ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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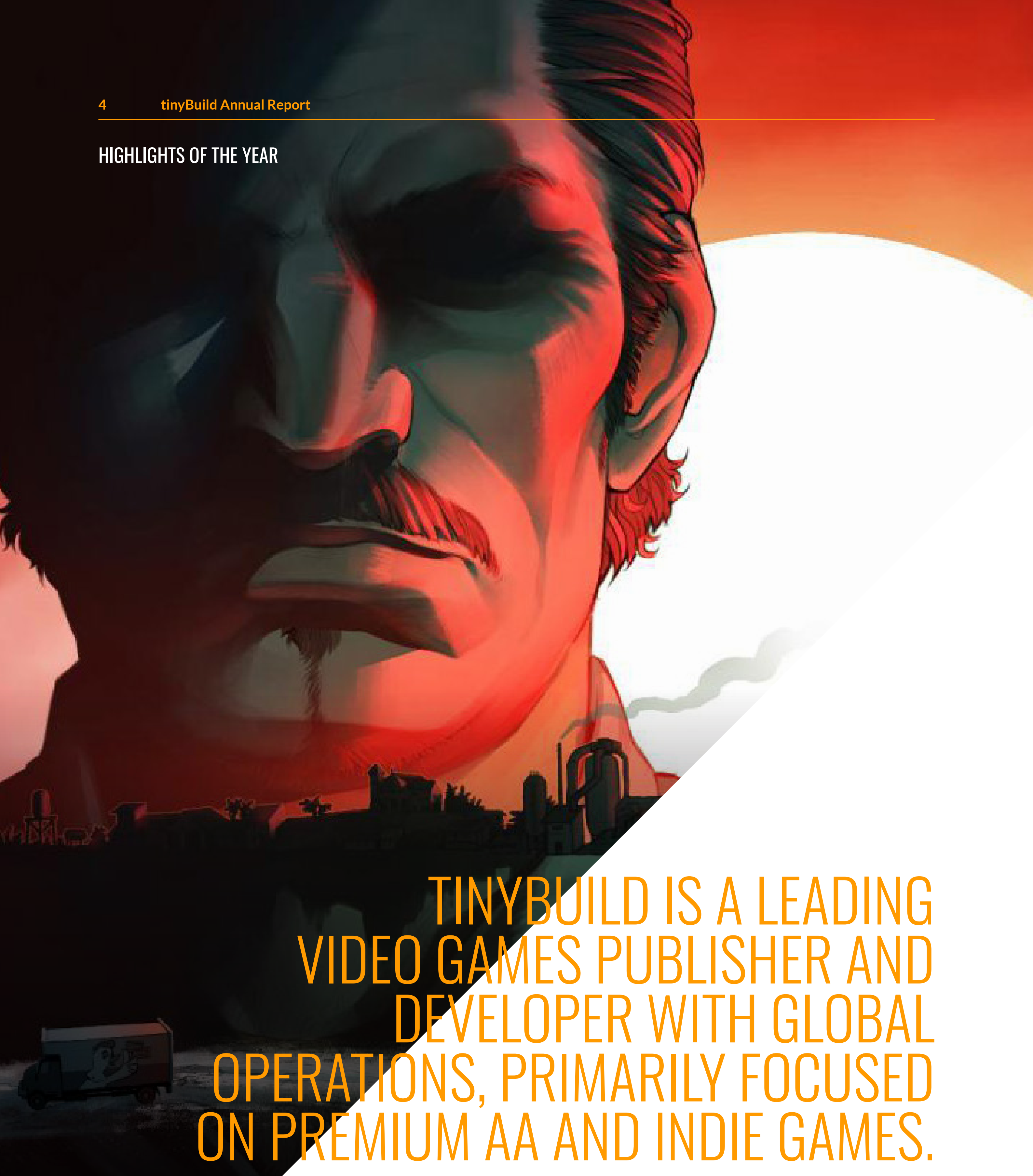
# STRATEGIC REPORT

## HIGHLIGHTS OF THE YEAR



# TINYBUILD IS A LEADING VIDEO GAMES PUBLISHER AND DEVELOPER WITH GLOBAL OPERATIONS, PRIMARILY FOCUSED ON PREMIUM AA AND INDIE GAMES.

tinyBuild's strategic focus is in creating long-lasting Intellectual Property ("IP") by partnering with developers globally, establishing a stable platform on which to build multi-game and multimedia franchises. tinyBuild's geographic diversity enables it to source high-potential IP and cost effective-development resources. The Company's innovative grassroots marketing, which involves stakeholders in the development of franchises and the wider brand, has enabled tinyBuild to build a loyal customer base.

**35%**
revenue growth

**99%**
Adj. EBITDA growth

**05**
new games released

**75%**
of sales from back catalogue

**70%**
of sales from Own-IP

**03**
acquihires closed

## "WE PARTNER WITH DEVELOPERS TO BUILD ORIGINAL GAMES. OUR ULTIMATE GOAL IS TO CREATE LONG-LASTING FRANCHISES THAT EXIST GENERATIONS FROM NOW, INDEPENDENT OF MEDIUM"

*NOTES*
***Adjusted EBITDA:*** *excludes share based compensation expenses, includes amortisation of Development costs*
***Acquihire:*** *an informal term used in connection with the process of acquiring a developer via a transfer or an engagement as independent contractors of the employees of an external developer, and selectively acquiring relevant target IP via an asset purchase, rather than a corporate acquisition.*

CHAIRMAN'S STATEMENT

# GAME START, LEVEL ONE.

**Following our recent public listing on the AIM in March 2021, I'm honoured to present our full first year results as a public company.**

tinyBuild (AIM:TBLD) is a global developer and publisher of video games, headquartered in Seattle, USA. Our titles are played and enjoyed by millions across the world, and the success of our properties have enabled a fast-growing business that is still in the early stages of an exciting journey -- much like any good game worth playing.

Having recently joined the company in March this year just prior to its IPO, I'm extremely proud and excited to put my experience at the service of its new board alongside the newcomers Neil Catto (Non-Executive Director), Nick van Dyk (Non-Executive Director) and Antonio Assenza (Chief Financial Officer), as well as the original founders and major shareholders Alex Nichiporchik (Chief Executive Officer) and Luke Burtis (Chief Operating Officer).

It's certainly an interesting time to become a publicly listed company, particularly in the games industry. We're presented with significant challenges brought about by new paradigms such as remote working, while at the same time enjoying strong tailwinds thanks to the expanded role video games play in people's lives during the lockdowns. It's well established within the industry that it thrives with changing landscapes (new platforms, new social norms, new technology -- it's all in a games company's typical working day), but these recent changes present us with a unique opportunity to consolidate and accelerate growth to higher levels than experienced historically.

These opportunities and trends are likely acknowledged by our new shareholders, whose trust in our reputation and track record resulted in a successful public listing attracting gross proceeds of $50 million (£36.2 million). We're immensely thankful for the shareholders' confidence placed in our teams and overarching strategy, whose investments have set tinyBuild in a strong position to execute its core plan.

We balance a very straightforward equation at the core of the business: our games are only as good as the talent working to create them; and our success as a company is only as strong as our games. The return of the trust placed on us by our shareholders is directly correlated to our talent pool and its creative output, therefore our main priority is to increase our capabilities through effective M&A and acquihires aimed at expanding and improving our execution. Through our successful IPO, tinyBuild is now well positioned to deliver on this strategy, and we look forward to sharing the outcome of our recent deals in due course.

As a first chapter in our history as a public company, we're proud to announce a solid start, with both record revenues and EBITDA for the financial year ended on December 31 2020. Delving in the following pages' details, one will find the positive results of our unique traits such as industry-leading social marketing tactics, strongly built influencer relationships, expanded IP reach into new channels and a catalogue of games that are entertaining our existing player base and new players alike in numbers beyond our original forecasts.

Looking ahead, our aggressive lineup of new IPs paired with the predictability afforded by our existing properties and back catalogue, form the basis of our optimistic outlook, boosted by the M&A activities and acquihires taking place in the short and medium terms. With the gravitas afforded by our public status, positive financial results and strong company reputation, we're confident we'll live up to our stakeholders' expectations and set new high scores as we go about executing our strategy.

**Henrique Olifiers**
Non-Executive Chairman

*Dated: 8 June 2021*

Our titles are played and enjoyed by millions across the world, and the success of our properties have enabled a fast-growing business that is still in the early stages of an exciting journey -- much like any good game worth playing.

HISTORY AND BACKGROUND

# TINYBUILD BEGAN AS AN INDIE GAME DEVELOPER AND QUICKLY TRANSITIONED INTO PUBLISHING AFTER LAUNCHING ITS FIRST GAME.

**As a publisher, tinyBuild initially focused on publishing third-party IP, but it has since transitioned to an own-IP (being second- and first-party IP) centred model. This own-IP focused model provides margin enhancement and the opportunity to grow individual titles into multi-game, and even multimedia (such as books and TV) franchises.**

In 2013, tinyBuild released the initial iteration of its first hit title, *No Time to Explain*, which established it with influencers before influencer-marketing became mainstream. The game was a commercial success, inspiring tinyBuild to help other developers publish their games. In August 2013, tinyBuild co-developed and published *SpeedRunners*, which became a multiplayer hit that still has a strong community with over 17,000 reviews on Steam, c.94 per cent. of which are positive.

Between 2016 and 2018, tinyBuild began its transition to an own-IP focused model, having recognised the benefits of IP ownership, as demonstrated in 2017 with the success of *Hello Neighbor*. In the same period, tinyBuild also began to publish AA-rated games and invested in DevGAMM, an Eastern European-focused video games conference that provides tinyBuild a pillar for expanding operations and partnerships in the region.

In 2019, tinyBuild established tinyBuild SIA, a development studio based in Riga, Latvia. The studio's first project is focused on Cloud Gaming, with *Hello Engineer* - a multiplayer user generated sandbox game based on the *Hello Neighbor* franchise, set for release in 2021. The game will launch on Stadia as a timed exclusive before making its way onto other platforms, and allows tinyBuild to establish a strong development team in the region. The studio was formed with four employees, and has now grown to 32 staff.

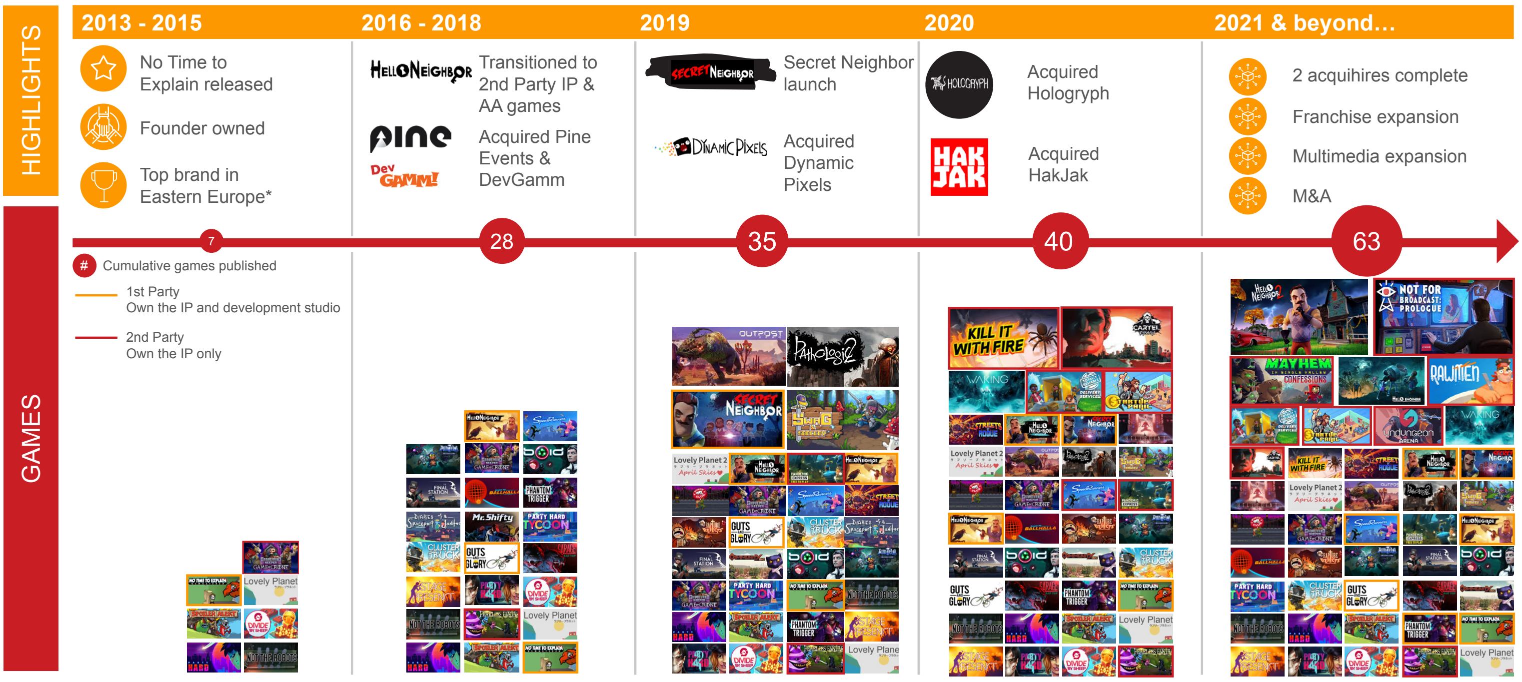
## HISTORY AND BACKGROUND... CONTINUED

In 2020, tinyBuild launched a new multiplayer, games-as-a-service title, *Totally Reliable Delivery Service*. The game was released on all major platforms with over 20 million downloads to date and has accumulated over 100 million content views on YouTube.

Before going public, tinyBuild raised external capital in October 2017 from Makers Fund and in January 2019 from NetEase. tinyBuild successfully used the proceeds from both capital raises to support organic and inorganic growth.

In March 2021 the Company listed on the London AIM, raising £36.2m ($50m) of gross proceeds to accelerate organic growth and support M&A strategy.

## Brief History of tinyBuild



STRATEGY

# TINYBUILD AIMS TO DRIVE GROWTH ORGANICALLY AND INORGANICALLY.

The Company will continue its low-risk M&A strategy to accelerate growth whilst naturally accumulating IP through working with developers under its standard partnership agreement.

**Organic growth strategy**
tinyBuild focuses on three main levers to drive organic growth. First, the Company leverages existing partnerships and in-house developers to:

- Continue to increase the quality of the Company's pipeline, together with successfully commercialising its existing pipeline of 23 games in 2021 and 2022.
- Continue to accumulate IP by working with developers under its standard partnership agreement, enabling investments to be made to increase IP lifespan and generate returns through its franchise and multimedia strategy.
- Invest in acquired studios to develop existing and new IP while seeking new partnerships with high-quality development studios across the world.
- Expand and maintain a symbiotic relationship with streamers and influencers, and remain at the cutting edge of video games marketing whilst capitalising on the momentum of new and existing social media channels.

Second, multi-game franchise model expansion to:

- Aim to repeat the success of the *Hello Neighbor* IP, which serves as a blueprint for expanding a game into a multi-title franchise.
- Extend the games' lifecycle and maximise monetisation opportunities.

Lastly, tinyBuild own-IP centric strategy opens the door to multimedia model expansion to:

- Pursue multimedia licensing which has proved to be a successful means of increasing and maintaining audience numbers within the *Hello Neighbor* franchise.
- Use multimedia products as marketing and customer engagement tools which can also generate revenue themselves.

The development of each game is closely monitored with funding typically backloaded and made available upon completion of key milestones. The use of playable alphas and early access versions for new games feed into the Company's data-centric approach which further contributes to investing the most appropriate amount of resources for each title at any given stage. All existing multimedia projects involve low levels of capital relative to the Group's scale, ensuring that they remain low risk.

**M&A strategy**
In its early years, tinyBuild has preferred to grow by acquihiring development teams. This is the process of acquiring an external development team and selectively acquiring relevant target IP alongside the team via asset purchases. Acquihire transaction consideration for the developers typically consist of cash, royalty-based benefit programmes and options, aligning tinyBuild and the developers' goals.

tinyBuild has completed seven acquihires (*Dynamic Pixels*, *HakJak*, *Hologryph*, *Moon Moose*, *Hungry Couch*, *We are Five games* and *DogHelm*) since 2013. To date, prior to each transaction, tinyBuild had developed a commercial relationship with each party, de-risking the transaction and ensuring a common culture. The average relationship length before each transaction has been over 3 years. As IP is transferred to tinyBuild through its standard publishing frameworks, it often already owns the IP associated with the development studios being brought in-house.

