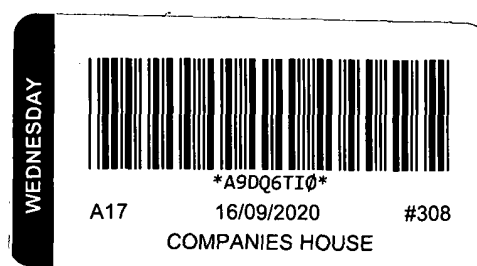


Registered number: 06751125

RAILSIMULATOR.COM LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**



RAILSIMULATOR.COM LIMITED

COMPANY INFORMATION

Directors	P S Jackson C N McMicking J L Rissik M H Storey G L Johnson-Brown R C M O'Farrell
Registered number	06751125
Registered office	3rd Floor North, Fitted Rigging House Anchor Wharf The Historic Dockyard Chatham Kent ME4 4TZ
Independent auditors	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD

RAILSIMULATOR.COM LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditors' Report	6 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11 - 12
Statement of Cash Flows	13 - 14
Analysis of Net Debt	15
Notes to the Financial Statements	16 - 33

RAILSIMULATOR.COM LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Introduction

The directors present the strategic report of Railsimulator.com Limited ("the Company") and the audited financial statements for the year ending 31 March 2020.

Strategy and Business Model

Railsimulator.com Limited, which trades as Dovetail Games, develops and/or publishes train, fishing and flight simulation software to consumers worldwide together with downloadable extensions to these games ("DLC").

The Company at 31 March 2020 has four simulation games which it fully owns the intellectual property rights ("IP") to:

- Train Sim World (available on PC, Microsoft Xbox One and Sony PlayStation 4)
- Train Simulator (available on PC)
- Fishing Sim World: Pro Tour (available on PC, Microsoft Xbox One and Sony PlayStation 4)
- Euro Fishing (available on PC, Microsoft Xbox One and Sony PlayStation 4)

Train Simulator has been developed using the Company's own proprietary software, while Train Sim World, Fishing Sim World: Pro Tour and Euro Fishing have been developed using the EPIC Games Unreal Engine 4. The Company also works closely with third parties who create additional content.

Post year-end on the 30 June 2020 *The Catch: Carp & Coarse* was released on PC, Microsoft Xbox One and Sony PlayStation 4.

Games for PC are sold principally through Steam, a video game digital distribution platform developed by Valve Corporation. Games for Microsoft Xbox One and Sony PlayStation 4 are distributed through distribution platforms operated by Microsoft and Sony respectively. Boxed versions of the games are also sold through distributors.

The Company also distributes add on extensions for Microsoft Flight Simulator, distributed principally through Steam.

The strategy of the Company is to continue developing simulation games, achieving a near photographic level of accuracy. Through new simulators, updates and additional downloadable train routes, locomotives, fishing lakes and equipment created by the Company, enthusiasts can continue to expand their hobby experience.

RAILSIMULATOR.COM LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Business review

As we survey the economic, political, social and commercial landscape in the middle of 2020, it is unfortunately a very different place from that which the Board of Directors anticipated at the start of the year as a result of the Covid-19 pandemic. Our priority has been the safety and wellbeing of all of our stakeholders, their families and our partners.

We are extremely proud of how our teams moved seamlessly to remote working during the last quarter of the financial year. The Company was well prepared for working from home and initiated the Disaster Recovery plan ahead of the 'lockdown' by the Government. Staff performance throughout these challenging times has been impressive, for which the Board is very grateful. It is also a testament to how well the Company prepares for unseen contingencies.

This groundwork enabled the Company to continue operating effectively and productively during the Pandemic Crisis. As a result, the Company anticipates being able to develop and deliver all its significant upcoming releases to the same high standards that our customers have come to expect. No employees have been furloughed and the Company is unlikely to furlough any staff in the future. The Company is not planning a return to the office in The Historic Dockyard until it is likely to be permanent and a safe solution can be put in place.

