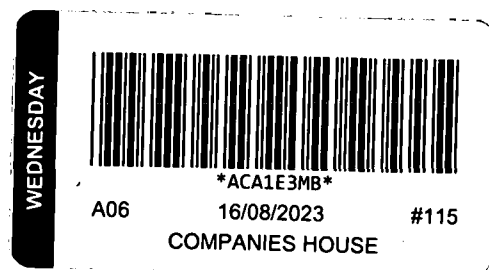


Registered number: 05240956

NINJA THEORY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022



NINJA THEORY LIMITED

COMPANY INFORMATION

Directors	K R Dolliver B O Orndorff
Company secretary	Reed Smith Corporate Services Limited
Registered number	05240956
Registered office	The Broadgate Tower Third Floor 20 Primrose Street London EC2A 2RS
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY
Bankers	Bank of America N.A. 2 King Edward Street London EC1A 1HQ
Solicitors	Osborne Clarke LLP One London Wall London EC2Y 5EB

NINJA THEORY LIMITED

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NINJA THEORY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2022

Business review

During the financial year, Ninja Theory has continued to focus on work on the Mara and Hellblade 2 projects. These projects are transitioning further in their development and we are excited to bring updates on their progress in the near future as we ramp up into full development on these projects.

During the year, the office has been opened to all staff and we have now fully implemented our home working/ office working policies to allow for a fully hybrid solution for all staff, allowing the team the freedom to work however suits them best. We continue to monitor the performance of this hybrid working policy, making improvements to infrastructure and office functionality to ensure a seamless experience between the two.

The games industry has continued to push toward both digital publishing and subscription-based gaming, for which Ninja Theory remains committed to staying at the forefront and ensure it is strategically positioned to take full advantage of these developments, thus being principally engaged in projects that encapsulate the progression in the industry.

The Directors believe that the financial results are an accurate reflection of the performance of the Company during the year.

Principal risks and uncertainties

The Company's principal financial assets comprise cash and intercompany receivables arising directly from its operations. The main purpose of these financial assets is to fund the Company's operations.

The Company's activities expose it to several financial risks. The main risks arising from the Company's financial operations are credit risk and liquidity. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

There is one primary additional risk during the year being Brexit, which has continued from previous financials. The risks and changes to business are still not yet fully known. The 2 major risks that Ninja Theory is exposed to are hiring and access to markets. Hiring remains challenging, however has been steady and is under review. Access to markets has remained largely unchanged, being mitigated through our acquisition by Microsoft as they are the main distributors of our products.

Credit Risk

The Company seeks to manage its credit risk by dealing with established companies, establishing clear, contractual relationships and by identifying and addressing credit issues arising in a timely manner.

Liquidity Risk

The risk is managed through the Group Treasury function supported by local management, utilising the group cash pool to ensure sufficient cash is freely available to meet foreseeable needs.

NINJA THEORY LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

Financial key performance indicators

The Directors consider operating expenses to be the Company's key performance indicator.

Operating Expenses (OPEX) are managed by a central team within Microsoft, who set the OPEX budget allocations on an annual basis. This year, OPEX has increased from £13.2m to £18.0m (an increase of 36%). This is in line with the agreed budget and Directors are satisfied that this is reflective of the activities undertaken in the year.

Future developments

We continue our work on Hellblade 2 and Mara. We are excited to bring further updates on these projects over the coming year as we enter full production of these games.

This report was approved by the board and signed on its behalf.


B O O'Connell
Director

Date

14 August 2023

NINJA THEORY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

The directors present their report and the financial statements for the year ended 30 June 2022.

Results and dividends

The loss for the year, after taxation, amounted to £401,535 (2021: *profit* £2,263,628).

No dividends were paid or proposed (2021: *£Nil*).

Directors

The directors who served during the year and after year end were:

K R Dolliver
B O Omdorff

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' Report 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Future developments

We continue our work on Hellblade 2 and Mara. We are excited to bring further updates on these projects over the coming year as we enter full production of these games.