**23**
games in the pipeline 2021 / 2022

**07**
acquihires completed since 2013

BUSINESS MODEL

# TINYBUILD'S GOALS AND THE DEVELOPER'S GOALS ARE ALIGNED THROUGH INCENTIVES, ENSURING LONG-TERM VALUE CREATION FOR ALL STAKEHOLDERS.

**By partnering with developers through the Company's own-IP focused strategy, tinyBuild supports developers in seeking to create long-lasting IP which can be developed into multi-game and multimedia franchises. tinyBuild supports its development partners to ensure that games reach their full potential and the developers participate in the games' success through the royalty-based incentive programmes.**

tinyBuild's own-IP model ensures that the most successful games can be expanded into multi-game and multimedia franchises. This strategy allows tinyBuild and the developer to extend the IP's lifespan, increasing its monetisation potential for both parties. tinyBuild's own-IP strategy is demonstrated by its future game pipeline, at the end of 2020, in which 21 out of 23 of titles are own-IP, versus 11 out of 40 titles being own-IP titles in its released portfolio.

**Locations and partners**
tinyBuild has offices in the US, the Netherlands and Latvia, with partners across five continents, including 44 development partners in over 15 countries and seven development studios across five countries.

tinyBuild is particularly focused on faster growing emerging markets with lower publisher coverage, such as Eastern Europe, including Latvia and Ukraine, and South America. Due to the continued importance of reputation within local developer networks, the Company is well-positioned to continue identifying and acquiring IP originating from these regions.

Emerging markets are also attractive due to the lower development costs compared to other regions. Through partnerships and acquisitions, tinyBuild can continue developing and publishing high-quality games with lower development costs.

tinyBuild's office locations, particularly in the US, facilitate the Company building closer ties with the major entertainment companies (such as Valve, Microsoft, Nintendo and Epic). tinyBuild's geographical footprint enables it to capitalise on all key commercial areas.

**IP origination and selection**

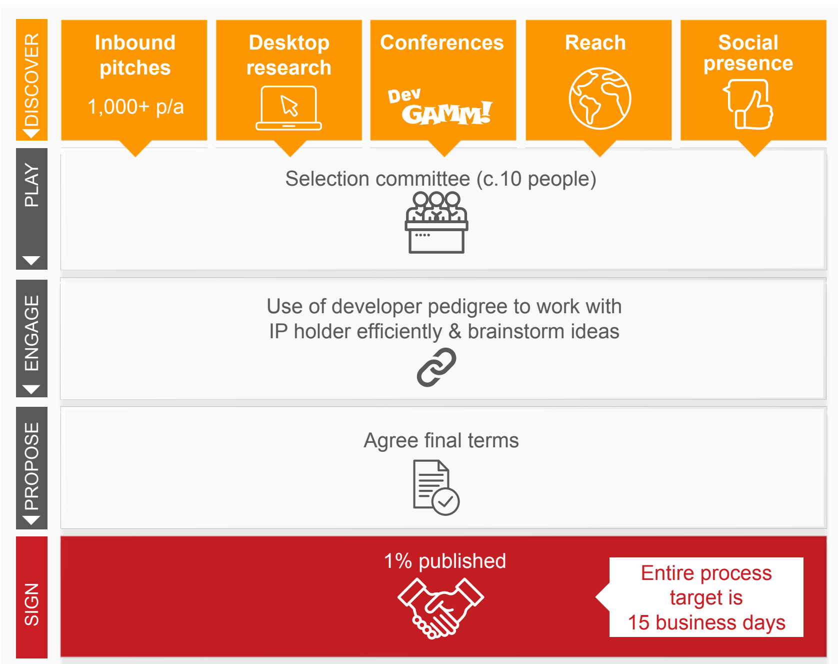
tinyBuild originates new IP by actively scouting for new games (for example, Cluster Truck was discovered on social news site Reddit) through its existing relationships with developers and its extended networks. The Company also receives over 1,000 unsolicited pitches per year.

tinyBuild's approach, influenced by its transition from indie game developer to publisher, its community interactions and its attendance at gaming conferences worldwide, accelerates the formation of relationships with developers and enhances brand recognition.

Recognising the importance of industry reputation and relationships, in 2018, tinyBuild completed a strategic investment in DevGAMM, an Eastern European-focused video games conference. DevGAMM provides tinyBuild with a critical entry point into Eastern Europe and has provided a pillar for expanding operations and partnerships in the region. In 2020, DevGAMM was held online over ten days and had over 1,100 attendees from 580 companies and 46 countries. When attending industry conferences, tinyBuild often engages attendees in differentiated and stand-out ways.

tinyBuild has a stringent yet agile IP selection process for both inbound and actively sourced IP which can be completed within three weeks. Initial sessions with developers are highly interactive, exploring everything from the core concept of the game through to title marketing. Through its efficient selection process, the Company can evaluate a large volume of opportunities quickly, and can secure high quality IP faster than less nimble competitors.

tinyBuild originates new IP by actively scouting for new games through its existing relationships with developers and its extended networks.



# BUSINESS MODEL... CONTINUED

**Marketing & community engagement**

tinyBuild's marketing and community engagement is highly efficient and effective. Despite typically spending less than seven per cent. of annual revenue on marketing, tinyBuild's strong relationships with influential streamers and notable figures in the video games industry have assisted tinyBuild to achieve over 5 billion content related views on YouTube to 31 December 2020.

Video game streaming has substantially grown in popularity. Twitch, one of the major streaming platforms, experienced an average concurrent viewer growth rate of 46.1 per cent. annually from 2013 to 2020. tinyBuild develops games and uses tools which result in high viewer numbers for influencers, allowing them to monetise their channels more efficiently, whilst marketing the game on tinyBuild's behalf. As a result, tinyBuild has become a staple name amongst influencers, as demonstrated by its relationships with over 10,000 verified influencers.

An example of tinyBuild's approach to marketing is its YouTube influencer character campaign for *SpeedRunners*, a second-party IP game released in 2016. In 2015, tinyBuild created in-game characters for PewDiePie. PewDiePie is known for being one of the most influential video games streamers with over 100 million YouTube subscribers. Through tinyBuild's innovative marketing strategy, PewDiePie has accumulated over 53 million *SpeedRunners*-related video views, including over 8 million on two videos specifically covering his character.

tinyBuild also engages with influencers on a longer-term basis, creating long-standing symbiotic influencer relationships to market games and products. For example, tinyBuild has a long-standing relationship with popular family streaming channel FGTeeV, a well-established YouTube channel with over 19 million subscribers. As a partner, FGTeeV receives exclusive previews and early access to game builds and merchandise.

The Company communicates directly to consumers through a variety of mediums, such as Discord, a curated social networking platform commonly used by video game players, as well as through industry conferences and events. This direct engagement allows tinyBuild to maintain a constant link to gamers, building on their knowledge of current and emerging themes in the sector. Furthermore, Company staff co-host one of the most popular Russian-speaking game development podcasts alongside the founder of the popular video gaming data website SteamSpy.

tinyBuild also engages with consumers throughout the development process, ensuring that titles reflect consumer trends on launch. Through working with developers from an early concept stage, tinyBuild integrates feedback from alpha and beta testing into game development, allowing tinyBuild to focus on well received game characteristics in response to consumer feedback. This testing process also creates mystery, intrigue, and suspense for fans in advance of the full launch by providing exposure to insider insights on the development process, creating a loyal core following pre-release.

Besides cultivating distinct sub-brands for each game, the Company has developed into a consumer brand in its own right, with over 810,000 followers on social media platforms at the end of May 2021. tinyBuild leverages existing interest across its titles to promote itself as a brand, which then can be used to build interest in new titles. This allows tinyBuild to involve consumers in the creation of new titles and franchises from an early stage using innovative marketing techniques across an established audience.

**_Hello Neighbor_: a template for future franchises**

*Hello Neighbor* is tinyBuild's first multimedia franchise. It has grown both organically and through M&A, and provides a proven and repeatable framework for successful games to branch out into multi-game and multimedia franchises.

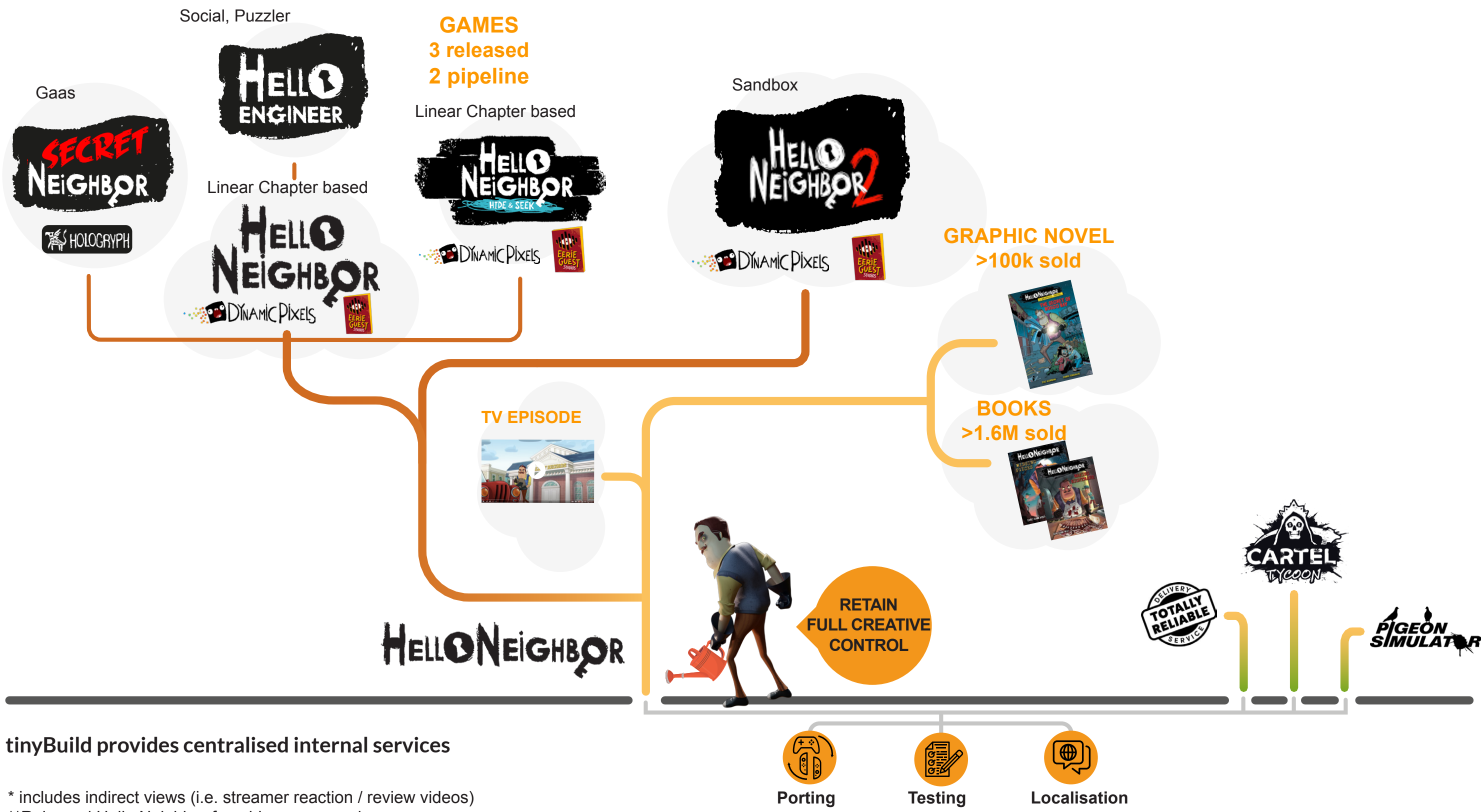
tinyBuild originally discovered *Hello Neighbor* through desktop research in 2015. The developer, Dynamic Pixels, had previously tried to launch the game and had not succeeded. tinyBuild's creative team saw the game's potential and recognised that it could be a success with further creative and technical input. In 2016, tinyBuild agreed to a publishing contract with Dynamic Pixels, which led to the release of the first game, *Hello Neighbor*, in 2017. This game has since accumulated over 60 million downloads. tinyBuild has since acquihired the *Hello Neighbor* development team from Dynamic Pixels.

The variety of game formats across the franchise, ensure that the franchise has something to offer to all types of gamers. Each of these titles has or is being developed by different developers across the world, in a modular approach, enabling them to build specialist expertise in a single format type and specific gameplay features.

As well as reducing launch risk, the goal of multimedia franchises is to extend the franchise's reach, attracting more fans to the games and extending the franchise's lifespan by providing fans with engaging content between game releases and creating synergies across video game titles and multi-media content. To date, the *Hello Neighbor* franchise has expanded beyond games into merchandise, books and TV through licensing agreements.

*Hello Engineer* is the next scheduled game to be released as part of the *Hello Neighbor* franchise and it will be followed by *Hello Neighbor 2*. To date, the Company has received positive feedback on both *Hello Engineer* and *Hello Neighbor 2*. *Hello Neighbor 2*'s alpha version has been downloaded over 6 million times.

## Growing Successful Franchises




* includes indirect views (i.e. streamer reaction / review videos)
**Released Hello Neighbor franchise games only

# TINYBUILD PORTFOLIO

From a purely strategic stand-point, tinyBuild categorises its games in five core pillars: indie/Retro, AA, physics comedy, games-as-a-service and horror. Each game has a core pillar, but also has attributes related to the other pillars. For example, *Totally Reliable Delivery Service*'s core pillar is physics comedy, but its secondary pillars are AA and games-as-a-service.

Each pillar represents a core strategic genre or format in which tinyBuild will enhance its capabilities by accumulating related IP; building relevant technical skills; attracting pertinent development partners; and establishing a deep understanding of, and relationships with, associated fan bases and influencers.

Below is an overview of some of the titles within tinyBuild's released portfolio.

***Totally Reliable Delivery Service***, a game centred on terrible delivery drivers, has shown indications that it may be the next multi-game, multimedia franchise. A core component of the game is the physics engine that governs how players interact with the landscape, objects and each avatar.


***Graveyard Keeper***, a medieval graveyard themed role-playing game, was officially released in August 2018 on PC. The game enjoyed initial success with $1 million of sales within the first 24 hours following release, and was one of tinyBuild's top three for revenue generating titles in FY18, FY19 and FY20. Additional DLC is scheduled for release on consoles in summer 2021.


tinyBuild also entered into an agreement with Mad Guy Studios in April 2016 to develop ***Streets of Rogue***, a multiplayer game, which was released in July 2019. The game has been the highest rated tinyBuild game on Steam with an average review score of c.96 per cent. In 2021, Streets of Rogue was again in the tinyBuild games by revenues. In June 2021 we announced the plan to release a sequel.


***SpeedRunners***, a four-player competitive side-scrolling racing game developed by DoubleDutch Games, was previously released on Xbox with little success. tinyBuild worked with DoubleDutch Games to co-develop the game to include an online multiplayer mode and redesign the game's graphics. In addition to DLCs, releases on new platforms have helped to extend sales of the game.

CHIEF EXECUTIVE'S REVIEW

# GAMES ARE THE ONLY MEDIUM WHERE YOU SAY "I DID THIS". NOT ETHAN HUNT SAVED THE WORLD. NOT IRON MAN BEAT THANOS. I SAVED THE WORLD. I BEAT THE VILLAIN.

**It is a very personal medium, where stories become an integral part of our lives. We fall in love with characters or create our own.**

Consumers' response to the pandemic in 2020 helped to expand this understanding, that video games have the opportunity to offer a very unique, personal experience to many more new gamers. It is our firm belief that when you start playing video games, you do not stop. You are a gamer for life. This is why going into 2021, we are focused on creating long-term, ever-green franchises in a medium we love and thrive in - with the goal of taking them across multiple media formats.

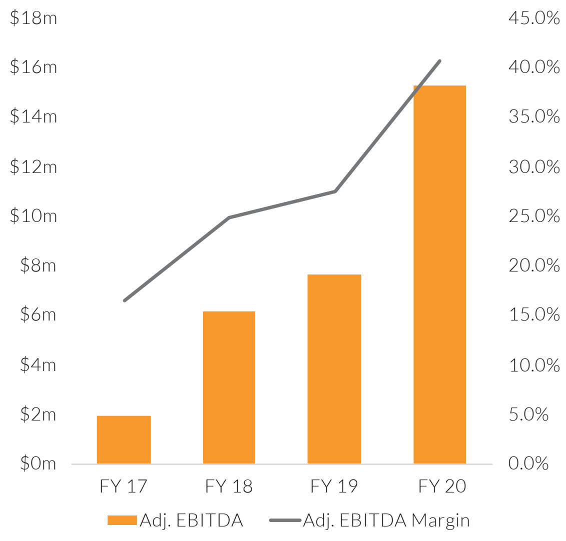
We are pleased the full year results of tinyBuild in 2020 ended slightly ahead of our ambitious targets. Now our focus is on the strategic initiatives we are working on, both organically and through M&A.

