ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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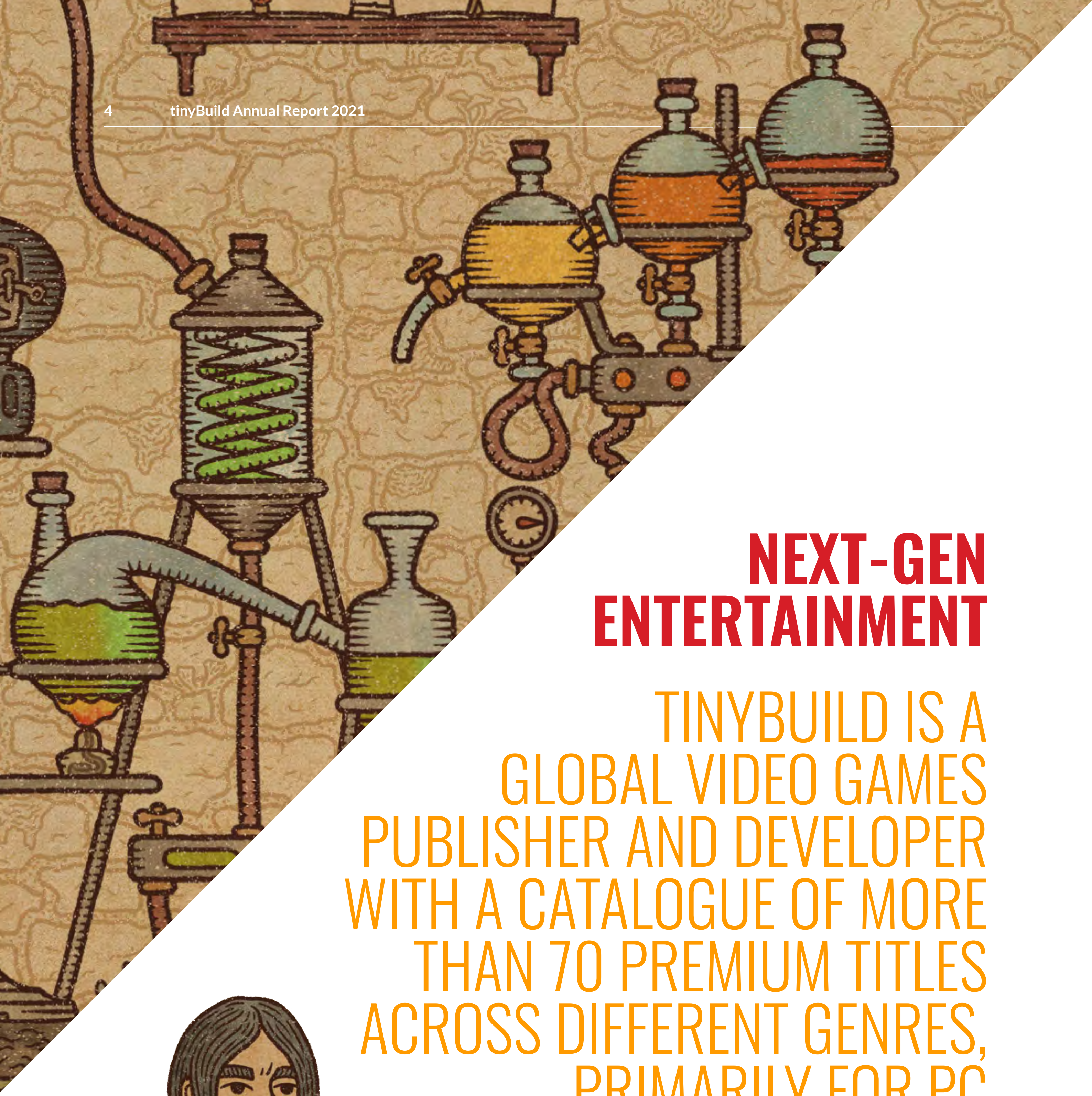
STRATEGIC REPORT



NEXT-GEN ENTERTAINMENT

TINYBUILD IS A GLOBAL VIDEO GAMES PUBLISHER AND DEVELOPER WITH A CATALOGUE OF MORE THAN 70 PREMIUM TITLES ACROSS DIFFERENT GENRES, PRIMARILY FOR PC AND CONSOLES.

Headquartered in Seattle, tinyBuild's operations stretch across the Americas and Europe using a flexible, decentralised model. The Company's innovative grassroots approach to marketing, which involves stakeholders, such as influencers and players, in the development of franchises and the wider brand, has enabled tinyBuild to build a loyal customer base across different demographics.

HIGHLIGHTS OF THE YEAR

$52m
consolidated revenues

46%
Adj. EBITDA growth

>30
games currently in the pipeline

81%
of sales from Own-IP

07
Acquisitions closed in 2021

$49m
net cash positive (ye)

"WE PARTNER WITH DEVELOPERS TO CREATE ORIGINAL FRANCHISES THAT WILL LIVE FOR GENERATIONS, REGARDLESS OF MEDIUM."

NOTES
Adjusted EBITDA: *excludes share based compensation expenses, includes amortisation of Development costs*

CHAIRMAN'S STATEMENT

LEVEL ONE COMPLETE, HERE COMES THE BOSS CHALLENGE

As tinyBuild (AIM:TBLD) enters its second year as a publicly traded company, I'm honoured to update shareholders on the success of our strategy, games and teams during a period marked by very difficult events.

Looking back to tinyBuild's listing in March 2021, the macro question lurking on the horizon was how much of the pandemic's tailwinds we would shed in the course of the year, given the significant bump the games industry sales experienced during the lockdowns prior. Despite the logical rationale that such exceptional growth couldn't prove permanent, it was a longstanding belief held by game developers and publishers alike that, once a gamer, always a gamer – thus privately most of us expected to retain the attention of these newfound audiences.

The games industry, much like every other sector, has had to contend with many recent setbacks, particularly the global chip shortage. This affected the manufacturing of consoles, mobiles and PC gaming GPUs, limiting the games industry's full potential. Despite this challenge, last year saw 1.4% sales growth for the whole industry and 5.3% growth in the number of players, corroborating our expectations: not only did we retain the lockdown audience we gained, we expanded our reach through the excellence of our content.