Research and development activities

The Company continues its policy of developing cutting edge technical innovation in computer game development.

NINJA THEORY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

Qualifying third party indemnity provisions

The Company had no qualifying indemnity provisions during the year and at the date of this report.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14 August 2023 and signed on its behalf.


B O O'Connell
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NINJA THEORY LIMITED

Opinion

We have audited the financial statements of Ninja Theory Limited (the 'Company') for the year ended 30 June 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and 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 30 June 2022 and of its loss 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 'Auditor's 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NINJA THEORY LIMITED (CONTINUED)

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 other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NINJA THEORY LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

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 Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

**Grant Thornton**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NINJA THEORY LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting frameworks (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, including laws and regulations relating to employment matters, data security and protection, health and safety, consumer credit licensing and the Modern Slavery Act;
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our examination of legal and professional fees incurred during the year;
- We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. Management did not identify or communicate to us any such instances;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls;
- Our audit procedures involved:
 - evaluation of the design effectiveness and testing the operating effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on material manual journals, including those with unusual account combinations; and
 - challenging assumptions and judgements made by management in its significant accounting estimates;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed noncompliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NINJA THEORY LIMITED (CONTINUED)

- **Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:**
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity;
- **We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.**
- **We completed audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.**

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 Auditor's Report.

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 an Auditor's Report 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.

Grant Thornton UK LLP

Paul Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
Date: 14/8/2023

NINJA THEORY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2022 £	2021 £
Turnover	4	20,716,635	16,733,471
Cost of sales		(1,794,597)	(1,309,786)
Gross profit		18,922,038	15,423,685
Administrative expenses		(17,985,057)	(13,180,572)
Operating profit	5	936,981	2,243,113
Interest receivable and similar income	9	89,786	37,488
Profit before tax		1,026,767	2,280,601
Tax on profit	10	(1,428,302)	(16,973)
(Loss)/profit for the year		(401,535)	2,263,628

There was no other comprehensive income for 2022 (2021:£Nil).

The notes on pages 14 to 27 form part of these financial statements.

NINJA THEORY LIMITED
REGISTERED NUMBER:05240956

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	18,203,874	20,304,703
		<u>18,203,874</u>	<u>20,304,703</u>
Current assets			
Stocks	12	4,310	4,310
Debtors: amounts falling due within one year	13	82,690,195	76,502,179
Cash at bank and in hand	14	-	2,654,614
		<u>82,694,505</u>	<u>79,161,103</u>
Creditors: amounts falling due within one year	15	(4,383,347)	(2,549,239)
Net current assets		<u>78,311,158</u>	<u>76,611,864</u>
Total assets less current liabilities		<u>96,515,032</u>	<u>96,916,567</u>
Net assets		<u><u>96,515,032</u></u>	<u><u>96,916,567</u></u>
Capital and reserves			
Called up share capital	17	30,000	30,000
Capital redemption reserve	18	20,000	20,000
Profit and loss account	18	96,465,032	96,866,567
		<u>96,515,032</u>	<u>96,916,567</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


B O Orndorff
 Director

Date: 14 August 2023

The notes on pages 14 to 27 form part of these financial statements.

NINJA THEORY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2021	30,000	20,000	96,866,567	96,916,567
Comprehensive income for the period				
Loss for the year	-	-	(401,535)	(401,535)
At 30 June 2022	30,000	20,000	96,465,032	96,515,032

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2020	30,000	20,000	94,602,939	94,652,939
Comprehensive income for the year				
Profit for the year	-	-	2,263,628	2,263,628
At 30 June 2021	30,000	20,000	96,866,567	96,916,567

The notes on pages 14 to 27 form part of these financial statements.