**Financial performance**
tinyBuild delivered revenue of $37.6m, a 35% increase on the $28.0m achieved in 2019. This level of growth is testament to the strength and depth of our team, which has remained focused throughout 2020 on the Company's targets, despite a global pandemic.

Adjusted EBITDA was $15.3m, almost double the previous year (2019: $7.7m), driven by the shift to own IP and the success of new releases, such as *Totally Reliable Delivery Service*. Our development hubs in Eastern Europe, including Latvia and Ukraine, also provide us with a competitive advantage, while helping small studios in developing regions to fully realise their potential.

We had US$26.3 million net cash as of 31 December 2020 (US$17.0 million in 2019), and our operating cash flow rose to $16.5m (2019: $11.7m), while we invested to accelerate growth and experiment with new formats and technologies. Our cash generation, combined with the $50 million (£36.2m) raised at IPO, will enable us to accelerate organic growth and support our M&A strategy.

## Adj. EBITDA*




* Adj. EBITDA is presented net of amortisation of development costs and excludes impact of share-based compensation



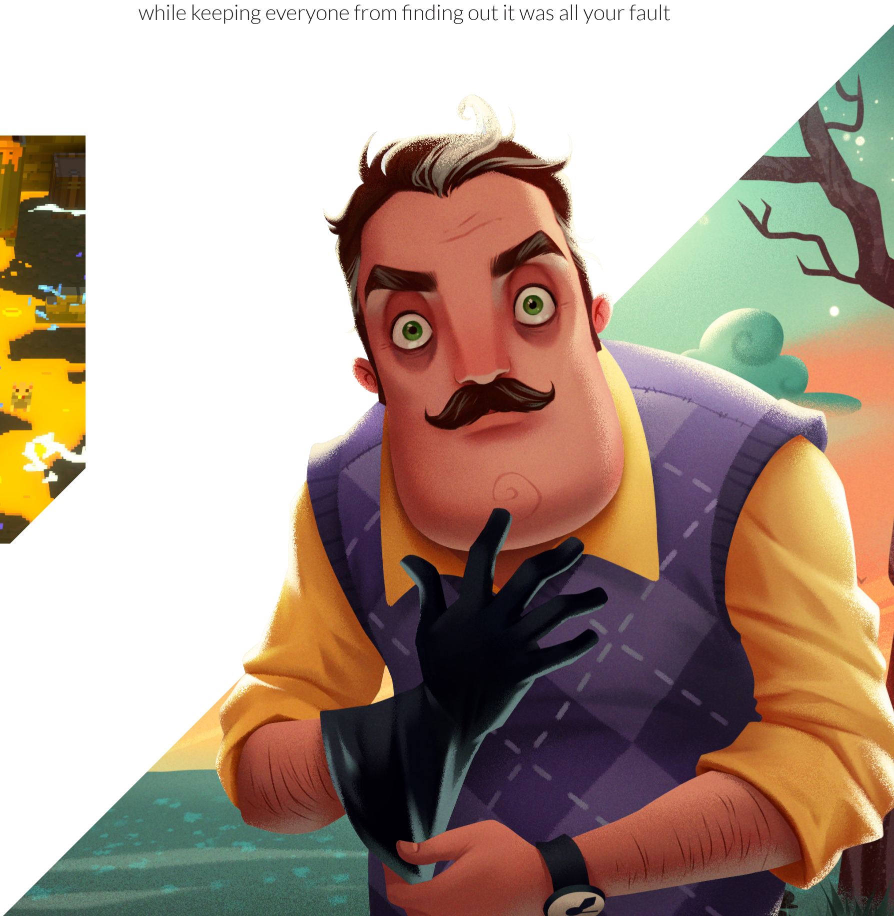
**Current portfolio and pipeline**

tinyBuild published five games in 2020 bringing the total games portfolio to 40 released titles at the end of the year. In April 2020 we released *Totally Reliable Delivery Service*, a first-party title which has been eminently successful, generating $4.9m in revenues over the remainder of 2020. We also launched two second-party titles in 2020, *Kill it With Fire* and *Startup Panic*, two third-party titles, *Waking* and *Hellpoint*, and the early access version of *Not for Broadcast*, which went onto become the highest rated full motion video game on Steam.

The fourth and fifth *Hello Neighbor* books were published, bringing the total to over 1.6m copies sold across the franchise. The *Hello Neighbor* graphic novels sold over 120,000 copies and an animated TV pilot has, to date, received over 40 million views on YouTube.

So far in 2021, we have already released a number of new titles and new platform versions:

- ***Cartel Tycoon*** (early access) – a survival business sim inspired by the '80s narco trade. Expand and conquer, fight off rival cartels and evade the authorities
- ***Totally Reliable Delivery Service*** (Steam) - a ragdoll physics simulation about terrible package delivery couriers
- ***Secret Neighbor*** (PS4) – a Multiplayer Social Suspense Game where a group of intruders try to rescue their friend from the Neighbor's creepy basement
- ***Mayhem in Single Valley*** (PC only) – a puzzle-loaded action adventure where you have to prevent the end of the world while keeping everyone from finding out it was all your fault



## CHIEF EXECUTIVE'S REVIEW... CONTINUED

We have recently announced, or we are close to announcing a release date for:

- ***Black Skylands*** – a skypunk Open World action adventure. Build your skyship and explore the open world, fight factions of pirates and monsters, and claim territories
- ***Potion Craft*** – an alchemist simulator which was the number one trending game in the February Steam Game Festival
- ***Undungeon*** - an Action/RPG game driven by intense real-time combat and an immensely rich science fiction story
- ***Despot's Game*** – a rogue-like game with turbocharged battles, and a top 10 trending game in the February Steam Game Festival
- ***Trash Sailors*** – a hand-drawn sailing simulator with co-op up to 4 players. Create the trashiest sailing team in history, fight with monsters and trash

In the next few months we will also expand the *Hello Neighbor* franchise adding:

- ***Secret Neighbor*** (iOS and Switch) – the multiplayer social game set in the *Hello Neighbor* universe was recently added to PS4
- ***Hello Engineer*** (Stadia) – a multiplayer machinery-building construction game set in the sandbox world of a mysterious amusement park, but beware of the Neighbor

In 2021 we will publish new *Hello Neighbor* books and graphic novels, and we are in early talks to produce an animated TV series on the back of the success of the pilot. This strategy is a key differentiator for tinyBuild and results not only in additional revenue streams from our most popular franchises but sustains interest between product releases and broadens audiences into new demographics. We plan to mirror the success of the franchise model across all of our most popular first party titles.

**Acquisitions**

Over the course of 2020 we made three acquisitions, in April we acquihired *HakJak Productions*, the Idaho based developer of *Guts and Glory* (published by tinyBuild in 2018), in October, *Hologryph LLC*, the Ukrainian developer of *Secret Neighbor* which is part of our *Hello Neighbor* franchise, and in November, *Moon Moose*, the Russian developer of *Cartel Tycoon*, which is currently in early access.

The momentum we built in 2020 has already rolled into 2021, with tinyBuild acquiring a further two studios in January and February 2021: *We're Five Games*, the Minneapolis developer of *Totally Reliable Delivery Service* and the Russia based developer of Black Skylands (due for release this year), *Hungry Couch*.

At the beginning of June 2021 we announce the acquihire of DogHelm: we welcome Matt Dabrowski, the developer of Streets of Rogue into the tinyBuild family. We have been working with Matt for half a decade now on his title - which is the highest rated title in tinyBuild's portfolio according to Steam users. By bringing the studio in-house, we are gearing up for the highly anticipated sequel to Streets of Rogue. This is a really exciting development which we will update on in the near future.

**People**

As part of our AIM listing, we were delighted to welcome Henrique Olifiers to our Board as Non-Executive Chairman. Nick van Dyk and Neil Catto also joined our Board as Non-Executive Directors. Henrique brings a huge amount to the role, he has decades of experience in the sector and is the co-founder and CEO of Bossa Studios, a London-based video games developer. Prior to founding Bossa, Henrique worked at several other companies in the sector including: Finalboss.com, Globo.com, Jagex and Playfish.

Nick van Dyk was Co-President of Activision Blizzard Studios from 2015 – 2019, and previously Senior VP at The Walt Disney Company. Nick has over 20 years' experience in the entertainment industry

Neil Catto has been the CFO of AIM listed Boohoo Group for the past ten years. He was previously Finance Director of dabs.com plc and has held senior financial positions in BT plc and The Carphone Warehouse Group plc. Neil qualified as a chartered accountant with Ernst & Young.

**Position and strategy**

tinyBuild is now well-positioned with a strong pipeline of new titles and a proven ability to attract, screen and market high-quality game franchises. Our low-risk M&A strategy continues to help us increase our IP portfolio, and our multimedia franchise model allows us to extend the life of our IP, maximising return on investment.

Our medium term strategy is to expand our position as a leading global video games developer and publisher, focussing on IP ownership while creating long-term scalable franchises across multiple media formats.

2020 has seen significant progress towards that ambition, and I would like to thank all of our shareholders for their support.

Aleksandrs Ņičiporčiks

**Alex Nichiporchik**
Chief Executive Officer

*Dated: 8 June 2021*

CHIEF FINANCIAL OFFICER'S REVIEW

# TINYBUILD PERFORMED STRONGLY IN 2020.

**tinyBuild performed strongly in 2020, slightly ahead of the ambitious targets set by management, both in terms of games released and in terms of development of new games. Five new titles were released, including *Totally Reliable Delivery Service* and the Company closed the year with 23 games in its pipeline.**

**Revenue**

tinyBuild saw total revenues increase from $27.9m to $37.6m, a growth of 35% (2019: 13%). tinyBuild's revenue is generated mainly from royalties on various platforms and licensing deals from a platform's subscription programs (i.e. Xbox Gamepass). tinyBuild also generates revenue from development partnerships on owned IP. Events include primarily revenues from DevGAMM, our Eastern Europe game developers conference, which was held online in 2020. Revenue increases can be attributed to the successful launches of new games, the continued success regarding legacy titles and the increased partnership between tinyBuild and platforms as witnessed in the increase in revenue in licensing deals.

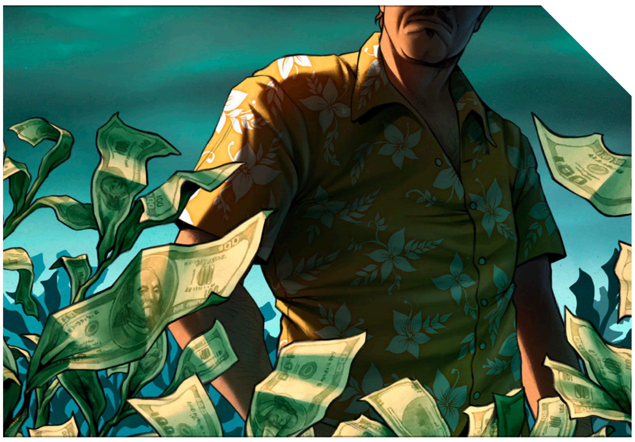
Back catalogue sales represented 75% of total revenues, slightly less compared with the previous year, due to the success of new titles released during 2020. Contribution to revenues from first-/second-party games increased slightly to 70% of Group revenues (69% in 2019), supporting long-term margin expansion.

**Operating Profit and Adjusted EBITDA**

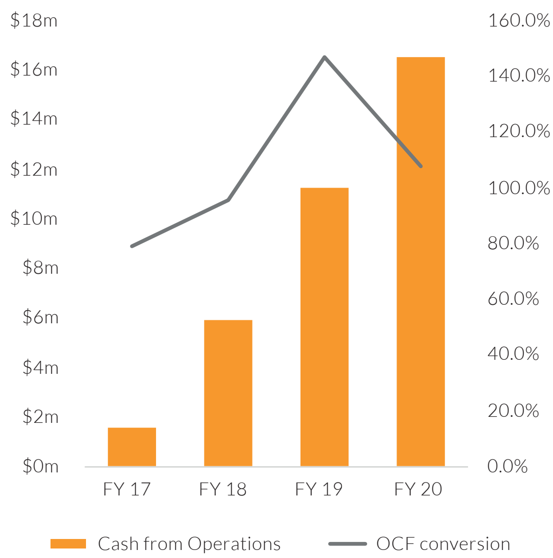
In 2020, tinyBuild's gross margins increased from 51.2% in 2019 to 59.8% in 2020. This is due to the increase in cost of sales from $13.6m in 2019 to $15.1m in 2020 being outpaced by the growth in revenue. The increase of gross margins can be attributed to the optimization of cost of sales due to the initiative of transitioning from third party to second and first party. Additionally, general administrative expenses marginally increased from $7.1m in 2019 to $8.7m in 2020, when compared to revenue growth. By investing early in our transition from third party to second and first party, the company was able to leverage these expenses for the continued growth witnessed in 2020. The drop of share-based expenses in 2020 ($5.8m) when compared to 2019 ($10.0m) is largely due to the continued decrease of restricted stock awards ("RSUs") to the founders due to previous agreements with the board. In 2020, there was an increase of exceptional costs that is largely due to costs for listing on AIM.

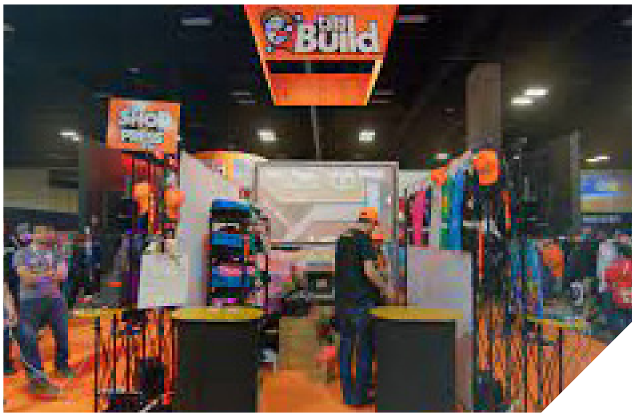
Operating profit increased to $7.6m (2019: negative $2.7m) mostly as a result of strong sales . Share-based compensation charges of $5,8m (2019: $10.0m) were unusually high in both years due to mark-up adjustment to fair value and accelerated vesting of options held by management in 2020.

Adjusted EBITDA is presented net of amortisation of development costs, and excluding share-based compensation expenses, giving a clear picture of the business progression. It increased from $7.7m to $15.3m in 2020, a growth of 99%, largely driven by strong 2020 revenue and relatively stable operating expenses.



## Operating Cash Flow






**Interest income and taxation**
The Company is debt free. Interest income was $0.1m and taxation $2.7m, after subtracting $0.9m deferred taxes.

**Financial Position**
In 2020, the net cash position increased from $17.0m to $26.3m while the company accelerated investments in new titles. Capitalized software development costs, mainly consisting of porting, localization and developer salaries, increased from $8.0m to $10.1m, reflecting the increase in spend for upcoming pipeline releases.

**Cash Flow**
Cash flows from operating activities increased from $11.7m to $16.5m mostly as a result of strong revenue growth. Trade and other payables saw an increase in 2020 to $3.5m (2019: $2.5m). It's important to note that said timing issues can cause fluctuations year over year and variability here is to be expected.

**Acquisitions**
In 2020 tinyBuild made three acquisitions for a cash consideration of $0.6m, net of transaction fees. In April tinyBuild acquihired *HakJak Productions*, in October *Hologryph LLC*, and in November *Moon Moose*.

**Events after the reporting date**
Early in 2021 tinyBuild acquired *We're Five Games* and *Hungry Couch*, for a total $1.8m consideration. On 9 March 2021, tinyBuild raised $50m (£36.2m) in gross proceeds, which is being used to accelerate organic growth and support the M&A strategy. Early in June, we announced the acquihire of DogHelm for a total consideration of up to $6.5m.

**Tony Assenza**
Chief Financial Officer

*Dated: 8 June 2021*

# PRINCIPAL RISKS AND UNCERTAINTIES

**The Company depends on a relatively small number of games for a significant portion of its revenues and profits**
A material portion of the Company's revenues have historically been derived from products based on a relatively small number of popular games. These products are also responsible for a disproportionately high percentage of its profits. For example, in the first half of 2020, revenues associated with the top five games collectively accounted for approximately 70 per cent. of the Company's total revenues. The failure to achieve anticipated results by products based on a particular title could negatively impact the Company's business. Additionally, if the popularity of a title declines, the Company may have to write off the unrecovered portion of the underlying intellectual property assets, which could negatively impact the Company's business.

*Mitigation: the company continues to launch new games in order to rejuvenate its portfolio, while expanding the life cycle of existing titles with launch on new platforms and of new games.*

**Market growth, new developments and technological trends**
There is a risk that the growth in the global video games market may slow or reverse, for example, as it is subject to economic fluctuations. The video games market is also competitive, with technological changes requiring significant development investment. If the Company is not successful in evolving its business in line with new market trends, this could have a material adverse effect on its financial and trading position.