Additional one-off costs of implementing working from home protocols were offset by incremental sales during the lockdown phase. As a result of the Company's digital content being predominately sold via online merchants, players have still been able to make purchases for their entertainment within the home environment.

Looking at the 12 months ending 31 March 2020 as a whole, this was another year of growth with increases in both revenue and profitability. This has enabled the Company to repay the debt owed to its Private Equity Investor at the year-end and replace it with a smaller bank loan, at a significantly lower rate of interest.

For Train Simulator, Train Sim World and Fishing Sim World: Pro Tour, additional downloadable content has been released during the year, allowing players to further enhance their simulation experience. Train Simulator 2020 was released in August 2019. Work was also completed on additional content to be released during the financial year ending 31 March 2021.

Financial report

The results for the year and the financial position as at the year-end are as shown in the following financial statements. Revenue grew by 9.9% to more than £18 million (2019 - £16.4 million) and the Company made a profit of over £1.9 million (2019 - £646k). The Company has seen its revenue increase every year since the Company started trading. It is important to observe that revenue from the Company's own franchises grew nearly 22% for the year ending 31 March 2020.

RAILSIMULATOR.COM LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Financial key performance indicators

The Company uses a range of key performance indicators to monitor and manage its activities effectively, with the most significant of these indicators being:

	2020	2019
Revenue	£18,015k	£16,395k
DTG own franchise revenue growth*	21.8%	38.6%
Gross profit margin	60.0%	55.8%
Adjusted earnings**	£3,189k	£2,030k

*DTG own franchise revenue growth is the growth in revenues from the train and fishing franchises owned exclusively by the Company.

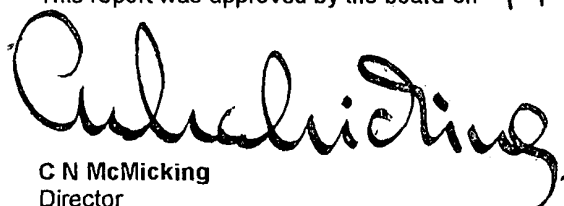
**Adjusted earnings is made up of earnings including video games tax credit but before depreciation and amortisation, interest, monitoring and transactional fees, exceptional expenses, specific bonus scheme and deferred taxation.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Company are in the opinion of the directors:

- the performance of global economies which may impact the wealth of consumers and their willingness to acquire the game;
- the threat of competition from comparable simulators;
- the loss of key members of staff, impairing the Company's ability to develop and launch new content. To retain staff, the Company seeks to ensure a competitive level of compensation and an attractive working environment. In addition, a range of incentives are provided including a share option scheme;
- the risk of attack to the Company's systems and products by hackers or criminals with the consequential disruption to the Company's operations and reputation, together with the risk of penalties and sanctions under GDPR;
- the Company relies on third party distributors to sell its products. While the Company has recently created its own store and is now truly multi-platform the failure of a distributor would materially affect the ability of the Company to distribute its simulation games; and
- the Company uses distributors who are based overseas; the revenue from whom is subject to the risk of adverse movements in currency exchange rates. Exposure is managed through foreign currency spot and forward foreign exchange contracts with suitable counterparties, principally the Company's bank.

This report was approved by the board on 17 July 2020 and signed on its behalf.


C N McMicking
Director

RAILSIMULATOR.COM LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their report together with the audited financial statements for the year ended 31 March 2020.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Principal activity

The principal activity of the Company during the year was the creation of realistic simulation video games.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on pages 1 to 3 of these financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £1,995,360 (2019 - £646,645).

The directors do not recommend payment of a final dividend during the year (2019 - £Nil).