At tinyBuild, we executed our M&A strategy aimed at expanding our capabilities in IP generation, games development and publishing, while continuing to invest organically to launch more games on more platforms. The industry's growth corroborated our approach of boldly investing in our future.

In November, the acquisition of Versus Evil (USA) and Red Cerberus (Brazil) bolstered our publishing capabilities in RPG and Strategy genres. The acquisitions also added Quality Assurance functions and improved our in-house porting facilities that have helped our plan to make our titles as widely available as possible from day one.

With Bad Pixel and Animal studios joining the group, we continued our venture into GaaS (Games as a Service). GaaS offers higher long tail revenue and longer life cycles for games thanks to titles that are played over and over as a hobby, translating into greatly improved ROI.

And with DogHelm, we bring into the Group a critically acclaimed IP – Streets of Rogue – and a development partner whose historic relationship with tinyBuild made the acquisition an obvious move. Added to the studios acquired[1] pre-IPO (We're Five Games and Hungry Couch), tinyBuild can execute its strategy for the foreseeable future. Now we aim to improve our internal management processes to ensure the seamless integration of the new studios, team members and operational units. We are aware that scaling up creative and technical teams is a big undertaking in its own right.

Furthermore, new monetisation models are being considered to adapt in light of increasing inflation and its effect on our players around the world. We continue to pursue opportunities for IP expansion in order to maximise our engagement with our growing audiences.

2022 is going to be yet another exciting year for our teams. The mindset of thriving in change is a defining aspect of tinyBuild's culture, a key element that should prove particularly useful in the short to medium term global entertainment landscape.

Finally, the appalling situation in Ukraine which directly impacts many colleagues. Management's unique understanding of the region means contingency plans had already been prepared and could be executed promptly to relocate teams to safer locations, from both Ukraine and Russia. Critically, this ensured the safety of our staff, and to their great credit, projects remained on track.

In our second public annual report, we're proud to once again announce record revenue and EBITDA, and a performance that exceeded the market's expectations. This is testimony to the Executive team's strategic and delivery capabilities. These results will add to our standing in the games industry and puts us in a stronger position to deliver the Group's plans for FY 2022, and helps with M&A.

Above everything, our focus remains on people, as demonstrated by one of the lowest staff turnover in the industry. We recognise that an appropriate share-based awards plan is important to retain key employees and to align staff incentives with shareholders value creation for the long term. For that reason, during FY22 we intend to implement a formal share-based incentive plan and look forward to providing more details soon.

We hope the following pages provide valuable insight into our strategy and validation of our strategy, building confidence in our ability to deliver an exciting future for tinyBuild, its games, players and investors alike.

Henrique Olifiers
Non-Executive Chairman

Dated: 19 May 2022

[1]***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.*

HISTORY AND BACKGROUND

ABOUT TINYBUILD

Since it was formed in 2013 by Alex Nichiporchik (CEO) and Luke Burtis (COO), tinyBuild has expanded and diversified its portfolio organically and through selectively acquihiring talented studios like Bad Pixel.

During 2021, it has also acquired Versus Evil, which will continue to run as an independent publishing label specialised in RPG and strategy, and Red Cerberus, a testing and QA service provider based in Sao Paolo, Brazil.

tinyBuild maximises the long-term potential of its catalogue with multi-games and multimedia approach. For example, tinyBuild's hit game *Hello Neighbor* (2016) has developed into a franchise that includes a multiplayer spin-off *Secret Neighbor* and a 'Game as a Service' title *Hello Engineer*, and encompasses books, graphic novels, and merchandise, with plans for an animated TV series. In 2021 the company announced a sequel to its popular games *Streets of Rogue* and *Totally Reliable Delivery Services*, while pre-orders for *Hello Neighbor 2* (closed beta) started on April 7th 2022.

As well as an exciting pipeline of new games and potential franchises, tinyBuild has a growing back catalogue of successful titles, including *Deadside*, *Pillars of Eternity II*, *Graveyard Keeper*, *SpeedRunners* and *Potion Craft*. The Company's back catalogue on average represented over 70% of its annual revenue, demonstrating the longevity of its IP, as well as supporting the Group's investment in new titles.

tinyBuild global operations

HISTORY AND BACKGROUND... CONTINUED

83% OF GAMING REVENUE FROM BACK CATALOGUE

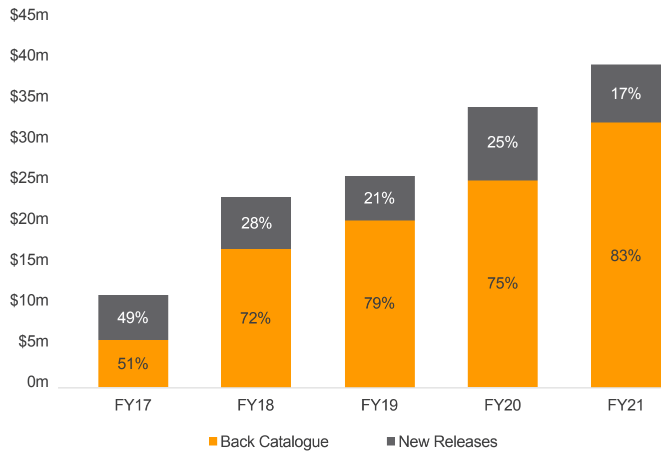
As the team has expanded to more than 400 staff including independent contractors, the Company's culture remains loyal to its roots as a developer, guaranteeing that each studio has full creative autonomy. This culture helps tinyBuild attract creative talents beyond geographical borders and maintain one of the lowest staff turnovers in the computer games industry.

tinyBuild's reputation and its extensive network mean it developed close ties with the main distribution platforms while its grassroots marketing approach translates in a strong social media following that exceeds many of its peers. As a result the company enjoys a strong market position that serves as a trampoline for the successful launch of new titles.

tinyBuild listed on the London Stock Exchange (AIM:TBLD) in March 2021, gaining greater visibility and the resources to accelerate growth. 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.