*Mitigation: the Company continues to innovate and adapt, for example, developing new games in a games-as-a-service format and for new platforms.*

**tinyBuild begins working with developers at an early stage**
tinyBuild often begins working with developers when their IP may be little more than an idea or a concept. As such, until the final concept is known and tested with the target audience, there is a high degree of risk that the concept may require further refinement, or that the project is abandoned completely. Under these circumstances, developer advances are not repaid and therefore the Company will see no return on its investment.

*Mitigation: the Company typically provides funding at specific milestones, coinciding with the key stages of development over a limited time horizon.*

## tinyBuild often begins working with developers when their IP may be little more than an idea or a concept

**The increasing importance of mobile gaming**
The Company has seen, and expects to continue to see, new competitors enter the market for mobile games and existing competitors to allocate more resources to developing and marketing mobile games and applications. The Company competes with a vast number of small companies and individuals who are able to create and launch casual games and other content using relatively limited resources and with relatively limited start-up time or expertise. Competition for the attention of consumers on mobile devices is intense, as the number of applications on mobile devices has been increasing dramatically, which, in turn, has required increased marketing to gather consumer awareness and attention. This increased competition could negatively impact the Company's business.

*Mitigation: the Company continues to monitor and experiment with mobile versions of its games and different business models. For example Secret Neighbor, a spin-off of the core franchise Hello Neighbor is scheduled to launch*

**Dependence on a concentrated customer and third-party platform base**
The Company is largely dependent on seven third-party platforms, being Apple, Google, Nintendo, Sony, Valve, Epic Games and Microsoft. In the year ended 31 December 2020, these platforms in aggregate contributed at least 70 per cent. of the Company revenue and together serve as a significant online distribution platform for its games. The third-party platforms also have control over consumer access to the Company's games, and the fee structures and/or retail pricing for products and services for their platforms, and online networks could impact the volume of purchases of the Company's products made over their networks and the Company's profitability.

*Mitigation: the company occasionally offers exclusivity to specific platforms, while keeping in good working relationship with all platforms. When possible and economically sensible, the company tries to release a game on a maximum number of platforms.*

**Reliance on external developers and employment status of independent contractors**
The Company relies on external developers to develop some of its games, which makes it subject to the risks: (i) to renegotiate agreements on less favourable terms, (ii) to lose access to key resources, (iii) not to have full control of the development process. The Group also uses independent contractors in the Netherlands, Latvia, Ukraine, USA, Russia, Spain, Brazil, Slovakia, Belarus, UK and Switzerland.

*Mitigation: the Company pays competitive salaries in each geography and it maintains a direct contact with the developer teams. To date, no member of staff has voluntarily left the company.*

**Pandemic**
The Company has a decline in event's revenues due to regional lockdowns and travel restrictions being imposed in many parts of the world: DevGAMM was held online instead of in person and events revenues declined by 29% as a result (a decline of 1% when compared to group revenues). There is a risk that the end of all restrictions following a successful vaccination campaign may reduce the amount of time people spend playing video games, with a negative impact on tinyBuild sales.

*Mitigation: the Company is developing a number of new titles and moving gradually towards a Game as a Service model where players are more loyal and engage with the same title over a much longer period of time.*

## PRINCIPAL RISKS AND UNCERTAINTIES... CONTINUED

**Overseas operations**

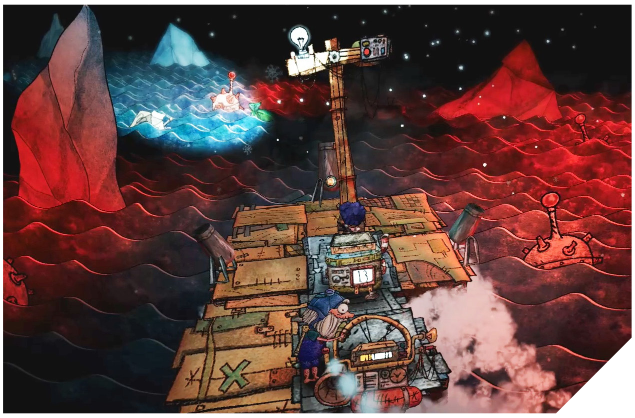
The Company currently has overseas operations in USA, Latvia and the Netherlands and contractors and partners in multiple locations across five continents. These jurisdictions have different regulatory, fiscal, legal environments and trading rules, including sanctions regimes that could change in the future and could impact how the Company conducts its business in these countries. If the Company fails to comply with the laws, regulations and trading rules applicable to its overseas operations, it could be subject to reputational and legal risks, including government enforcement action and/or fines. Further, the imposition of sanctions by the United States on contractors in Russia and the Ukraine could interfere with the Company's ability to conduct business in such jurisdictions. Such risks, if realised, could have a material adverse effect on the Company's profits and financial condition.

*Mitigation: the Company monitors geopolitical risk closely and, in agreement with its employees, contractors, it may relocate development teams to other geographies to reduce any potential risk to staff and the operations.*

**IT security breaches**

Particularly given the industry in which it operates, the Company is subject to the threat of IT security breaches that could cause business interruption and the unavailability of the Company's IT systems may have a significant adverse effect on the Company's ability to deliver new games which may adversely impact the Company's revenue generation.

*Mitigation: The Company is dependent on its IT systems to ensure it can meet its operational needs. In the event that the Company's IT systems significantly fail, there is a disaster recovery policy in place. on IOS in 2021.*



**Cybersecurity-related attack, significant data breach or disruption of the information technology systems or networks**

In the course of the Company's day-to-day business, it and third parties operating on its behalf create, store, and/or use commercially sensitive information, such as the source code and game assets for its games and sensitive and confidential information, including personal data. A malicious cybersecurity-related attack, intrusion, or disruption by hackers (including through spyware, viruses, phishing, denial of service, and similar attacks) or other breach of the systems on which such source code and assets, and other sensitive data is stored could lead to piracy of the Company's software, fraudulent activity, disclosure or misappropriation of, or access to, any personal information it holds (including personally identifiable information), or its own business data. Such incidents could also lead to product code-base and game distribution platform exploitation, should undetected viruses, spyware, or other malware be inserted into the Company's products, services, or networks, or systems used by its consumers.

*Mitigation: The Company has implemented cybersecurity programs and the tools, technologies, processes, and procedures intended to secure its data and systems, and prevent and detect unauthorised access to, or loss of, its data, or the data of its customers, consumers, or employees.*

# CORPORATE GOVERNANCE

# BOARD OF DIRECTORS

## ALEX NICHIPORCHIK

**Chief Executive Officer & Founder**

18 years' industry experience.

Shipped Over 20 titles as Producer, discovered key pillar titles and has driven relationships with key influencers.

## LUKE BURTIS

**Chief Operating Officer & Founder**

19 years' industry experience.

Established long term partnerships with over 50 developers as well as multiple global distribution platforms and built the team from 3 employees in 2013 to 127 across the globe.

## TONY ASSENZA

**Chief Financial Officer**

11 years' finance experience.

Completed 6 acquisitions, managed multiple investments into tinyBuild and built financial infrastructure to deal with the company's growth.

## HENRIQUE OLIFIERS

**Chairman**

CEO & Co-Founder of London based game developer & publisher, Bossa Studios.

Henrique has 23 years games industry experience, including working at Jagex and Playfish.

## NEIL CATTO

**NED**

CFO of AIM-listed Boohoo Group Plc for the last 10 years, during which the company has grown from a market capitalisation of £560m to over £4bn.

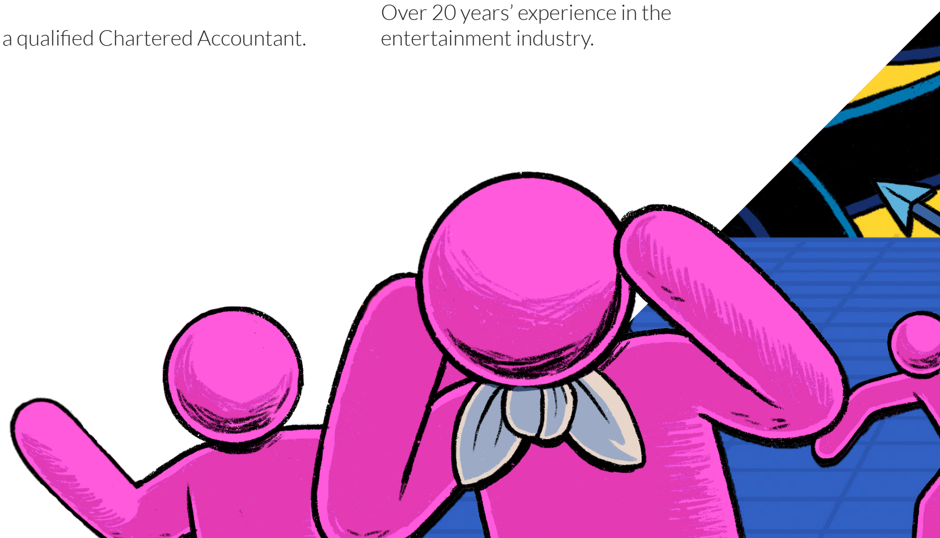
Neil is a qualified Chartered Accountant.

## NICK VAN DYK

**NED**

Co-President of Activision Blizzard Studios from 2015-2019, previously Senior VP at The Walt Disney Company.

Over 20 years' experience in the entertainment industry.

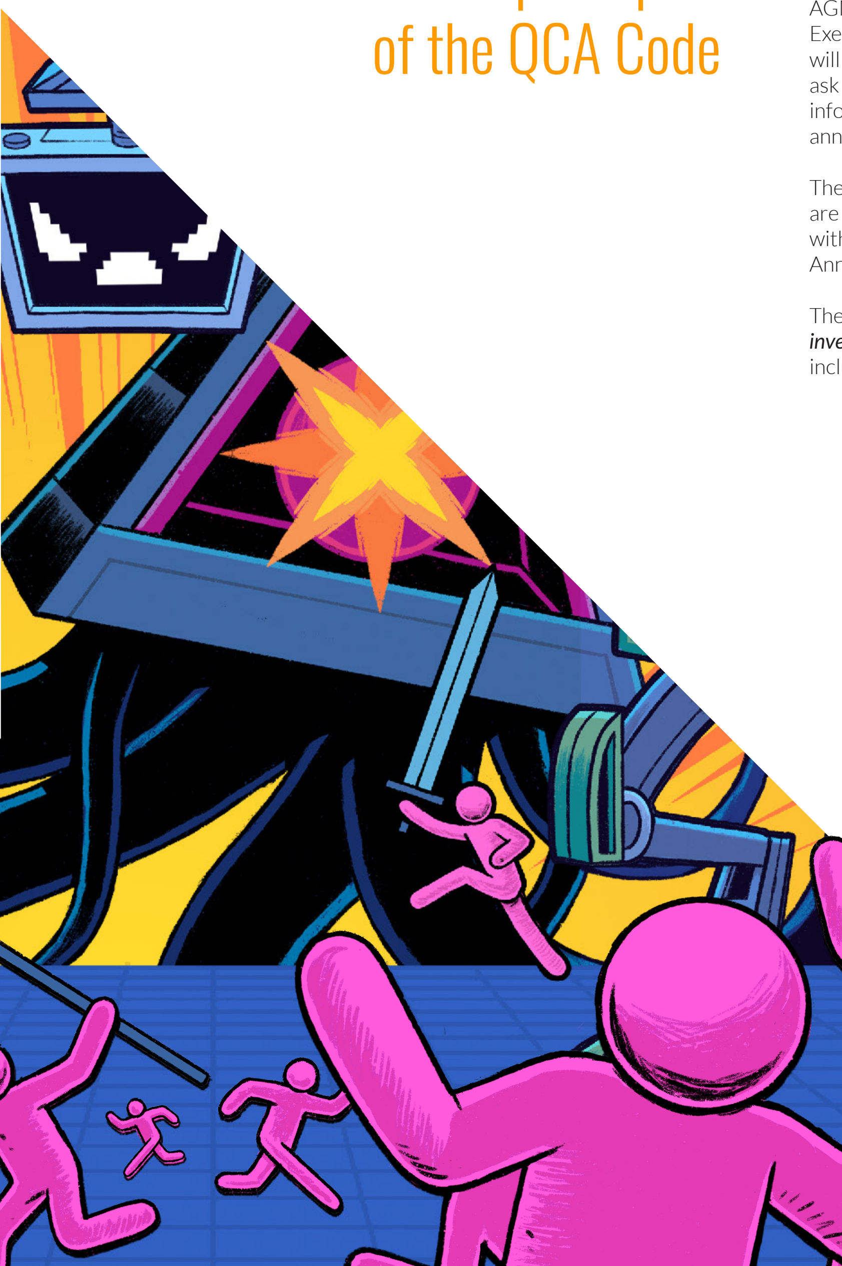


# CORPORATE GOVERNANCE REPORT

AIM quoted companies are required to adopt a recognised corporate governance code on Admission, however, there is no prescribed corporate governance regime in the UK for AIM companies. The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Group and the interests of its Shareholders.

The Directors have decided to adopt the QCA Code. The Directors believe that the QCA Code provides the Company with the framework to help ensure that a strong level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all of its stakeholders. The Company will comply with the ten principles of the QCA Code, with effect from Admission as detailed below.

The Company will comply with the ten principles of the QCA Code



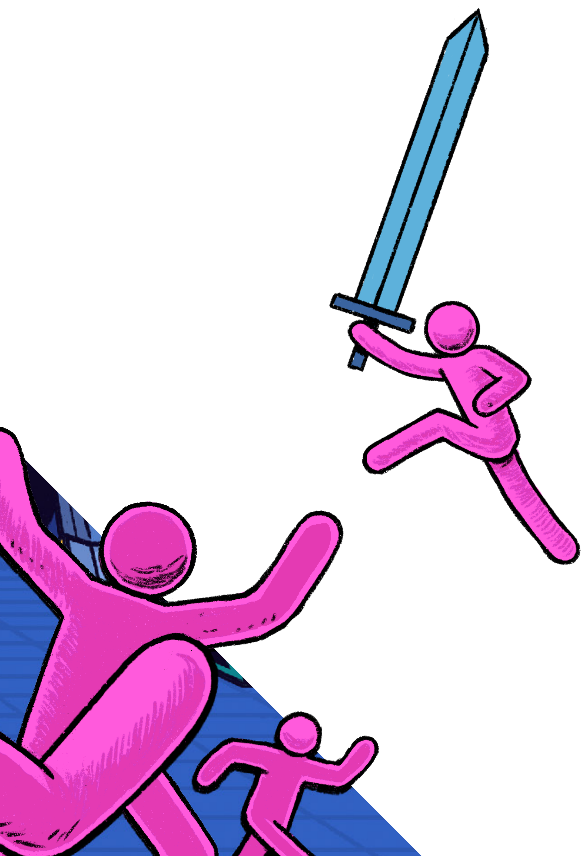
**Principle 1: Establish a business strategy and business model which promote long-term value for Shareholders**
The Directors believe that the Group's model and growth strategy, which improves the Group's working capital position by leveraging existing intellectual property owned by the Company, acquiring new intellectual property, publishers and development studios and creating long term scalable franchises across multimedia formats, helps to promote long-term value for Shareholders. An update on strategy will be given from time to time in the Strategic Report that is included in the annual report and accounts of the Group.

The Directors will continue to take appropriate steps to identify risks and undertake a mitigation strategy to manage these risks following Admission, including implementing a risk management framework.

**Principle 2: Seek to understand and meet Shareholder needs and expectations**
There will be an active dialogue maintained with Shareholders. Shareholders will be kept up to date via announcements made through a Regulatory Information Service on matters of a material substance and/or a regulatory nature. Updates will be provided to the market from time to time, including any financial information, and any expected material deviations to market expectations will be announced through a Regulatory Information Service. The Company's AGM will be an opportunity for Shareholders to meet with the Non-Executive Chairman and other members of the Board. The meeting will be open to all Shareholders, giving them the opportunity to ask questions and raise issues during the formal business or, more informally, following the meeting. The results of the AGM will be announced through a Regulatory Information Service.

The Board is keen to ensure that the voting decisions of Shareholders are reviewed and monitored and the Company intends to engage with Shareholders who do not vote in favour of resolutions at Annual General Meetings.

There is also a designated email address for Investor Relations, *investorrelations@tinybuild.com*, and all contact details are included on the Group's website.