NINJA THEORY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	(401,535)	2,263,628
Adjustments for:		
Depreciation of tangible assets	2,948,865	437,166
Interest received	(89,786)	(37,488)
Taxation charge	1,428,302	16,973
(Increase) in debtors	(1,233,341)	(1,406,982)
(Increase)/decrease in amounts owed by group	(3,606,503)	22,720,564
(Decrease) in creditors	(942,366)	(2,126,950)
Increase/(decrease) in provisions	-	(225,000)
Corporation tax received/(paid)	-	(13,874,031)
Foreign exchange	10,450	158,863
Net cash generated from operating activities	<u>(1,885,914)</u>	<u>7,926,743</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(848,036)	(9,078,310)
Interest received	89,786	37,488
Net cash from investing activities	<u>(758,250)</u>	<u>(9,040,822)</u>
Net (decrease) in cash and cash equivalents	<u>(2,644,164)</u>	<u>(1,114,079)</u>
Cash and cash equivalents at beginning of year	2,654,614	3,927,556
Foreign exchange gains and losses	(10,450)	(158,863)
Cash and cash equivalents at the end of year	<u>-</u>	<u>2,654,614</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	-	2,654,614
	<u>-</u>	<u>2,654,614</u>

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. General Information

Ninja Theory Limited is a private company, limited by shares, and is incorporated in England and Wales with a registration number 05240956. The registered office is shown in the Company information.

The principal activity of Ninja Theory is the creation and development of video games based on both existing and new IPs.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise stated.

The following principal accounting policies have been applied:

2.2 Going concern

There are two aspects that contribute to Ninja Theory's going concern assessment. Firstly, Ninja Theory prepares a long range plan, which is submitted to the parent company and agreed on an annual basis and contains the forecast OPEX requirements for the next 3 financial years. These plans are produced in line with our title deliveries and the requirements of these projects in order to hit internally agreed milestones for production and delivery. Secondly, prior to the start of each financial, the next FY forecast is updated based on finalised plans for the upcoming year and this budget is agreed with the parent company. This revised OPEX budget is then the budget that Ninja Theory will work to for the next financial. Cash requirements are met via drawdowns on the Intercompany Loan balance. On the basis of the parent companies commitment to both the long range plan and the OPEX budget for the next financial, Ninja Theory consider that they operate as a going concern.

NINJA THEORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

Revenue arising from published IP (in this period – Hellblade and Bleeding Edge) is recognised on a receivable basis, as either agent or principal depending on the nature of the relationship with the route to market and platform provider.

PC platform income is recognised gross with an associated cost of sale for the fees deducted by the platform.

Console platform income is recognised at the wholesale price (agency income) when sold to the associated store (with no associated cost of sale).

Revenue from physical unit sales is recognised on despatch of the physical units by the distributor, and as a form of royalty income it is recognised on a net basis (with no associated cost of sale).

Intercompany recharge income is recognised in line with the agreements between Ninja Theory and its Parent Company. This is recognised on a receivable basis in the month in which it is generated.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets in the course of construction are not depreciated until they are complete and brought into use. Land is not depreciated.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	- 4 years straight line
Fixtures & fittings	- 4 years straight line
Computer equipment	- 3 years straight line
Property - building	- 50 years straight line
Property - fixtures & fittings	- 5 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)**2.5 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each Statement of Financial Position date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, and loans from group.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

2.9 Creditors

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

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)

2.10 Foreign currency translation

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions.

At each period end monetary items held in foreign currency are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses are recognised in the Statement of Comprehensive Income within 'Administrative expenses'.

2.11 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

2.12 Pensions

Defined contribution pension plan

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

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

2.13 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Accounting policies (continued)**2.15 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.16 Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date in the countries where the Company operates and generates income.

Tax credits in relation to video games tax relief are recognised in the accounts when the appropriate Video Game Tax Relief certificate for the game has been issued by the BFI, at which point we view the tax credit as probable and therefore should be recognised in the accounts.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits and any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

2.17 Equity reserves

Share capital consists of the nominal value of issued shares.