Back catalogue contribution to revenues increases visibility

Back catalogue as a % of gaming revenue



STRATEGY

OVER **70** GAMES CATALOGUE, CREATING A MORE DIVERSE REVENUE MIX

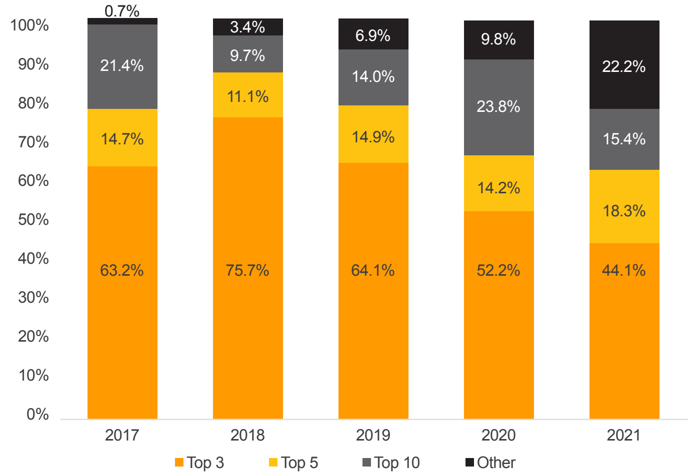
tinyBuild has a dual approach to generating long-term shareholder value. On the one hand, it builds and develops franchises that will potentially live for generations, independent of the medium. On the other hand, it continues to diversify its portfolio, its geographic presence, its revenue sources and its business model to reduce dependencies on any single factor and increase visibility on future revenues.

The Company will continue to grow its portfolio with a balance of organic investments in new titles and existing franchises, alongside strategic M&A to expand and further diversify its portfolio.

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

- Increase the quality and diversity of its pipeline, by signing new titles with particular focus on genre-defining ideas (e.g. Tinykin).
- Invest in and support acquired studios to fully realize the potential of the wider portfolio (e.g. Deadside).
- Empower acquired publishing labels to consolidate their reach in new genres (e.g. Versus Evil in RPG and strategy).
- Create new IP by enabling creative teams to realize their full potential by exploring new directions (e.g. Potion Craft).
- Capitalize on the symbiotic relationship with influencers while expanding our presence on new social media channels, to retain tinyBuild's strategic marketing advantage.

Portfolio diversification increases



CASE STUDY: **Potion Craft**

Potion Craft is an alchemist simulator where the player physically interacts with the tools and ingredients to brew potions. Its distinctive visuals are inspired by medieval manuscripts and medical books that players can update to save their favourite recipes.

The game was presented at the Steam Next Fest in Spring 2021 and launched as early access in September 2021. It quickly grabbed number one position on Steam Global sales ranking, with over 100k copies sold in the first few days, and recently topped 600k downloads. Version 1.0 is expected to launch in 2022.

STRATEGY... CONTINUED

Second, tinyBuild follows a multi-game and Game as a Service franchise model expansion to:

- Use the success of the Hello Neighbor IP as a blueprint for expanding a game into a multi-title franchise (e.g. Streets of Rogue 2 and Totally Reliable Adventure Park).
- Extend IP lifespan by regularly adding new content to existing titles (e.g. Graveyard Keeper's DLCs).
- Port successful titles onto different platforms using mobile primarily as a marketing tool (e.g. Secret Neighbor on iOS).
- Add cross-play options to further extend the audience for the most established franchises (e.g. Hello Neighbor 2).

Lastly, tinyBuild works specifically on its own-IP portfolio to:

- Pursue multimedia opportunities such as books and graphic novels, providing off-screen extension (e.g. Hello Neighbor)
- Produce TV series of successful titles while retaining ownership of it's IP opening the door to potentially larger revenue streams
- Use merchandise as marketing and customer engagement tools which can also generate, albeit modest, revenues.

M&A strategy

The Group's M&A strategy is evolving, reflecting tinyBuild's growing success and ambitions. Since 2013, tinyBuild has completed nine acquihires[2]. As a result of these transactions, tinyBuild expanded its own-IP portfolio to include Streets of Rogue (June 2021), Rawmen (August 2021) and Deadside (September 2021).

In the acquihire model, the consideration typically consists of cash and tinyBuild shares to help align the goals of tinyBuild with those of the key developers.

While the acquihire model will remain an important part of the inorganic growth strategy, tinyBuild will utilise other models too, as it looks to increase its access to in-house development talent, games services, publishing labels and diversify its business model. The growing in-house capability in terms of development talent, games services, and publishing, gives the Group greater visibility on the whole process and protects the business against potential delays caused by lack of access to third-party resources.

As the Company grows, tinyBuild will evaluate larger transactions as it looks to scale the business and diversify further. As an example, in November 2021, tinyBuild acquired US-based Versus Evil, the video game publisher of critically acclaimed titles such as The Banner Saga, and its subsidiary Red Cerberus, its games service provider located in Sao Paolo, Brazil.

The acquisition of Versus Evil has increased tinyBuild's publishing capacity and contributed to its IP discovery process in new genres such as RPG and strategy. Founded in 2013, Versus Evil has published 32 titles on all major platforms. Since 2017, Red Cerberus has been providing Versus Evil and third-party studios with quality assurance, testing and localisation. The acquisition has added to the scale of tinyBuild, and also expanded the Group's access to talent in South America.

More opportunities for acquihires and larger-scale acquisitions may arise in the future, to further scale and diversify the business.

[2]***Acquihire*** *is 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*

CASE STUDY: **Bad Pixel acquihire**

tinyBuild acquihired Bad Pixel in September 2021 for an upfront consideration of $6.5m and a max consideration of $17.1m. At the time of the deal, Bad Pixel counted only seven developers, after the successful launch of Deadside as early access in 2020 delivered an EBITDA (unaudited) of approximately $3m. The team has since grown to 20 developers, which allowed for accelerated development and refocus on the most impactful updates. For example, the possibility to re-spawn in a specific place of the map, along with other improvements, lead to strong increase in the number of players. The last 0.2.7 update, including re-spawn beacons, was uploaded from Kyiv on March 4th, over a week after the start of the Ukraine conflict, testimony to the great resiliance and determination of both our Russian and Ukrainian staff. Deadside was our top selling game on Steam in March 2022.

