs, produces and sells computer games to digital and physical distributors, who are considered to be the Group's customers when assessing revenue recognition. The majority of the Group's sales are through licences over its titles granted to third party distributors over the life of the games. Control of the licence is transferred at the point in time at which the licence is granted to the customer. Revenue is earned in the form of sales based royalties and therefore it is recognised at the point at which the distributor sells the content to the consumer.

The transaction price is the amount the group is entitled to in accordance with the contractual arrangement with the third party.

### **2.12 Share-based payment transactions**

Share options are periodically granted to staff. Share options are measured at fair value at the date of grant and recognised over the vesting period of the option. Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is an estimate of the likely average expiry date of the options by reference to the current rate of exercise by employees. The share-based payment is recognised as an expense in profit or loss, together with a corresponding credit to an equity reserve. This expense is recognised on a straight line basis based on the Group's estimate of the number of shares that will vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options, the proceeds received up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. Upon the exercise or lapsing of the grant a transfer of the cumulative value of the grant is made from the equity reserve to the profit and loss reserve.

### **2.13 Employee Benefit Trust (EBT)**

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 combined and 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.

### **2.14 Pensions and other post-employment benefits**

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

### **2.15 Operating segments**

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

### **2.16 Share capital**

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

### 2.17 **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.

### 2.18 **Merger reserve**

Merger reserve includes any premiums received on the issue of share capital in a share for share exchange.

### 2.19 **Retained earnings**

Retained earnings includes all current and prior period retained profits, less dividends paid.

### 2.20 **Exceptional costs**

The Group presents as exceptional costs on the face of the combined and consolidated statement of comprehensive income, those significant items of expense, which, because of their size, nature and infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and assess trends in financial performance more readily.

### 2.21 **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 balance sheet 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.

### 2.22 **Foreign currency**

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

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

The preparation of the Group's combined and 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 judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

### ***Development costs capitalisation***

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. The economic success of any development is assessed on a reasonable basis and a review for indicators of impairment is completed by product at each period-end date. The net book values of the Group's development intangible assets including rights acquired at 31 December 2017 are £3,104,000 (2016: £2,805,000, 2015: £1,990,000). Intangible assets are subject to amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, for example, a decision to suspend a self-published title under development. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are reviewed by project for which there are separately identifiable cashflows.



### **Goodwill impairment**

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

### **Acquisition accounting**

Management also made significant judgments with regards to the accounting treatment of the acquisitions of Team 17 Software Limited and Mouldy Toof Studios Limited. In both cases management concluded that there had been changes in control and that Team 17 Holdings Limited was the acquirer in the business combinations. Therefore, in accordance with IFRS 3, acquisition accounting principles were applied. On this basis the fair values of the identifiable assets and liabilities of Team 17 Software Limited and Mouldy Toof Studios Limited as at 1 September 2016 have been estimated and recognised.

A number of judgements and estimates are necessary in establishing the opening net asset position, obligations in place at acquisition, fair value adjustments and the value of intangible assets in respect of businesses acquired. For the value of intangible assets these include estimates of future revenue, growth rates, customer retention rates, discount rates together with the period of amortisation for separable intangibles. If there were to be a change in these estimates in future periods it may indicate that there is an impairment of the underlying intangibles. Specifically, when measuring the fair value of the brands acquired on 1 September 2016, management projected future discounted cash flows specifically associated with that brand, on the basis set out above.

### **Exceptional items**

IAS 1 requires material items to be disclosed separately in a way that enables users to assess the quality of a Group's profitability. In practice, these are commonly referred to as "exceptional" items, but this is not a concept defined by IFRS and therefore there is a level of judgement involved in determining what to include in underlying profit. We consider items which are non-recurring and significant in size or in nature to be suitable for separate presentation (see note 10). In this financial information this relates to payments made in relation to the group restructuring that occurred as at 31 August 2016 and shares issued to the former Chairman.

## **4. Segmental analysis**

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

All turnover is originated in the United Kingdom

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.

Five customers were responsible for over 10 per cent. of the total revenue in 2017 with total revenue derived from these customers being £25,918,593 (2016: three customers each responsible for over 10 per cent. of the year's turnover with total revenue derived from these customers of £10,795,225, 2015: three customers each responsible for over 10 per cent. of the year's turnover with total revenue derived from these customers of £8,592,447).

All non-current assets are located in the UK.

## 5. Business combinations

### Team 17 Software Limited

On 1 September 2016 Team 17 Holdings Limited, acquired 100 per cent. of the ordinary share capital of Team 17 Software Limited and its subsidiaries for a cost of £38,874,000 to facilitate the partial exit of the major shareholders.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	<i>Book value at acquisition £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value recognised at acquisition £'000</i>
<b>Assets</b>			
Goodwill	94	(94)	–
Other intangible assets	2,217	17,983	20,200
Property, plant & equipment	329	–	329
Trade and other receivables	1,959	–	1,959
Cash	4,271	–	4,271
	<u>8,870</u>	<u>17,889</u>	<u>26,759</u>
<b>Liabilities</b>			
Liabilities due within one year	(4,567)	–	(4,567)
Provisions	(37)	–	(37)
Deferred tax	(489)	(3,164)	(3,653)
	<u>(5,093)</u>	<u>(3,164)</u>	<u>(8,257)</u>
Fair value of identifiable net assets acquired	<u>3,777</u>	<u>14,725</u>	<u>18,502</u>
<b>Goodwill</b>			20,372
Consideration			
Paid in cash			13,970
Loan notes			24,305
Shares			599
<b>Total consideration</b>			<u>38,874</u>

The fair value of the shares has been calculated using the amounts paid for shares in cash at the same date.

### **Mouldy Toof Studios Limited**

On 1 September 2016 Team 17 Holdings Limited, acquired 100 per cent. of the ordinary share capital of Mouldy Toof Studios Limited for a cost of £4,000,000. Mouldy Toof Studios Limited is a developer of computer games for the digital market.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	<i>Book value at acquisition £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value recognised at acquisition £'000</i>
<b>Assets</b>			
Other intangible assets	–	4,000	4,000
Trade and other receivables	109	–	109
Cash	2,317	–	2,317
	<u>2,426</u>	<u>4,000</u>	<u>6,426</u>
<b>Liabilities</b>			
Liabilities due within one year	(2,426)	–	(2,426)
Deferred tax	–	(711)	(711)
	<u>(2,426)</u>	<u>(711)</u>	<u>(3,137)</u>
Fair value of identifiable net assets acquired	<u>–</u>	<u>3,289</u>	<u>3,289</u>
<b>Goodwill</b>			
Consideration			711
Paid in cash			1,817
Loan notes			2,132
Shares			51
<b>Total consideration</b>			<u>4,000</u>

Team 17 Software Limited and Mouldy Toof Studios Limited are treated as one CGU.

The fair value adjustments made above are to recognise as intangible assets (and related deferred tax) arising on the acquisition in relation to game brands – £18,108,000.

The goodwill arising on the acquisition is attributable to the premium payable for a pre-existing and well positioned business.

Acquisition costs of £920,000 were incurred in relation to the acquisition.

These costs were recognised as an exceptional expense in the year ended 31 December 2016 (see note 10).

Mouldy Toof is the video games production studio which created *The Escapists* franchise. Team 17 Holdings Limited acquired Mouldy Toof Studios Limited in September 2016.

Prior to acquisition, Mouldy Toof had a supplier arrangement with the Team17 Group to develop video game titles under '*The Escapists*' brand, receiving royalties from Team17 on sales to end customers.

During 2016, The Escapists franchise contributed £4.0m sales and £2.7m profit to Team 17 Holdings (reflecting 8 months of supplier arrangement and 4 months of ownership). Had Mouldy Toof been acquired on 1 January 2016, Group revenues would be unchanged and the impact on profit before tax would be an increase of £677,000 (from £2,775,000 as reported in the income statement, to £3,452,000). A pro forma income statement for the year ending 31 December 2016, demonstrating results had Mouldy Toof been acquired on 1 January 2016, is presented below:

	£'000
<b>Revenue</b>	13,458
Cost of sales	(4,574)
<b>Gross profit</b>	<u>8,884</u>
Administrative expenses excluding exceptional items	(2,851)
Exceptional items	(1,320)
Total administrative expenses	<u>(4,171)</u>
<b>Operating profit</b>	4,713
Finance income	5
Finance costs	(1,266)
<b>Profit before tax</b>	3,452
Income tax expense	(826)
<b>Profit for the period</b>	<u><u>2,626</u></u>
<b>Other comprehensive income</b>	
<b>Total comprehensive income</b>	<u><u>2,626</u></u>

## 6. Finance costs

	2015 £'000	2016 £'000	2017 £'000
Other interest payable	39	121	74
Interest on loan notes	–	1,145	3,507
<b>Total finance costs</b>	<u><u>39</u></u>	<u><u>1,266</u></u>	<u><u>3,581</u></u>

## 7. Profit before taxation has been arrived at after charging

	2015 £'000	2016 £'000	2017 £'000
Depreciation of property, plant and equipment reported within:			
– Administrative expenses	87	140	214
Amortisation of development costs:			
– Cost of sales	1,210	1,006	1,387
Amortisation of brands:			
– Administrative expenses	–	594	1,783
Amortisation of financing fees	–	18	54
Share option charge	15	60	–
Operating lease payments	72	72	72
Exceptional items	–	1,320	1,988

## 8. Earnings per share

	2015	2016	2017
Profit for the year (£'000)	3,141	2,084	4,395
Weighted average number of shares in issue	200	344,956	1,036,728
Earnings per share (basic and diluted) £	15,705	6.04	4.24

The weighted average number of shares in issue have been calculated based on the shares in issue by the ultimate parent undertaking in each year. The capital structure changed on 1 September 2016 such that the earnings per share disclosed above vary significantly.

Illustrative earnings per share – £	3.03	2.01	4.24
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Illustrative earnings per share is based on the profit for the year divided by the number of shares in issue at 31 December 2017.

## 9. Employee benefits expense

	2015 £'000	2016 £'000	2017 £'000
Wages and salaries	2,440	2,727	4,329
Social security costs	231	260	715
Pension costs	76	76	123
Share based compensation	–	–	1,764
<b>Total employee benefits expense</b>	<b>2,747</b>	<b>3,063</b>	<b>6,931</b>

The average number of staff employed by the Group during the financial period amounted to:

	2015 No.	2016 No.	2017 No.
	83	90	112
	83	90	112

## 10. Exceptional items

	2015 £'000	2016 £'000	2017 £'000
Transaction costs	–	920	–
Payment to former shareholders	–	400	–
Share based compensation charge	–	–	1,764
Employers NIC on share based compensation charge	–	–	224
	–	1,320	1,988

Transaction costs relate to the legal and professional costs incurred in the acquisition of Team 17 Software Limited and Mouldy Toof Limited by Team 17 Holdings Limited on 1 September 2016.

The payments to former shareholders relates to additional consideration due to the previous shareholders of Team 17 Digital Limited arising from the purchase of that entity by Team 17 Software Limited in 2011.

These amounts are not deductible for tax purposes.

The share based compensation charge reflects the estimated fair value of shares issued by the Company during 2018 to the former Chairman in respect of the settlement of a claim which arose during 2017. The number of shares issued was 8,700 with a fair value per share of £202.76. The fair value of the shares was estimated with reference to the expected exit proceeds of the Group due to ordinary shareholders, after taking into account the estimated repayment of debt obligations. When making the estimate management took account of current market expectations and recent data from similar sale transactions.

## 11. Income tax

The major components of income tax expense are:

### **Consolidated statement of comprehensive income**

	2015 £'000	2016 £'000	2017 £'000
<b>Current income tax:</b>			
Current income tax charge	515	646	2,547
Adjustments in respect of current income tax of previous year	–	–	(525)
	<u>515</u>	<u>646</u>	<u>2,022</u>
<b>Deferred tax:</b>			
Relating to origination and reversal of temporary differences			
– current year	191	45	(1,059)
Relating to origination and reversal of temporary differences			
– prior periods	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
<b>Income tax expense reported in the statement of comprehensive income</b>	<u><u>706</u></u>	<u><u>691</u></u>	<u><u>963</u></u>

A reconciliation between tax expense and the product of accounting profit multiplied by the UK domestic tax rate is as follows:

	2015 £'000	2016 £'000	2017 £'000
<b>Profit before income tax</b>	3,847	2,775	5,358
At statutory income tax rate (2015: 20.25%, 2016: 20%, 2017: 19.25%)	779	555	1,031
Expenses not deductible for tax purposes	2	456	457
Other items leading to increase/(decrease) in taxation	35	(4)	–
Research and development tax credit	(19)	(55)	–
Video games tax relief	(91)	(85)	–
Exercise of share options	–	(176)	–
Adjustments in respect of prior years	–	–	(525)
	<u>–</u>	<u>–</u>	<u>–</u>
<b>Income tax reported in the consolidated statement of profit or loss</b>	<u><u>706</u></u>	<u><u>691</u></u>	<u><u>963</u></u>

### **Deferred tax – asset**

Deferred tax asset relates to the following:

	2015 £'000	2016 £'000	2017 £'000
Other short term timing differences	–	–	335
	<u>–</u>	<u>–</u>	<u>335</u>
<b>Deferred tax asset</b>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>335</u></u>

The deferred tax asset relates to the tax relief that will be available when the share instruments issued to the former chairman are exercised. This is expected to reverse in 2018.