The capital redemption reserve is a non-distributable reserve representing the nominal value of paid up share capital that has been repaid.

The profit and loss account includes all current and prior period retained earnings.

2.18 Research and development

Research and development costs are charged to the profit and loss in the year of expenditure.

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. There is one area of the financial statements where judgement has been applied:

- The recognition of revenue as either agent or principal, management have considered the indicators around setting the pricing of products, user support and the bad debt risk. The judgement is that for console platforms and physical unit sales the revenue should be recognised as agent on a net basis with no associated cost of sale. The judgement is that for PC platforms the revenue should be recognised as principal on a gross basis with a cost of sales. See note 2.3 for more information about the revenue recognition policy.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Contract income	172,391	115,841
Self published income	1,446,076	2,326,560
Intercompany recharge income	19,098,168	14,291,070
	<u>20,716,635</u>	<u>16,733,471</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United States	19,656,518	14,904,683
Rest of the world	1,060,117	1,828,788
	<u>20,716,635</u>	<u>16,733,471</u>

5. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Research and development costs	8,910,951	8,065,331
Depreciation costs	2,948,865	437,166
Exchange differences	(13,337)	134,574
Other operating lease rentals	-	310,258
Other administrative expenses	2,973,670	2,786,865
	<u>2,973,670</u>	<u>2,786,865</u>

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

6. Auditor's remuneration

	2022	2021
	£	£
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>103,069</u>	<u>66,950</u>
Fees payable to the Company's auditor and its associates in respect of:		
Taxation services	14,250	11,330
Preparation of the financial statements, including iXBRL tagging	3,090	2,781
	<u>17,340</u>	<u>14,111</u>

7. Employees

Staff costs were as follows:

	2022	2021
	£	£
Wages and salaries	8,632,559	7,801,756
Social security costs	1,062,258	937,114
Cost of defined contribution scheme	327,941	261,740
	<u>10,022,758</u>	<u>9,000,610</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Directors	2	2
Staff	105	94
	<u>107</u>	<u>96</u>

8. Directors' remuneration

The directors received no remunerations in the year (2021: £Nil).

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

9. Interest receivable and similar income

	2022 £	2021 £
Other interest receivable	89,786	37,488

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	2,762,059	1,565,541
Adjustments in respect of previous periods	14,415	(36,364)
Total current tax	2,776,474	1,529,177
Deferred tax		
Origination and reversal of timing differences	(2,005,830)	(1,342,450)
Adjustments in respect of previous periods	657,658	(169,754)
Total deferred tax	(1,348,172)	(1,512,204)
Taxation on profit on ordinary activities	1,428,302	16,973

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

10. Taxation (continued)**Factors affecting tax charge for the period**

The tax assessed for the period is higher than (2021: *lower than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	1,026,767	2,280,601
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	195,086	433,314
Effects of:		
Differences on non-qualifying fixed asset	372,697	(43,778)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,404	113,319
VGTR deduction	75,331	42,424
Changes in tax rate	(667,749)	(491,942)
Adjustments to tax charge in respect of prior periods (VGTR)	14,415	(36,364)
Adjustments to tax charge in respect of prior periods - deferred tax	657,659	-
Movement in unrecognised deferred tax asset	776,459	-
Total tax charge for the year	1,428,302	16,973

NINJA THEORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

11. Tangible fixed assets

	Freehold land £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Property £	Assets under construction £	Total £
Cost							
At 1 July 2021	3,680,000	99,166	427,585	3,680,174	-	14,623,695	22,510,620
Additions	-	-	45,095	317,670	485,271	-	848,036
Transfer	-	-	-	-	14,623,695	(14,623,695)	-
At 30 June 2022	3,680,000	99,166	472,680	3,997,844	15,108,966	-	23,358,656
Depreciation							
At 1 July 2021	-	65,628	311,073	1,829,216	-	-	2,205,917
Charge for the year on owned assets	-	16,488	78,893	795,630	2,057,854	-	2,948,865
At 30 June 2022	-	82,116	389,966	2,624,846	2,057,854	-	5,154,782
Net book value							
At 30 June 2022	3,680,000	17,050	82,714	1,372,998	13,051,112	-	18,203,874
At 30 June 2021	3,680,000	33,538	116,512	1,850,958	-	14,623,695	20,304,703