BUSINESS MODEL

81% OWN-IP AS % OF GAMING REVENUE

tinyBuild supports its development partners to ensure that all games reach their full potential and that the developers participate in the games' long-term success through a variety of incentive programmes customized to the specific circumstances. Own-IP plays a central role in tinyBuild's model with the aim to grow the most successful titles into multi-game and multimedia franchises: 81% of group revenues were from own-IP titles in 2021, compared to 70% in 2020. This strategy allows tinyBuild and the developer to extend the IP's lifespan, increasing its monetisation potential for both parties.

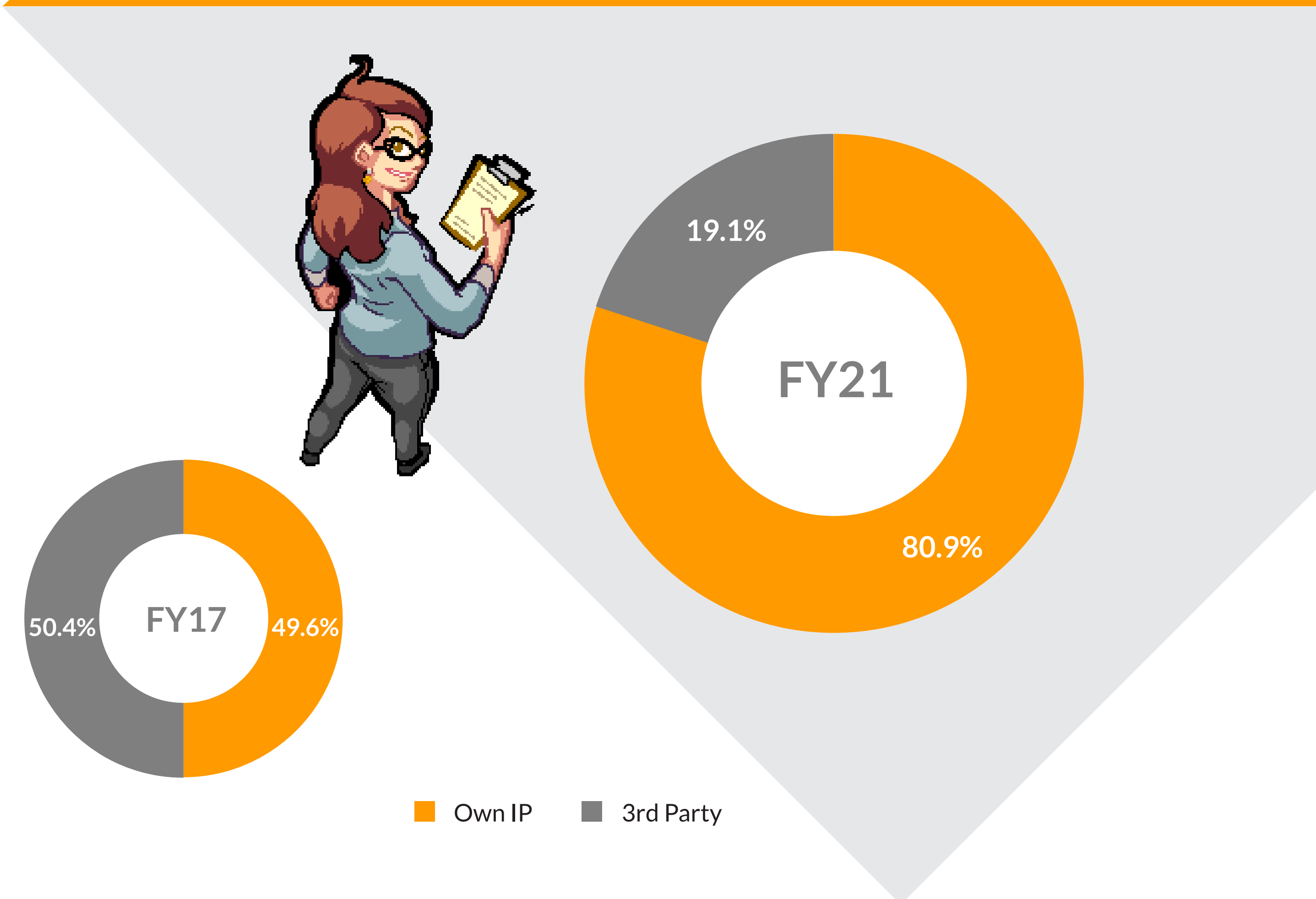
The development of each game is closely monitored with funding typically backloaded and made available upon completion of key milestones. The use of playable alphas and early access versions for new games feed into the Company's data-centric approach which further contributes to investing the most appropriate 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.

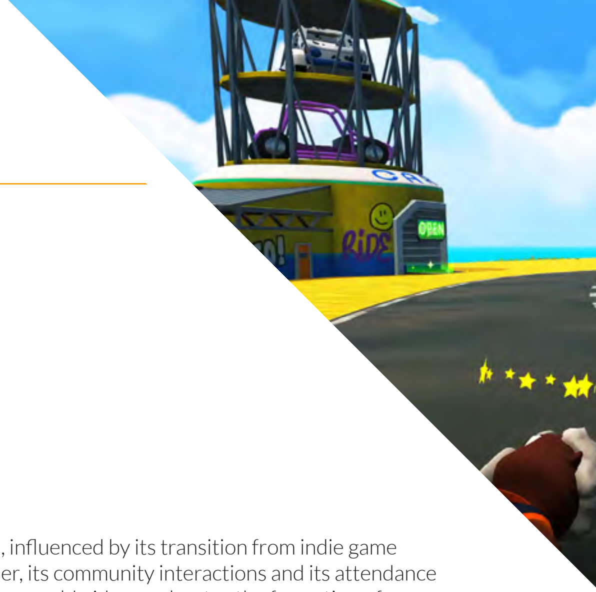
The company also continues to expand its footprint in the wider landscape by adding capabilities in new genres. The acquisition of Versus Evil (November 2021), an established and highly-regarded US publisher specialized in RPG and strategy titles, multiplying tinyBuild's scouting and publishing capabilities which may create yet more own-IP opportunities.

tinyBuild's business model is also evolving as the company diversifies and expands. The main priorities to support faster profitable growth are to minimize dependencies on external suppliers and maximize synergies among internal studios.