RAILSIMULATOR.COM LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Directors

The directors who served during the year were:

P S Jackson
C N McMicking
J L Rissik
M H Storey
G L Johnson-Brown
R D Boulton (resigned 18 September 2019)
R C M O'Farrell (appointed 1 December 2019)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

On 1 May 2020 and 4 May 2020, the shareholders passed a special resolution and class consents to amend the Company's Articles of Association. It was also agreed that the E shares would be cancelled with the subscription funds being returned to the holders of these shares in full. These Articles of Association can be found at Companies House.

On 1 May 2020, a warrant was exercised for 383,377 shares at an amount of £5.22 per share.

On 1 May 2020, 69,700 share options were exercised for Ordinary 1 shares with an average strike price of £1.41. On 29 May 2020, 40,000 share options were exercised for Ordinary 1 shares for an average strike price of £1.50.

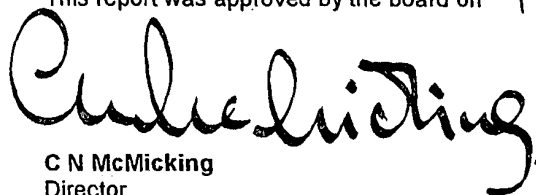
On 20 May 2020 a capital reduction was completed reducing the share premium account at this date to an amount of £1,000.

An interim dividend was declared and paid on the 29 May 2020 for a total amount of £1,825,201.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 July 2020 and signed on its behalf.


C N McMicking
Director

RAILSIMULATOR.COM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RAILSIMULATOR.COM LIMITED

Opinion

We have audited the financial statements of Railsimulator.com Limited (the 'Company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, 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 March 2020 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 United Kingdom, including the Financial Reporting Council'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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report 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

RAILSIMULATOR.COM LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RAILSIMULATOR.COM LIMITED
(CONTINUED)**

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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.

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 Directors' Report.

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 on page 4, 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.

RAILSIMULATOR.COM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RAILSIMULATOR.COM LIMITED
(CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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 Auditors' 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 Auditors' 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.

BDO LLP

Nick Poulter (Senior Statutory Auditor)
for and on behalf of
BDO LLP, Statutory Auditor
Guildford
United Kingdom

Date: 21 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

RAILSIMULATOR.COM LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Turnover	4	18,014,966	16,395,564
Cost of sales		(7,202,163)	(7,250,717)
Gross profit		10,812,803	9,144,847
Administrative expenses		(9,407,699)	(8,844,777)
Exceptional administrative expenses		-	(406,818)
Other operating income	5	1,190,109	1,164,576
Operating profit	6	2,595,213	1,057,828
Interest receivable and similar income	10	4,922	-
Interest payable and similar expenses	9	(604,775)	(437,783)
Profit before tax		1,995,360	620,045
Tax on profit	11	-	26,600
Profit for the financial year		1,995,360	646,645

All amounts relate to continuing operations.

There was no other comprehensive income for 2020 (2019: £NIL).

The notes on pages 16 to 33 form part of these financial statements.

RAILSIMULATOR.COM LIMITED
REGISTERED NUMBER: 06751125

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	442,809	510,679
Investments	14	1	1
		<u>442,810</u>	<u>510,680</u>
Current assets			
Debtors: amounts falling due within one year	15	3,368,299	2,611,828
Cash at bank and in hand	16	2,227,533	2,679,964
		<u>5,595,832</u>	<u>5,291,792</u>
Creditors: amounts falling due within one year	17	(2,314,374)	(1,819,602)
Net current assets		<u>3,281,458</u>	<u>3,472,190</u>
Total assets less current liabilities		<u>3,724,268</u>	<u>3,982,870</u>
Creditors: amounts falling due after more than one year	18	(2,633,333)	(4,930,210)
Net assets/(liabilities)		<u><u>1,090,935</u></u>	<u><u>(947,340)</u></u>
Capital and reserves			
Called up share capital	20	10,418	10,257
Share premium account	21	1,055,489	1,035,150
Profit and loss account	21	25,028	(1,992,747)
		<u><u>1,090,935</u></u>	<u><u>(947,340)</u></u>