# CORPORATE GOVERNANCE REPORT... CONTINUED

**Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**
The Group takes its corporate social responsibilities very seriously and is focused on maintaining effective working relationships across a wide range of stakeholders including shareholders, staff, customers and gaming platforms and developers that it partners with as part of its business strategy. The Executive Directors will maintain an ongoing and collaborative dialogue with such stakeholders and take all feedback into consideration as part of the decision-making process and day-to-day running of the business.

Given the nature of the Company's business the risks of having a negative impact on society and the environment are limited. However, the Board has implemented policies to remind employees of their obligations in this regard and adherence is carefully monitored. Further details of the Company's Environmental, Social and Corporate Governance Policy set out below.

**Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**
The Directors will take appropriate steps to identify risks and undertake a mitigation strategy to manage these risks. A review of these risks will be carried out at least on an annual basis, the results of which will be included in the Annual Report and Accounts going forward.

The Board has overall responsibility for the determination of the Group's risk management objective and policies and has also established the Audit Committee.

**Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chairman**
The Board comprises the following persons:

- three Non-Executive Directors including the Non-Executive Chairman; and
- three Executive Directors.

The Non-Executive Directors Henrique Olifiers, Nick van Dyk and Neil Catto are considered to be independent and were selected with the objective of bringing experience and independent judgement to the Board.

The Board is also supported by the Audit Committee, the Remuneration Committee and Nomination Committee, further details of which are set out in the Strategic Report.

The Directors are divided into three classes, designated as Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of Directors constituting the entire Board. At each Annual General Meeting, one class will be re-elected.

The Board will meet regularly and processes are in place to ensure that each Director is, at all times, provided with such information as is necessary to enable each Director to discharge their respective duties.

The Group is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

**Principle 6: Ensure that between them the Directors have the necessary up to date experience, skills and capabilities**
The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives. Experiences are varied and contribute to maintaining a balanced board that has the appropriate level and range of skill to drive the Group forward.

The Board is not dominated by one individual and all Directors have the ability to challenge proposals put forward to the meeting, democratically. The Directors have also received a briefing from the Company's Nominated Adviser in respect of continued compliance with, inter alia, the AIM Rules and the Company's Solicitors in respect of continued compliance with, inter alia, the Market Abuse Regulation.

**Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**
The Directors will consider the effectiveness of the Board, Audit Committee, Remuneration Committee, and individual performance of each Director. The Company has a Nomination Committee which will conduct a regular assessment of the individual contributions of each member of the Board to ensure that their contribution is relevant and effective. The committees were established in 2021 and the outcomes of performance will be described in the 2021 Annual Report and Accounts of the Group and subsequent Annual Reports thereafter.

## The culture is set by the Board and is regularly considered and discussed at Board meetings

**Principle 8: Promote a corporate culture that is based on ethical values and behaviours**
The Group has a responsibility towards its staff and other stakeholders. The Board promotes a culture of integrity, honesty, trust and respect and all employees of the Group are expected to operate in an ethical manner in all of their internal and external dealings.

The staff handbook and policies promote this culture and include such matters as whistleblowing, social media, anti-bribery and corruption, communication and general conduct of employees. The Board takes responsibility for the promotion of ethical values and behaviours throughout the Group, and for ensuring that such values and behaviours guide the objectives and strategy of the Group.

The culture is set by the Board and is regularly considered and discussed at Board meetings.

**Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**
The Non-Executive Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of the executive team. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Executive Directors are responsible for the operation of the business and delivering the strategic goals agreed by the Board.

The Board is supported by the Audit Committee, Remuneration Committee and Nomination Committee. There are certain material matters which are reserved for consideration by the full Board. Each of the committees has access to information and external advice, as necessary, to enable the committee to fulfil its duties.

The Board intends to review the Group's governance framework on an annual basis to ensure it remains effective and appropriate for the business going forward.

# CORPORATE GOVERNANCE REPORT... CONTINUED

**Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders**
The Board is of the view that the Annual Report and Accounts as well as its half year report are key communication channels through which progress in meetings the Group's objectives and updating its strategic targets can be given the Shareholders following Admission.

Additionally, the Board will use the Company's AGMs as a mechanism to engage directly with Shareholders, to give information and receive feedback about the Group and its progress.

The Company's website will be updated on a regular basis with information regarding the Group's activities and performance, including financial information.

There is also a designated email address for Investor Relations, *investorrelations@tinybuild.com*, and all contact details are included on the Group's website.

**Environmental, Social and Corporate Governance Policy**
The Company recognises the importance of doing business responsibly and reducing any adverse impacts of its operations on the environment, as well as encouraging the same values with those with whom it does business, in particular its community of developers.

When approaching the conduct of its business and operations, the Company seeks to emphasise its commitment to sustainable resources, eliminating waste, enhancement of employee wellbeing, commitment to people, equal opportunities, supporting initiatives that contribute to charities and operating ethically across the various jurisdictions in which it does business.

**Board Committees**
The Company has established Audit, Nomination and Remuneration committees.

The Audit Committee has Neil Catto as chair, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reporting on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee meets at least three times a year. Henrique Olifiers and Nick van Dyk are the other members of the Audit Committee.

The Nomination Committee has Nick van Dyk as chair, and identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least twice a year. Neil Catto and Henrique Olifiers are the other members of the Nomination Committee.

The Remuneration Committee has Henrique Olifiers as chair, and reviews the performance of the executive directors and determines their terms and conditions of service, having due regard to the interests of Shareholders. The Remuneration Committee meets at least twice a year. Neil Catto and Nick van Dyk are the other members of the Nomination Committee.

# AUDIT COMMITTEE REPORT

**Following Admission on 9 March 2021, the Audit Committee assumed responsibilities for:**

- Overseeing the integrity and reviewing the financial statements and external announcements of the results
- Ensuring compliance to accounting standards and review the consistency of the methodology
- Advising on the clarity of disclosures and information published in the annual report
- Reviewing the internal controls and risk management systems
- Consider the effectiveness of the group's internal suit function

The Audit Committee meets at least twice a year. Neil Catto, the Chairman of the Audit Committee, has recent and relevant financial experience. He is a qualified chartered accountant and Chief Financial Officer at AIM-listed Boohoo, having previously held a number of senior finance positions.

tinyBuild Inc. was not listed during the year ended 31 December 2020. For that reason, this report is not designed to be a report of the Audit Committee's activities, rather it is included to provide shareholders with information on the role of the Committee.

# REMUNERATION COMMITTEE REPORT

## Help attract, retain and motivate high performing senior executives, while remaining fiscally conservative

**Following the Company's admission to AIM on 9 March 2021, the Remuneration Committee ('Committee') assumed the responsibility in overseeing and determining the remuneration policy as well as the terms and conditions of service, including the company's share plans, for the executive directors and other members of senior management.**

During the financial year, the Committee will review the company's remuneration policy to ensure that the policy is appropriate for the group's current and future growth objectives. The Committee is committed to complying with the principles of good corporate governance in relation to the design of its remuneration policy, and such our policy will follow the QCA Remuneration Guidance as far as is appropriate to tinyBuild's management structure and the company's size and listing.

tinyBuild plc was not listed during the year ended 31 December 2020. For that reason, this report is not prepared in accordance with remuneration reporting regulations. This report is designed to provide shareholders with information on the role of the Committee and the current remuneration of the board of directors.

The members of the Committee are Henrique Olifiers (Committee Chairman and non-executive director), and Neil Catto and Nick van Dick (both non-executive directors).

### Pay policy for executive directors

The aim of the remuneration policy is to help attract, retain and motivate high performing senior executives, while remaining fiscally conservative by not paying above market value. Incentive measures by the company include equity plans to help align the interests of the executives with the interests of shareholders.

Remuneration for the executive directors may include base salary, annual bonus and stock options.

***Base salary***

Currently, the salaries of the executive directors are $350,000 for Alex Nichiporchik, $308,000 for Luke Burtis and $220,000 for Antonio Assenza.

Salaries will be reviewed annually, with the next review being scheduled to take effect for the year commencing 1 January 2022.

***Pension and other benefits***

Alex Nichiporchik and Luke Burtis receive company health care, Antonio Assenza does not. No pension plan is currently in place.

***Annual bonus***

The executive directors are all eligible to participate in the company wide annual cash bonus plan. The Committee oversees and approves the bonus plan, and any bonus payments.

Under the annual bonus plan, performance is measured over a single fiscal year. The key metrics in determining the bonus plan for each fiscal year are weighed equally between revenue and EBITDA metrics. The choice in metrics reflects that these metrics have been identified as the key indicators of the company's overall success.

***Executive Stock Options***

On Admission, Antonio Assenza (together with another selected senior executive who received the same level of award), was granted 125,931 options with an exercise price of $1.59 per share. 25% of these options will vest on the first anniversary of the grant and the remaining options will continue to vest at a monthly rate of 2.08%. Once fully vested, these options will expire on February 1, 2031 if not exercised.

As founder shareholders, neither Alex Nichiporchik nor Luke Burtis, both of whom have retained a significant equity stake in the company, received stock options awards on Admission.

The stock options are considered an effective equity incentive due to how it aligns closely with the interests of shareholders in achieving financial and business objectives. It is intended that grants of options will continue to be made periodically at the discretion of the Committee.

***Service contracts***

Each of the executive directors have a service contract dated 3 March 2021. Under these contracts, Alex Nichiporchik and Luke Burtis have a 12-month notice period from both the company and the executive while Antonio Assenza has a 6-month notice period from both the company and the executive. The company may also elect to terminate the employment of each executive director by making a payment in lieu of notice equal to their base salary in either a lump sum or monthly instalments.

***Remuneration policy for non-executive directors***

On 3 March 2021, Henrique Olifiers, (Non-Executive Chairman) and Neil Catto, (Non-Executive Director) provide their services under the terms of letters of appointment. The letters of appointment have a three-month notice period either by the company or the non-executive director.

Henrique Olifiers, (Non-Executive Chairman) and Neil Catto, Non-Executive Director receive an annual fee to cover all their duties. The current annual fees are:

- Non-executive chairman: $120,000
- Non-executive director: $70,000

The above fees will be reviewed annually by the board.

**At Admission, Henrique Olifiers, (Non-Executive Chairman) annual fee was satisfied and issued as an allotment of 51,454 Shares at the Placing Price.*

**Disclosure of directors' pay for the year**

The remuneration of the directors during the year ended 31 December 2020 is set out below:

| Remuneration Summary | | | | |
|---|---|---|---|---|
| **Name of Director** | **Salary** | **Annual Bonus** | **Benefits** | **Total** |
| Alex Nichiporchik | $215,000 | $200,000 | $4,460 | $219,460 |
| Luke Burtis | $200,000 | $200,000 | $4,460 | $204,460 |
| Antonio Assenza | $92,500 | $55,000 | NIL | $147,500 |

The non-executive directors were not yet appointed during the year ended 31 December 2020 and therefore received no remuneration during the year.

The table below sets out the beneficial interests in shares as at the date of Admission.

| Directors' interests in shares | | | |
|---|---|---|---|
| **Name of Director** | **Number of Shares** | **Percentage of Enlarge Share Capital** | **Options** |
| Alex Nichiporchik | 76,996,100 | 38.2% | NIL |
| Luke Burtis | 14,239,107 | 7.1% | NIL |
| Antonio Assenza | NIL | NIL | 125,931 |

# DIRECTORS' REPORT


**The Directors present their report and the audited financial statements for tinyBuild Inc. ("the Company") together with its subsidiaries ("the Group") for the year ended 31 December 2020. The preparation of financial statements is in compliance with IFRS issued by the International Accounting Standards Board (IASB) ("IFRS") and IFRIC Interpretations issued by the International Accounting Standards Board (IASB).**

### Principal activity
The principal activity of tinyBuild and its subsidiaries is the development and publishing of video games across a number of platforms.

### Business Review and Future Developments
The review of the period's activities, operations, future developments and key risks is contained in the Strategic Report on pages 2 to 19.

### Dividends
No ordinary dividends were paid during the year under review. The Directors do not recommend payment of a final ordinary dividend for the year (2019: $nil).

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

- Alex Nichiporchik
- Luke Burtis
- Antonio Assenza (appointed 3 March 2021)
- Henrique Olifiers (appointed 3 March 2021)
- Nick van Dyk (appointed 8 June 2021)
- Neil Catto (appointed 3 March 2021)

Full details of the Board of Directors can be found on page 20.

### Directors's Interests
Directors' share options and interests in shares can be found in the remuneration report on pages 26 to 27.

### Directors' Indemnities
The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### Post Balance Sheet Events
Post balance sheet events can be found in the note 30 to the financial statements.

### Financial Risk Management
Details of financial risk management are provided in note 23 to the financial statements.

### Statement of Disclosure to the Auditors
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

### Going Concern
The Group going concern assessment is based on forecasts and projections of anticipated trading performance. The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows.

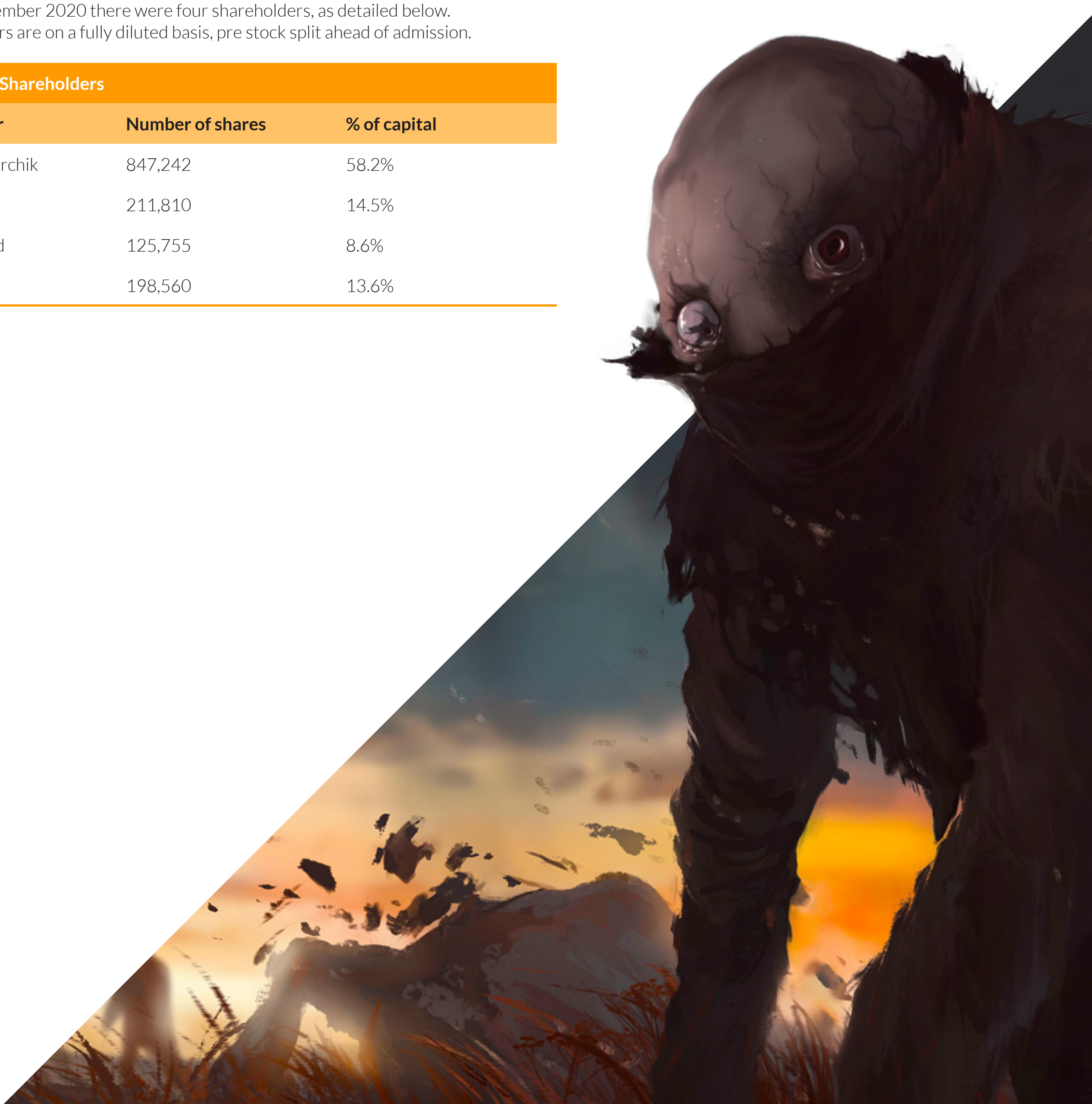
The pandemic had a limited impact on the Company in 2021 and to date there has been no sign that the end of the lockdown will affect sales of tinyBuild titles. The most visible effect of restrictions related to Covid-19 was the 29% decline in events revenues, as DevGAMM had to be held online in 2020.

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for 2021 and beyond and accordingly these financial statements are prepared on a going concern basis, with no material uncertainty over going concern.