The acquisition of Red Cerberus (November 2021), for example, adds Quality Assurance (QA) and testing capabilities in Sao Paulo, Brazil. The subsidiary will continue to work on a mix of internal and third-party projects, guaranteeing direct access to a key stage in the development of games and full utilization of the workforce at all times.

Own-IP titles constitute the majority of group revenues





BUSINESS MODEL... CONTINUED

Locations and partners
tinyBuild's geographical footprint has further expanded in 2021, with new offices across the Americas and Europe, and partners across five continents. tinyBuild is particularly focused on faster growing emerging markets with lower publisher coverage, such as Eastern Europe, and South America.

The Company enjoys a particularly strong reputation across all of Eastern Europe and it is establishing a stronger presence in the largest Latin American market, Brazil. Such visibility represents a strategic advantage when looking for new IP originating from these regions.

A higher focus on regions other than the US, Canada and the UK also gives access to highly skilled talent, with comparatively lower local development costs. The Company also offers flexible arrangements in terms of location with options for voluntary relocation available to staff. First hand experience in this area has greatly helped during the early phases of the Ukrainian conflict.

tinyBuild's staff 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 capitalize 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 well over 1,000 unsolicited pitches every 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. In 2021, DevGAMM events were held partly online, partly offline, depending on Covid restrictions, and had over 8,000 attendees from about 1,800 companies and nearly 40 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.

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 2021.

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.

tinyBuild also engages with influencers on a longer-term basis, creating long-standing symbiotic influencer relationships to market games and products. The Company communicates directly to consumers through a variety of media, such as Discord, a curated social networking platform commonly used by video game players, as well as through industry conferences and events.

"Through its efficient selection process, the Company can secure high quality IP faster."

DEVGamm events

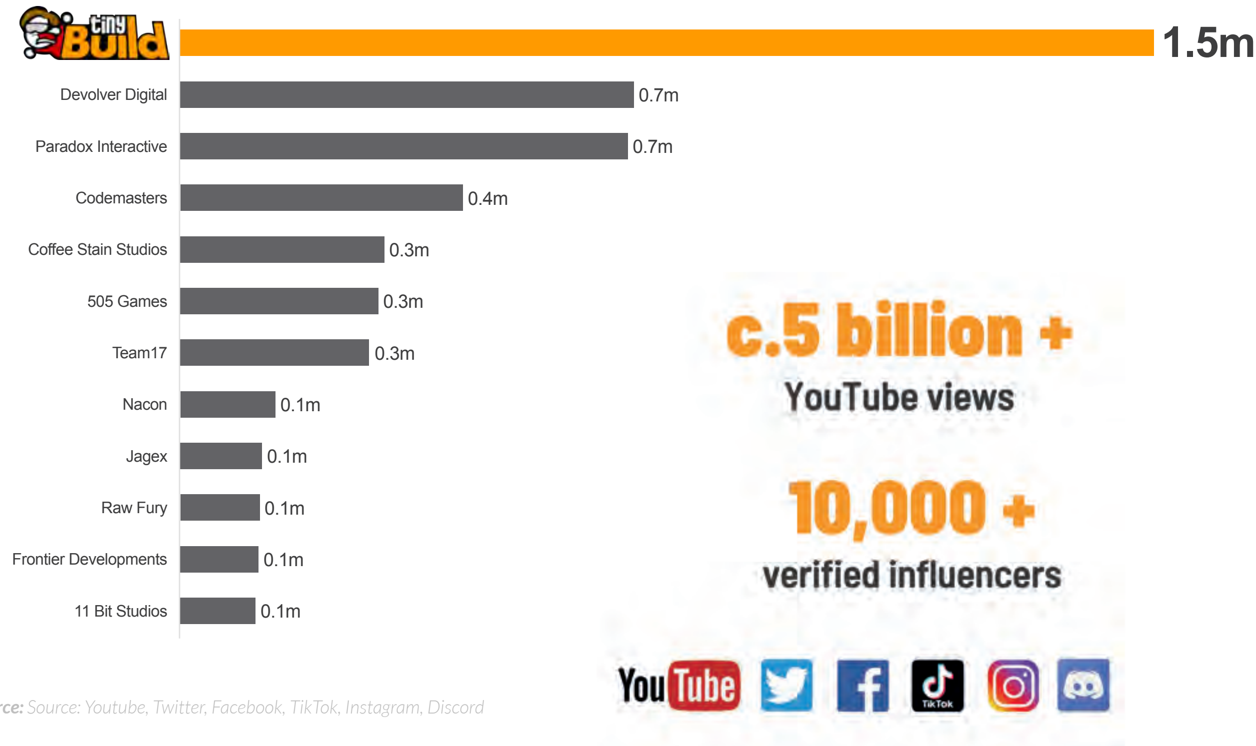
The Company has also been quick to take advantage of relatively new trends when it comes to videogames marketing, and it has just topped 600k followers on TikTok, with a cumulative 4.3 million likes across all videos and a total of 456.1 million views across the #helloneighbor hashtag at the end of February 2022.

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.

BUSINESS MODEL... CONTINUED

Social Media Following



Source: *Source: Youtube, Twitter, Facebook, TikTok, Instagram, Discord*

Besides cultivating distinct sub-brands for each game, the Company has developed into a consumer brand in its own right, with over 1.5 million followers on social media platforms at the end of 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, after the developer tried to launch the game without success.

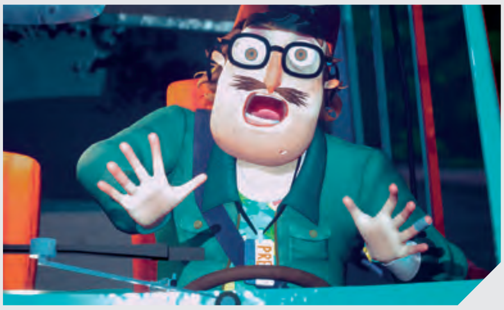
tinyBuild's creative team saw the game's potential and recognised that it could be a success with further creative and technical input. In 2016, tinyBuild agreed to a publishing contract with Dynamic Pixels (now Eerie Guest), which led to the release of the first game, Hello Neighbor, in 2017. This game has since accumulated over 70 million downloads with the highly-anticipated launch of Hello Neighbor 2 planned for 6 December 2022 (pre-orderes started 7 April 2022), across PC, Xbox and Playstation.