### Deferred tax – liabilities

Deferred tax liabilities relates to the following:

	2015 £'000	2016 £'000	2017 £'000
Accelerated depreciation for tax purposes	42	54	54
Other short term timing differences	436	588	207
Arising on acquired intangible fixed assets	–	3,756	3,413
<b>Deferred tax liabilities</b>	<b>478</b>	<b>4,398</b>	<b>3,674</b>

### Reconciliation of deferred tax asset

	Other short term timing differences £'000
<b>Opening balance as of 1 January 2015</b>	–
Deferred tax recognised in profit or loss	–
<b>Closing balance as at 31 December 2015</b>	–
Deferred tax recognised in profit or loss	–
Deferred tax recognised in profit or loss	–
<b>Closing balance as at 31 December 2016</b>	–
Deferred tax recognised in profit or loss	335
<b>Closing balance as at 31 December 2017</b>	<b>335</b>

### Reconciliation of deferred tax liabilities

	Accelerated depreciation for tax purposes £'000	Other short term timing differences £'000	Arising on intangible fixed assets £'000	Total £'000
<b>Opening balance as of 1 January 2015</b>	8	279	–	287
Deferred tax recognised in profit or loss	34	157	–	191
<b>Closing balance as at 31 December 2015</b>	<b>42</b>	<b>436</b>	<b>–</b>	<b>478</b>
Arising on acquisition	–	–	3,875	3,875
Deferred tax recognised in profit or loss	12	152	(119)	45
<b>Closing balance as at 31 December 2016</b>	<b>54</b>	<b>588</b>	<b>3,756</b>	<b>4,398</b>
Deferred tax recognised in profit or loss	–	(381)	(343)	(724)
<b>Closing balance as at 31 December 2017</b>	<b>54</b>	<b>207</b>	<b>3,413</b>	<b>3,674</b>

### Factors that may affect future tax charges

As a result of changes to the UK corporation tax rates that were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 the main rate will reduce to 17 per cent. from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## 12. Property, plant and equipment

	<i>Leasehold property £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 January 2015	68	191	27	–	286
Additions	–	208	34	38	280
<b>At 31 December 2015</b>	<b>68</b>	<b>399</b>	<b>61</b>	<b>38</b>	<b>566</b>
<b>Depreciation</b>					
At 1 January 2015	14	129	15	–	158
Depreciation charge for the year	7	69	7	4	87
<b>At 31 December 2015</b>	<b>21</b>	<b>198</b>	<b>22</b>	<b>4</b>	<b>245</b>
<b>Net book value</b>					
At 31 December 2015	47	201	39	34	321
At 31 December 2014	54	62	12	–	128
	<i>Leasehold property £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 January 2016	68	399	61	38	566
Additions	–	163	9	42	214
<b>At 31 December 2016</b>	<b>68</b>	<b>562</b>	<b>70</b>	<b>80</b>	<b>780</b>
<b>Depreciation</b>					
At 1 January 2016	21	198	22	4	245
Depreciation charge for the year	7	110	9	14	140
<b>At 31 December 2016</b>	<b>28</b>	<b>308</b>	<b>31</b>	<b>18</b>	<b>385</b>
<b>Net book value</b>					
At 31 December 2016	40	254	39	62	395
At 31 December 2015	47	201	39	34	321
	<i>Leasehold property £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 January 2017	68	562	70	80	780
Additions	17	331	34	71	453
Disposals	–	(114)	–	–	(114)
<b>At 31 December 2017</b>	<b>85</b>	<b>779</b>	<b>104</b>	<b>151</b>	<b>1,119</b>
<b>Depreciation</b>					
At 1 January 2017	28	308	31	18	385
Depreciation charge for the year	10	171	12	21	214
Disposals	–	(114)	–	–	(114)
<b>At 31 December 2017</b>	<b>38</b>	<b>365</b>	<b>43</b>	<b>39</b>	<b>485</b>
<b>Net book value</b>					
At 31 December 2017	47	414	61	112	634
At 31 December 2016	40	254	39	62	395

There is a fixed charge over the above assets in favour of the secured loan note holders.

### 13. Intangible assets

	<i>Development costs £'000</i>	<i>Brands £'000</i>	<i>Goodwill £'000</i>	<i>Total £'000</i>
<b>Cost</b>				
At 1 January 2015	1,389	–	94	1,483
Additions	1,811		–	1,811
<b>At 31 December 2015</b>	<u>3,200</u>	<u>–</u>	<u>94</u>	<u>3,294</u>
<b>Amortisation</b>				
At 1 January 2015	–	–	–	–
Amortisation	1,210	–	–	1,210
<b>At 31 December 2015</b>	<u>1,210</u>	<u>–</u>	<u>–</u>	<u>1,210</u>
<b>Net book value</b>				
At 31 December 2015	1,990	–	94	2,084
At 31 December 2014	1,389	–	94	1,483
<b>Cost</b>				
At 1 January 2016	3,200	–	94	3,294
Additions	1,821	–	–	1,821
Eliminate goodwill of Team 17 Software Limited group as at 31 August 2016	–	–	(94)	(94)
Arising on acquisition of subsidiaries	–	21,983	–	21,983
Arising on acquisition of subsidiaries on consolidation	–	–	21,083	21,083
<b>At 31 December 2016</b>	<u>5,021</u>	<u>21,983</u>	<u>21,083</u>	<u>48,087</u>
<b>Amortisation</b>				
At 1 January 2016	1,210	–	–	1,210
Amortisation charge for the year	1,006	594	–	1,600
<b>At 31 December 2016</b>	<u>2,216</u>	<u>594</u>	<u>–</u>	<u>2,810</u>
<b>Net book value</b>				
At 31 December 2016	2,805	21,389	21,083	45,277
At 31 December 2015	1,990	–	94	2,084
<b>Cost</b>				
At 1 January 2017	5,021	21,983	21,083	48,087
Additions	1,686	–	–	1,686
<b>At 31 December 2017</b>	<u>6,707</u>	<u>21,983</u>	<u>21,083</u>	<u>49,773</u>
<b>Amortisation</b>				
At 1 January 2017	2,216	594	–	2,810
Amortisation charge for the year	1,387	1,783	–	3,170
<b>At 31 December 2017</b>	<u>3,603</u>	<u>2,377</u>	<u>–</u>	<u>5,980</u>
<b>Net book value</b>				
At 31 December 2017	3,104	19,606	21,083	43,793
At 31 December 2016	2,805	21,389	21,083	45,277
At 31 December 2015	1,990	–	94	2,084

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

The recoverable amount of the cash generating unit (“CGU”) at 31 December 2017 is determined from the fair value less costs of disposal of the underlying business units. No impairment is considered necessary at 31 December 2017. The key assumption in calculating the fair value was the expected valuation of the

Group upon admission to the AIM market. The fair value measure is categorised in level 3 in the IFRS 13 fair value hierarchy until the point of admission to the AIM market, when it is expected to become level 1. When estimating the fair value of the Group the Directors took account of current market expectations and recent data from similar transactions.

The recoverable amount of the cash generating unit (“CGU”) at 31 December 2016 was determined from the fair value less costs of disposal of the underlying business units. No impairment is considered necessary at 31 December 2016. When assessing the fair value of the business as at 31 December 2016 the Directors took account of the sale proceeds obtained for the Group on the acquisition as at 1 September 2016 as well as post acquisition trading performance against forecasted expectations.

## 14. Investments

### Group Investments

Details of the investments in which the group and company holds 20 per cent. or more of the nominal value of any class of share capital as at 31 December 2017 are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Activity</i>
<b>Subsidiary undertakings</b>			
Team 17 Software Limited	Ordinary Shares	100%	Intermediate holding company
Team 17 Digital Limited	Ordinary Shares	100%	Development and publishing of computer games for the digital market
Mouldy Toof Studios Limited	Ordinary Shares	100%	Dormant

The investment in Team 17 Digital Limited is held via Team 17 Software Limited.

The registered office of all subsidiaries is Castlevue House, Calder Island Way, Calder Island, Wakefield, WF2 7AW.

## 15. Financial assets and financial liabilities

<i>At 31 December 2015</i>	<i>Fair value through profit and loss £'000</i>	<i>Financial assets at amortised cost £'000</i>	<i>Financial liabilities at amortised cost £'000</i>	<i>Book value £'000</i>	<i>Fair value £'000</i>
<b>Financial assets</b>					
Trade and other receivables	–	1,524	–	1,524	1,524
Cash and cash equivalents	–	3,155	–	3,155	3,155
<b>Financial liabilities</b>					
Trade and other payables	–	–	(1,511)	(1,511)	(1,511)
Borrowings	–	–	(1,036)	(1,036)	(1,036)
<b>Net financial assets/(liabilities)</b>	<b>–</b>	<b>4,679</b>	<b>(2,547)</b>	<b>2,132</b>	<b>2,132</b>

<i>At 31 December 2016</i>	<i>Fair value through profit and loss £'000</i>	<i>Financial assets at amortised cost £'000</i>	<i>Financial liabilities at amortised cost £'000</i>	<i>Book value £'000</i>	<i>Fair value £'000</i>
<b>Financial assets</b>					
Trade and other receivables	109	3,126	–	3,235	3,235
Cash and cash equivalents	–	7,193	–	7,193	7,193
<b>Financial liabilities</b>					
Trade and other payables	–	–	(2,562)	(2,562)	(2,562)
Borrowings	–	–	(47,545)	(47,545)	(47,545)
<b>Net financial assets/(liabilities)</b>	<b>109</b>	<b>10,319</b>	<b>(50,107)</b>	<b>(39,679)</b>	<b>(39,679)</b>

<i>At 31 December 2017</i>	<i>Fair value through profit and loss £'000</i>	<i>Financial assets at amortised cost £'000</i>	<i>Financial liabilities at amortised cost £'000</i>	<i>Book value £'000</i>	<i>Fair value £'000</i>
<b>Financial assets</b>					
Trade and other receivables	–	6,618	–	6,618	6,618
Cash and cash equivalents	–	8,440	–	8,440	8,440
<b>Financial liabilities</b>					
Trade and other payables	–	–	(4,145)	(4,145)	(4,145)
Borrowings	–	–	(42,835)	(42,835)	(42,835)
<b>Net financial assets/(liabilities)</b>	<b>–</b>	<b>15,058</b>	<b>(46,980)</b>	<b>(31,922)</b>	<b>(31,922)</b>

Trade and other receivables shown above comprises certain trade receivables and certain other receivables as disclosed in note 17.

Trade and other payables comprises certain of the trade payables, other payables and accruals as disclosed in notes 19 and 20.

Borrowings comprises of bank borrowings, obligations under finance leases, loan notes and other loans as disclosed in notes 19 and 20.

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

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

For the loan notes which are repayable in 2022 and bear a fixed rate of interest there is not, given the limited changes in interest rates since issue, considered to be any material difference between the amortised cost and fair value of these financial liabilities.

### **Fair value**

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

### **Financial risks**

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

### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount. Supply of products by the Group results in trade receivables which management consider to be of low risk, other receivables are likewise considered to be low risk. However, certain customers comprise in excess of 10 per cent. of the revenue earned by the Group (see note 4). Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

#### *Financial assets*

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

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

### **Liquidity risk**

#### *Cash and cash equivalents*

Bank balances are held on short term / no notice terms.

#### *Trade and other payables*

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, see note 19.

#### *Borrowings*

The maturity analysis of the cash flows arising from the Group's borrowing arrangements (including cash flows arising from future interest charges) that expose the Group to liquidity risk are as follows;

	2015 £'000	2016 £'000	2017 £'000
Directors loans	1,036	3,941	1,345
Loan notes	–	66,920	59,375
Total	<u>1,036</u>	<u>70,861</u>	<u>60,720</u>
<b>Amount repayable</b>			
In one year or less	1,036	4,802	2,171
In more than one year but no more than two years	–	861	859
In more than two years but no more than five years	–	2,583	57,690
In more than 5 years	–	62,615	–
Total	<u>1,036</u>	<u>70,861</u>	<u>60,720</u>

The Group has both director loans and loan notes issued to shareholders.

The directors loans carry a fixed interest rate of 5 per cent. pa throughout their term and therefore no interest rate change risk arises.

The loan notes issued carry a fixed interest rate of 8 per cent. pa throughout their term and therefore no interest rate change risk arises.

## **16. Employee Benefit Trust**

On 17 November 2017 the Operating Company set up an Employee Benefit Trust for the purpose of holding shares in the Operating Company.



The EBT is limited under ABI guidelines to holding not more than 10 per cent. of the Ordinary Share capital of the Group. The Trustees are appointed by Sanne Fiduciary Services Limited.

The EBT had no other assets or liabilities at 31 December 2017 outside of its interest in 19,330 Ordinary E Shares.

#### 17. Trade and other receivables

	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	1,491	2,818	5,628
Other receivables	33	308	990
Prepayments	66	181	199
	<u>1,590</u>	<u>3,307</u>	<u>6,817</u>

Trade receivables are stated after provisions for expected credit losses of £nil (2016: £7,000, 2015: £2,000).

The age of trade receivables are as follows:

	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Not past due	1,489	2,802	5,628
Past due 0-30 days	1	7	–
Past due over 30 days	1	9	–
	<u>1,491</u>	<u>2,818</u>	<u>5,628</u>

#### 18. Cash and cash equivalents

	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash and cash equivalents	<u>3,155</u>	<u>7,193</u>	<u>8,440</u>

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less from inception.

Further details on financial instruments, including the associated risks to the Group and allowances for expected credit losses and fair values is provided in note 15.

## 19. Trade and other payables (current)

	2015 £'000	2016 £'000	2017 £'000
Directors loans	1,036	3,941	1,345
Other payables	–	–	25
Trade payables	60	100	385
Current tax liabilities	87	205	723
Other taxes and social security	67	246	1,148
Accruals and deferred income	1,451	2,462	3,735
	<u>2,701</u>	<u>6,954</u>	<u>7,361</u>

Directors loans are repayable on demand. At 31 December 2017 £1,345,000 (2016: £1,515,000, 2015: £1,036,000) had interest payable at 5 per cent. pa.

For explanations on the Group's liquidity risk management processes, refer to note 15.

## 20. Non-current liabilities

	2015 £'000	2016 £'000	2017 £'000
Loan notes – principal	–	42,744	37,970
Loan notes – accrued interest	–	860	3,520
	<u>–</u>	<u>43,604</u>	<u>41,490</u>

### Loan Notes

To fund the acquisition of Team 17 Software Limited and its subsidiaries, the following loan notes were issued on 1 September 2016:

	8% <i>fixed rate</i> <i>secured A1</i> <i>loan notes</i> <i>repayable</i> <i>31 August</i> <i>2022</i> £'000	8% <i>fixed rate</i> <i>unsecured A2</i> <i>loan notes</i> <i>repayable</i> <i>31 August</i> <i>2022</i> £'000	8% <i>fixed rate</i> <i>secured B1</i> <i>loan notes</i> <i>repayable</i> <i>31 August</i> <i>2022</i> £'000	8% <i>fixed rate</i> <i>unsecured B</i> <i>loan notes</i> <i>repayable</i> <i>31 August</i> <i>2022</i> £'000	<i>Total</i> £'000
Issued 1 September 2016	8,071	8,071	13,457	13,457	43,056
Fees	–	–	–	–	(330)
Fees charged to income statement	–	–	–	–	18
<b>At 31 December 2016</b>	<u>8,071</u>	<u>8,071</u>	<u>13,457</u>	<u>13,457</u>	<u>42,744</u>
Repaid	(905)	(905)	(1,509)	(1,509)	(4,828)
Fees charged to income statement	–	–	–	–	54
<b>At 31 December 2017</b>	<u>7,166</u>	<u>7,166</u>	<u>11,948</u>	<u>11,948</u>	<u>37,970</u>

The secured loan notes are secured on the assets of the Group.