### Auditors Appointment
Grant Thornton LLP were appointed during the period and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**Substantial Shareholders**
As at 31 December 2020 there were four shareholders, as detailed below. These numbers are on a fully diluted basis, pre stock split ahead of admission.

| Substantial Shareholders | | |
|---|---|---|
| **Shareholder** | **Number of shares** | **% of capital** |
| Alex Nichiporchik | 847,242 | 58.2% |
| Luke Burtis | 211,810 | 14.5% |
| Makers Fund | 125,755 | 8.6% |
| NetEase | 198,560 | 13.6% |



# DIRECTORS' RESPONSIBILITIES STATEMENT

**The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.**

The Company is incorporated in and subject to the laws of the State of Delaware, USA, which does not require the directors to prepare financial statements for each financial year. However, the Group is required to do so to satisfy the requirements of the AIM Rules for Companies. When preparing the financial statements, the directors are required to prepare the group financial statements in accordance with an appropriate set of generally accepted accounting principles or practice. The Directors have elected to use International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) ("IFRS").

The directors must not approve the accounts 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, International Accounting Standard 1 (revised) requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that correctly explain the transactions of the Company, enable the financial position of the Company to be determined with reasonable accuracy at any time and allow financial statements to be prepared. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the website is accessible in many countries and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors' responsibility also extends to the continued integrity of the financial statements contained therein.

**ON BEHALF OF THE BOARD**

Aleksandrs Ņičiporčiks

**Alex Nichiporchik**
Chief Executive Officer

*Dated: 8 June 2021*

# FINANCIAL STATEMENTS

# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

GrantThornton

Board of Directors and Shareholders
tinyBuild, Inc.

We have audited the accompanying consolidated financial statements of tinyBuild Inc. and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's responsibility for the financial statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of tinyBuild Inc. and subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Other matter**
The consolidated financial statements of tinyBuild Inc. and subsidiaries as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated February 4, 2021, expressed an unmodified opinion on those statements.

Grant Thornton LLP

Seattle, Washington
June 8, 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| Revenue | 5 | 37,648 | 27,972 |
| Cost of sales | | (15,120) | (13,645) |
| **Gross profit** | | **22,528** | **14,327** |
| Administrative expenses: | | | |
| - General administrative expenses | | (8,714) | (7,106) |
| - Share-based payment expenses | | (5,845) | (9,962) |
| Total administrative expenses | | (14,559) | (17,068) |
| Exceptional costs | 6 | (467) | - |
| Other operating income | 7 | 162 | - |
| **Operating profit/(loss)** | **9** | **7,664** | **(2,741)** |
| Finance costs | 10 | (21) | (16) |
| Finance income | 11 | 57 | 134 |
| **Profit/(loss) before tax** | | **7,700** | **(2,623)** |
| Income tax expense | 12 | (2,752) | (1,882) |
| **Profit/(loss) and total comprehensive income for the year** | | **4,948** | **(4,505)** |
| Attributable to: | | | |
| - Owners of the parent company | | 4,942 | (4,525) |
| - Non-controlling interests | | 6 | 20 |
| Earnings per share ($) | 13 | 0.028 | (0.033) |
| Diluted earnings per share ($) | 13 | 0.027 | (0.033) |
| Adjusted EBITDA | 14 | 15,275 | 7,672 |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2020

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 15 | 15,141 | 13,343 |
| Property, plant and equipment: | | | |
| - owned assets | 16 | 87 | 101 |
| - right-of-use assets | 16 | 673 | 874 |
| Trade and other receivables | 18 | 16 | 16 |
| **Total non-current assets** | | **15,917** | **14,334** |
| **Current assets** | | | |
| Trade and other receivables | 18 | 4,999 | 3,701 |
| Cash and cash equivalents | | 26,313 | 17,009 |
| **Total current assets** | | **31,312** | **20,710** |
| **TOTAL ASSETS** | | **47,229** | **35,044** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 26 | 1 | 1 |
| Share premium | 26 | 18,674 | 18,674 |
| Retained earnings | | 19,919 | 9,132 |
| Equity attributable to owners of the parent company | | 38,594 | 27,807 |
| Non-controlling interest | | 162 | 156 |
| **Total equity** | | **38,756** | **27,963** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 22 | 442 | 621 |
| Deferred tax liabilities | 24 | 1,663 | 2,542 |
| **Total non-current liabilities** | | **2,105** | **3,163** |
| **Current liabilities** | | | |
| Borrowings | 21 | 13 | - |
| Trade and other payables | 19 | 3,496 | 2,516 |
| Contract liabilities | 20 | 2,675 | 1,225 |
| Lease liabilities | 22 | 184 | 177 |
| **Total current liabilities** | | **6,368** | **3,918** |
| **Total liabilities** | | **8,473** | **7,081** |
| **TOTAL EQUITY AND LIABILITIES** | | **47,229** | **35,044** |

The accompanying notes are an integral part of these consolidated financial statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 8 June 2021 and are signed on its behalf by:

Aleksandrs Ničiporčiks

**Alex Nichiporchik**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | Share capital $'000 | Share premium $'000 | Retained earnings $'000 | Total equity attributable to owners of the parent company $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | | **1** | **3,750** | **5,695** | **9,446** | **136** | **9,582** |
| (Loss)/profit and total comprehensive income for the year | | - | - | (4,525) | (4,525) | 20 | (4,505) |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Issuance of Series A preferred stock | 26 | - | 15,000 | - | 15,000 | - | 15,000 |
| Direct costs of issuance | 26 | - | (76) | - | (76) | - | (76) |
| Repurchase of common stock | 26 | - | - | (2,000) | (2,000) | - | (2,000) |
| Share-based payments | 25 | - | - | 9,962 | 9,962 | - | 9,962 |
| Total transactions with owners | | - | 14,924 | 7,962 | 22,886 | - | 22,886 |
| **Balance at 31 December 2019** | | **1** | **18,674** | **9,132** | **27,807** | **156** | **27,963** |
| Profit and total comprehensive income for the year | | - | - | 4,942 | 4,942 | 6 | 4,948 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Share-based payments | 25 | - | - | 5,845 | 5,845 | - | 5,845 |
| Total transactions with owners | | - | - | 5,845 | 5,845 | - | 5,845 |
| **Balance at 31 December 2020** | | **1** | **18,674** | **19,919** | **38,594** | **162** | **38,756** |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 27 | 16,470 | 11,732 |
| **Net cash generated by operating activities** | | **16,470** | **11,732** |
| **Cash flows from investing activities** | | | |
| Software development | 15 | (6,549) | (5,821) |
| Purchase of intellectual property | 15 | (570) | (5,600) |
| Purchase of property, plant and equipment | 16 | (24) | (9) |
| **Net cash used in investing activities** | | **(7,143)** | **(11,430)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | 21 | 175 | - |
| Proceeds from issuance of preferred stock, net of transaction costs | | - | 14,924 |
| Repurchase of ordinary shares | | - | (2,000) |
| Payment of principal portion of lease liabilities | | (198) | (150) |
| **Net cash generated by/(used in) financing activities** | | **(23)** | **12,774** |
| **Cash and cash equivalents** | | | |
| Net increase in the year | | 9,304 | 13,076 |
| At 1 January | | 17,009 | 3,933 |
| At 31 December | | 26,313 | 17,009 |

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 GENERAL INFORMATION

TinyBuild Inc. ("the Company") is a private company limited by shares, and is registered, domiciled and incorporated in Delaware, USA. On 9 March 2021 the Company became a public company. The address of the registered office is 127 Bellevue Way SE, Suite 200, Bellevue, WA 98004, United States.

The Group ("the Group") consists of TinyBuild Inc. and all of its subsidiaries as listed in note 17. The Group's principal activity is that of an indie video game publisher and developer.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on the historical cost basis except for, where disclosed in the accounting policies, certain financial instruments that are measured at fair value.

The financial statements are prepared in US Dollars, which is the functional currency and presentational currency of the Company and all entities within the Group. Monetary amounts in these financial statements are rounded to the nearest thousand US Dollars (US$'000).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**Basis of consolidation**
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date control ceases. Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Adoption of new and revised standards**
With effect from 1 January 2020, the Group has adopted the following new IFRSs (including amendments thereto) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, that became effective for the first time. None of the new standards adopted have had any material impact on the Group.

| ***Standard/amendment*** | ***Effective date*** |
|---|---|
| Conceptual Framework and amendments to references to the Conceptual Framework in IFRS Standards | 1 January 2020 |
| Amendments to IFRS 3 Business Combinations | 1 January 2020 |
| Amendments to IAS 1 and IAS 8: Definition of Material | 1 January 2020 |
| Interest Rate Benchmark Reform: amendments to IFRS 9, IAS 39 and IFRS 7 | 1 January 2020 |

**New and revised standards in issue but not yet effective**
The following standards and interpretations relevant to the Group are in issue but are not yet effective and have not been applied in the preparation of the financial statements.

| ***Standard/amendment*** | ***Effective date*** |
|---|---|
| Interest Rate Benchmark Reform: amendments to IFRS 9, IAS 39 and IFRS 7 – Phase 2 | 1 January 2021 |

The above standards are not expected to materially impact the Group.

**Revenue recognition**
IFRS 15 Revenue from Contracts with Customers has been applied for all periods presented within the financial statements.

Revenue is recognised when control of a service or product provided by the Group is transferred to the customer, in line with the Group's performance obligations in the contract, and at an amount reflecting the consideration the Group expects to receive in exchange for the provision of services.

The Group recognised revenue from the following activities:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

*Game and Merchandise Royalties*

The Group develops and publishes video games based on its own and third-party intellectual property. The Group grants third-party distributors licences to sell these video games, and these distributors are considered to be the Group's customers when assessing revenue recognition. The majority of the Group's revenue is in the form of royalties received from third-party distributors under the licence agreements. Generally, royalty revenue earned from third-party licensees is recorded in the period earned, being the point at which the distributor sells the content to the end user, in accordance with IFRS 15. The Group occasionally will enter contracts with a fixed amount of royalty revenue in exchange for making a game available to a third-party platform for their customers to download for an agreed period of time, with minimal future performance obligations required by the Group. These contracts are determined as right to use contracts in accordance with IFRS 15 and the fixed fee is recognised upon satisfying the performance obligation of providing the game licence for the specified subscription-based platform, being the date the game is first made available on the third-party platform. Variable consideration in respect of some contracts is constrained, unable to be reliably estimated and is recognised when received.

*Development Services*

Development advances received from distribution partners to assist with the development of game titles are recognised as contract liabilities in the statement of financial position and subsequently recognised as income when distinct performance obligations set out in the contract are met. Performance obligations for development service contracts typically include the delivery of video game prototypes at various stages of completion. The transaction price for each performance obligation is generally a fixed amount which is specified in the contract. The Group allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service promised in the contract. The stand-alone selling price is determined to be the price at which the Group would sell the promised good or service separately to a customer. This is not presumed to be the contractually stated price in the contract, but management consider this to be an appropriate estimate as it is the agreed price the customer is willing to pay. Where the stand-alone selling price is not directly observable, the Group estimates it using an adjusted market assessment approach. The Group evaluates the video game market and estimates the price that a customer would be willing to pay for the goods and services.

The Group recognises revenue over time for certain contracts where the Group transfers control of the product over time and one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs it;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group enters into contracts for the development of game titles on certain platforms. The Group's performance under these contracts does not create an asset with an alternative use to the Group due to its specific nature, and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised based on time elapsed and milestones reached. Management consider that this output method is a faithful depiction of the Group's performance of satisfying the performance obligation as it is a direct measurement of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Payment is typically due upon milestones specified in the contract. There is not considered to be a significant financing component in these contracts with customers as the period between the recognition of revenue and the milestone payment is always less than one year.

*Event Revenue*

Event revenue is recognised at the conclusion of each event.

In cases where the invoices raised exceed the services rendered, a contract liability representing advances or deferred revenue is recognised.

**Going concern**

After reviewing the Group's forecasts and projections and taking into account the proceeds of the Placing, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has therefore adopted the going concern basis in preparing the financial statements.

**Foreign currencies**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

**Exceptional costs**

IAS 1 requires material items to be disclosed separately in a way that enables users to assess the quality of a Group's profitability. In practice, these are commonly referred to as "exceptional" items, but this is not a concept defined by IFRS and therefore there is a level of judgement involved in determining what to include in underlying profit. We consider items which are non-recurring and significant in size or in nature to be suitable for separate presentation (see note 6).

**Research and development expenditure**
Expenditure on research activities as defined in IFRS is recognised in the income statement as an expense as incurred.

Expenditure on internally developed software products and substantial enhancements to existing software product is recognised as intangible assets only when the following criteria are met:

1. It is technically feasible to develop the product to be used or sold;
2. There is an intention to complete and use or sell the product;
3. The Group is able to use or sell the product;
4. Use or sale of the product will generate future economic benefits;
5. Adequate resources are available to complete the development; and
6. Expenditure on the development of the product can be measured reliably.

The capitalised expenditure represents costs directly attributable to the development of the asset from the point at which the above criteria are met up to the point at which the product is ready for use. If the qualifying conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred. No research and development expenditure has been recognised as an expense.

Development costs largely relate to amounts paid to external developers, consultancy costs and the direct payroll costs of the internal development teams. Capitalised development expenditure is reviewed at the end of each accounting period for conditions set out above and indicators of impairment. Intangible assets that are not yet available for use are tested for impairment annually by comparing their carrying amount with their recoverable amount based on cash flow forecasts for the developed products.

**Finance income and costs**
Finance costs comprise interest charged on liabilities and finance costs accruing from lease liabilities.

Interest income and interest payable are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

**EBITDA and adjusted EBITDA**
Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") and Adjusted EBITDA are non-GAAP (Generally Accepted Accounting Principles) measures used by management to assess the operating performance of the Group. EBITDA is defined as profit before finance costs, tax, depreciation and amortisation (excluding amortisation of capitalised software development costs). Share-based payment costs, other non-recurring items, exceptional costs and other operating income are excluded from EBITDA to calculate adjusted EBITDA.

The Directors primarily use the Adjusted EBITDA measure when making decisions about the Group's activities. As these are non-IFRS measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

**Segmental reporting**
The Group reports its business activities in one area: video games development, which is reported in a manner consistent with the internal reporting to the Board of directors, which has been identified as the chief operating decision maker.

**Property, plant and equipment**
Property, plant and equipment are initially recognised at cost of purchase or construction, which includes any costs 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.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

| | |
|---|---|
| Fixtures, fittings and equipment | 5 – 7 years straight line |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**Intangible assets**
The Group has two categories of intangible assets:

*Purchased intellectual property*
The Group purchases intellectual property related to video games. As part of the acquihires, the Group selectively acquires relevant target intellectual property via an asset purchase, rather than a corporate acquisition. These acquihires are determined to meet the concentration test in IFRS 3, as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset. At the time of purchase, the Group estimates the useful life of the intellectual property for financial reporting purposes and recognises amortisation on a straight-line basis over the useful life of the asset, typically 7 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

Purchased intellectual property is reviewed for impairment at each reporting date or when events and circumstances indicate an impairment. The Group determined that an impairment charge was not necessary during the periods covered by the financial statements.

*Software development costs*
The Group incurs software development costs through game studios within the Group's control pursuant to IAS 38. Costs are amortised upon release of the game on a straight line basis over its estimated useful life, typically one to two years.

The Group capitalises external costs for localisation and porting of games as software development costs pursuant to IAS 38. Costs are amortised upon release of the game using the straight-line method over its estimated useful life, typically two years.

Development advances paid to external developers for the development of specified games are capitalised as incurred. Amortisation commences upon release of the specified games and at a rate equivalent to the costs being recovered from developers, reflecting the pattern in which the asset's future economic benefits are expected to be consumed. The period over which the advances are amortised varies due to its dependency on the success of the game.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

**Financial instruments**
Financial assets and liabilities are recognised on the statement of financial position when the Group has become party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Trade and other receivables*
Trade and other receivables that do not have a significant financing component are initially recognised at transaction price and thereafter are measured at amortised cost using the effective interest method. Other receivables are stated at their transaction price (discounted if material) less any impairment losses.

Platform receivables are stated at the estimated amount management expects to collect from each platform, net of the applicable fees. Management estimates this amount monthly based on preliminary sales reports provided by each platform. Credit terms are typically 30 to 45 days.

*Cash and cash equivalents*
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

*Classification and subsequent measurement of financial liabilities*
The Group's financial liabilities include borrowings, trade and other payables and lease liabilities.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Financial liabilities are measured subsequently at amortised cost using the effective interest rate method.

*Trade and other payables*
Trade and other payables and borrowings are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the statement of profit and loss. Cost approximates to fair value.