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

C N McMicking

C N McMicking
Director

G L Johnson-Brown

G L Johnson-Brown
Director

17 July 2020

The notes on pages 16 to 33 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2019	10,257	1,035,150	(1,992,747)	(947,340)
Comprehensive income for the year				
Profit for the year	-	-	1,995,360	1,995,360
Total comprehensive income for the year	-	-	1,995,360	1,995,360
Shares issued during the year	161	20,339	-	20,500
Credit to equity for equity settled share based payment	-	-	22,415	22,415
Total transactions with owners	161	20,339	22,415	42,915
At 31 March 2020	10,418	1,055,489	25,028	1,090,935

The notes on pages 16 to 33 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2018	9,947	985,460	(2,672,721)	(1,677,314)
Comprehensive income for the year				
Profit for the year	-	-	646,645	646,645
Total comprehensive income for the year	-	-	646,645	646,645
Shares issued during the year	310	49,690	-	50,000
Credit to equity for equity settled share based payment	-	-	33,329	33,329
Total transactions with owners	310	49,690	33,329	83,329
At 31 March 2019	10,257	1,035,150	(1,992,747)	(947,340)

The notes on pages 16 to 33 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	1,995,360	646,645
Adjustments for:		
Depreciation of tangible assets	148,663	122,456
Loss on disposal of tangible assets	1,164	29,953
Interest paid and similar expenses	604,775	437,783
Interest received and similar income	(4,922)	-
Taxation credit shown within other operating income	(1,195,597)	(1,161,972)
(Increase)/decrease in debtors	(696,247)	15,549
Increase in creditors	261,438	328,128
Corporation tax received	1,135,373	1,315,310
Share option expense	22,415	12,516
Net cash generated from operating activities	2,272,422	1,746,368
Cash flows from investing activities		
Purchase of tangible fixed assets	(81,957)	(476,030)
Proceeds on sale of tangible fixed assets	-	6,289
Interest received	4,922	-
Net cash from investing activities	(77,035)	(469,741)
Cash flows from financing activities		
Issue of ordinary shares	20,500	50,000
New secured loans	2,500,000	710,000
Repayment of loans	(170,833)	(160,000)
Repayment of other loans	(3,810,000)	-
Interest paid	(1,187,485)	(36,730)
Net cash used in financing activities	(2,647,818)	563,270
Net (decrease)/increase in cash and cash equivalents	(452,431)	1,839,897
Cash and cash equivalents at beginning of year	2,679,964	840,067
Cash and cash equivalents at the end of year	2,227,533	2,679,964

RAILSIMULATOR.COM LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £	2019 £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,227,533	2,679,964
	<u>2,227,533</u>	<u>2,679,964</u>

The notes on pages 16 to 33 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2020

	At 1 April 2019 £	Movements £	At 31 March 2020 £
Cash at bank and in hand	2,679,964	(452,431)	2,227,533
Debt due after 1 year	(4,930,210)	2,296,877	(2,633,333)
Debt due within 1 year	(170,833)	(233,334)	(404,167)
	<u>(2,421,079)</u>	<u>1,611,112</u>	<u>(809,967)</u>

The notes on pages 16 to 33 form part of these financial statements.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Railsimulator.com Limited which trades as Dovetail Games is a private company limited by shares and is incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the Company's operations and its principal activity is set out in the director's report.

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 judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The Company is exempt under section 402 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the directors consider that the Company's subsidiary may be excluded from the consolidation due to the fact that it was dormant throughout the year and therefore immaterial to the group. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2.3 Going concern

Sales growth within the games industry has been strong and this trend is predicted to continue, in spite of deteriorating macroeconomic conditions, primarily as a result of the Covid-19 pandemic. As the vast majority of the Company's content is distributed digitally, players have still been able to make purchases post year-end to date, with sales proving resilient and costs remaining controlled. Of amounts owed to creditors, £2,633,333 is due over one year meaning that there is no immediate demand on cashflow for these amounts and the Company is in a net current asset position of £3,281,458.