The loan notes are repayable in full on 31 August 2022 or on the date of a sale or listing of the Group if earlier.

Of the interest on the A1 and B1 loan notes 4 per cent. pa is paid and 4 per cent. pa is rolled up and will be paid on 31 August 2022. The interest on the A2 and B2 loan notes is rolled up and will be paid on 31 August 2022 or such earlier date as the loans are repaid.

## 21. Provisions

	<i>Dilapidations</i> £'000	<i>Total</i> £'000
At 1 January 2015	20	20
Charge in the year	10	10
At 31 December 2015	<u>30</u>	<u>30</u>
Charge in the year	10	10
At 31 December 2016	<u>40</u>	<u>40</u>
Charge in the year	10	10
At 31 December 2017	<u>50</u>	<u>50</u>

The dilapidation provision relates to the rental contracts for an office building. The provision is based on the estimated costs of work to be performed to bring the buildings back to a state of repair and condition, similar to the start of the lease.

## 22. Issued capital and reserves

### Team 17 Software Limited

#### At 1 January 2015 and 31 December 2015

<i>Ordinary shares issued and fully paid</i>	£
100 A Ordinary shares of £1 each	100
20 B Ordinary shares of £1 each	20
80 C Ordinary shares of £1 each	80
786,837 irredeemable preference shares of £1 each	786,837

The holders of the ordinary B and C shares are not entitled to vote in company meetings. The holders of the ordinary A shares are entitled to vote in company meetings but are not entitled to a dividend or other distributions. The holders of the irredeemable preference shares are not entitled to vote in company meetings, nor may they receive dividend or any distribution, although each preference shareholder will receive back their original subscription price on an exit, liquidation or capital reduction. The irredeemable preference shares were treated as equity.

### Team 17 Software Limited

On 31 August 2016 each A, B and C ordinary shares was converted into 1,000 A ordinary shares of £0.001 each. Each Irredeemable preference shares was converted into 1,000 A ordinary shares of £0.001 each.

#### At 31 August 2016

<i>Ordinary shares issued and fully paid</i>	£
787,039,632 A Ordinary shares of £0.001 each	787,040

## Team 17 Holdings Limited

### Issued on 1 September 2016 and at 31 December 2016

Ordinary shares issued and fully paid	£
334,536 A ordinary shares of 1p each	3,345
466,917 B ordinary shares of 1p each	4,669
116,729 C ordinary shares of 1p each	1,167
66,354 D ordinary shares of 1p each	664
46,392 E ordinary shares of 1p each	464

### At 31 December 2017

Ordinary shares issued and fully paid	£
334,536 A ordinary shares of 1p each	3,345
466,917 B ordinary shares of 1p each	4,669
116,729 C ordinary shares of 1p each	1,167
66,354 D ordinary shares of 1p each	664
46,392 E ordinary shares of 1p each	464
34,794 Deferred shares of 1p each	348

The rights attaching to the above shares are as follows:

1. Income – each class of share ranks *pari passu* in respect of entitlement to distributions.
2. Capital – each class of share ranks *pari passu* in respect of a return of assets.
3. Voting – the holders of the A ordinary shares shall have such number of votes in aggregate as are equal to 35 per cent. of the total votes being cast, the holders of the B ordinary shares shall have such number of votes in aggregate as are equal to 60 per cent. of the total votes capable of being cast, the holders of the C ordinary shares shall have such number of votes in aggregate as are equal to 5 per cent. of the total votes capable of being cast and the holders of the D and E ordinary shares do not have the right to attend, speak nor vote at any general meeting of the Operating Company, nor vote on any written resolution or poll.

Deferred shares hold no voting or distribution rights.

### Shares held by Employee Benefit Trust

Included in the above issued share capital are 19,330 Ordinary E shares of 1p each held by an Employee Benefit Trust set up the Operating Company.

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings.

### 23. Dividends

Dividends of £2,741,509 (£27,415.09 per share) were paid to the shareholders of Team 17 Software Limited during the year ended 31 December 2015.

Dividends of £2,150,000 (£21,500 per share) were paid to the shareholders of Team 17 Software Limited during the year ended 31 December 2016.

## 24. 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 2017 were £27,000 (2016: £13,000, 2015: £nil).

## 25. Commitments and contingencies

### **Operating lease commitments – Group as lessee**

At the balance sheet date, the Group had outstanding commitments for future minimum rentals payable under non-cancellable operating leases, which fall due as follows:

	2015 £'000	2016 £'000	2017 £'000
<b>Land and buildings</b>			
Within one year	72	72	72
After one year but not more than five years	288	288	288
More than five years	144	72	–
	<u>504</u>	<u>432</u>	<u>360</u>

## 26. Share based compensation

The Group had an EMI Share Option Plan for the benefit of one employee, under which options were granted to that employee to subscribe for Ordinary Shares in the Group. The scheme was approved in July 2015.

The share option grant for the employee vested on a change of ownership of the Group. The option holder was required to be employed by the Group at the time of exercise.

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. Details of the fair value granted in the period, together with the assumptions used in determining the fair value, are summarised below:

Share price at date of grant (£)	35.62
Exercise price (£)	35.62
Expected time to expiry (years)	2
Risk-free interest rate (%)	0.56
Expected dividend yield on shares (%)	0
Expected volatility of share price (%)	35
Fair value of options granted £	29.28

The number of share options in issue during the period were:

	No of options
At 1 January 2015	–
Granted in the year	<u>2,632</u>
At 31 December 2015	2,632
Exercised in the year	<u>(2,632)</u>
At 31 December 2016 and 31 December 2017	<u>–</u>

The exceptional charge disclosed in note 10 reflects the estimated fair value of shares issued by the Company during 2018 to the former Chairman in respect of the settlement of a claim which arose during 2017. The number of shares issued was 8,700 with a fair value per share of £202.76.

## 27. Related party disclosures

### **Ultimate controlling party**

At 31 December 2017 and 31 December 2016 there was not considered to be a single ultimate controlling party of Team 17 Holdings Limited.

Prior to 1 September 2016 the ultimate controlling party of Team 17 Software Limited was D J Bestwick.

### **Transactions with related parties**

The Group has £13,908,000 (2016: £15,665,000, 2015: nil) of loan note principal outstanding at 31 December 2017 to LDC V LLP and LDC Parallel V LP (shareholders of the Company). Interest of £1,278,000 was charged during the year (2016: £417,000, 2015: nil).

There was £1,281,000 interest accrued on these loan notes at 31 December 2017 (2016: £313,000, 2015: nil).

The Group has £21,026,000 of loan notes (2016: £23,683,000, 2015: £nil) owed to the former shareholders (up to 31 August 2016) of Team 17 Software Limited, D J Bestwick and J P Bray, who are now directors of Team 17 Holdings Limited. Interest of £1,930,000 was charged on these loan notes during the year (2016: £630,000, 2015: nil). There was £1,938,000 interest accrued on these loan notes at 31 December 2017 (2016: £473,000, 2015: nil).

The Group has £3,292,000 of loan notes (2016: £3,708,000, 2015: £nil) owed to the other directors/shareholders of Team 17 Holdings Limited (who are K Aston, C Davies, C Van Der Kuyl and P Burns). Interest of £299,000 was charged during the year (2016: £98,000, 2015: nil).

There was £301,000 interest accrued on these loan notes at 31 December 2017 (2016: £74,000, 2015: nil).

### **Transactions with key management personnel**

The remuneration of the key management personnel of the Group, is set out below in aggregate for each of the categories specified in the Companies Act:

	2015 £'000	2016 £'000	2017 £'000
Remuneration receivable	186	204	694
Social security cost	18	19	85
Value of company pension contributions to money purchase schemes	2	2	42
Share based payments	15	61	–
	<u>221</u>	<u>296</u>	<u>821</u>

Remuneration of the directors of the Group:

	2015 £'000	2016 £'000	2017 £'000
Remuneration receivable	40	38	578
Value of company pension contributions to money purchase schemes	–	–	41
	<u>40</u>	<u>38</u>	<u>619</u>



Remuneration of the highest paid director of the Group:

	2015 £'000	2016 £'000	2017 £'000
Remuneration receivable	27	24	427
Value of company pension contributions to money purchase schemes	–	–	–
	<u>27</u>	<u>24</u>	<u>427</u>

The number of directors accruing retirement benefits under the money purchase scheme was 3 (2016: 2, 2015: 2).

## 28. Developments in IFRS

At the date of authorisation of this historical financial information, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases (Effective for periods starting on or after 1 January 2019)
Amendments to IAS 27	Equity Method in Separate Financial Statements (Effective for periods starting on or after 1 January 2017)
Amendments to IFRS 10, IFRS 12 and IAS 28	Sale or Contribution of Assets between, Disclosure of Interests in Other Entities and Investor and its Associate or Joint Venture (Effective for periods starting on or after 1 January 2017)

The directors have considered the likely impact of the above standards on the financial statements of the Group in future periods. Other than those detailed below, the directors do not consider that the standards will have a material impact on the financial statements in future periods.

IFRS 16 'Leases' was issued on 13 January 2016 and is effective for periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model, and as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease.

The Group is currently assessing the impact of the new standard. Work performed includes assessing the accounting impacts of the change and the data required. From work performed to date it is expected implementation of the new standard will impact the consolidated results of the Group. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the income statement on a straight line basis, with interest recognised on the lease liability which will result in a change to the profile of the net charge taken to the income statement over the life of the lease. These charges will replace the lease costs currently charged to the income statement.

## 29. Transition to IFRS

This is the Group's first consolidated financial information prepared in accordance with IFRSs as at, and for the years ended 31 December 2015 and 31 December 2016. The accounting policies set out in note 2 have been applied in preparing the financial information for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, and in the preparation of an opening IFRS balance sheet at 1 January 2015 (the Group's date of transition).

The Group's first-time adoption did not have an impact on other comprehensive income or the total operating, investing or financing cash flows of the Group and so no restatement of these are shown.

In preparing its opening IFRS balance sheet, the Group has had to adjust amounts reported previously in financial statements prepared under UK GAAP as shown below. The 'other adjustments' reflect corrections made in accordance with the appropriate application of UK GAAP.

	<i>As previously reported</i>			<i>As reported under IFRS</i>
	<i>1 January</i>	<i>IFRS</i>	<i>Other</i>	<i>1 January</i>
	<i>2015</i>	<i>adjustments</i>	<i>adjustments</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Assets</b>				
Intangible assets	94	1,389	–	1,483
Property, plant & equipment	128	–	–	128
Trade and other receivables	1,211	–	–	1,211
Cash	2,346	–	–	2,346
<b>Liabilities</b>				
Liabilities due within one year	1,304	–	30	1,334
Deferred tax	8	279	–	287
Provisions	–	–	20	20
Net assets	<u>2,467</u>	<u>1,110</u>	<u>(50)</u>	<u>3,527</u>
Share capital	787	–	–	787
Retained earnings	<u>1,680</u>	<u>1,110</u>	<u>(50)</u>	<u>2,740</u>
Shareholders' funds	<u><u>2,467</u></u>	<u><u>1,110</u></u>	<u><u>(50)</u></u>	<u><u>3,527</u></u>

The adjustments relate to:

IFRS adjustments	Recognition of development costs for software projects £1,389,000 Tax effect of the above £279,000
Other adjustments	Recognition of holiday pay accrual £30,000 Recognition of dilapidations provision £20,000

#### **As at 31 December 2015**

	<i>As previously reported</i>			<i>As reported under IFRS</i>
	<i>12m ended</i>	<i>IFRS</i>	<i>Other</i>	<i>12m ended</i>
	<i>31 December</i>	<i>adjustments</i>	<i>adjustments</i>	<i>31 December</i>
	<i>2015</i>	<i>£'000</i>	<i>£'000</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>				
Revenue	10,382	–	–	10,382
Cost of sales	<u>(5,649)</u>	<u>601</u>	<u>–</u>	<u>(5,048)</u>
<b>Gross profit</b>	4,733	601	–	5,334
Administrative expenses	<u>(1,437)</u>	<u>7</u>	<u>(20)</u>	<u>(1,450)</u>
<b>Operating profit</b>	3,296	608	(20)	3,884
Finance income	2	–	–	2
Finance costs	<u>(39)</u>	<u>–</u>	<u>–</u>	<u>(39)</u>
<b>Profit before tax</b>	3,259	608	(20)	3,847
Income tax expense	<u>(551)</u>	<u>(155)</u>	<u>–</u>	<u>(706)</u>
<b>Profit for the period</b>	<u><u>2,708</u></u>	<u><u>453</u></u>	<u><u>(20)</u></u>	<u><u>3,141</u></u>

	<i>As previously reported</i>			<i>As reported under IFRS</i>
	<i>31 December</i>	<i>IFRS</i>	<i>Other</i>	<i>31 December</i>
	<i>2015</i>	<i>adjustments</i>	<i>adjustments</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Assets</b>				
Intangible assets	87	1,997	–	2,084
Property, plant & equipment	321	–	–	321
Trade and other receivables	1,590	–	–	1,590
Cash	3,155	–	–	3,155
<b>Liabilities</b>				
Liabilities due within one year	2,677	–	24	2,701
Deferred tax	42	436	–	478
Provisions	–	–	30	30
Net assets	<u>2,434</u>	<u>1,561</u>	<u>(54)</u>	<u>3,941</u>
Share capital	787	–	–	787
Retained earnings	<u>1,647</u>	<u>1,561</u>	<u>(54)</u>	<u>3,154</u>
Shareholders' funds	<u><u>2,434</u></u>	<u><u>1,561</u></u>	<u><u>(54)</u></u>	<u><u>3,941</u></u>

The adjustments relate to:

IFRS adjustments	Recognition of development costs for software projects £1,990,000 Increase in profit for capitalisation of development costs less associated amortisation £601,000 Reversal of goodwill amortisation £7,000 Tax effect of the above £436,000
Other adjustments	Recognition of holiday pay accrual £24,000 Recognition of dilapidations provision £30,000

### **As at 31 December 2016**

	<i>As previously reported</i>			<i>As reported under IFRS</i>
	<i>31 December</i>	<i>IFRS</i>	<i>Other</i>	<i>31 December</i>
	<i>2016</i>	<i>adjustments</i>	<i>adjustments</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Assets</b>				
Intangible assets	40,884	959	3,434	45,277
Property, plant & equipment	395	–	–	395
Trade and other receivables	3,416	–	–	3,416
Cash	7,193	–	–	7,193
<b>Liabilities</b>				
Liabilities due within one year	6,925	–	29	6,954
Liabilities due after one year	43,916	–	(312)	43,604
Deferred tax	54	588	3,756	4,398
Provisions	–	–	40	40
Net assets	<u>993</u>	<u>371</u>	<u>(79)</u>	<u>1,285</u>
Share capital	10	–	–	10
Share premium	1,021	–	(644)	377
Merger reserve	–	–	644	644
Retained earnings	<u>(38)</u>	<u>371</u>	<u>(79)</u>	<u>254</u>
Shareholders' funds	<u><u>993</u></u>	<u><u>371</u></u>	<u><u>(79)</u></u>	<u><u>1,285</u></u>

The adjustments relate to:

IFRS adjustments:	Expensing of acquisition costs £920,000, reducing goodwill
	Reversal of goodwill amortisation £1,410,000, increasing goodwill
	Amortisation of brands intangible assets £594,000, reducing goodwill
	Net tax impact on IFRS adjustments £475,000, increasing goodwill
	Net increase in intangible assets for the recognition of software development costs £588,000
Other adjustments:	Loan fees transferred from goodwill to borrowings £312,000, reducing goodwill
	Recognition of tax deduction for share options exercised £176,000, reducing goodwill
	Recognition of deferred tax on brands intangible assets £3,756,000, increasing goodwill
	Recognition of holiday pay accrual £29,000, increasing goodwill
	Recognition of dilapidations provision £40,000, increasing goodwill
	Recognition of premium on shares issued in share for share exchange treated as merger reserve on preparing combined and consolidated information £644,000

Within reported intangible assets as at 31 December 2016, the Company has recognised software development costs of £2,805,000 (IFRS adjustment) and brand intangibles of £21,389,000 (other adjustment). Recognition of these items had an offsetting effect in previously reported goodwill.