*Equity*
Equity instruments issued are recorded at fair value on initial recognition net of transaction costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**Impairment of financial assets under IFRS 9**
The Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group recognises twelve month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation default or delinquency in payments, and the unavailability of credit insurance at commercial rates are considered indicators that the receivable may be impaired.

Financial assets are written off when there is no reasonable expectation of recovery. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the Statement of Comprehensive Income.

*Platform receivables*
To measure the expected credit losses, trade and other receivables, including platform receivables, have been grouped based on shared credit risk characteristics and the days past due. For other financial assets at amortised cost, the Group determines whether there has been a significant increase in credit risk since initial recognition.

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

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

**Share-based payments**
The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. For share options which vest in instalments over the vesting period, each instalment is treated as a separate share option grant, each with a different vesting period.

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

**Taxation**
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

*Current tax*
Tax currently payable is based on the taxable profit for the year and is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or deductible in other years.

*Deferred tax*
Using the statement of financial position asset and liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the consolidated statement of financial position and the corresponding tax base, with the exception of temporary differences arising from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its asset and liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

Deferred tax assets are recognised only to the extent that the Group considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's intention is to settle the amounts on a net basis.

Since the Group is able to control the timing of the reversal of the temporary difference associated with interests in subsidiaries, a deferred tax liability is recognised only when it is probable that the temporary difference will reverse in the foreseeable future mainly because of a dividend distribution.

At present, no provision is made for the additional tax that would be payable if the subsidiaries in certain countries remitted their profits because such remittances are not probable, as the Group intends to retain the funds to finance organic growth locally.

**Leases**
On commencement of a contract (or part of a contract) which gives the Company the right to use an asset for a period of time in exchange for consideration, the Company recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

*Short-term leases*
Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

*Leases of low-value assets*
For leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

*Initial and subsequent measurement of the right-of-use asset*
A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.
The depreciation methods applied are as follows:

| | |
|---|---|
| Leased property | on a straight-line basis over the shorter of the lease term and the useful life |

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications.

*Initial measurement of the lease liability*
The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus additional periods arising from extension options that the Group is reasonably certain to exercise and termination options that the Group is reasonably certain not to exercise.

*Subsequent measurement of the lease liability*
The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

*Remeasurement of the lease liability*
The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the Group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss. On termination of leases, the right-of-use asset and lease liability are reduced, with any resulting gain or loss being recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate.

The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

Changes to the amounts expected to be payable under a residual value guarantee and changes to lease payments due to a change in an index or rate are recognised when the change takes effect and are discounted at the original discount rate unless the change is due to a change in floating interest rates, when the discount rate is revised to reflect the changes in interest rate.

*Lease modifications*
A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate used is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee company's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

**Government grants**
Income from government grants is presented within other operating income. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. Grants are recognised as income when the associated performance conditions are met.

## 3 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

**Judgements**
In the course of preparing the financial statements, judgements have been made in the process of applying the accounting policies that have had a significant effect in the amounts recognised in the financial statements. The following are the areas requiring the use of judgements that may significantly impact the financial statements.

*Capitalisation of development expenditure*
Management has to make judgements as to whether development expenditure has met the criteria for capitalisation or whether it should be expensed in the year. Development expenditure is capitalised only after its reliable measurement, technical feasibility and commercial viability can be demonstrated.

*Right-of-use assets and lease liabilities*
In determining the lease term, the Group assesses whether it is reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is re-assessed if significant events of changes in circumstances occur that are within the lessee's control. Right-of-use assets and lease liabilities are remeasured where the termination of a lease is considered reasonably certain, and the value of the lease payments due are known.

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

*Share based payment charge*
In relation to equity-settled remuneration schemes, employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant, based on certain assumptions. A movement of 1% in the grant-date fair value of the equity instruments would result in a charge/credit of $31,000 (2019: $28,000).

*Measurement, useful lives and impairment of intangible assets*
Purchased intellectual property is considered to have a useful economic life of seven years. Other intangible assets (except for goodwill) are also considered to have a finite useful economic life. They are amortised over their estimated useful lives that are reviewed at each reporting date. In the event of impairment, an estimate of the asset's recoverable amount is made. The value of the intangible assets are tested whenever there are indications of impairment and reviewed at each reporting date or more frequently should this be justified by internal or external events.

After assessing the carrying value of each intangible asset which is not yet ready for use at the reporting date, which is shown net of any impairment charge posted, the Directors are confident that the forecast cash generation is in excess of the intangible asset held. The forecast cash generation is taken from the Group's forecasts which cover the trading expectations for a minimum of two years after the reporting date. The forecast revenue and cash generation from each intangible asset are separately identifiable within the Group forecasts. The forecast cash generation represents significant assumptions regarding its commercial performance, should the assumptions prove to be significantly incorrect there would be a risk of material adjustment in the financial year following the release of that product.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 4 SEGMENTAL REPORTING

IFRS 8 Operating Segments requires that operating segments be identified on the basis of internal reporting and decision-making. The Group identifies operating segments based on internal management reporting that is regularly reported to and reviewed by the Board of directors, which is identified as the chief operating decision maker. Management information is reported as one operating segment, being revenue from self-published franchises and other revenue streams such as royalties, licensing, development and events.

Whilst the chief operating decision maker considers there to be only one segment, the Company's portfolio of games is split between those based on IP owned by the Group and IP owned by a third party and hence to aid the readers understanding of our results, the split of revenue from these two categories are shown below.

| Game and merchandise royalties | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| | $'000 | $'000 |
| Owned IP | 24,683 | 18,628 |
| Third-party IP | 9,239 | 7,350 |
| | **33,922** | **25,978** |

Five customers were responsible for approximately 81% of the Group's revenues (2019: four – 75%).

The Group has one right-of-use asset located overseas with a carrying value of $49,084 (2019: $67,490). All other non-current assets are located in the US.

### 5 REVENUE

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| **An analysis of the Group's revenue is as follows:** | **$'000** | **$'000** |
| **Revenue analysed by class of business** | | |
| Game and merchandise royalties | 33,922 | 25,978 |
| Development services | 2,917 | 850 |
| Events | 809 | 1,144 |
| | **37,648** | **27,972** |
| **Revenue analysed by timing of revenue** | | |
| Transferred at a point in time | 34,731 | 26,805 |
| Transferred over time | 2,917 | 1,167 |
| | **37,648** | **27,972** |

For royalties receivable, the Group recognise royalty income in the period in which it is earned.

Management expects that contract liabilities recognised in respect of partially unsatisfied performance obligations for development contracts will be recognised as revenue within 12 months.

### 6 EXCEPTIONAL COSTS

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| | $'000 | $'000 |
| IPO related costs | 467 | - |

## 7 OTHER OPERATING INCOME

| | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Government grant – PPP loan forgiveness (note 21) | 162 | - |

## 8 EMPLOYEES

| **An analysis of the Group's staff costs is as follows:** | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Employee benefit expense | 3,767 | 3,033 |
| Equity-settled share-based payments | 5,845 | 9,962 |
| **Total employee benefit expense** | **9,612** | **12,995** |

The directors are considered to be the only key management personnel of the group. An analysis of key management personnel remuneration is set out in note 28.

## 9 OPERATING PROFIT/(LOSS)

| **The operating profit/(loss) is arrived at after charging/(crediting):** | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Net foreign exchange loss/(gain) | 5 | (2) |
| Amortisation of intangible assets | 5,321 | 2,493 |
| Depreciation of property, plant and equipment - owned | 38 | 39 |
| Depreciation of property, plant and equipment - right-of-use assets | 201 | 145 |
| Operating lease rentals - short-term leases | 31 | 46 |

## 10 FINANCE COSTS

| | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Lease finance costs | 21 | 16 |

## 11 FINANCE INCOME

| | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Bank interest receivable | 57 | 134 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 INCOME TAX EXPENSE

| | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Current tax:<br>US tax | 3,631 | 1,400 |
| Deferred tax:<br>Origination and reversal of timing differences | (879) | 482 |
| Total deferred tax | (879) | 482 |
| **Total income tax expense** | **2,752** | **1,882** |

**Factors affecting tax charge for the year**
The tax assessed on the profit on the ordinary activity for the year differs from the main rate of corporation tax in the US of 21%. The differences are reconciled below:

| | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Profit/(loss) before taxation | 7,700 | (2,623) |
| Tax at the US corporation tax rate of 21% | 1,617 | (551) |
| Adjusted for the effects of: | | |
| Expenses not deductible for tax purposes: | | |
| - Relating to share-based payments | 1,340 | 2,181 |
| - Other non-taxable expenses | (590) | - |
| State income taxes | 169 | 249 |
| Other | 216 | 3 |
| **Total income tax expense** | **2,752** | **1,882** |

## 13 EARNINGS PER SHARE

The Group reports basic and diluted earnings per common share. Basic earnings per share is calculated by dividing the profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for the post year end share split (note 30). The preferred shares that have similar characteristics of ordinary shares are included in the calculation of the weighted average number of shares.

Diluted earnings per share is determined by adjusting the profit attributable to common shareholders by the weighted average number of common shares outstanding, taking into account the effects of all potential dilutive common shares, including options.

| | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Total comprehensive income attributable to the owners of the company | 4,942 | (4,525) |
| Weighted average number of shares | 179,602,538 | 137,878,670 |
| **Basic earnings per share ($)** | **0.028** | **(0.033)** |
| Total comprehensive income attributable to the owners of the company | 4,942 | (4,525) |
| Weighted average number of shares | 179,602,538 | 137,878,670 |
| Dilutive effect of share options | 2,739,413 | - |
| Weighted average number of diluted shares | 182,341,950 | 137,878,670 |
| **Diluted earnings per share ($)** | **0.027** | **(0.033)** |

Pursuant to IAS 33, 23,942,729 options whose exercise price is higher than the value of the Company's security were not taken into account in determining the effect of dilutive instruments. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

Subsequent to the year end, the Company issued 21,438,985 new shares and 1,511,449 warrants to subscribe for shares which would have a dilutive effect.

## 14 ADJUSTED EBITDA

| | Year ended 31 December 2020<br>$'000 | Year ended 31 December 2019<br>$'000 |
|---|---|---|
| Operating profit/(loss) | 7,664 | (2,741) |
| Share-based payment expenses | 5,845 | 9,962 |
| Amortisation of purchased intellectual property | 1,222 | 267 |
| Depreciation of property, plant and equipment | 239 | 184 |
| Exceptional costs – IPO expenses | 467 | - |
| Other operating income | (162) | - |
| **Adjusted EBITDA** | **15,275** | **7,672** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 15 INTANGIBLE ASSETS

| | Purchased intellectual property $'000 | Software development costs $'000 | Total $'000 |
|---|---|---|---|
| **Cost:** | | | |
| As at 1 January 2019 | - | 4,757 | 4,757 |
| Additions – internally generated | - | 5,821 | 5,821 |
| Additions – separately acquired | 5,600 | - | 5,600 |
| As at 31 December 2019 | 5,600 | 10,578 | 16,178 |
| Additions – internally generated | - | 6,549 | 6,549 |
| Additions – separately acquired | 570 | - | 570 |
| As at 31 December 2020 | 6,170 | 17,127 | 23,297 |
| **Amortisation and impairment:** | | | |
| As at 1 January 2019 | - | 342 | 342 |
| Amortisation charge for the year | 267 | 2,226 | 2,493 |
| As at 31 December 2019 | 267 | 2,568 | 2,835 |
| Amortisation charge for the year | 819 | 4,502 | 5,321 |
| As at 31 December 2020 | 1,086 | 7,070 | 8,156 |
| **Carrying amount:** | | | |
| As at 31 December 2020 | 5,084 | 10,057 | 15,141 |
| As at 31 December 2019 | 5,333 | 8,010 | 13,343 |

Purchased intellectual property relates to the intellectual property rights to the certain games and franchises. The intellectual property is considered to have a useful life of 7 years and is amortised on a straight-line basis over the useful life. The intellectual property is assessed for impairment at least annually, or more frequently if there are indicators of impairment. A formal impairment review is only undertaken if there are indicators of impairment. Any impairment is recognised immediately within the Statement of Comprehensive Income. During 2019, the Group purchased the intellectual property rights to the Hello Neighbor franchise and all associated rights for consideration totalling $5.6m. In the year ended 31 December 2020, the Group purchased the intellectual property rights to two video games for total consideration of $570,000. Amortisation of purchased intellectual property is recognised within general administrative expense in the Statement of Comprehensive Income.

Software development costs relate to costs incurred for the localisation and porting of games, advances paid to external developers under development agreements and the direct payroll and overhead costs of the internal development teams. Amortisation of software development costs commences upon release of the game and is recognised within cost of sales in the Statement of Comprehensive Income. Included within software development costs is $1,723,000 (2019: $468,000) relating to intangible assets under construction for which amortisation has not yet commenced.

## 16 PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets (note 22) $'000 | Fixtures, fittings and equipment $'000 | Total $'000 |
|---|---|---|---|
| **Cost:** | | | |
| As at 1 January 2019 | 231 | 206 | 437 |
| Additions | 913 | 9 | 922 |
| As at 31 December 2019 | 1,144 | 215 | 1,359 |
| Additions | - | 24 | 24 |
| As at 31 December 2020 | 1,144 | 239 | 1,383 |
| **Depreciation and impairment:** | | | |
| As at 1 January 2019 | 125 | 75 | 200 |
| Charge for the year | 145 | 39 | 184 |
| As at 31 December 2019 | 270 | 114 | 384 |
| Charge for the year | 201 | 38 | 239 |
| As at 31 December 2020 | 471 | 152 | 623 |
| **Carrying amount:** | | | |
| As at 31 December 2020 | 673 | 87 | 760 |
| As at 31 December 2019 | 874 | 101 | 975 |

Depreciation and impairment of property, plant and equipment is recognised within general administrative expenses in the Statement of Comprehensive Income.

## 17 SUBSIDIARIES

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information, are as follows:

| Name of subsidiary | Principal activity | Country of incorporation and registered office | Proportion of ownership interest and voting rights held |
|---|---|---|---|
| tinyBuild LLC | Video game development | 3831 152nd Place SE, Bothell, WA 98012, USA | 100% |
| tinyBuild BV | Video game development | Wandelpad 30, 1211 GN Gemeente Hilversum, Netherlands | 100% |
| tinyBuild Studios, SIA | Video game development | Lacplesa 52-77, 1011 Riga, Latvia | 100% |
| Pine Events Inc. | Gaming events | 1100 Bellevue Way NE, Bellevue, WA 98004, USA | 51% |
| DevGamm LLC | Gaming events | 3831 152nd Place SE, Bothell, WA 98012, USA | 60% |
| HakJak Studios LLC | Video game development | 1100 Bellevue Way NE, Bellevue, WA 98004, USA | 100% |
| Hologryph LLC | Video game development | 127 Bellevue Way SE, Bellevue, WA 98004, USA | 100% |
| Moon Moose LLC | Video game development | 127 Bellevue Way SE, Bellevue, WA 98004, USA | 80% |
| Hungry Couch LLC | Video game development | 127 Bellevue Way SE, Bellevue, WA 98004, USA | 100% |

No subsidiary undertakings have been excluded from the consolidation. A new subsidiary, tinyBuilding LLC was formed and subsequently dissolved in 2019. During the year, the Company's ownership interest in DevGamm LLC decreased from 70% to 60% (see note 28).

DevGamm LLC contributed $526,000 to the Group's revenue in the year ended 31 December 2020 (2019: $1,132,000). Other than DevGamm LLC's revenue, the revenue, net assets and cash flows of all non-controlling interests are not considered to be material to the group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 18 TRADE AND OTHER RECEIVABLES

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| **Non-current assets** | | |
| Other receivables | 16 | 16 |
| **Current assets** | | |
| Platform receivables | 4,431 | 3,195 |
| Prepaid expenses and other current assets | 568 | 506 |
| | 4,999 | 3,701 |
| **Total trade and other receivables** | **5,015** | **3,717** |

All of the platform receivables were non-interest bearing, receivable under normal commercial terms. The Directors consider that the carrying value of trade and other receivables approximates to their fair value. The Group has assessed the credit risk of its financial assets measured at amortised cost and has determined that the loss allowance for expected credit losses of those assets is immaterial to the financial statements.

### 19 TRADE AND OTHER PAYABLES

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Trade payables | 3,057 | 2,513 |
| Accrued expenses and other current liabilities | 439 | 3 |
| | **3,496** | **2,516** |

The Directors consider that the carrying value of trade and other payables approximates to their fair value.

### 20 CONTRACT LIABILITIES

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Contract liabilities | 2,675 | 1,225 |

Contract liabilities are development advances received from distribution partners to aid in the development of video games.
In accordance with the Group's revenue recognition accounting policy, the revenue amounting to the transaction price allocated to each distinct performance obligation is deferred and subsequently recognised when those distinct performance obligations are satisfied. Revenue of $1,225,000 was recognised during 2020 in respect of contract liabilities as at 31 December 2019.