Resilient post year-end trading and a warrant being exercised on 1 May 2020 (note 26) for £2,001,228 has had a beneficial impact on the Company's liquidity since the year-end. This, combined with the results to 31 March 2020 and a capital reduction being completed on 20 May 2020 has resulted in the payment of a post year-end dividend of £1,825,201 (note 26).

The Board of Directors have prepared detailed forecasts that have taken into account the market growth for digitally distributed content, the initial data on the released games and the uptake of add-ons. The Board have also performed scenario analysis including stress testing, to identify how well the Company is likely to cope in the event that trading was adversely impacted as a result of the Covid-19 pandemic. The outcome of this analysis shows that the Company should still expect to have sufficient liquid resources to be able to settle all liabilities as they fall due for the foreseeable future, being a period of not less than twelve months from the date of signing these accounts.

Taking all of the above into account, the directors are of the view that the going concern basis of preparation is appropriate.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.4 Revenue

The turnover shown in the Statement of Comprehensive Income represents amounts invoiced or accrued during the year for units of video games and related add-ons sold, exclusive of Value Added Tax. Revenue is recognised when the end customer purchases a video game or add on and thereby assumes the risks and rewards of ownership.

The Company also receives revenue from digital game subscription service providers. The customer of the Company is the digital subscription service provider. The Company does not have control in relation to the arrangements between the end consumer and the subscription service provider. Revenue is recognised when the Company has met its performance obligation associated with that service. This is when the video game is made available to the subscribers of the subscription service.

Video games tax relief credit

Video games tax relief credits ("VGTR") are only recognised where it is the directors' belief that a tax credit will be recoverable. This is based upon the Company's experience at obtaining the required certification to facilitate its titles in development to qualify for VGTR and success at previous claims. An estimate is made throughout the year, and a receivable is recognised, based on qualifying expenditure during the year. VGTR is recognised in other operating income in the Statement of Comprehensive Income.

2.5 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.6 Foreign currency translation

Functional and presentation currency

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 dates of the transactions.

At each period end foreign currency monetary items 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 resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

All foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.

2.7 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.

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:

Leasehold property	- 7 years
Fixtures and fittings	- 5 years
Office equipment	- 3 years

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.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.8 Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 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.

2.11 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.

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

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.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.13 Creditors

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

2.14 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

2.15 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.16 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, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.17 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.

2.18 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 reporting date in the countries where the Company operates and generates income.

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 balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.20 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2.21 Interest income

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

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.22 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.23 Warrants

Warrants are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is established using the prevailing market interest rate for similar convertible debt. The difference between the proceeds of issue of warrants and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity.

The liability component is amortised over the term of the loan as a share based payment charge recognised in the Statement of Comprehensive Income.

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

In preparing these financial statements, the directors have made the following judgments:

- Whether there are indicators of impairment of the Company's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Tangible fixed assets (note 13)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Share option and warrant charge (note 22)

The Company has granted share options to selected employees and warrants to a loan provider and shareholder. A corresponding share based expense has been recognised. In making its judgemental as to the expense, management considered the detailed guidance in FRS 102 - Share based payments, in particular, guidance as to an appropriate valuation model including vesting conditions and period.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	2,956,873	2,702,019
Europe	401,008	278,238
Rest of the world	14,657,085	13,415,307
	<u>18,014,966</u>	<u>16,395,564</u>

5. Other operating income

	2020 £	2019 £
Other operating income	-	27,244
Government grants receivable	-	1,960
Video games tax relief credit	1,190,109	1,135,372
	<u>1,190,109</u>	<u>1,164,576</u>

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Research & development charged as an expense	923,399	1,072,001
Depreciation of tangible fixed assets	148,663	122,456
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	27,950	22,020
Fees payable to the Company's auditor and its associates for other services	-	2,540
Exchange differences	109,521	(25,102)
Defined contribution pension cost	127,225	77,471
Operating lease payments	<u>201,707</u>	<u>186,269</u>