Due to the combined and consolidated basis that this financial information has been prepared under there has been no equivalent information for the year ended 31 December 2016 previously reported on and so no reconciliation of this is required.

### **30. Post balance sheet events**

#### ***Reorganisation***

The Company was incorporated on 14 February 2018. On incorporation, the share capital of the Company was £1.00, consisting of one ordinary share with £1.00 nominal value. In connection with Admission, the Group will undertake a reorganisation of its corporate structure (the “**Reorganisation**”), pursuant to which each existing share in the capital of the Company will be subdivided into 97.89198842 ordinary shares of £0.01 each and a number of deferred shares; the Company will issue a further 2,191,548 ordinary shares of £0.01 each; and each of the deferred shares will be redeemed by the Company at their nominal value.

The Reorganisation is conditional upon, and will be effective immediately prior to Admission. Pursuant to the Reorganisation, each existing share in the capital of the Company was subdivided into 97.89198842 ordinary shares of £0.01 each and the Company issued a further 2,191,548 ordinary shares of £0.01 each.

On completion of the Reorganisation, the issued share capital of the Company will be £1,039,628, comprising 103,962,794 ordinary shares of £0.01 each.

#### ***Management and Employee incentive plans***

Following Admission, the Company intends to operate two discretionary share plans: the Team17 Group plc Long Term Incentive Plan (the “**LTIP**”) and the Team17 Group plc Deferred Bonus Plan (the “**DBP**”). In addition, the Company will also establish an all-employee share incentive plan, the Team17 Group plc Share Incentive Plan (the “**SIP**”).

The LTIP and the DBP were adopted by the Board on 1 May 2018. No awards will be made under any of these incentive plans prior to Admission.

As part of Admission, Team 17 Holdings Limited intends to gift approximately £3.6 million to the Team17 Employee Benefit Trust. The Team17 Employee Benefit Trust will use these funds to subscribe for 2,191,548 New Shares as part of the Placing. These transactions are conditional on Admission and will not impact on the net assets of the Group.

### ***Relationship agreement***

On 18 May 2018, Debbie Bestwick entered into the Relationship Agreement with the Company. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of Debbie Bestwick and her associates.

The Relationship Agreement takes effect from Admission. The Relationship Agreement may be terminated by Debbie Bestwick if she (together with her associates) does not hold 15 per cent. or more of total voting rights in the Company for a period of two years. In the event that after such period of time she does not hold 15 per cent. or more of the total voting rights in the Company, then the Relationship Agreement will cease to have effect. The Relationship Agreement may also be terminated by the Company or Debbie Bestwick if the Shares have ceased to be admitted to trading on AIM, or certain steps have been taken relating to the winding up of the Company, arrangements with the Company's creditors or the appointment of a receiver in respect of the Company's assets.

Under the Relationship Agreement, Debbie Bestwick has undertaken that, for so long as she (together with her respective associates) hold 15 per cent. or more of total voting rights in the Company, she will (and will procure that her respective associates will), among other things:

- (a) ensure that the Group shall be managed for the benefit of the Shareholders as a whole and independently of herself and her respective associates;
- (b) ensure that all transactions, and arrangements with the Company and any other member of the Group on an arm's length basis and on normal commercial terms;
- (c) not take any action that would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the AIM Rules for Companies or other applicable law; and
- (d) not exercise any of their respective voting or other rights and powers to cancel the Company's admission to trading on AIM.

Under the Relationship Agreement, for so long as Debbie Bestwick (together with her associates) exercises or controls 15 per cent. or more of total voting rights in the Company, she has the right to appoint one nominee director of the Company, to the extent she is not a director of the Company.

## PART IV

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets set out below has been prepared by the Directors to illustrate the effect on the Group's net assets of the proceeds of the primary placing ("**Proceeds**"); the repayment of the existing loan notes, accrued interest and other debt; the payment of transaction bonuses to senior management; and the payment of fees ("**Costs**") as if they had taken place on 31 December 2017.

The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below from the consolidated statement of financial position of the Operating Group as at 31 December 2017, as set out in section B of Part III ("**Historical Financial Information**"). This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. Prospective investors should read the whole of this Document and not rely solely on the summarised financial information contained in this Part IV.

	<i>As at 31 December 2017</i>	<i>Proceeds of the primary placing receivable by the Company (note 1)</i>	<i>Repayment of existing loan notes, accrued interest and other debt (note 2)</i>	<i>Payment of transaction bonuses to senior management (note 3)</i>	<i>Payment of fees (note 4)</i>	<i>Total (note 5)</i>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>ASSETS</b>						
Non-current assets						
Property, plant and equipment	634	–	–	–	–	634
Intangible assets	43,793	–	–	–	–	43,793
Deferred tax asset	335	–	–	–	–	335
Total non-current assets	<u>44,762</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>44,762</u>
<b>Current assets</b>						
Trade and other receivables	6,618	–	–	–	–	6,618
Prepayments	199	–	–	–	–	199
Cash and short term deposits	8,440	45,087	(43,265)	(909)	(2,301)	7,052
Total current assets	<u>15,257</u>	<u>45,087</u>	<u>(43,265)</u>	<u>(909)</u>	<u>(2,301)</u>	<u>13,869</u>
<b>Total assets</b>	<u>60,019</u>	<u>45,087</u>	<u>(43,265)</u>	<u>(909)</u>	<u>(2,301)</u>	<u>58,631</u>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Interest bearing loans and other borrowings	37,970	–	(37,970)	–	–	–
Accruals and deferred income	3,520	–	(3,520)	–	–	–
Provisions	50	–	–	–	–	50
Deferred tax liability	3,674	–	–	–	–	3,674
Total non-current liabilities	<u>45,214</u>	<u>–</u>	<u>(41,490)</u>	<u>–</u>	<u>–</u>	<u>3,724</u>
<b>Current liabilities</b>						
Trade and other payables	1,558	–	–	–	–	1,558
Interest bearing loans and other borrowings	1,345	–	(1,345)	–	–	–
Accruals and deferred income	3,735	–	(172)	–	–	3,563
Income tax payable	723	–	–	–	–	723
Total current liabilities	<u>7,361</u>	<u>–</u>	<u>(1,517)</u>	<u>–</u>	<u>–</u>	<u>5,844</u>
<b>Total liabilities</b>	<u>52,575</u>	<u>–</u>	<u>(43,007)</u>	<u>–</u>	<u>–</u>	<u>9,568</u>
<b>Net assets</b>	<u>7,444</u>	<u>45,087</u>	<u>(258)</u>	<u>(909)</u>	<u>(2,301)</u>	<u>49,063</u>



*Explanatory notes*

The net assets of the Operating Group as at 31 December 2017 have been extracted without adjustment from the historical financial information contained in section B of Part III of this document.

- (1) The adjustment represents the receipt by the Company of the primary proceeds from the Placing.
- (2) This column reflects the cash repayment of loan notes and accrued interest of £41.5 million, the cash repayment of the directors loans and accrued interest of £1.5 million and the accelerated charge to the income statement for debt transaction costs of £0.3 million.
- (3) The adjustment relates to the payment to senior management of transaction bonuses (including employers national insurance contributions) as detailed in paragraph 10.4 of Part V of this document.
- (4) The adjustment represents the fees of the Placing. The costs attributable to the issue of New Shares will be deducted from share premium and the other costs attributable to the Admission will be expensed.
- (5) This column comprises the sum of the preceding columns and represents the pro forma net assets of the Group as at 31 December 2017 assuming Admission, the Placing, payment of costs, payment of transaction bonuses to management and repayment of the Loan Notes, accrued interest and other debt had occurred on that date. No adjustment has been made to take account of trading results, cash movements, or other transactions undertaken by the Group since 31 December 2017.

## PART V

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Incorporation and share capital

##### 2.1 The Company

- (a) The Company was incorporated in England and Wales on 14 February 2018 as a private company limited by shares under the Companies Act with the name Hamsard 3484 Limited and with registered number 11205116. On 4 May 2018, by a special resolution of the Company, the name of the Company was changed to Team 17 Group Limited.
- (b) On 17 May 2018, by a special resolution of the Company, the Company was re-registered as a public company limited by shares and the name of the Company was changed to Team17 Group plc.
- (c) The Company's registered office is at Castleview House, Calder Island Way, Wakefield, West Yorkshire, WF2 7AW. The Company's telephone number is 01924 267776.
- (d) The principal legislation under which the Company operates, and pursuant to which the Shares (including the Placing Shares) have been or will be created (as applicable), is the Companies Act and the subordinate legislation made under it.
- (e) The business of the Company and its principal activity is to act as the holding company of the Group.

##### 2.2 Share capital

The share capital history of the Company is as follows:

- (a) on incorporation on 14 February 2018, the issued share capital of the Company was one ordinary share of £1.00 in the capital of the Company;
- (b) on 15 May 2018, pursuant to a share and loan note exchange agreement entered into between the Company, Team 17 Holdings Limited and the shareholders of Team 17 Holdings Limited, the following shares were issued:
  - (i) 334,536 A ordinary shares of £1.00 each;
  - (ii) 466,917 B ordinary shares of £1.00 each;
  - (iii) 116,729 C ordinary shares of £1.00 each;
  - (iv) 66,354 D ordinary shares of £1.00 each; and
  - (v) 55,092 E ordinary shares of £1.00 each; and
- (c) as at the date of this document, the share capital of the Company comprises 334,536 A ordinary shares of £1.00 each, 466,917 B ordinary shares of £1.00 each, 116,729 C ordinary shares of £1.00 each, 66,354 D ordinary shares of £1.00 each and 55,092 E ordinary shares of £1.00 each.

- 2.3 In connection with Admission, the Company will undertake a reorganisation of its share capital (the "**Reorganisation**"). The Reorganisation is conditional upon, and will be effective immediately prior to, Admission. Pursuant to the Reorganisation:

- (a) each existing share in the capital of the Company will be subdivided into 97.89198842 ordinary shares of £0.01 each and a number of redeemable deferred shares (the “**Deferred Shares**”);
- (b) the Company will issue a further 2,191,548 ordinary shares of £0.01 each; and
- (c) each of the Deferred Shares will be redeemed by the Company at their nominal value.

2.4 On completion of the Reorganisation, the issued share capital of the Company will be £1,039,628, comprising 103,962,794 ordinary shares of £0.01 each.

2.5 Immediately following Admission, the Company's issued share capital (including the New Shares to be issued pursuant to the Placing) will be £1,312,883, comprising 131,288,276 ordinary shares of £0.01 each (all of which will be fully paid up or credited as fully paid up).

2.6 On 17 May 2018, by resolutions of the Company, in each case conditional on Admission:

- (a) the Directors were authorised pursuant to section 551 of the Companies Act, to exercise all the powers of the Company to allot equity securities:
  - (i) up to an aggregate nominal value of £437,627.58; and
  - (ii) up to an aggregate nominal value of £875,255.17 (such amount to be reduced by any allotments made under sub-paragraph (i) above) in connection with a rights issue in favour of the holders of Shares in proportion (as nearly as may be practicable) to their existing holdings on the record date for such allotment,

such power expiring at the earlier of the date of the first annual general meeting of the Company and the date which is fifteen months after the date on which the resolution was passed, save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority had not expired;

- (b) the Directors were empowered to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash pursuant to the authorities conferred in paragraph (a) above, as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to:
  - (i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities in favour of holders of Shares in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights attached to those securities or as the Directors otherwise consider necessary, but subject to such restrictions or other arrangements as the Directors deem necessary or appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
  - (ii) the allotment of equity securities (other than under (i) above) up to an aggregate nominal amount of £65,644.13,

such power expiring at the earlier of the date of the first annual general meeting of the Company and the date which is fifteen months after the date on which the resolution was passed, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of the power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired;

- (c) the Directors were authorised, in addition to the authority granted under the resolution referred to in paragraph (b) above, to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash pursuant to the authorities conferred in paragraph (a) above as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be:
  - (i) limited to the allotment of equity securities up to an aggregate nominal amount of £65,644.13; and
  - (ii) used only for the purposes of financing (or refinancing if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to

be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of Admission;

such power expiring at the earlier of the date of the first annual general meeting of the Company and the date which is fifteen months after the date on which the resolution was passed, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of the power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired; and

- (d) the Directors were authorised to make market purchases of up to 10 per cent. of the issued ordinary share capital of the Company immediately following Admission.

2.7 As at the date of this document, the Directors do not have any present intention of exercising the authorities referred to in paragraph 2.6 (a), (b) and (c) above.

2.8 As at the date of this document, the Company does not have an authorised share capital and there is therefore no authorised but unissued share capital.

2.9 The Company does not have in issue any securities not representing share capital.

2.10 Save as set out in this Part V:

- (a) no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
- (b) no person has any preferential subscription rights for any share capital of the Company;
- (c) there are no Shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises, and there are no arrangements in place whereby future dividends are waived or agreed to be waived;
- (d) there are no Shares of the Company held by or on behalf of itself or any member of the Group; and
- (e) no commissions, discounts, brokerages, or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

### **3. Articles of Association**

The Articles, which were adopted by a special resolution of the Company on 17 May 2018 subject to and with effect from Admission, are available for inspection at the address specified in paragraph 2.1 of this Part V contain certain provisions, the material provisions of which are set out below. This is a description of significant rights and does not purport to be complete or exhaustive.

