

REGISTERED NUMBER: 07567431 (England and Wales)

**Strategic Report,
Report of the Directors and
Audited Financial Statements
for the Year Ended 31 December 2022
for
Coatsink Software Ltd**

Haines Watts North East Audit LLP
17 Queens Lane
Newcastle upon Tyne
NE1 1RN



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for the Year Ended 31 December 2022**

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Coatsink Software Ltd
Company Information
for the Year Ended 31 December 2022

DIRECTORS:

Mr T H Beardsmore
Mr E Beardsmore
Mr P D Crabb
Mr S Launder
Mr J Whitmore

REGISTERED OFFICE:

Northern Design Centre
Abbott's Hill
Gateshead
Tyne and Wear
NE8 3DF

REGISTERED NUMBER:

07567431 (England and Wales)

AUDITORS:

Haines Watts North East Audit LLP
17 Queens Lane
Newcastle upon Tyne
NE1 1RN

**Strategic Report
for the Year Ended 31 December 2022**

The directors present their strategic report for the year ended 31 December 2022.

REVIEW OF BUSINESS

The principal activity of the company continues to be the development and publishing of video games. Our customer base extends across the world and covers a range of platforms such as Microsoft Xbox, Nintendo Switch, Oculus Quest, and Sony Playstation.

We report turnover for the year of £11.9m (2021: £21m) achieved by continued growth in our development revenue and success of the games themselves.

A gross profit of £8.7m (2021: £18.6m) with gross margin at 73.1% (2021: 87.5%). We continue to push process and technology innovation as a means of controlling cost and make use of our partner status with a growing range of clients.

EBIT closed the year at £6.4m

We have continued investment in our own IP games.

The company continues to comply with ISO 9001 and ISO 27001 and have adopted a rigorous stance on GDPR. Our internal processes continue to be reviewed on a regular basis against legal and regulatory guidance and amended when appropriate.

PRINCIPAL RISKS AND UNCERTAINTIES

The company has an established, structured approach to risk management. The company's activities expose it to a variety of financial risks, including effects of credit, liquidity and cash flow. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner. Financial assets that expose the company to financial risk consist primarily of trade debtors and cash. Financial liabilities that expose the company to financial risk consist principally of trade creditors.

Credit risk is the loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The company performs rigorous credit checks before engaging new customers and ongoing credit evaluation of its existing customers' financial condition. Historically, the company has not seen significant levels of bad debts and there has been no indication of that changing during the last financial year.

Liquidity risk is the risk that the company does not have sufficient readily convertible assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the company ensures that there is an adequate buffer to cover contingencies. In particular, the company maintains sufficient cash to meet its funding requirements and can comfortably service supplier debts.

The company's exposure to industry specific downturn is mitigated by the diversity of its customer portfolio. Furthermore, the risk of general economic downturn is softened by the high volume of recurring, business critical services that it delivers.

KEY PERFORMANCE INDICATORS

Performance is monitored on a regular basis against the following KPIs.

1. Expand our partner projects bringing in new revenue to mitigate our cost base.
2. Expand our publishing portfolio in increasing reoccurring revenue.
3. Explore new platforms to sell our games.
4. Develop our own IP.

FUTURE DEVELOPMENTS

Despite the current economic environment, we see continued demand for many of our products and services and we feel well placed to assist businesses with their changing requirements. Whilst we expect a downturn in demand for some products and have remodelled our expectations on that basis, we continuing to forecast growth in revenue throughout 2023 and to maintain healthy margins.

We stay committed to innovation of product and internal process to ensure that we offer our customers the best possible solution whilst remaining competitive on price. We will continue to invest in new technologies and to ensure that our staff are suitably trained and accredited in delivering them.

ON BEHALF OF THE BOARD:



.....
Mr E Beardsmore - Director

Date: 22/09/2023

**Report of the Directors
for the Year Ended 31 December 2022**

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2022.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

Mr T H Beardsmore
Mr E Beardsmore
Mr P D Crabb
Mr S Launder
Mr J Whitmore

DISCLOSURE IN THE STRATEGIC REPORT

The company has chosen in accordance with S.414C(11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of financial instruments and future developments.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Haines Watts North East Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:



.....
Mr E Beardsmore - Director

Date: 22/09/2023
.....