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	5,554,445	5,450,364
Social security costs	560,611	490,056
Cost of defined contribution scheme	127,225	77,471
	<u>6,242,281</u>	<u>6,017,891</u>

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

	2020 No.	2019 No.
Employees	<u>139</u>	<u>140</u>

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	864,298	853,240
Company contributions to defined contribution pension schemes	13,923	8,137
	<u>878,221</u>	<u>861,377</u>

During the year retirement benefits were accruing to 4 directors (2019 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £242,892 (2019 - £237,241).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,966 (2019 - £3,187).

The directors are considered to be the key management personnel of the Company.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

9. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	35,478	36,730
Other loan interest payable	341,476	350,758
Loan amortisation costs	227,821	50,295
	<u>604,775</u>	<u>437,783</u>

10. Interest receivable and similar income

	2020 £	2019 £
Bank interest receivable	4,922	-
	<u>4,922</u>	<u>-</u>

11. Taxation

	2020 £	2019 £
Video games tax relief credit repayable	(1,195,597)	(1,135,372)
Adjustment to tax charge in respect of previous periods	5,488	-
Video games tax relief credit classified as other operating income	1,190,109	1,135,372
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	(26,600)
	<u>-</u>	<u>(26,600)</u>
Total deferred tax	<u>-</u>	<u>(26,600)</u>
	<u>-</u>	<u>-</u>
Taxation on profit/(loss) on ordinary activities	<u>-</u>	<u>(26,600)</u>

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	1,995,360	620,045
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	379,118	117,809
Effects of:		
Fixed asset differences	4,508	-
Expenses not deductible for tax purposes	250	83,179
Non-taxable income	(253,615)	-
Other permanent differences	(25,570)	-
Adjustment to tax charge in respect of previous periods	5,488	-
Adjust opening deferred tax to average rate of 19%	(168,421)	-
Video game development tax profit adjustment	(1,435,016)	(1,385,015)
Deferred tax not recognised	1,846,581	510,265
Video game development tax losses treated as brought forward under s1217DC CTA 2009	(1,256,489)	-
Difference between the rate of corporation tax and the rate of relief under the video game tax credit	(286,943)	(272,489)
Reclassification of video games tax relief credit to other operating income	1,190,109	919,651
Total tax charge for the year	-	(26,600)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. Exceptional items

	2020 £	2019 £
Restructure expenses	-	331,545
Premises expenses	-	75,273
	-	406,818

Restructure expenses in the year ending 31 March 2019 related to the closure of the Stirling Office and ceasing the development of Flight Sim World, which was discontinued in May 2018.

Premises expenses in the year ending 31 March 2019 related to the move to new offices in Chatham in December 2018.

13. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 April 2019	269,083	162,146	578,991	1,010,220
Additions	14,024	1,568	66,365	81,957
Disposals	-	-	(2,159)	(2,159)
At 31 March 2020	283,107	163,714	643,197	1,090,018
Depreciation				
At 1 April 2019	12,548	66,634	420,359	499,541
Charge owned for the period	39,275	22,280	87,108	148,663
Disposals	-	-	(995)	(995)
At 31 March 2020	51,823	88,914	506,472	647,209
Net book value				
At 31 March 2020	231,284	74,800	136,725	442,809
At 31 March 2019	256,535	95,512	158,632	510,679

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 April 2019	1
At 31 March 2020	<u>1</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
Dovetail Games Limited	Dormant	Ordinary	100%

The registered office address is 10th Floor, 133 Finnieston Street, Glasgow, Scotland, G3 8HB.

The aggregate of the share capital and reserves as at 31 March 2020 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

Name	Aggregate of share capital and reserves
Dovetail Games Limited	1

15. Debtors

	2020 £	2019 £
Trade debtors	1,934,156	1,296,466
Other debtors	1,252,819	1,226,039
Prepayments and accrued income	181,324	89,323
	<u>3,368,299</u>	<u>2,611,828</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2019 - £2,011).