#### **3.1 Voting rights**

- (a) Subject to any special terms as to voting upon which any Shares may be issued, or may for the time being be held and any restriction on voting referred to below, every Shareholder present in person, by proxy (regardless of the number of members for whom he is a proxy) or by a duly authorised corporate representative at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every Shareholder present in person, by proxy, or by a duly authorised corporate representative shall have one vote for every Share of which he is the holder, proxy or representative.
- (b) The duly authorised representative of a corporate shareholder may exercise the same powers on behalf of that corporation as it could exercise as if it were an individual shareholder.
- (c) A Shareholder is not entitled to vote unless all calls or other sums due from him have been paid.

- (d) Unless the Board determines otherwise, a Shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice (or, where the shares represent at least 0.25 per cent. of their class, 14 days), is served with a disenfranchisement notice. Such disenfranchisement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

### 3.2 **General meetings**

- (a) The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The Directors can call a general meeting at any time.
- (b) At least 21 clear days' written notice must be given for every annual general meeting. For all other general meetings, not less than 14 days' written notice must be given. The notice for any general meeting must state: (i) whether the meeting is an annual general meeting or general meeting; (ii) the date, time and place of the meeting; (iii) the general nature of the business of the meeting; (iv) any intention to propose a resolution as a special resolution; and (v) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of him and that a proxy need not also be a member. All members who are entitled to receive notice under the Articles must be given notice.
- (c) Before a general meeting starts, there must be a quorum, being two members present in person or by proxy.
- (d) Each Director may attend and speak at any general meeting.
- (e) Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting.

### 3.3 **Dividends and other distributions**

- (a) All dividends shall be paid in British pounds sterling.
- (b) Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.
- (c) Subject to the Companies Act, the Board may from time to time pay to the Shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.
- (d) Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (e) Any dividend unclaimed after a period of twelve years from the date of declaration shall be forfeited and shall revert to the Company.
- (f) The Board may, if authorised by an ordinary resolution, offer the holders of Shares the right to elect to receive additional Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.
- (g) The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice under section 793 of the Companies Act requiring

the disclosure of information relating to interests in the shares concerned as referred to in paragraph 3.10 below.

#### 3.4 **Return of capital**

On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Companies Act and the Insolvency Act 1986 (as amended), divide amongst the Shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

#### 3.5 **Transfer of Shares**

- (a) The Articles provide for shares to be held in a system for holding shares in uncertificated form for example CREST (such shares being referred to as “**Participating Securities**”). The Shares are freely transferable, save as set out in this paragraph 3.5.
- (b) In the case of shares represented by a certificate (“**Certificated Shares**”), the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.
- (c) The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.
- (d) The Board may refuse to register a transfer unless:
  - (i) in the case of a Certificated Share, the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
  - (ii) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and
  - (iii) in the case of a transfer to joint holders of a Certificated Share, the transfer is in favour of not more than four such transferees.
- (e) In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.
- (f) The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 4.10 below) unless the Shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:
  - (i) a transfer in connection with a bona fide sale of the beneficial interest in any shares to any person who is unconnected with the Shareholder and with any other person appearing to be interested in the share;
  - (ii) a transfer pursuant to the acceptance of an offer made to all the Company’s Shareholders or all the Shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or
  - (iii) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the UK on which the Company’s shares are normally traded.

### 3.6 **Allotment**

The Company may from time to time pass an ordinary resolution authorising, in accordance with section 551 of the Companies Act, the Board to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject (other than in relation to the sale of treasury shares) to the Board being generally authorised to allot shares and grant rights to subscribe for or to convert any security into shares in the Company in accordance with section 551 of the Companies Act, the Company may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if section 561 of the Companies Act did not apply to the allotment but that power shall be limited: (A) to the allotment of equity securities in connection with a rights issue; and (B) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

### 3.7 **Variation of rights**

- (a) Subject to the Companies Act, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of shares of that class) be varied or abrogated (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as mentioned above, such rights shall not be varied.
- (b) The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* in all respects therewith or subsequent thereto.

### 3.8 **Share capital and changes in capital**

- (a) Subject to and in accordance with the provisions of the Companies Act, the Company may issue redeemable shares.
- (b) Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.
- (c) Subject to the provisions of the Articles and the Companies Act, the power of the Company to offer, allot and issue any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.
- (d) The Company may by ordinary resolution alter its share capital, in accordance with the Companies Act. The resolution may determine that, as between holders of shares resulting from a sub-division any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.
- (e) Subject to the Companies Act and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its own shares of any class (including any redeemable shares). The Company may only purchase Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.



### 3.9 **Disclosure of interests in shares**

- (a) Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a Shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25 per cent. of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a “**disenfranchisement notice**”). The disenfranchisement notice will state that the identified shares no longer give the Shareholder any right to attend or vote at a Shareholders’ meeting or to exercise any other right in relation to Shareholders’ meetings.
- (b) Once the disenfranchisement notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.
- (c) The Articles do not restrict in any way the provisions of section 793 of the Companies Act.

### 3.10 **Non-UK Shareholders**

Shareholders with addresses outside the UK are not entitled to receive notices from the Company unless they have given the Company an address within the UK at which such notices shall be served.

### 3.11 **Untraced Shareholders**

Subject to various notice requirements, the Company may sell any of a Shareholders’ shares in the Company at the best price reasonably obtainable if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque or warrant or other method of payment for amounts payable in respect of such shares sent and payable in a manner authorised by the Articles has been cashed or effected and no communication has been received by the Company from the member or person concerned.

### 3.12 **Borrowing powers**

- (a) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital to a maximum of the greater of £500,000,000 or two times the aggregate of the Company’s paid up share capital and reserves and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party.
- (b) These borrowing powers may be varied by an alteration to the Articles. Any variation of the Articles would require a special resolution of the Shareholders.

### 3.13 **Directors**

- (a) Subject to the Companies Act, and provided he has made the necessary disclosures, a Director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.
- (b) The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under section 175 of the Companies Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if the matter is proposed in writing for consideration in accordance with the Board’s normal procedures, any requirement about the quorum of the meeting is met without including the Director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.

- (c) Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (d) A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
- (i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiaries;
  - (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he himself has assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning his being a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or Shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
  - (v) any arrangement for the benefit of employees of the Company (and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons including but without being limited to a retirement benefits scheme and an employees' share plan) which does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and
  - (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the Directors or for persons who include Directors, provided that for that purpose "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, Directors.
- (e) The Directors shall be paid such remuneration (by way of salary, commission, participation in profits or otherwise), not exceeding in aggregate £2,000,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) as any committee authorised by the Board may determine and either in addition to or in lieu of his remuneration as Director. The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company or his duties as Director, including the attendance of any spouse or civil partner where such spouse or civil partner accompanies a Director for the purpose of advancing the business of the Company. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.
- (f) The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.

- (g) The Company may indemnify a Director and a director of an associated company (as defined in the Companies Act) against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Companies Act. Subject to sections 205(2) to (4) of the Companies Act, the Company may provide a Director (or a director of an associated company) with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.
- (h) At each annual general meeting, each Director who was appointed or last re-appointed (or is treated by virtue of the Companies Act as if he had been appointed) at or before the annual general meeting held in the calendar year which is three years before the current year, must retire from office.
- (i) There is no age limit for Directors.
- (j) Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than three in number and not subject to a maximum.

### 3.14 **Redemption**

The Shares are not redeemable.

### 3.15 **Electronic communication**

The Company may communicate electronically with its members in accordance with the provisions of the Electronic Communications Act 2000.

## 4. **Share incentive schemes**

### 4.1 **Overview of the New Plans**

Following Admission, the Company intends to operate two discretionary share plans: the Team17 Group plc Long Term Incentive Plan (the “**LTIP**”) and the Team17 Group plc Deferred Bonus Plan (the “**DBP**”). In addition, the Company will also establish an all-employee share incentive plan, the Team17 Group plc Share Incentive Plan (the “**SIP**”). The LTIP and DBP are, together, the “**Discretionary Plans**”, and the Discretionary Plans and the SIP are, together, the “**New Plans**”.

A reference in this paragraph 4 to the Board includes any designated committee of the Board.

Information on certain awards to be made at or following Admission and the principal features of the New Plans are summarised below.

### 4.2 **The LTIP**

The LTIP was adopted by the Board on 1 May 2018.

#### 4.2.1 **Status**

The LTIP is a discretionary executive share plan. Under the LTIP, the Board may, within certain limits and subject to any applicable performance conditions, grant to eligible employees (i) nil cost options over Shares (“**LTIP Options**”) and/or (ii) conditional awards (i.e. a conditional right to acquire Shares), (together, “**LTIP Awards**”).

#### 4.2.2 **Eligibility**

All employees (including Executive Directors) of the Group are eligible for selection to participate in the LTIP at the discretion of the Board.

It is anticipated that the first grant of LTIP Awards (“**Initial LTIP Awards**”) shall be made at or shortly after the Admission to the Executive Directors of the Company on the criteria shown in the table below:

	<i>Number of Shares</i>	<i>Exercise Price</i>	<i>Performance Conditions</i>
Debbie Bestwick	972,727	Nil	See paragraph 4.5
Paul Bray	727,272	Nil	See paragraph 4.5

For both Debbie Bestwick and Paul Bray, the Initial LTIP Awards will be granted subject to performance targets whereby 100 per cent. of the award will be subject to the following performance targets:

- (a) 75 per cent. of the Initial LTIP Awards will be subject to cumulative EPS targets, with a maximum payout only being provided on exceptional performance; and
- (b) 25 per cent. of the Initial LTIP Awards will be subject to meeting annualised absolute total shareholder return targets.

It is currently anticipated that the Initial LTIP Awards granted to the CEO and CFO will be a one-off award, with no further awards for the next three financial years.

#### 4.2.3 **Grant of LTIP Awards**

The Remuneration Committee will have absolute discretion to select the persons to whom awards may be granted and, subject to the limits set out below, in determining the number of Shares to be subject to each award. For the Initial LTIP Awards, the number of Shares will be calculated by reference to the Placing Price.

LTIP Awards may be granted at any time, save that no LTIP Awards may be granted more than 10 years from the date when the LTIP was adopted.

#### 4.2.4 **Performance and other conditions**

The Board may impose performance conditions on the vesting of LTIP Awards. Where performance conditions are specified for LTIP Awards, the underlying measurement period for such conditions will ordinarily be three years. The proposed performance conditions for the LTIP Awards will be based on achieving financial targets which will be measured over three financial years.

Any performance conditions applying to LTIP Awards may be varied, substituted or waived if the Board considers it appropriate, provided the Board considers that the new performance conditions are reasonable and are not materially less difficult to satisfy than the original conditions (except in the case of waiver).

The Board may also impose other conditions on the vesting of LTIP Awards.

#### 4.2.5 **Malus and Clawback**

The Board may decide, at the vesting of LTIP Awards or at any time before and in the two years following vesting, that the number of Shares subject to an LTIP Award shall be reduced (including to nil) on such basis that the Board in its discretion considers to be fair and reasonable in the following circumstances:

- (a) discovery of a material misstatement resulting an adjustment in the audited accounts of the Group or any Group company,
- (b) the assessment of any performance condition or condition in respect of an LTIP Award was based on error, or inaccurate or misleading information, or
- (c) action or conduct of a participant which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.

Clawback may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards.

#### 4.2.6 ***Vesting and exercise***

LTIP Awards will normally vest, and LTIP Options will normally become exercisable, on the third anniversary of the date of grant of the LTIP Award to the extent that any applicable performance conditions have been satisfied and to the extent permitted following any operation of malus or clawback. LTIP Options will normally remain exercisable for a period determined by the Board at grant which shall not exceed 10 years from grant.

#### 4.2.7 ***Dividend equivalents***

In respect of any award granted under the LTIP, the Board may decide that participants will receive a payment (in cash and/or additional Shares) equal in value to any dividends that would have been paid on the Shares which vest under that award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie.

#### 4.2.8 ***Cessation of employment***

If a participant dies or ceases to be employed by the Company by reason of ill-health, injury, disability, redundancy, retirement or any other reason at the discretion of the Board any unvested LTIP Option will vest on the usual vesting date to the extent determined by the Board, in its absolute discretion, taking into account (unless the Board determines otherwise) the extent to which any performance condition has been satisfied at the date of death or cessation of employment and the period of time that had elapsed from the date of grant to the date of death or cessation of employment.

In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

For all other leavers who cease employment, the award will lapse.

#### 4.2.9 ***Corporate events***

In the event of a takeover, scheme of arrangement, or winding-up of the Company, the LTIP Awards will vest in full to the extent that any applicable performance conditions have been satisfied at the time of the corporate event.

To the extent that LTIP Options vest in the event of a takeover, scheme of arrangement, or winding-up of the Company they may be exercised for a period of six months measured from the relevant event (or in the case of takeover such longer period as the Board determines) and will otherwise lapse at the end of that period.

In the event of a demerger, distribution or any other corporate event, the Board may determine that LTIP Awards shall vest. The proportion of the LTIP Awards which vest shall be determined by the Board taking into account, among other factors, the period of time the LTIP Award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time. LTIP Options that vest in these circumstances may be exercised during such period as the Board determines and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company and the participant) alternatively decide that LTIP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

### 4.3 ***The DBP***

The DBP was adopted by the Board on 1 May 2018. The DBP incorporates the Company's senior manager bonus scheme as well as a mechanism for the deferral of a proportion of the annual bonus into awards over Shares.

#### 4.3.1 **Status**

The DBP is both a cash bonus plan and a discretionary employee share plan under which a proportion of a participant's annual bonus is deferred into an award over Shares. Under the DBP, the Board may, within certain limits, grant to eligible employees deferred awards over Shares taking the form of (i) nil cost options over Shares ("**DBP Options**") and/or (ii) conditional awards (i.e. a conditional right to acquire Shares), (together, "**DBP Awards**").

#### 4.3.2 **Eligibility**

All employees (excluding Executive Directors) of the Group are eligible for selection to participate in the DBP at the discretion of the Board.

#### 4.3.3 **Grant of DBP Awards**

Participants selected to participate in the DBP for a financial year of the Company will be eligible to receive an annual bonus subject to satisfying performance conditions and targets set for the financial year. The Board may determine that a proportion of a participant's annual bonus will be deferred into a DBP Award, this will usually be 50 per cent. of the bonus opportunity but may be such other proportion as the Board may determine in its absolute discretion. The Board will determine the annual cash bonus to be delivered following the end of the relevant financial year.