The variety of game formats across the franchise ensures 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, graphic novels, plus plans for a TV series. Secret Neighbor topped the charts on the App Store following the iOS launch (4m downloads). Hello Neighbor 2 is the next scheduled game to be released as part of the Hello Neighbor franchise, with over 5m alpha downloads at the end of 2021.

CASE STUDY: **Hello Neighbor 2**



The original Hello Neighbor title launched in 2017 and was dubbed by some critics as one of the worst games of the year. The game however was a commercial success that expanded into a franchise with four titles already published, books and graphic novels, plus a TV series in production. The community keeps growing and the launch of Secret Neighbor on iOS was another success, topping the charts of the Apple Store.

Hello Neighbor 2, the eagerly expected sequel, was first teased in June 2020 with the release of Alpha 1 for Hello Guest (subsequently renamed Hello Neighbor 2), where players helped train the AI that would eventually be part of the final game. Hello Neighbor 2 Alpha 1.5 and additional information were released just before Halloween on Monday, October 26th along with the Secret Neighbor Halloween Update. Hello Neighbor 2 launched for pre-orders as a closed-Beta on April 7th 2022, showcasing an expanded universe and a number of new characters (version 1.0 will be released on 6 December 2022).

Investment Case

Since the start, tinyBuild's ambition has been to grow a stronger, more diversified portfolio of premium games, by expanding into new genres (e.g. RPG and strategy), by establishing a presence in strategic geographies (e.g. Brazil), by strengthening our value chain (e.g. QA and testing) and by adding new high-potential IP (e.g. Deadside).

Indeed the company has grown from two enthusiasts a decade ago to over 400 people in 2021, including a strong presence in Latam, a second publishing label and a much wider and diverse portfolio, while maintaining its entrepreneurial spirit and creative culture.

Founder and CEO, Alex Nichiporchik, has been a pro-gamer, games journalist, producer and marketer. His insight into the industry is key to identify growth trends, and his proficiency in enhancing IP is central to tinyBuild's success, as well as his engagement with developers represents an advantage in M&A both for organic and inorganic.

The listing on the AIM stock exchange in March 2021 provided the Company with more resources to accelerate growth organically and inorganically. The pipeline grew to over 30 titles at the end of March 2022 from 23 at IPO, and seven accretive deals were closed in 2021 for a total of $25m upfront investment.

Looking forward, tinyBuild will continue to invest in own-IP, as a model that assures full developer/ publisher alignment for long-term profitable growth. Ownership and control of high-quality IP are the bases to build future-proof multimedia franchises that will survive technology changes.

tinyBuild also continued to diversify its portfolio of games covering different genres that appeal to a variety of demographics and customers around the world. This ensures the Group has access to multiple revenue streams and is protected against challenges arising in different parts of the games ecosystem.

The Company is technology agnostic and it will continue to benefit from growing platform competition. The rise of cloud gaming and subscription services on one side, and new entrants in the handheld console space on the other side, all represent an opportunity for more players to access more games in yet more convenient ways.

As the industry growth continues unabated the year in which lockdowns were progressively eased across the world, tinyBuild's scale increased both organically and inorganically to meet its longer-term ambition of becoming a leading next-generation entertainment company. Greater access to IP discovery and a growing pool of talent offer better visibility and predictability of revenues.

CHIEF EXECUTIVE'S REVIEW

OVER THE LAST 15 YEARS, I AM PROUD TO SAY WE'VE BUILT TINYBUILD INTO A TREMENDOUS GLOBAL ENTERTAINMENT COMPANY – AGAINST ALL THE ODDS.

Personally, my career started off during a global recession, with few industry contacts, and with a passport that didn't allow me any freedom of travel. (Sadly, it still does not, hence why I can't make it to the UK to present these results in person.)

tinyBuild has gone through the 2014 Orange Revolution in Kyiv, the 2020-2021 global pandemic, and now as I'm writing this we're in the process of extracting people to safety from the biggest war Europe has seen since my grandfather was given a rifle at the age of 17. For me, the last few months has put everything into context. What is really worth fighting for? Whom do you want to surround yourself with? The experience of the last few months – from starting a war room meeting to plan out logistics and routes in different scenarios of a Russian invasion, to hitting the button to actually start moving people.

The only constant here is people. People you want to work with, people you trust – not just with work, but literally with your own life. This is what we built. We built a company where colleagues trust each other with their own lives.

The situation in Ukraine
The team behind Hologryph – who joined us as a first party studio in 2020 – created a shelter location within Lviv in Western Ukraine, renting apartments, setting up work spaces, helping everyone who was fleeing from the war zone, until nobody was left behind. From there people who can – with their elderly parents, kids, dogs, cats – would get support in crossing the border with Poland, and then head out into either our Netherlands or Latvia studios. In both locations I've welcomed everyone to my own home, setting up living spaces and getting people everything they'd need while our HR team searches for more permanent housing.

We are also supporting Russian colleagues who are no longer comfortable staying in Russia. The issue is they, much like me, don't have freedom of travel. They can't even go to the European Union. Nor can they get a visa in today's situation. So we've implemented a complex extraction operation – as flights were getting cancelled in real time – to get people out of Russia. The first stage of this operation is complete, and we are setting up a new tinyBuild location in the Balkans. We're getting an office and helping all team members relocate. This will be a mid-term temporary location (unless everyone loves it there and decides to stay!) for all departments who weren't able to get into the EU. We will be figuring out visas from that location and we are planning a third studio in Western Europe to help more people relocate.

Looking back at 2021
Current events in Ukraine puts last year into perspective. As a business, we achieved record growth, through M&A and organically. We listed on the London Stock Exchange, preparing our business for exponential growth. We have proven success is not about the amount of games you launch but how you treat them once they are launched.

For example, today our top selling game on PC is Deadside, by our studio, Bad Pixel, which we acquihired in September 2021. Since then, Deadside has seen a dramatic rise in concurrent users, sales, and downloadable content (DLC) attachment rates. All of this was

delivered through a series of well timed, well designed updates to the game. We're approached Deadside as a game-as-a-service product, an approach we have used on other titles. All of our titles in Early Access on PC (Deadside, Potion Craft, Despot's Game) are seeing meaningful engagements with every single update, and have player communities excited for when those titles get to version 1.0 and launch on more platforms.