Within other debtors is an amount of £1,195,597 (2019 - £1,135,373) which represents corporation tax due to the Company.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

16. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	2,227,533	2,679,964
	<u>2,227,533</u>	<u>2,679,964</u>

17. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans	404,167	170,833
Trade creditors	219,555	111,505
Other taxation and social security	172,750	117,463
Other creditors	22,496	7,520
Accruals and deferred income	1,495,406	1,412,281
	<u>2,314,374</u>	<u>1,819,602</u>

18. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	2,633,333	537,500
Other loans	-	4,392,710
	<u>2,633,333</u>	<u>4,930,210</u>

Total bank loans are secured over the assets of the Company to the amount of £3,037,500 (2019 - £708,333).

Included in other loans is £Nil (2019 - £810,532) relating to accrued interest.

Included within creditors: amounts falling due after more than one year is an amount of £2,633,333 (2019 - £4,930,210) in respect of liabilities payable or repayable in instalments which fall due for payment after two years but within five years from the reporting date.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

19. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>4,218,871</u>	<u>4,045,012</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>4,752,461</u>	<u>6,624,829</u>

Financial assets that are debt instruments measured at amortised cost comprise cash at bank and in hand, trade debtors and certain other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, other loans and accruals.

20. Share capital

	2020 £	2019 £
Authorised		
802,428 (2019 - 813,953) Ordinary 1 shares of £0.01 each	8,024.28	8,139.53
1 (2019 - 1) A1 Ordinary share of £0.01	0.01	0.01
69,375 (2019 - 41,750) A2 Ordinary shares of £0.01 each	693.75	417.50
1,700 (2019 - 1,700) E Ordinary shares of £1.00 each	1,700.00	1,700.00
	<u>10,418.04</u>	<u>10,257.04</u>
Allotted, called up and fully paid		
802,428 (2019 - 813,900) Ordinary 1 shares of £0.01 each	8,024.28	8,139.00
1 (2019 - 1) A1 Ordinary share of £0.01	0.01	0.01
69,375 (2019 - 41,750) A2 Ordinary shares of £0.01 each	693.75	417.50
1,700 (2019 - 1,700) E Ordinary shares of £1.00 each	1,700.00	1,700.00
	<u>10,418.04</u>	<u>10,256.51</u>

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

20. Share capital (continued)

During the year ending 31 March 2020, the following Ordinary 1 shares were issued in the Company:

Date	Number of shares	Price paid per share
24 April 2019	15,000	£1.00
21 February 2020	100	£20.00
9 March 2020	1,000	£3.50

During the year ending 31 March 2020, the Company transferred Ordinary 1 £0.01 shares respectively as A2 Ordinary £0.01 shares for no consideration for the following:

Date	Number of shares
24 July 2019	15,000
28 February 2020	7,000
26 March 2020	5,625

Warrant

A warrant was in place at the year-end representing subscription rights for 383,377 A1 Ordinary shares of £0.01 each at an amount of £5.22 per share. Post year-end this warrant was exercised (see note 26).

Rights attached to shares:

Ordinary 1, A1 Ordinary and A2 Ordinary shares rank *pari passu* in terms of dividend of voting rights. Upon winding up or liquidation of the Company, A1 Ordinary and A2 Ordinary shares shall receive a priority balance of surplus assets.

E Ordinary shares guarantee the holder no less than 5% of voting rights in any general meeting or for the purposes of any written resolution. No rights to receive dividends or other income distributions are held. Upon winding up or liquidation of the Company, E Ordinary shares rank behind other share classes and may receive an amount equal to the issue price of the share or pro rata to the number of E Ordinary shares in issue.

Note 26 details post year-end changes to the Company's share capital.

21. Reserves

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits and losses, net of dividends paid and other adjustments.