No DBP Awards may be granted more than 10 years from the date when the DBP was adopted.

#### 4.3.4 **Malus and Clawback**

The Board may decide (i) at the time of payment of a cash bonus or at any time before to reduce the amount of the bonus (including to nil) and/or (ii) at the vesting of DBP Award or any time before and in the two years following vesting, that the number of Shares subject to a DBP Award shall be reduced (including to nil) on such basis that the Board in its discretion considers to be fair and reasonable in the following circumstances:

- (a) discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company,
- (b) the assessment of any performance condition or condition in respect of a DBP Award was based on error, or inaccurate or misleading information,
- (c) action or conduct of a participant which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct.

Clawback may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards or bonuses.

#### 4.3.5 **Vesting and exercise**

The share element of the DBP Awards will normally vest following a minimum holding period of two years to the extent permitted following any operation of malus or clawback. DBP Options will normally remain exercisable for a period determined by the Board at grant which shall not exceed 10 years from the date of grant.

In the event that a corporate event occurs as described below, a participant will be eligible to receive a bonus as soon as practicable after the relevant event, the amount of which shall be determined by the Board taking into account the performance conditions and targets. The value of the bonus will be pro-rated to reflect the reduced period of time between the start of the financial year and the relevant corporate event as a proportion of the relevant financial year unless the Board otherwise decides.

#### 4.3.6 **Cessation of employment**

Except in certain circumstances, a DBP participant who ceases to be employed by or hold office with the Group before the bonus determination is made will cease to be eligible to receive



a bonus, unless the board determines otherwise that he will remain eligible for a bonus. The performance conditions and targets will be considered and the bonus will be deliverable in the same way and at the same time as if the individual had not ceased to be employed or hold office with the Group, unless the Board otherwise decides, although the value of the bonus will be pro-rated to reflect the reduced period of time between the start of the financial year and the participant's cessation of employment as a proportion of that financial year.

In respect of a DBP Award, if a participant ceases to be employed by or hold office with the Group for any reason his DBP Award will ordinarily lapse unless the Board decided otherwise. In addition, unless the Board decides otherwise, both the award and vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

For all other participants ceasing to be employed by or holding office with the Group, their DBP Award will lapse immediately on cessation.

#### 4.3.7 **Corporate events**

In the event of a takeover, scheme of arrangement or winding-up of the Company, the DBP Awards will vest in full.

To the extent that DBP Options vest in the event of a takeover, scheme of arrangement or winding-up of the Company they may be exercised for a period of 6 months measured from the relevant event (or in the case of takeover such longer period as the Board determines) and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company) alternatively decide that DBP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

### 4.4 **Provisions applying to the Discretionary Plans**

#### 4.4.1 **Awards not transferable**

Awards granted under the Discretionary Plans are not transferable other than to the participant's personal representatives in the event of his death provided that awards and Shares may be held by the trustees of an employee as nominee for the participants.

#### 4.4.2 **Limits**

The Discretionary Plans may operate over new issue Shares, treasury Shares or Shares purchased in the market. The rules of each of the Discretionary Plans provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the relevant plan and under any other employees' share scheme operated by the Company. Shares issued out of treasury under the relevant Discretionary Plan will count towards these limits for so long as this is required under institutional shareholder guidelines. In addition, awards which are renounced or lapse shall be disregarded for the purposes of these limits.

For the avoidance of doubt, any awards granted pursuant to the Discretionary Plans which are satisfied by the Group's employee benefit trust will not count towards these limits.

#### 4.4.3 **Variation of capital**

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to awards granted under each of the Discretionary Plans, including the number of Shares subject to awards and the option exercise price (if any), as it considers to be fair and reasonable.



#### 4.4.4 **Alternative settlement**

At its discretion, the Board may decide to satisfy awards granted under the Discretionary Plans with a payment in cash or Shares equal to any gain that a participant would have made had the relevant award been satisfied with Shares.

#### 4.4.5 **Rights attaching to Shares**

Shares issued and/or transferred under the Discretionary Plans will not confer any rights on any participant until the relevant award has vested or the relevant option has been exercised and the participant in question has received the underlying Shares. Any Shares allotted when an option is exercised or an award vests will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue).

#### 4.4.6 **Amendments**

The Board may, at any time, amend the provisions of any of the Discretionary Plans in any respect. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the persons to whom an award can be made under the relevant Discretionary Plan, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the relevant Discretionary Plan, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company and/or its other Group companies. Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants approve such amendment.

#### 4.4.7 **Overseas plans**

The Board may, at any time, establish further plans based on the LTIP and/or the DBP for overseas territories. Any such plan shall be similar to the LTIP or the DBP, as relevant, but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the relevant plan.

#### 4.4.8 **Benefits not pensionable**

The benefits received under the Discretionary Plans are not pensionable.

### 4.5 **The SIP**

#### 4.5.1 **Status**

The SIP is an all-employee share ownership plan which has been designed to meet the requirements of Schedule 2 of the Income Tax (Earnings and Pensions) Act 2003 so that Shares can be provided to UK employees under the SIP in a tax-efficient manner.

Under the SIP, eligible employees may be: (i) awarded up to £3,600 worth of free Shares ("**Free Shares**") each year; (ii) offered the opportunity to buy Shares with a value of up to the lower of £1,800 and 10 per cent. of the employee's pre-tax salary a year ("**Partnership Shares**"); and/or (iii) given up to two free Shares ("**Matching Shares**") for each Partnership Share bought. The Board may determine that different limits shall apply in the future should the relevant legislation change in this respect.

#### 4.5.2 **SIP Trust**

The SIP operates through a UK-resident trust (the "**SIP Trust**"). The trustee of the SIP Trust purchases or subscribes for Shares that are awarded to or purchased on behalf of participants in the SIP. A participant will be the beneficial owner of any Shares held on his behalf by the trustee of the SIP Trust. Any Shares held in the SIP Trust will rank equally with Shares then in issue.

If a participant ceases to be in relevant employment, he will be required to withdraw his Free Shares, Partnership Shares and Matching Shares from the SIP Trust (or the Free Shares, Partnership Shares, Matching Shares may be forfeited as described below).

#### 4.5.3 **Eligibility**

Each time that the Board decides to operate the SIP, all UK resident tax-paying employees of the Company and its subsidiaries participating in the SIP must be offered the opportunity to participate. Other employees may be permitted to participate. The Board may decide that employees invited to participate must have completed a minimum qualifying period of employment before they can participate, as determined by the Board in relation to any award of Shares under the SIP which may be different for each type of award from time to time. In the case of Free Shares (and, in certain circumstances, Partnership Shares and Matching Shares) that period must not exceed 18 months or, in certain other circumstances and only in the case of Partnership Shares or Matching Shares, 6 months.

#### 4.5.4 **Limits**

The SIP may operate over new issue Shares, treasury Shares or Shares purchased in the market. The rules of the SIP provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the SIP and under any other employees' share scheme operated by the Company. Shares issued out of treasury for the SIP will count towards this limit for so long as this is required under institutional shareholder guidelines. In addition, awards which are renounced or lapse shall be disregarded for the purposes of these limits.

#### 4.5.5 **Free Shares**

Up to £3,600 worth of Free Shares may be awarded to each employee in a tax year. Free Shares must be awarded on the same terms to each employee, but the number of Free Shares awarded can be determined by reference to the employee's remuneration, length of service, number of hours worked and, if the Company so chooses, the satisfaction of performance targets based on business results or other objective criteria. There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the participant cannot withdraw the Free Shares from the SIP Trust (or otherwise dispose of the Free Shares) unless the participant leaves relevant employment.

The Board, at its discretion, may provide that the Free Shares will be forfeited if the participant leaves relevant employment other than in the circumstances of injury, disability, redundancy, retirement, by reason of a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or if the relevant employment is employment by an associated company by reason of a change of control or other circumstances ending that company's status as an associated company (each a "**SIP Good Leaver Reason**") or on death. Forfeiture can only take place within three years of the Free Shares being awarded.

#### 4.5.6 **Partnership Shares**

The Board may allow an employee to use pre-tax salary to buy Partnership Shares. The maximum limit is the lower of £1,800 or 10 per cent. of pre-tax salary in any tax year. The minimum salary deduction permitted, as determined by the Board, must be no greater than £10 on any occasion. The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months (the "**Accumulation Period**") or Partnership Shares can be purchased out of deductions from the participant's pre-tax salary when those deductions are made. A participant and the Company may agree to vary the amount of salary deductions and the intervals of those deductions. If there is an Accumulation Period, the number of Shares purchased shall be determined by dividing the participant's aggregate pay deducted during the Accumulation Period by the market value of the Partnership Shares.

Once acquired, Partnership Shares may be withdrawn from the SIP by the participant at any time.

At the discretion of the Board, Partnership Shares may be subject to forfeiture on cessation of employment (except for a SIP Good Leaver Reason or on death), provided they are offered for sale for a price equal to the lower of the market value of the Partnership Shares at the time of their sale or the price paid for those Partnership Shares.

#### 4.5.7 **Matching Shares**

The Board may, at its discretion, offer Matching Shares free to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be awarded on the same basis to all participants up to a maximum of two Matching Shares for every Partnership Share purchased (or such other maximum as may be provided by statute). There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the participant cannot withdraw the Matching Shares from the SIP Trust unless the participant leaves relevant employment.

The Board, at its discretion, may provide that the Matching Shares will be forfeited if the participant leaves relevant employment other than for a SIP Good Leaver Reason or on death. Forfeiture can only take place within three years of the Matching Shares being awarded.

#### 4.5.8 **Corporate events**

In the event of a general offer for the Company (or a similar takeover event taking place) during a holding period, participants will be able to direct the trustee of the SIP Trust as to how to act in relation to their Shares held in the SIP. In the event of a corporate re-organisation, any Shares held by participants may be replaced by equivalent shares in a new holding company.

#### 4.5.9 **Variation of capital**

Shares acquired on a variation of share capital of the Company will usually be treated in the same way as the Shares acquired or awarded under the SIP, in respect of which the rights were conferred and as if they were acquired or awarded at the same time.

#### 4.5.10 **Rights attaching to Shares**

Any Shares allotted under the SIP will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

#### 4.5.11 **Amendments**

The Company may at any time amend the rules of the SIP by resolution of the Board and may amend the SIP trust deed by way of a supplemental deed. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, persons to whom the award must or may be made, individual or overall limits, the basis for determining a participant's entitlement to and the terms of Shares provided under the SIP, the price payable for Shares under the SIP by eligible employees and/or the adjustments that may be made in the event of any variation to the share capital of the Company; save that there are exceptions for any minor amendment to benefit the administration of the SIP, to take account of the provision of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company and/or its subsidiaries or the trustees of the SIP Trust. No modification can be made which would alter, to the disadvantage of any participant, the rights he accrued under the SIP.

#### 4.5.12 **Overseas plans**

The Board may, at any time, establish further plans for overseas territories, any such plan to be similar to the SIP but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the SIP.

#### 4.5.13 **Benefits not pensionable**

The benefits received under the SIP are not pensionable.

## 5. Directors' interests

5.1 In addition to their directorships of the Company and other members of the Group, the Directors are, or have been, directors or partners of the following companies and partnerships during the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Former directorships/ partnerships over the last five years</i>
Chris Bell	Gaming Realms plc OnTheMarket plc Star Tea Limited The Rank Group plc The Royal Air Force Charitable Trust Enterprises TechFinancials, Inc. XL Media plc	Betclearer Limited Business in Sport and Leisure Limited Northern Racing College NRC Trading Limited Quintain Limited Spirit Pub Company Limited
Debbie Bestwick	–	–
Paul Bray	–	Shoot Us Limited The Independent Games Developers Association Limited
Penny Judd	Alpha Financial Markets Consulting plc Plus500 Ltd TruFin plc	–

5.2 At the date of this document, save as set out below, no Director:

- (a) has any unspent convictions in relation to any indictable offences;
- (b) has been bankrupt, or entered into an individual voluntary arrangement;
- (c) was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors, save that Chris Bell resigned as a director of Betclearer Limited on 19 December 2013. Betclearer Limited entered into creditors' voluntary liquidation in October 2014, approximately 10 months following Chris' resignation as a director and was later dissolved on 25 May 2016;
- (d) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets be the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body), nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5.3 The Directors have held the following directorships in companies that have been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company:

<i>Name</i>	<i>Company</i>	<i>Details</i>	<i>Approx Shortfall (£ million)*</i>
Chris Bell	Betclearer Limited	Dissolved on 25 May 2016	2.1

\* Based on publicly available information available at Companies House

In addition, Chris Bell was a director of The Game Group PLC until 24 March 2012. An administrator was appointed on 3 April 2012 and the company was dissolved on 1 January 2016. As part of the liquidation, claims from secured creditors and preferential creditors were paid in full. Unsecured creditors claimed a total of £29 million and received £36,437 representing 0.1272p per pound claimed.

- 5.4 The interests of the Directors and their respective families (within the meaning of the AIM Rules for Companies) in the issued share capital of the Company immediately prior to and following Admission are as follows:

<i>Name</i>	<i>Following the Reorganisation and immediately prior to Admission</i>		<i>Immediately following Admission</i>	
	<i>Number of Shares</i>	<i>Percentage of issued Share capital</i>	<i>Number of Shares</i>	<i>Percentage of issued Share capital</i>
Chris Bell	–	–	90,909	0.1
Debbie Bestwick	45,707,433	44.0	29,154,162	22.2
Paul Bray	11,426,833	11.0	7,240,657	5.5
Penny Judd	–	–	24,242	0.0

- 5.5 Save as set out in this document:

- there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of Director, nor are there any loans, guarantees or related financial products provided by any Director for the benefit of any member of the Group;
- none of the Directors nor any member of their respective families (within the meaning of the AIM Rules for Companies) has any interest in the share capital of the Company;
- no Director has any option over or warrant or other right to subscribe for any shares in the Company; and
- none of the Directors nor any member of their respective families (within the meaning of the AIM Rules for Companies) holds or has held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Shares.

## 6. Significant shareholders

- 6.1 Immediately following Admission, to the extent known by the Company, it is expected that (in addition to the interests of the Directors set out in paragraph 6 above) the following persons will be interested (directly or indirectly) in 3 per cent. or more of the Company's issued Share capital:

<i>Name of Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of issued Share capital</i>
Debbie Bestwick	29,154,162	22.2
Paul Bray	7,240,657	5.5
LDC	21,843,880	16.6
Henderson Global Investors Limited	8,400,000	6.4
Financière Arbevel	6,300,000	4.8
BlackRock Advisors (UK) Limited	5,800,000	4.4
Fidelity Worldwide Investment (FIL)	5,500,000	4.2

- 6.2 No Shareholder set out above has (nor will it have) voting rights attached to the Shares it holds which are different to those held by the other Shareholders.