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

12. Stocks

	2022	2021
	£	£
Goods for resale	4,310	4,310

The carrying value of stocks are stated net of impairment losses totalling £Nil (2021: £Nil).

Included in cost of sales during the year was an amount of goods for resale of £Nil (2021: £Nil).

13. Debtors: amounts falling due within one year

	2022	2021
	£	£
Amounts owed by group undertakings	74,330,087	70,723,583
Other debtors	1,482	5,893
Prepayments and accrued income	2,224,955	1,661,759
VAT recoverable	2,735,739	2,061,184
Deferred taxation	3,397,932	2,049,760
	82,690,195	76,502,179

14. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	-	2,654,614

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

15. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	212,716	378,266
Corporation tax	3,171,976	395,501
Other taxation and social security	298,048	347,420
Other creditors	66,949	74,938
Accruals and deferred income	633,658	1,353,114
	<u><u>4,383,347</u></u>	<u><u>2,549,239</u></u>

16. Deferred taxation

	2022	2021
	£	£
At the beginning of the period	2,049,760	537,556
Charged to profit or loss	1,348,172	1,512,204
At the end of the period	<u><u>3,397,932</u></u>	<u><u>2,049,760</u></u>

The deferred tax asset is made up as follows:

	2022	2021
	£	£
Fixed asset timing differences	16,663	(38,837)
Short term timing differences	17,412	37,868
Losses and other deductions	3,363,857	2,050,729
	<u><u>3,397,932</u></u>	<u><u>2,049,760</u></u>

A deferred tax asset of £1,407,448 (2021: £Nil) has not been recognised in the financial statements on the grounds that it is not reasonably certain of sufficient profits being generated to utilise these tax losses.

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

17. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
10,000 (2021: 10,000) A Ordinary shares of £1 each	10,000	10,000
5,000 (2021: 5,000) B Ordinary shares of £1 each	5,000	5,000
5,000 (2021: 5,000) C Ordinary shares of £1 each	5,000	5,000
5,000 (2021: 5,000) D Ordinary shares of £1 each	5,000	5,000
5,000 (2021: 5,000) E Ordinary shares of £1 each	5,000	5,000
	<hr/> 30,000 <hr/>	<hr/> 30,000 <hr/>

All shares give the holder one vote at the AGM.

Shares rank equally on liquidation or other return of assets and in terms of dividends.

18. Reserves**Capital redemption reserve**

A non-distributable reserve, following the redemption or purchase of the Company's own shares.

Profit & loss account

Includes all current & prior periods retained profits & losses.

19. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £327,941 (2021: £261,740). Contributions totalling £Nil (2021: £Nil) were payable to the fund at the reporting date and are included in creditors.

20. Related party transactions

Key management personnel compensation in the period amounted to £2,255,943 (2021: £2,169,737). There were no other related party transactions in either period. The Company is a wholly owned subsidiary of Microsoft Corporation and has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with Microsoft Corporation or other wholly owned subsidiaries within the group.

21. Controlling party

The ultimate parent company is Microsoft Corporation, a company incorporated in Washington, USA.

A copy of the accounts can be found published online at <https://www.microsoft.com/en-us/Investor/annual-reports.aspx>

NINJA THEORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

22. Analysis of net debt

	At 1 July 2021 £	Cash flows £	At 30 June 2022 £
Cash at bank and in hand	2,654,614	(2,654,614)	-
	<u>2,654,614</u>	<u>(2,654,614)</u>	