Report of the Independent Auditors to the Members of Coatsink Software Ltd

Opinion

We have audited the financial statements of Coatsink Software Ltd (the 'company') for the year ended 31 December 2022 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Report of the Independent Auditors to the Members of
Coatsink Software Ltd**

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

We obtained an understanding of the legal and regulatory framework applicable to both the company itself and industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements, through discussions with the directors. The most significant were identified as the Companies Act 2006, UK GAAP (FRS102) and relevant tax legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. Our audit procedures included:

- Making enquiries of directors as to whether they have any knowledge or suspicion of fraud;
- Obtaining an understanding of the internal controls established to mitigate risks related to fraud;
- Assessing the risk of management override including testing a sample of journal entries;
- Tested a sample of development contracts to ensure cut-off is accurate, including vouching income received to bank statements.

Our audit did not identify any key audit matters relating to the detection of irregularities including fraud. However, despite the audit being planned and conducted in accordance with ISAs (UK) there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very nature, any such instance of fraud or irregularity likely involve collusion, forgery, intentional misrepresentations, or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicola Scarr ACA (Senior Statutory Auditor)
for and on behalf of Haines Watts North East Audit LLP
17 Queens Lane
Newcastle upon Tyne
NE1 1RN

Date: 25 September 2023

Coatsink Software Ltd (Registered number: 07567431)

**Profit and Loss Account
for the Year Ended 31 December 2022**

		2022	2021
	Notes	£	as restated £
TURNOVER	5	11,882,229	21,293,536
Cost of sales		<u>(3,198,239)</u>	<u>(2,658,956)</u>
GROSS PROFIT		8,683,990	18,634,580
Administrative expenses		<u>(2,269,182)</u>	<u>(2,295,129)</u>
OPERATING PROFIT	7	6,414,808	16,339,451
Interest receivable and similar income		<u>423,922</u>	<u>40,435</u>
		6,838,730	16,379,886
Interest payable and similar expenses	8	<u>(6,890)</u>	<u>(4,444)</u>
PROFIT BEFORE TAXATION		6,831,840	16,375,442
Tax on profit	9	<u>(611,945)</u>	<u>(2,175,668)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>6,219,895</u>	<u>14,199,774</u>

The notes form part of these financial statements

Coatsink Software Ltd (Registered number: 07567431)

**Balance Sheet
31 December 2022**

		2022		2021 as restated	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	11	6,807,389		3,640,209	
Tangible assets	12	35,961		113,010	
		<u>6,843,350</u>		<u>3,753,219</u>	
CURRENT ASSETS					
Debtors	13	5,561,261		8,328,913	
Cash at bank		15,875,342		11,610,920	
		<u>21,436,603</u>		<u>19,939,833</u>	
CREDITORS					
Amounts falling due within one year	14	1,026,585		2,659,579	
NET CURRENT ASSETS			<u>20,410,018</u>		<u>17,280,254</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>27,253,368</u>		<u>21,033,473</u>
CAPITAL AND RESERVES					
Called up share capital	16		200		200
Profit and loss account	17		27,253,168		21,033,273
SHAREHOLDERS' FUNDS			<u>27,253,368</u>		<u>21,033,473</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22-9-23 and were signed on its behalf by:



.....
Mr E Beardsmore - Director

Coatsink Software Ltd (Registered number: 07567431)

**Statement of Changes in Equity
for the Year Ended 31 December 2022**

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2021	200	6,833,499	6,833,699
Changes in equity			
Total comprehensive income	-	14,199,774	14,199,774
Balance at 31 December 2021	<u>200</u>	<u>21,033,273</u>	<u>21,033,473</u>
Changes in equity			
Total comprehensive income	-	6,219,895	6,219,895
Balance at 31 December 2022	<u><u>200</u></u>	<u><u>27,253,168</u></u>	<u><u>27,253,368</u></u>

The notes form part of these financial statements

Coatsink Software Ltd (Registered number: 07567431)