RAILSIMULATOR.COM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22. Share based payments

As at 31 March 2020, there were 238,000 share options issued to 44 members of staff under the Railsimulator.com Limited EMI Share Option Scheme which was adopted by the Company on 28 January 2010. All of the 238,000 share options issued qualified under the EMI scheme.

At 31 March 2020, the number of vested options was 234,525 (2019 - 242,489) and the number of unvested options was 8,250 (2019 - 12,461). Of the unvested options, 3,917 (2019 - 8,878) will vest within one year.

	Weighted average exercise price (pence) 2020	Number 2020	Weighted average exercise price (pence) 2019	Number 2019
Outstanding at the beginning of the year	698	254,950	664	293,488
Granted during the year	2,000	6,000	2,000	5,000
Forfeited during the year	1,640	(2,850)	1,754	(12,538)
Exercised during the year	127	(16,100)	161	(31,000)
Cancelled during the year	100	(4,000)	-	-
Outstanding at the end of the year	768	238,000	698	254,950

As at 31 March 2020 the Company had issued 4,575 share options to 1 member of staff under the Railsimulator.com Limited Management Unapproved Option Scheme which was adopted by the Company on 20 June 2017. As at 31 March 2020 all 4,575 (2019 - 4,575) share options had vested.

The Company recognised total expenses of £22,415 (2019 - £12,515) related to employee equity settled share based payments transactions in the year. Share options have been valued using the Black Scholes model.

A warrant was in place at the year-end representing subscription rights for 383,377 A1 Ordinary shares of £0.01 each at an amount of £5.22 per share. As a result of further funds of £310,000 being drawn during the year ending 31 March 2019, the subscription rights increased by 76,676 shares. The warrant has been valued using the Black Scholes model. Volatility of 27% was used in the model based on market comparable data and the underlying value of the shares based on forward earnings multiples discounted to the present value using a discount rate of 8%. Post year-end this warrant was exercised, see note 26.

23. Pension commitments

The Company operates a defined contribution 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 amounts to £127,225 (2019 - £77,471). No contributions (2019 - £Nil) were payable to the fund at the reporting date.

RAILSIMULATOR.COM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

24. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	153,438	104,754
Later than 1 year and not later than 5 years	939,599	809,085
Later than 5 years	143,395	417,302
	<u>1,236,432</u>	<u>1,331,141</u>

25. Related party transactions

During the year interest payable to a shareholder and an entity which a director is also a member of was accrued to an amount of £341,476 (2019 - £350,758). Shown within other loans due over more than one year is an amount owed to this shareholder of £Nil (2019 - £4,392,710). During the year, £35,167 (2019 - £33,167) was paid to this entity in respect of other services.

During the year the Company paid £33,000 (2019 - £33,000) for services to an entity with a common shareholder and director. At the year end, £Nil (2019 - £Nil) was owed to the entity.

A director of the Company is also a director of The Chatham Historic Dockyard Trust, a company limited by guarantee. This company is the landlord of Railsimulator.com Limited, with the lease having been signed before this director's appointment. No remuneration is received by the director for this role.

26. Post balance sheet events

On 1 May 2020 and 4 May 2020, the shareholders passed a special resolution and class consents to amend the Company's Articles of Association. It was also agreed that the E shares would be cancelled with the subscription funds being returned to the holders of these shares in full. These Articles of Association can be found at Companies House.

On 1 May 2020, a warrant was exercised for 383,377 shares at an amount of £5.22 per share.

On 1 May 2020, 69,700 share options were exercised for Ordinary 1 shares with an average strike price of £1.41. On 29 May 2020, 40,000 share options were exercised for Ordinary 1 shares for an average strike price of £1.50.

On 20 May 2020 a capital reduction was completed reducing the share premium account at this date to an amount of £1,000.

An interim dividend was declared and paid on the 29 May 2020 for a total amount of £1,825,201.

27. Controlling party

No one individual has control over the Company.