### 21 BORROWINGS

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Payroll protection program loan | 13 | - |

On 5 May 2020, the Group received a loan of $174,696 guaranteed by the Small Business Administration under the Payroll Protection Program as part of US government measures in response to the outbreak of COVID-19. The loan accrues interest at 1%. Upon meeting certain criteria of the program, all or part of the loan proceeds may be forgiven. On 17 December 2020, $162,174 of the loan balance was forgiven. The remaining balance of $12,522 was repaid by the Group to the lender in monthly instalments finishing in May 2021.

## 22 LEASES

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between the reporting date and the contractual maturity date.

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| **Maturity analysis:** | | |
| Within 1 year | 200 | 198 |
| Between 1 and 5 years | 457 | 652 |
| | 657 | 850 |
| Less unearned interest | (31) | (52) |
| **Lease liability** | **626** | **798** |
| **Analysed as:** | | |
| Non-current | 442 | 621 |
| Current | 184 | 177 |
| | **626** | **798** |

As disclosed in more detail in note 16, the carrying value of right-of-use assets in respect of the above lease liabilities is $673,202 (2019: $874,277).

The Group's lease arrangements are in relation to 3 property leases. The leases have termination dates ranging from 2020 to 2024. The Group terminated one lease early in March 2019 with no penalty and is reasonably certain that it will not activate any early termination clauses in the remaining leases.

The rates of interest implicit in the Group's lease arrangements are not readily determinable and management have determined that the incremental borrowing rate to be applied in calculating the lease liability is 3.0%. The fair value of the Group's lease obligations is approximately equal to their carrying amount.

| **Effects of leases on financial performance:** | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Depreciation charge on right-of-use assets included within 'general administrative expenses' | 201 | 145 |
| Interest expense on lease liabilities included within 'finance costs' | 21 | 16 |
| Expense relating to short-term leases included within 'general administrative expenses' | 31 | 11 |
| | **253** | **172** |

| **Effects of leases on cash flows:** | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Total cash outflow for leases | (229) | (162) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 22 LEASES... CONTINUED

The Group has one property lease which has a term of 12 months and has elected to treat the lease as a short-term lease in accordance with IFRS 16. The Group is committed to minimum lease payments in respect of this lease as follows:

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Short-term lease commitment | 27 | 33 |

### 23 FINANCIAL RISK MANAGEMENT

The Group's financial instruments at the reporting dates mainly comprise cash and various items arising directly from its operations, such as trade and other receivables and trade and other payables.

(a) Risk management policies

The Group's Directors are responsible for overviewing capital resources and maintaining efficient capital flow, together with managing the Group's market, liquidity, foreign exchange, interest and credit risk exposures.

(b) Financial assets and liabilities

Financial assets and liabilities analysed by the categories were as follows:

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| **Financial assets at amortised cost:** | | |
| Trade and other receivables | 5,015 | 3,717 |
| Cash and cash equivalents | 26,313 | 17,009 |
| | **31,328** | **20,726** |
| **Financial liabilities at amortised cost:** | | |
| Borrowings | 13 | - |
| Trade and other payables | 3,496 | 2,516 |
| Lease liabilities | 626 | 798 |
| | **4,135** | **3,314** |

The carrying value of all financial instruments is not materially different from their fair value. Cash and cash equivalents attract floating interest rates. Accordingly, their carrying amounts are considered to approximate to fair value.

(c) Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Maximum credit risk at the reporting dates was as follows:

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Current trade and other receivables | 4,999 | 3,701 |
| Non-current trade and other receivables | 16 | 16 |
| Cash and cash equivalents | 26,313 | 17,009 |
| | **31,328** | **20,726** |

Before accepting a new customer, the Group assesses both the potential customer's credit quality and risk. Customer contracts are drafted to reduce any potential credit risk to the Group. Where appropriate the customer's recent financial statements are reviewed. The Group advances royalties to developers, giving rise to an asset. The Group is generally shielded from credit risk because it deducts repayments of those advances from the income received from the distributors, therefore any liquidity or other constraint the developer faces does not impact the recoverability of the developer advance.

The Group has assessed the credit risk of its financial assets measured at amortised cost and has determined that the loss allowance for expected credit losses of those assets is immaterial to the financial statements.

The Group's exposure to credit losses has historically been very low given the blue chip nature of the customers and there being no historical write offs.

Accounts receivable from the Group's four largest customers at 31 December 2020 totalled approximately $3.5m (2019: $2.4m).

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management monitors the level of cash and cash equivalents on a continuous basis to ensure sufficient liquidity to be able to meet the Group's obligations as they fall due.

Contractual cash flows relating to the Group's financial liabilities are as follows:

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| **Financial assets at amortised cost:** | | |
| Borrowings | 13 | - |
| Trade payables | 3,057 | 2,513 |
| Accruals and other payables | 439 | 3 |
| Lease liabilities | 184 | 177 |
| | **3,693** | **2,693** |
| **Between 1-2 years:** Lease liabilities | 189 | 182 |
| **Between 2-3 years:** Lease liabilities | 188 | 188 |
| **Between 3-4 years:** Lease liabilities | 65 | 187 |
| **Between 4-5 years:** Lease liabilities | - | 64 |
| **Total** | **4,135** | **3,314** |

(e) Interest rate risk

Interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. Interest on the Group's borrowings is fixed at 1% and interest rates on cash and cash equivalents are low, such that interest rate risk is minimal.

(f) Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade for the foreseeable future. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group considers its capital to include cash, share capital and retained earnings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 FINANCIAL RISK MANAGEMENT... CONTINUED

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Net cash | 26,313 | 17,009 |
| Total equity | 38,756 | 27,963 |
| | **65,069** | **44,972** |

### 24 DEFERRED TAX

The deferred tax balances recognised in the consolidated statement of financial position are as follows:

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Deferred tax liability: | | |
| Short term timing differences | 1,663 | 2,542 |
| **Net deferred tax liability** | **1,663** | **2,542** |

| **The net movement is explained as follows:** | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Opening deferred tax liability | 2,542 | 2,060 |
| Charge to profit or loss | (879) | 482 |
| **Closing deferred tax liability** | **1,663** | **2,542** |

### 25 SHARE-BASED PAYMENTS

The Group operates two share-based plans, the Equity Incentive Plan and a Stock Restriction Agreement, which are detailed as follows:

The Stock Restriction Agreement is a plan that provides for grants of Restricted Stock Awards (RSA) for the founders of the company. The awarded shares are made in the Company's ordinary share capital. The fair value of the RSAs is estimated by using the Black-Scholes valuation model on the date of grant, based on certain assumptions, and is charged on a straight-line basis over the required service period, normally two to three years. The fair value of the 2017 grant is $8.98 per share and the 2019 grant is $40.21 per share. The RSAs vest in instalments every three months over the service period. Each instalment has been treated as a separate share option grant because each instalment has a different vesting period. This plan is equity-settled. A reconciliation of RSAs is as follows:

| | As at 31 December 2020<br>$'000 | As at 31 December 2019<br>$'000 |
|---|---|---|
| Opening RSA outstanding | 367,730 | 206,316 |
| RSA granted | - | 529,531 |
| RSA vested | (176,510) | (368,117) |
| Closing RSA outstanding | 191,220 | 367,730 |
| Weighted average remaining contractual life in years | 1.08 | 2.08 |

The company has an Equity Incentive Plan that provides for the issuance of non-qualified stock options to officers and other employees that have a contracted term of 10 years and generally vest over four years. The stock options are granted on shares issued by the company. A reconciliation of share option movements is shown below:

| | Number of options outstanding | Weighted average exercise price ($) | Number of options exercisable | Weighted average exercise price ($) | Weighted average remaining contractual life (years) |
|---|---|---|---|---|---|
| At 31 December 2019 | 14,462 | 19.16 | 7,310 | 8.98 | 8.43 |
| Granted during the period | 6,638 | 93.07 | | | |
| At 31 December 2020 | 21,100 | 42.41 | 11,815 | 13.33 | 8.08 |

During the period covered by the financial statements, no options were exercised, expired or forfeited. Options granted during the year were valued using the Black-Scholes option-pricing model. The fair value per option granted during the period covered by the financial statements and the assumptions used in the calculation are as follows:

| | Grant date | | | |
|---|---|---|---|---|
| | 25 November 2020 | 15 October 2020 | 17 April 2020 | 1 May 2019 |
| Share price at grant date | $101.37 | $101.37 | $70.13 | $34.46 |
| Exercise price | $206.03 | $137.35 | $42.43 | $42.43 |
| Option life | 6.25 | 6.25 | 6.25 | 6.25 |
| Expected volatility | 60.00% | 60.00% | 60.00% | 52.98% |
| Expected dividends | 0.00% | 0.00% | 0.00% | 0.00% |
| Discount rate | 0.25% | 0.25% | 0.25% | 2.51% |
| Weighted average fair value per option | $39.30 | $48.73 | $46.22 | $16.51 |

Expected volatility is estimated based on the closest Treasury rate to the expected term and the historical volatility of comparable public peers over the same period.

## 26 SHARE CAPITAL

| | As at 31 December 2020 | As at 31 December 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Class of share** | | |
| Ordinary shares of $0.001 each | 1,059,052 | 1,059,052 |
| Series Seed preferred shares of $0.001 each | 125,755 | 125,755 |
| Series A preferred shares of $0.001 each | 198,560 | 198,560 |

| | As at 31 December 2020 | As at 31 December 2019 |
|---|---|---|
| | $'000 | $'000 |
| **Class of share** | | |
| Ordinary shares of $0.001 each | 1,059 | 1,059 |
| Series Seed preferred shares of $0.001 each | 126 | 126 |
| Series A preferred shares of $0.001 each | 199 | 199 |
| | 1,384 | 1,384 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 26 SHARE CAPITAL... CONTINUED

During the year ended 31 December 2019, the Group repurchased 41,300 ordinary shares for $2,000,000.

During the year ended 31 December 2019, the Group issued 198,560 Series A preferred shares for fully paid consideration totalling $15,000,000, net of direct issue costs of $75,831. Share premium of $14,923,970 has been recognised in respect of this share issue.

**Ordinary shares**
Each ordinary share entitles the holder to one vote at general meetings of the company, to participate in dividends and to share in the proceeds of winding up the company. As disclosed in note 25, a number of ordinary shares are subject to a restriction agreement.

**Preferred shares**
Each preferred share is convertible at any time at the option of the holder into one ordinary share. Each preferred share entitles the holder to one vote at general meetings of the company, to participate in dividends and to share in the proceeds of winding up the company in preference to any declaration or payment to holders of ordinary shares.

### 27 CASH GENERATED FROM OPERATIONS

| | Year ended 31 December 2020 $'000 | Year ended 31 December 2019 $'000 |
|---|---|---|
| (Loss)/profit for the year | 4,948 | (4,505) |
| Adjustments for: | | |
| Share-based payments | 5,845 | 9,962 |
| Amortisation of intangible assets | 5,321 | 2,493 |
| Depreciation of tangible fixed assets | 239 | 184 |
| Foreign exchange (gains)/losses | 5 | (2) |
| Finance costs | 21 | 16 |
| Movements in working capital: | | |
| (Increase)/decrease in receivables | (1,299) | 2,425 |
| Increase/(decrease) in payables | 511 | 1,641 |
| Increase/(decrease) in deferred tax liability | 879 | (482) |
| **Cash generated from operations** | **16,470** | **11,732** |

**Changes in liabilities arising from financing activities**
The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

| | As at 1 January 2019 | Cash flows | Non-cash movements | As at 31 December 2019 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 3,933 | 13,076 | - | 17,009 |
| Lease liabilities | (102) | 150 | (846) | (798) |
| **Net debt** | **3,831** | **13,226** | **(846)** | **16,211** |

| | As at 1 January 2020 | Cash flows | Non-cash movements | As at 31 December 2020 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 17,009 | 9,304 | - | 26,313 |
| Borrowings | - | (175) | 162 | (13) |
| Lease liabilities | (798) | 198 | (26) | (626) |
| **Net debt** | **16,211** | **9,327** | **136** | **25,674** |

## 28 RELATED PARTY TRANSACTIONS

Interests in subsidiaries are set out in note 17.

The directors are considered to be the only key management personnel of the group. An analysis of key management personnel remuneration is set out below:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| **Key management personnel remuneration** | $'000 | $'000 |
| Aggregate emoluments | 1,552 | 1,635 |
| Equity-settled share-based payments | 5,801 | 9,938 |
| | **7,353** | **11,573** |

**Transactions with other related parties**
The wife of the Company's CEO is a member and manager of DevGAMM LLC and pursuant to an agreement tied to her continued service to DevGAMM LLC, her membership interest in the company increased from 30% to 40% during the year ended 31 December 2020.

There were no other related party transactions during the period which require disclosure.

## 29 ULTIMATE CONTROLLING PARTY

The Company's ultimate controlling party is Alex Nichiporchik.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 30 POST BALANCE SHEET EVENTS

On January 11, 2021, the membership interest in DevGAMM LLC of the wife of the Company's CEO increased by an additional 11% to 51% pursuant to an agreement tied to her continued service to DevGAMM LLC. From 11 January 2021, tinyBuild Inc. owned 49% of the share capital of DevGAMM LLC.

On January 31, 2021 (as amended on February 19, 2021), the Company entered into asset purchase agreement ("We're Five APA") with the We're Five Games LLC, as sellers pursuant to which the Company purchased from We're Five all right, title and interest in the Totally Reliable Delivery Service game, the Totally Reliable Delivery Service and We're Five Games trademarks, domain names, and certain related technology software (including all source code).The consideration payable under the transaction is made up of: (i) a total of $300,000 to be paid in non-equal amounts to each of We're Five Studio Team, (ii) $238,500 to be paid to We're Five Games LLC, of which $113,536 is a recoupable advance on any revenue share payments that may be due from the Company to any of the We're Five Studio Team and the remaining amount represents the amount that the parties have estimated to be payable to the We're Five Studio Team under their respective independent contractor agreements with tinyBuild LLC as described further below. In addition, the Company agreed to fund We're Five Games LLC up to a maximum of $837,784 USD to cover agreed monthly studio costs for the period April 2021 through March 2022 (payable monthly). Each of the We're Five Studio Team and certain key personnel entered into independent contractor agreements with the Company. Under the independent contractor agreement, tinyBuild would compensate the We're Five Studio Team for as long as they continue to be engaged by tinyBuild in the following amounts: (i) $500,000 in Options awarded to the We're Five Studio Team subject to vesting provisions, (ii) royalty payments of up to 20 per cent. of net revenues, and (iii) earnout payments in the form of additional Options up to a maximum of $2,184,000 if certain revenue targets are met in 2021, 2022, and 2023.

On February 2, 2021 (as amended on 18 February 2021) the Company entered into asset purchase agreement ("Hungry Couch APA") with the third party ("Seller") pursuant to which the Company purchased from the Seller certain intellectual property and other assets in connection with the Black Skylands game, the Black Skylands and Hungry Couch trademarks, the blackskylands.com and hungrycouch.com domain names, and certain related technology software (including all source code), in consideration of $550,000 USD, consisting of (i) 4 payments of $50,000 every six months over two years, not to exceed $200,000 and (ii) $350,000, being an amount previously paid by the Company to the Seller as an advance for the development work performed by the Seller developing the game, being waived and released by the Company. As a completion deliverable, the Seller entered into an independent contractor agreement with the Company pursuant to which the Seller will receive up to $200,000 Options, subject to the vesting provisions, and procured that certain key personnel of the Seller enter into independent contractor agreements with the Company. As part of the asset purchase agreement, the Seller will also be entitled to earnout payments in the form of product royalty payments and options based on meeting certain revenue targets in 2021, 2022, 2023, 2024 and beyond.

In February 2021, a share capital reorganisation commenced, to take effect immediately prior to admission as part of a recapitalisation agreement. Every one of series seed preferred shares and series A preferred shares was converted into one ordinary share. Immediately following such conversion all outstanding ordinary shares were converted into 129.83 shares of common shares. The number of existing common shares in issue immediately prior to admission became 180,087,475.

On 3 March 2021, the Company granted Zeus Capital a right to subscribe in cash for 1,511,449 Shares at the placing price of £1.69 per share during the period commencing on the 18 month anniversary of the date of Admission and expiring on the date which is the 10th anniversary of Admission. Such rights are capable of being exercised in whole or in part and will only be capable of exercise if the price of a common share exceeds an amount equal to 150% of the placing price.

On 9 March 2021, the Company listed on the London AIM, issuing 21,438,985 new shares and raising £36.2m ($50m) of gross proceeds.

tinyBuild