- 6.3 Save as set out in this document, the Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## **7. Directors' service contracts and letters of appointment**

### **7.1 Executive Directors' service contracts**

#### *Debbie Bestwick*

The Company is a party to a service agreement dated 17 May 2018 with Debbie Bestwick under which she is employed as the Group's Chief Executive Officer at a salary of £321,000 plus a discretionary bonus, together with the following benefits: pension contributions of five per cent. per annum, company car or a car allowance, private medical insurance for herself, her spouse/civil partner and/or children up to the age of 18, mobile telephone, laptop, directors' and officers' insurance (for 6 years' post-termination) and death in service benefit of £1,200,000. Debbie is entitled to 44 days holiday, including bank holidays. The service agreement is terminable on six months' written notice by either party. Debbie is subject to the following post-termination restrictions, each of which lasts for 6 months' post-termination: a non-competition covenant, non-solicitation of and non-dealing with certain restricted clients, non-contact with certain restricted contacts of the Group and non-solicitation of certain employees or suppliers, as well as confidentiality undertakings. Each of these restrictions is reduced by any period spent on garden leave prior to termination. Debbie is eligible to participate in a cash bonus plan. Annual bonuses will be primarily linked to the Company's annual financial performance. The maximum opportunity is determined at the discretion of the Board, however is proposed to be 100 per cent. of salary.

#### *Paul Bray*

The Company is a party to a service agreement dated 17 May 2018 with Paul Bray under which he is employed as the Group's Chief Financial Officer and Chief Operating Officer at a salary of £240,000 plus a discretionary bonus, together with the following benefits: pension contributions of five per cent. per annum, private medical insurance for himself, his spouse/ civil partner and/ or children up to the age of 21, mobile telephone, laptop, directors' and officers' insurance (for 6 years' post-termination) and death in service benefit of £760,000. Paul is entitled to 36 days holiday, including bank holidays. The service agreement is terminable on 6 months' written notice by either party. Paul is subject to the following post-termination restrictions, each of which lasts for six months' post-termination: a non-competition covenant, non-solicitation of and non-dealing with certain restricted clients, non-contact with certain restricted contacts of the Group and non-solicitation of certain employees or suppliers, as well as confidentiality undertakings. Each of these restrictions is reduced by any period spent on garden leave prior to termination. Paul is eligible to participate in a cash bonus plan. Annual bonuses will be primarily linked to the Company's annual financial performance. The maximum opportunity is determined at the discretion of the Board, however is proposed to be 100 per cent. of salary.

### **7.2 Non-Executive Directors' letters of appointment**

Each Non-Executive Director has entered into a letter of appointment with the Company pursuant to which they were appointed as a Non-Executive Directors on 1 May 2018. The letters of appointment provide for payment of annual remuneration for each of the Non-Executive Directors as follows.

- (a) Chris Bell – £100,000; and
- (b) Penny Judd – £55,000.

The fees payable to the Non-Executive Directors cover all duties, including any service on the board of any Group Company.

The letters of appointment are terminable on three months' notice by either party. The Non-Executive Directors are subject to confidentiality restrictions following termination.

### **7.3 Remuneration policy following Admission**

Following the Admission in addition to the above, it is intended that the following arrangements will form part of the remuneration policy for the Executive Directors:

- (a) *LTIP*

Awards under the LTIP will normally be granted to Executive Directors. It is expected that these awards will vest after three years subject to the participants' continued employment and satisfaction of performance conditions. The Initial LTIP Awards in the case of the Executive



Directors are intended to be a one off award. The maximum value of Shares to be granted in respect of the initial LTIP Awards will not exceed 500 per cent. of the participants' base salary. The maximum opportunity will only be granted for exceptional performance. Further details of the LTIP are provided in paragraphs 4.2 above.

(b) *DBP*

A DBP will be implemented for senior management of the Company and the award will comprise an annual cash bonus of which a proportion may be deferred into Shares. The award will be subject to continued employment and satisfaction of performance conditions which will be measured in respect of each financial year. The cash bonus will be subject to continued employment and will be awarded at a date, as soon as practicable, after the financial year end to which it relates. The deferred bonus will be subject to continued employment and will normally vest following a minimum holding period of two years. Following Admission, it is initially intended that ten members of the senior management team will be granted the awards. Further details of the DBP are provided in paragraph 4.3 above.

(c) *Pension*

To align the remuneration package with typical market practice, Executive Directors will receive an employer's pension contribution equal up to 10 per cent. of salary. This will be settled either via a direct contribution into a pension scheme or a cash supplement, increasing in line with Auto Enrolment minimum contribution levels.

(d) *Shareholding requirement*

Although the current Executive Directors have significant shareholdings within the Company, there is a shareholding requirement in order to cater for future Executive Directors who may not hold shares. Following Admission, any Executive Director of the Company will be expected to retain a shareholding equivalent to 100 per cent. of salary.

(e) *Chairman and Non-Executive Director fees*

The Chairman and Non-Executive Director fees will be set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as a member of the Board. The fee paid to the Chairman will be determined by the Remuneration Committee, while the fees for all other Non-Executive Directors will be determined by the Board.

(f) *SIP*

The Executive Directors and senior management will be able to participate in the all employee SIP. The SIP is intended to be launched as soon as practicable after Admission. Further details of the SIP are provided in paragraph 4.5 above.

## 8. Employees

As at 16 May 2018, being the latest practicable date prior to publication of this document, the Group employed 144 full time equivalent employees, the geographic breakdown of which is as follows:

<i>Location</i>	<i>Number of employees</i>
Nottingham	23
Wakefield	121

## 9. Placing Agreement

9.1 On 18 May 2018, the Company, the Directors and the Selling Shareholders entered into the Placing Agreement with Berenberg and GCA Altium (the "**Advisers**"). Pursuant to the Placing Agreement:

- (a) the Company has appointed Berenberg as its agent, subject to certain conditions, to use its reasonable endeavours to procure purchasers for their Placing Shares at the Placing Price;



- (b) in consideration for the services provided to the Company, the Company has agreed to pay or reimburse the Advisers the costs and expenses incurred by the Advisers in connection with the Placing and Admission, and the following fees and commissions:
  - (i) GCA Altium will receive a corporate finance fee;
  - (ii) Berenberg will receive a commission of 2.5 per cent. of an amount equal to the number of Placing Shares multiplied by the Placing Price; and
  - (iii) the Company will, at its sole and absolute discretion, pay to Berenberg an incentive commission of up to 1.0 per cent. of an amount equal to the number of Placing Shares multiplied by the Placing Price;
- (c) the obligations of the Advisers under the Placing Agreement are subject to certain conditions which are customary in an agreement of this nature;
- (d) the Placing Agreement contains provisions entitling the Advisers to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. The Advisers' termination rights are customary for agreements of this nature and include, amongst others, material adverse change, breach of representation, warranty or undertaking by any party giving such representation, warranty or undertaking and non-compliance by such persons with any obligation contained in the Placing Agreement; and
- (e) each of the Company, the Directors and the Selling Shareholders has given certain warranties and undertakings to the Advisers. The liability of the Company in respect of its obligations under the warranties is unlimited as to the amount. The liabilities of the Directors and the Selling Shareholders under the warranties are limited as to the amount and time;
- (f) the Company has given certain indemnities to the Advisers on customary terms;
- (g) the Company has given certain warranties and undertakings regarding compliance with certain laws and regulations affecting the making of the Placing in relevant jurisdictions;
- (h) the Company has undertaken to the Advisers not to issue additional Shares (save in relation to share schemes) for a period of 180 days following Admission without prior consent;
- (i) LDC, Christiaan van der Kuyl and Patrick Burns have each undertaken to the Advisers:
  - (a) not, without the prior written consent of the Advisers, to dispose of any of the Shares held by them or their respective associates at Admission for a period of six months following Admission, subject to customary exceptions; and
  - (b) during a period of six months following expiry of the lock-in period referred to in paragraph (5) above, to be subject to customary orderly market restrictions; and
- (j) the Directors and the remaining Selling Shareholders (other than the Team 17 Employee Benefit Trust) have each undertaken to the Advisers:
  - (a) not, without the prior written consent of the Advisers, to dispose of any of the Shares held by them or their respective associates at Admission for a period of twelve months following Admission, subject to customary exceptions; and
  - (b) during a period of twelve months following expiry of the lock-in period referred to in paragraph (a) above, to be subject to customary orderly marketing restrictions.

9.2 The following table contains details of the Selling Shareholders and the Sale Shares to be sold by them pursuant to the Placing:

<i>Name</i>	<i>Business Address</i>	<i>Number of Shares</i>	<i>Position, office or material relationship with the Group during the past 3 years</i>
Debbie Bestwick	Castleview House, Calder Island Way, Wakefield, West Yorkshire WF2 7AW	16,553,271	Shareholder/Director
Paul Bray	Castleview House, Calder Island Way, Wakefield, West Yorkshire WF2 7AW	4,186,176	Shareholder/Director
LDC	One Vine Street, London W1J 0AH	12,418,314	Shareholder
Kelvin Aston	Castleview House, Calder Island Way, Wakefield, West Yorkshire WF2 7AW	93,889	Shareholder
Christopher Davis	Castleview House, Calder Island Way, Wakefield, West Yorkshire WF2 7AW	1,849,028	Shareholder/Director
Christiaan van der Kuyl	Castleview House, Calder Island Way, Wakefield, West Yorkshire WF2 7AW	353,311	Shareholder/Director
Patrick Burns	Castleview House, Calder Island Way, Wakefield, West Yorkshire WF2 7AW	353,311	Shareholder
Team 17 Employee Benefit Trust	Castleview House, Calder Island Way, Wakefield, West Yorkshire WF2 7AW	2,041,900	Shareholder

## 10. Material contracts

### 10.1 **Placing Agreement**

Details of the Placing Agreement are set out in paragraph 9 above.

### 10.2 **Relationship Agreement**

On 18 May 2018, Debbie Bestwick entered into the Relationship Agreement with the Company. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of Debbie Bestwick and her respective associates.

The Relationship Agreement takes effect from Admission. The Relationship Agreement may be terminated by Debbie Bestwick if she (together with her associates) does not hold 15 per cent. or more of total voting rights in the Company for a period of at least two years. In the event that after such date she does not hold 15 per cent. or more, then the Relationship Agreement will cease to have effect. The Relationship Agreement may also be terminated by the Company or Debbie Bestwick if the Shares have ceased to be admitted to trading on AIM, or certain steps have been taken relating to the winding up of the Company, arrangements with the Company's creditors or the appointment of a receiver in respect of the Company's assets.

Under the Relationship Agreement Debbie Bestwick has undertaken that, for so long as she (together with her respective associates) holds 15 per cent. or more of total voting rights in the Company, she will (and will procure that her respective associates will), among other things:

- (a) ensure that the Group shall be managed for the benefit of the Shareholders as a whole and independently of themselves and her and her respective associates;
- (b) ensure that all transactions, and arrangements with the Company and any other member of the Group on an arm's length basis and on normal commercial terms;
- (c) not take any action that would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the AIM Rules for Companies or other applicable law; and

- (d) not exercise any of her voting or other rights and powers to cancel the Company's admission to trading on AIM.

Under the Relationship Agreement, for so long as Debbie Bestwick (together with her associates) exercises or controls 15 per cent. or more of total voting rights in the Company, she has the right to appoint one nominee director of the Company, to the extent she is not a Director of the Company.

### 10.3 **Nomad Agreement**

On 18 May 2018 the Company and GCA Altium entered into an agreement pursuant to which GCA Altium agreed to act as nominated adviser to the Company following Admission as required by the AIM Rules for Companies. GCA Altium will, inter alia, assist the Company with Complying with the AIM Rules for Companies. The Company has agreed to pay GCA Altium on an annual fee as well as reasonable out of pocket expenses. The agreement is subject to termination at any time on three months' notice given by either GCA Altium or the Company within the first twelve months following Admission, and one month's notice thereafter. The agreement also contains a customary indemnity given by the Company to GCA Altium in relation to the provision by GCA Altium of its services under the agreement.

### 10.4 **Share Purchase Agreement**

On 1 September 2016, Debbie Bestwick and Paul Bray (as sellers), Team 17 Holdings Limited (as buyer) entered into an agreement for the purchase of the entire issued share capital of Team 17 Software Limited (the "**SPA**"). The consideration payable by Team 17 Holdings Limited under the SPA was satisfied by issue of loan notes, shares in Team 17 Holdings Limited and cash consideration. In connection with the SPA, on 1 September 2016 Team 17 Holdings Limited entered into supplementary payment letters with, amongst others, Debbie Bestwick and Paul Bray, which provide for payments contingent on an exit event, including a listing.

Debbie Bestwick and Paul Bray provided customary warranties in respect of the shares being sold which would be expected in a transaction of this type. The tax warranties given by Debbie Bestwick and Paul Bray under the SPA subsist until 31 January 2021.

### 10.5 **Short Form Share Sale Agreement**

On 1 September 2016, Kelvin Aston (as seller) and Team 17 Holdings Limited (as buyer) entered into an agreement for the purchase of 790 B ordinary shares of £0.001 each and 1,842 C ordinary shares of £0.001 each in the issued share capital of Team 17 Software Limited (the "**Short Form SPA**"). The consideration payable by Team 17 Holdings Limited under the Short Form SPA was satisfied by issue of loan notes, shares in Team 17 Holdings Limited and cash consideration. Kelvin Aston provided limited title and capacity warranties in respect of the shares being sold which would be expected in a transaction of this type.

### 10.6 **Mouldy Toof Limited Share Purchase Agreement**

On 1 September 2016, Christopher Davis (as seller), and Team 17 Holdings Limited (as buyer) entered into an agreement for the purchase of the entire issued share capital of Mouldy Toof Limited (the "**MTL SPA**"). The consideration payable by Team 17 Holdings Limited under the MTL SPA was satisfied by issue of loan notes, shares in Team 17 Holdings Limited and cash consideration. Christopher Davis provided limited title and capacity warranties in respect of the shares being sold which would be expected in a transaction of this type.

### 10.7 **Investment Agreements**

On 1 September 2016, Team 17 Holdings Limited entered into an investment agreement (the "**Investment Agreement**") with (1) Debbie Bestwick and Paul Bray (the "**Senior Executives**"), (2) LDC (the "**Investors**") and (3) certain others. The Investment Agreement documented the terms of the investment by the Investors and certain members of the Group's management team. The Investors and the Senior Executives invested sums by way of ordinary share capital and loan notes.