**Cash Flow Statement
for the Year Ended 31 December 2022**

		2022	2021
	Notes	£	as restated £
Cash flows from operating activities			
Cash generated from operations	1	9,563,958	10,506,729
Interest paid		(6,890)	(4,444)
Tax paid		(2,100,308)	(793,155)
Net cash from operating activities		<u>7,456,760</u>	<u>9,709,130</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(4,479,453)	(3,349,270)
Interest received		423,922	40,435
Net cash from investing activities		<u>(4,055,531)</u>	<u>(3,308,835)</u>
Cash flows from financing activities			
Foreign exchange gains and losses		863,193	150,474
Net cash from financing activities		<u>863,193</u>	<u>150,474</u>
Increase in cash and cash equivalents		<u>4,264,422</u>	<u>6,550,769</u>
Cash and cash equivalents at beginning of year	2	11,610,920	5,060,151
Cash and cash equivalents at end of year	2	<u><u>15,875,342</u></u>	<u><u>11,610,920</u></u>

The notes form part of these financial statements

Coatsink Software Ltd (Registered number: 07567431)

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2022**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2022	2021 as restated
	£	£
Profit before taxation	6,831,840	16,375,442
Depreciation charges	1,389,320	774,884
Foreign exchange gains and losses	(863,193)	(150,474)
Finance costs	6,890	4,444
Finance income	(423,922)	(40,435)
	<hr/>	<hr/>
Decrease/(increase) in trade and other debtors	2,767,654	(6,689,971)
(Decrease)/increase in trade and other creditors	(144,631)	232,839
	<hr/>	<hr/>
Cash generated from operations	9,563,958	10,506,729
	<hr/> <hr/>	<hr/> <hr/>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	15,875,342	11,610,920
	<hr/> <hr/>	<hr/> <hr/>

Year ended 31 December 2021

	31.12.21 as restated	1.1.21
	£	£
Cash and cash equivalents	11,610,920	5,060,151
	<hr/> <hr/>	<hr/> <hr/>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.22 £	Cash flow £	At 31.12.22 £
Net cash			
Cash at bank	11,610,920	4,264,422	15,875,342
	<hr/>	<hr/>	<hr/>
	11,610,920	4,264,422	15,875,342
	<hr/>	<hr/>	<hr/>
Total	11,610,920	4,264,422	15,875,342
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the Financial Statements
for the Year Ended 31 December 2022**

1. STATUTORY INFORMATION

Coatsink Software Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

Monetary amounts in these financial statements are rounded to the nearest £.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Intangible assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs	1/3 months 1-3 after release, 1/3 months 4-12 after release, 1/3 months 13-24 after release
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Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

3. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Impairment of assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

3. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current tax. Tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Research and development

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

Leasing

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

4. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

5. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2022	2021 as restated
	£	£
Development revenue	6,406,949	6,010,623
Game sales	3,991,972	6,322,341
Other sales	1,483,308	8,960,572
	<u>11,882,229</u>	<u>21,293,536</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

6. EMPLOYEES AND DIRECTORS

	2022	2021 as restated
	£	£
Wages and salaries	2,566,585	2,167,525
Social security costs	319,956	214,046
Other pension costs	84,659	40,322
	<u>2,971,200</u>	<u>2,421,893</u>

The average number of employees during the year was as follows:

	2022	2021 as restated
Management and administration	8	6
Marketing	4	7
Developers	91	87
	<u>103</u>	<u>100</u>

	2022	2021 as restated
	£	£
Directors' remuneration	375,000	355,000
Directors' pension contributions to money purchase schemes	40,054	7,896
	<u>415,054</u>	<u>362,896</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>5</u>	<u>5</u>
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Information regarding the highest paid director is as follows:

	2022	2021 as restated
	£	£
Emoluments etc	108,500	75,000
Pension contributions to money purchase schemes	18,050	1,319
	<u>126,550</u>	<u>76,319</u>

7. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2022	2021 as restated
	£	£
Other operating leases	101,147	92,122
Depreciation - owned assets	77,049	87,259
Development costs amortisation	1,312,273	687,625
Auditors' remuneration	14,500	14,500
Foreign exchange differences	(1,534,891)	(150,474)
	<u>160,078</u>	<u>320,032</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021 as restated
	£	£
Bank loan interest	<u>6,890</u>	<u>4,444</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

9. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2022	2021 as restated
	£	£
Current tax:		
UK corporation tax	611,945	2,175,668
	<u>611,945</u>	<u>2,175,668</u>
Tax on profit	<u>611,945</u>	<u>2,175,668</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2022	2021 as restated
	£	£
Profit before tax	<u>6,831,840</u>	<u>16,375,442</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,298,050	3,111,334
Effects of:		
Expenses not deductible for tax purposes	233,506	96,639
Utilisation of tax losses	38,269	(37,848)
Creative industries tax credit	(639,337)	(910,729)
Development costs	(318,543)	(37,416)
Other timing differences	-	(46,312)
	<u>611,945</u>	<u>2,175,668</u>
Total tax charge	<u>611,945</u>	<u>2,175,668</u>

10. PRIOR YEAR ADJUSTMENT

The comparative has been adjusted with respect to an under-accrual of income in the year ended 31 December 2021. Turnover for the year ended 31 December 2021 has therefore increased by £243,745 with a respective increase in accrued income. As a result, debtors per the balance sheet has increased to £8,328,913 and the profit and loss account reserves have increased to £21,033,273.

11. INTANGIBLE FIXED ASSETS

	Development costs £
COST	
At 1 January 2022	4,460,224
Additions	4,479,453
	<u>8,939,677</u>
At 31 December 2022	
AMORTISATION	
At 1 January 2022	820,015
Amortisation for year	1,312,273
	<u>2,132,288</u>
At 31 December 2022	
NET BOOK VALUE	
At 31 December 2022	<u>6,807,389</u>
At 31 December 2021	<u>3,640,209</u>

Coatsink Software Ltd (Registered number: 07567431)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

12. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1 January 2022			
and 31 December 2022	<u>197,911</u>	<u>220,246</u>	<u>418,157</u>
DEPRECIATION			
At 1 January 2022	160,827	144,320	305,147
Charge for year	<u>21,987</u>	<u>55,062</u>	<u>77,049</u>
At 31 December 2022	<u>182,814</u>	<u>199,382</u>	<u>382,196</u>
NET BOOK VALUE			
At 31 December 2022	<u>15,097</u>	<u>20,864</u>	<u>35,961</u>
At 31 December 2021	<u>37,084</u>	<u>75,926</u>	<u>113,010</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 as restated £
Trade debtors	3,553,265	2,850,594
Other debtors	16,678	14,333
VAT	24,841	5,044
Accrued income	1,823,389	5,347,434
Prepayments	143,088	111,508
	<u>5,561,261</u>	<u>8,328,913</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 as restated £
Trade creditors	312,954	232,250
Tax	509,265	1,997,628
Social security and other taxes	106,480	84,498
Other creditors	15,619	10,842
Accruals and deferred income	82,267	334,361
	<u>1,026,585</u>	<u>2,659,579</u>

15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022 £	2021 as restated £
Within one year	<u>116,218</u>	<u>116,218</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2022	2021
Number:	Class:	Nominal value:	£	as restated £
1,400,000	Ordinary £0.001	0.01p	140	140
600,000	A Ordinary £0.0001	0.01p	60	60
			<u>200</u>	<u>200</u>

The ordinary and A ordinary shares carry equal rights to voting, dividend distribution and on winding up. The directors have the discretion to vary dividends payable on either class of shares.

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Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

17. **RESERVES**

	Profit and loss account £
At 1 January 2022	21,033,273
Profit for the year	<u>6,219,895</u>
At 31 December 2022	<u><u>27,253,168</u></u>

Includes all current and prior period profit and losses.

18. **RELATED PARTY DISCLOSURES**

A director is also a person with significant control of Odyssey Personal Training Limited. Staff wellbeing services were provided to the company during the year totalling £29,750. The transactions were considered to be on an arm's length basis. There was no balance outstanding at the year end.

19. **ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is Thunderful Group AB, a company registered in Sweden. The group financial statements can be obtained from the company's registered office, Kvarnbergsgatan 2, 411 05 Gothenburg, Sweden.