Our original franchise, Hello Neighbor, continues to grow and expand into new channels. We have a team of world-class writers working on the Hello Neighbor Animated Series and the new video game, Hello Neighbor 2. Our goal is to elevate the franchise with both interactive and linear products that fans would love, so that both complement each other with the aim to create a pop culture phenomenon. We're pushing boundaries on the animation front – because we don't have the restrictions typically imposed by a mainstream TV network. The series will be dark, funny, thought provoking, and touches the very core of human relationships. How far would you go to save your loved ones? That's the theme of Hello Neighbor, explored deeper in Hello Neighbor 2 and in the upcoming Animated Series.

Finally in 2021, we increased our publishing capability, as well as our game development expertise. As of today, we have two publishing labels (tinyBuild, Versus Evil), plus Bad Pixel will keep its own operations and self-publish Deadside, since 'games as a service' doesn't fit well into a traditional publishing pipeline. We anticipate that more of our studios will become their own publishing labels as they gradually build up internal publishing capacity tailored to their genre, platform, or specific community.

Outlook

Our pipeline is growing strongly, year after year. However, for us quality comes above quantity. We take a portfolio approach about how many games we will launch in a given year and focus on the lifetime of each title. When titles like Streets of Rogue (launched into 1.0 in 2017, developed by Doghelm, a 1st party studio) break the top10 portfolio daily revenue, you know it's a great title with phenomenal potential for the upcoming sequel. We're not in the launch-and-forget business, we're in the plant a seed and see-it-grow business.

Perspective is everything. With all the challenges we're facing, work doesn't actually stop. Everyone at tinyBuild loves video games. There are many more jobs out there with better hours, more security, and less stress. We're here because we love what we do. And we're being bonded by a – albeit absolutely terrible – unique experience that we believe will enable us to grow into the strongest, most resilient entertainment company in the world.

The implication of the conflict in Ukraine and the fluid macroeconomic situation impose caution and vigilance. Our priority remains staff's safety and well-being. Once again, despite the odds, we look forward with determination and we are confident that we will deliver results at least in line with expectations, plus accretive acquisitions.

Aleksandrs Ničiporčiks

Alex Nichiporchik
Chief Executive Officer

Dated: 19 May 2022

CHIEF FINANCIAL OFFICER'S REVIEW

2021 saw another strong financial performance for tinyBuild, ahead of ambitious targets set by management, both in terms of back catalogue and in terms of new games. Nine new titles were released, all of them being own-IP from tinyBuild, and the company closed the year with over thirty games in pipeline. In addition to game releases and new games in the pipeline, the tinyBuild's family grew with seven acquisitions, including the complementary publisher Versus Evil.

Revenue

tinyBuild saw total revenues increase 39% (2020: 35%) from $37.6m to $52.2m. tinyBuild's revenue is generated mainly from game's sales on various platforms, a variety of platform deals (e.g. subscription programs, development partnerships and exclusivity agreements). The addition of Red Cerberus starting from November 2021 also adds fast-growing service revenues from QA and testing. Last but not least, events include primarily revenues from DevGAMM, our Eastern Europe game developers conference, which was held both in person and online in 2021. Revenue generated from own-IP (1st and 2nd party games) increased to 81% of gaming revenues (2020: 70%). Our strategy is to continue to expand own-IP portfolio, which will also support underlying adj. EBITDA margin expansion in the long term.

Adjusted EBITDA and Operating Profit

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 $15.3m to $22.2m in 2021, a growth of 45%, largely driven by strong 2021 revenue and relative stability with tinyBuild's operating expenses. The increase in margins to 42.5% in FY 2021 (2020: 40.6%) is consistent with a higher share of revenues from own-IP titles and the inherently higher profitability attached to back catalogue sales that increased to 83% of group sales in 2021 (2020: 75%). Operating profit increased to $12.6m (2020: $7.6m) mostly as a result of lower charges relating to share-based compensation which were unusually high in 2020 due to accelerated vesting of options held by management in 2020.

Interest income and taxation

Interest income was $0m (2020: $0.1m) and taxation $4.3m (2020: $2.8m).

Financial Position

In 2021, the net cash position increased from $26.3m to $48.8m, mainly driven by a successful IPO on the AIM in the LSE, while the company accelerated investments in new titles and focused on acquisitions. Capitalized software development costs, mainly consisting of porting, localization and developer salaries, increased from $10.0m to $19.3m reflecting the increase in spend for upcoming pipeline releases. Goodwill of $13.2m appears for the first time, due to strategic acquisition of Versus Evil and Red Cerberus in November of 2021. IP has increased from $5.1m in 2020 to $18.6m in 2021 because of identifiable assets from the aforementioned acquisition. tinyBuild currently still holds the $25 million credit line with Bank of America.

Cash Flow

Cash flows from operating activities decreased from $16.4m to $13.3m as tinyBuild receivables and prepaids increased ($8.2m). Accrued expenses and other current liabilities saw an increase in 2021 of $5.2m. It's important to note that said timing issues can fluctuate year over year and variability here is to be expected especially during the Holiday season and partners' payment terms. Cash generated from operations include an add back of $2.5m for share based payments in the current year (2020: $5.8m).

Acquisitions

In 2021 tinyBuild made seven acquisitions for a total upfront payment of $25.5m (cash and shares). In February of 2021, tinyBuild acquired We're Five (TRDS) and Hungry Couch (Black Skylands). In June of 2021, tinyBuild elevated Streets of Rogue from 3rd party to 1st party via acquisition of DogHelm. In August 2021, tinyBuild acquired the studio Animal (Rawmen). In September of 2021 tinyBuild acquired Bad Pixel (Deadside). Finally, in November of 2021, tinyBuild completed its acquisition of Versus Evil, a US based publisher and its subsidiary Red Cerberus, a gaming services provider.