Customary warranties were given by the Senior Executives and the Investment Agreement contains a customary extensive list of matters reserved for the consent of the Investors and/or other shareholder approval. The Investment Agreement will be terminated prior to admission.

Team 17 Holdings Limited entered into short form investment agreements with minority shareholders (the “**Short Form Investment Agreements**”), each dated 1 September 2016.

Pursuant to the Short Form Investment Agreements, each of those minority shareholders provided a number of positive and negative undertakings to Team 17 Holdings Limited and the Investors. It is intended that both Short Form Investment Agreements will be terminated prior to Admission.

#### 10.8 **Loan Agreements**

*Paul Bray*

On 1 September 2016, Paul Bray advanced the sum of £283,529, repayable on demand, to Team 17 Holdings Limited.

The current principal amount outstanding on this loan as at the date of this document is £159,807 with accrued interest of £22,425. It is intended that this loan will be repaid in full from the proceeds of the Placing.

*Debbie Bestwick*

On 1 September 2016, Debbie Bestwick advanced the sum of, £1,777,236, repayable on demand, to Team 17 Holdings Limited.

The current amount outstanding on this loan as at the date of this document is £1,185,592 with accrued interest of £174,874. It is intended that this loan will be repaid in full from the proceeds of the Placing.

#### 10.9 **Loan Note Instruments**

Team 17 Holdings Limited executed four loan note instruments on 1 September 2016, pursuant to which it issued £43,056,412 loan notes, in the following amounts:

<i>Name</i>	<i>Number of loan notes (£)</i>
LDC	15,665,464
Debbie Bestwick	18,946,020
Paul Bray	4,736,506
Others	3,708,422

The current principal amount of the loan notes outstanding as at the date of this document is £38,226,412, with accrued interest of £4,483,429.

The loan notes will become immediately payable on Admission, and be repaid out of the proceeds of the Placing.

#### 10.10 **Share and Loan Note Exchange**

On 15 May 2018 the Company entered into a share and loan note exchange agreement with Team 17 Holdings Limited and its shareholders (the “**Transferors**”) pursuant which the Transferors agreed to transfer their shares in Team 17 Holdings Limited to the Company in consideration for the allotment and issue to each of the Transferors shares in the Company. Pursuant to the agreement the holders of the loan notes issued by Team 17 Holdings Limited also agreed to exchange the principal amount of their loan notes in consideration for the issue of loan notes in the Company.

In connection with the share and loan note exchange, on 15 May 2018, the Company entered into an investment agreement (the “**Interim Investment Agreement**”) with the Transferors. The Interim Investment Agreement replicates the terms of the Investment Agreement at paragraph 10.7.

In addition to the Interim Investment Agreement, on 15 May 2018, the Company entered into two interim short form investment agreements (the “**Interim Short Form Investment Agreements**”), to replicate the terms of the Short Form Investment Agreements at paragraph 10.7.

## 11. Litigation

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company or the Group is aware) during the 12 months preceding the date of this document, which may have, or in the recent past have had, a significant effect on the Company's and/or the Group's financial position or profitability.

## 12. Investments, subsidiaries and principal establishments

12.1 The Company currently has no principal investments (in progress or planned for the future on which the Directors have made firm commitments or otherwise) other than the subsidiary undertakings listed below.

12.2 The principal subsidiaries and subsidiary undertakings of the Company are:

<i>Name</i>	<i>Place of incorporation</i>	<i>Percentage ownership interest by the Group</i>	<i>Principal activity</i>
Team 17 Holdings Limited	England and Wales	100	Holding company
Team 17 Digital Limited	England and Wales	100	Independent developer and games label
Team 17 Software Limited	England and Wales	100	Independent developer and games label
Mouldy Toof Studios Limited	England and Wales	100	Independent developer and games label

## 13. Related party transactions

Save as set out below or in note 27 to the Historical Financial Information, there are no related party transactions that were entered into by members of the Group during the period covered by the Historical Financial Information contained in Part III of this document and during the period from 1 January 2018 to the date of this document.

During the period from 1 September 2016 to the date of this document, the Group paid £131,250 in monitoring fees to LDC (Managers) Limited on behalf of services provided to the Group by LDC, a related party of the Group. These monitoring fees will cease to be payable after Admission.

## 14. Taxation

**The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current UK tax law and what is understood to be the current published practice (which may not be binding) of HMRC as at the date of this document, both of which are subject to change, possibly with retrospective effect. The following statements relate only to Shareholders who are resident (and, in the case of individuals, resident and domiciled or deemed domiciled) for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owners of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Shares in connection with their (or another person's) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Shares as**

**part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investments schemes, trusts and those who hold 5 per cent. or more of the Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme or venture capital scheme, able to claim any inheritance tax relief or any non-UK resident Shareholder holding Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).**

**Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.**

#### 14.1 ***Taxation of dividends***

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

##### *UK resident individual Shareholders*

Under current UK tax rules, specific rates of tax apply to dividend income. As of 1 April 2016, the notional dividend tax credit system was abolished. Instead, there is a nil rate of tax (the “Nil Rate Amount”) which from 6 April 2018, applies to the first £2,000 of dividend income received by an individual Shareholder who is resident for tax purposes in the UK for 2018/2019. Dividend income in excess of the Nil Rate Amount (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates for 2018/2019: 7.5 per cent. (to the extent that it falls below the threshold for higher rate income tax); 32.5 per cent. (to the extent that it falls above the threshold for higher rate income tax and is within the higher rate band); and 38.1 per cent. (to the extent that it is within the additional rate). For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder’s income. In addition, dividends within the Nil Rate Amount which would (if there was no Nil Rate Amount) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

##### *UK resident corporate Shareholders*

Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate Shareholder (which is not a “small company” for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009) will be liable to UK corporation tax (currently at a rate of 19 per cent from 1 April 2017, and reducing to 17 per cent from 1 April 2020) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are “ordinary shares” (that is shares that do not carry any present or future preferential right to dividends or to the Company’s assets on its winding up) and which are not “redeemable”, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

##### *Non-UK resident Shareholders*

Non-UK resident Individual Shareholders who receive a dividend from the Company are treated as having paid UK income tax on their dividend income at the dividend ordinary rate (7.5 per cent.). Such income tax will not be repayable to a non-UK resident Individual Shareholder. A non-UK resident Shareholder is not generally subject to further UK tax on dividend receipts.

A non-UK resident Individual Shareholder may also be subject to taxation on dividend income under local law, in their country or jurisdiction of residence and/or citizenship. A shareholder who is not



solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from the Company in respect of liability to both UK taxation and taxation of any other country of residence or citizenship.

#### 14.2 **Taxation of chargeable gains**

Individual and corporate Shareholders who are resident in the United Kingdom may, depending on their circumstances (including the availability of allowances, exemptions or reliefs), realise a chargeable gain or an allowable loss for the purposes of taxation of capital gains on a sale or other disposal (or deemed disposal) of Shares.

##### *UK resident individual Shareholders*

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax on disposal of shares is 10 per cent. (2018/2019) for individuals who are subject to income tax at the basic rate and 20 per cent. (2018/2019) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £11,700) for the year to 5 April 2019 without being liable to UK capital gains tax.

##### *UK resident corporate Shareholders*

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent. with effect from 1 April 2017, and reducing to 17 per cent. from 1 April 2020) or an allowable loss for the purposes of UK corporation tax.

##### *Non UK resident Shareholders*

An individual Shareholder who is only temporarily resident outside the United Kingdom may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised when they resume UK tax residence (subject to available allowances, exemptions or reliefs) upon a sale or other disposal (or deemed disposal) of Shares.

Shareholders who are not tax resident in the United Kingdom and, in the case of an individual Shareholder, not temporarily non-resident, will not generally be subject to UK taxation of capital gains on a sale or other disposal (or deemed disposal) of Shares unless such Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or, in the case of a corporate Shareholder, through a permanent establishment. Shareholders who are not resident in the United Kingdom may be subject to non-UK taxation on any gain under local law.

#### 14.3 **Inheritance tax**

The Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets during lifetime or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the holder is or was neither domiciled in the United Kingdom nor deemed to be domiciled there, under certain rules relating to long residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit following a gift of an asset. Special rules also apply to close companies and to trustees of settlements who hold Shares bringing them within the charge to inheritance tax. A change to inheritance tax may also arise if the shares are transferred to a trust during their lifetime or on death. Holders of Shares should consult an appropriate professional adviser if they make a gift of any kind or a transfer at less than market value, or if they intend to hold any Shares through a trust or similar indirect arrangements. They should also seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.



#### 14.4 **Stamp duty and stamp duty reserve tax (“SDRT”)**

No UK stamp duty or SDRT will be generally payable on the issue of Shares. AIM qualifies as a recognised growth market for the purposes of the UK stamp duty and SDRT legislation. Accordingly, for so long as the Shares are admitted to trading on AIM and are not listed on any other market no charge to UK stamp duty or SDRT should arise on their subsequent transfer. If the Shares cease to qualify for this exemption their transfer on sale will be subject to stamp duty and/or SDRT (generally at the rate of 0.5 per cent. of the consideration subject to a *de minimis* threshold), although special rules apply in respect of certain transfers including transfers to market intermediaries and transfers into clearance services or depositary receipt arrangements. The statements in this paragraph apply to any holders of Shares irrespective of their residence, and are a summary of the current position and are intended to be a general guide to the current stamp duty and SDRT position. Shareholders in any doubt about their position should seek appropriate tax advice.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.**

### 15. **Takeover Code, ‘squeeze out’ and ‘sell out’**

#### 15.1 **Mandatory takeover bids**

The Company is subject to the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are described below. The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed public company resident in the United Kingdom. The Company is a public company resident in the United Kingdom and its shareholders are therefore entitled to the protections afforded by the Takeover Code. Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares already held by him and any interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company. Rule 9 of the Takeover Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of the voting rights of such a company, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him. Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Panel consent. For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for the Company. Paragraph (9) of the definition of ‘acting in concert’ also deems any shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies to be acting in concert for the purposes of the Takeover Code unless the contrary is established and control in this context means an interest in shares of 30 per cent. or more of the voting rights of a company.

Debbie Bestwick and Paul Bray (the “**Concert Party**”) are considered to be acting in concert with each other in relation to the Company for the purpose of the Takeover Code (which creates a presumption that shareholders in a private company who, following the re-registration of that company as a public company, become shareholders in a company to which the Takeover Code applies, are acting in concert). Following Admission, the Concert Party will control approximately 27.7 per cent. of the voting rights in the Company.

#### 15.2 **Squeeze out**

Under the Companies Act, if a “takeover offer” (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Shares to which the takeover offer relates (the “**Takeover Offer Shares**”) and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

#### 15.3 **Sell-out**

The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Shares (being voting shares that carry voting rights in the Company), any holder of Shares to which the offer relates who has not accepted the offer is entitled by a written communication to the offeror to require it to acquire its Shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, the giving notice. If a Shareholder exercises his other rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

### 16. **Working capital**

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group, taking into account the receipt of the net proceeds to the Company from the placing of the New Shares will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

### 17. **Significant change**

There has been no significant change in the financial or trading position of the Operating Group since 31 December 2017, being the date to which the Historical Financial Information of the Operating Group as set out in Section B of Part III of this document was prepared.

There has been no significant change in the financial or trading position of the Company since 14 February 2018, being the date the Company was incorporated.

### 18. **General**

- 18.1 The total costs and expenses of, or incidental to, the Placing and Admission which are payable by the Company are estimated to be approximately £2.3 million (inclusive of value added tax). The expected net proceeds of the Placing of the New Shares, after deduction of such costs and expenses is £42.8 million. The Selling Shareholders bear the cost of commissions payable in respect of the Placing of the Placing Shares.

- 18.2 Apart from the application for Admission, the Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Shares.
- 18.3 The nominated adviser to the Company is GCA Altium, which is authorised and regulated in the UK by the Financial Conduct Authority. GCA Altium has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and the context in which it appears.
- 18.4 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of its report in Section A of Part III of this document in the form and context in which it appears.
- 18.5 The Broker to the Company is Berenberg, which is authorised by the German Federal Financial Supervisory Authority and subject to limited regulation in the UK by the Financial Conduct Authority. Berenberg has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 18.6 The accounting reference date of the Company is 31 December. The current accounting period will end on 31 December 2018.
- 18.7 Save as set out in paragraph 13 of this Part V, no person (other than the Company's professional advisers named in this document, trade suppliers and the Group's intellectual property lawyers) has at any time within the twelve months preceding the date of this document received, directly or indirectly, from the Company or entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 18.8 The Placing Price of 165 pence represents a premium of 164 pence above the nominal value of one pence per Share. The Placing Price is payable in full on application.
- 18.9 The auditors of the Group are PricewaterhouseCoopers LLP, chartered accountants and registered auditors, who have audited the accounts for the Group (in each case as constituted at that time) for the financial year ended 31 December 2017. PricewaterhouseCoopers LLP are members of the Institute of Chartered Accountants in England and Wales. Dutton Moore, chartered accountants and registered auditors, audited the accounts for the Group (in each case as constituted at that time) for the financial year ended 31 December 2016, and for Team 17 Software Limited and its subsidiaries for the financial year ended 31 December 2015. Dutton Moore are members of the Institute of Chartered Accountants in England and Wales.
- 18.10 There are no arrangements under which future dividends are waived or agreed to be waived.
- 18.11 The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Act. Statutory accounts have been delivered to the registrar of companies for the periods ended 31 December 2016 and in respect of Team 17 Software Limited, for the period ended 31 December 2015. Auditors' reports in respect of each statutory accounts have been made under section 235 of the 1985 Act and/or section 495 of the Act and each such report was an unqualified report and did not contain any statement under section 237(2) or (3) of the 1985 Act or section 498(2) or (3) of the Act.

## **19. Documents available for inspection**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and English public holidays excepted) for a period of 1 month from Admission at the Company's registered office and at the offices of Squire Patton Boggs (UK) LLP, 7 Devonshire Square, London EC2M 4YH:

- (a) the Articles;
- (b) the combined and consolidated financial information in respect of the three financial years ended 31 December 2017, together with the related Accountants Report from PricewaterhouseCoopers LLP, which are set out in Part III of this document;

- (c) the letters of consent referred to in paragraph 18 of this Part V; and
- (d) this document.

The documents will also be available for inspection on the Company's website at [www.team17.com](http://www.team17.com).

Dated: 18 May 2018





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