Events after the reporting date

In early 2022, in response to the sudden invasion of Ukraine, tinyBuild enacted contingency plans to move staff and their families out of risky areas in East Ukraine and Kyiv. In addition, tinyBuild has also helped staff relocating away from sanctioned nations providing logistic and financial support. tinyBuild's people resilience and cohesiveness has been nothing short of incredible and allowed the Company to secure production lines for upcoming titles with minimal disruption.

Tony Assenza
Chief Financial Officer

Dated: 19 May 2022

ENVIRONMENTAL, SOCIAL & GOVERNANCE

Our purpose
tinyBuild recognises the importance of doing business responsibly. We aim to reduce any adverse impacts of our operations and of those with whom we do business, in particular our community of developers, on the environment. tinyBuild is committed to eliminating waste and operating as sustainably as possible.

In conducting our business and operations, the Company is dedicated to employee wellbeing and personal development, providing equal opportunities for all staff. tinyBuild operates ethically across the various jurisdictions in which it does business, including enforcing the highest data protection standards to ensure our customers' privacy.

Environmental
tinyBuild aims to reduce energy use across its operations to contribute to carbon reduction and limits the use of harmful materials, such as single-use plastics.

Our primary distribution method is digital, with only a small share of our games released on a physical disc. Games are compressed to ensure players are not wasting energy through lengthy downloads.

Our offices around the world operate to the highest possible environmental standards. Like many businesses, we encourage flexible working, which reduces the need for travel. As a business, we make full use of video conferencing facilities to remove the need for physical meetings unless necessary.

Social
tinyBuild aims to offer employees the best working conditions in the industry and is committed to providing equal opportunities for all its staff.

tinyBuild's workforce comprises employees of many different nationalities, underlying the Company's belief in having a diverse representation of cultures as the best way to deliver the most engaging products to our players.

To protect the welfare of its staff, tinyBuild has implemented policies against 'crunching', the industry practice by which developers overwork to meet certain targets. In addition, in response to the pressures caused by the pandemic, tinyBuild gifted one extra week of holiday to all direct employees as a gesture of appreciation for everybody's hard work.

As a result, tinyBuild enjoys one of the lowest levels of staff turnover in the industry, currently in the low single digits, compared to an estimated 15.5.% at an industry level.

Governance
tinyBuild aims to work to the highest standards of governance and functions ethically in the territories in which it operates across the world.

tinyBuild's games provide players with an exciting and fun experience that can be shared with other gamers worldwide. Players are always aware of what they are buying, and steps are taken to ensure the material is age appropriate, and that there are no 'hidden costs' such as loot boxes.

Privacy and security of data are of paramount concern, which is secured by adherence to appropriate legislation such as GDPR. Furthermore, where our players engage with each other through online gaming platforms, we aim to ensure that this is a positive interaction.

As a listed company, tinyBuild believes in strong corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company works with staff (employees and independent contractors) in areas affected by the war in Ukraine
The war in Ukraine may endanger the lives and well-being of staff (employee or independent contracts) working in Ukraine for tinyBuild. Furthermore, sanctions imposed on Russia as a result of the conflict may affect the relationship with staff in Russia, for example by making it impossible to make payments. At the time of print, tinyBuild counts approximately 30 staff in Ukraine, mostly in Lviv, and 50 in Russia. Delays or even cancellation of games are possible if the conflict continues into 2022 and beyond, or if it extends to neighboring regions. tinyBuild also has operations in Baltic countries, such as Latvia.

Mitigation: the company has proactively implemented evacuation plans for all staff and families, providing both logistic and financial support to relocate Ukrainian people either in West Ukraine or in the EU. A new studio has also been open in Belgrado, Serbia to welcome Russian staff.

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 2021, revenues associated with the top five games collectively accounted for approximately 62 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 more than doubled its catalogue during 2021, as a result of the acquisition of Versus Evil publisher and the launch of new games. Its portfolio is now more greatly diversified across genres and demographics, while tinyBuild continues to expand the life cycle of existing titles with launch on new platforms.

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 or as a result of the conflict in Ukraine. 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 diversify, 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.

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, launched on iOS in April 2021.

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 2021, these platforms in aggregate contributed at least 70 per cent. of the Company's 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. tinyBuild occasionally brings in-house development teams with whom it regularly works.

Pandemic
The Company has a decline in events revenues due to regional lockdowns and travel restrictions being imposed in many parts of the world: in 2021, DevGAMM adopted a hybrid online/ in-person model and events revenues remained broadly stable as a result. There is a risk that the end of all restrictions following a successful vaccination campaign may not see a bounce back in travel and physical attendance, 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 fail significantly, there is a disaster recovery policy in place.

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 Directors believe that the Group's model and growth strategy helps to promote long-term value for Shareholders."

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 is an active dialogue maintained with Shareholders. Shareholders are kept up to date via announcements made through a Regulatory Information Service on matters of a material substance and/or a regulatory nature. Updates are provided to the market from time to time, including any financial information, and any expected material deviations to market expectations is announced through a Regulatory Information Service. The Company's AGM is an opportunity for Shareholders to meet with the Non-Executive Chairman and other members of the Board. The meeting is 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 are 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 are set out below.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Directors are take appropriate steps to identify risks and undertake a mitigation strategy to manage these risks. A review of these risks is carried out at least on an annual basis, the results of which are 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 is re-elected.

The Board meets 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 considers the effectiveness of the Board, Audit Committee, Remuneration Committee, and individual performance of each Director. The Company has a Nomination Committee which conducts 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 are described in the 2021 Annual Report and Accounts of the Group and subsequent Annual Reports thereafter.

"The Board takes responsibility for the promotion of ethical values and behaviours throughout the Group."

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 reviews 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 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 is 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.

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 twice 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 reviewing 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.
- Considering the effectiveness of the group's internal audit 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.

REMUNERATION COMMITTEE REPORT

Following the Company's admission to AIM on 9 March 2021, the Remuneration Committee ('Committee') assumed responsibility for 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.

The Committee periodically reviews 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.

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 are reviewed annually, with the next review being scheduled to take effect during the current year started 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 Adjusted 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), Neil Catto (Non Executive Director) and Nick van Dyk (Non-Executive Director) receive an annual fee to cover all their duties. The current annual fees are:

- Henrique Olifiers: $120,000
- Neil Catto: $70,000
- Nick van Dyk: $100,000

The above fees will be reviewed annually by the board.

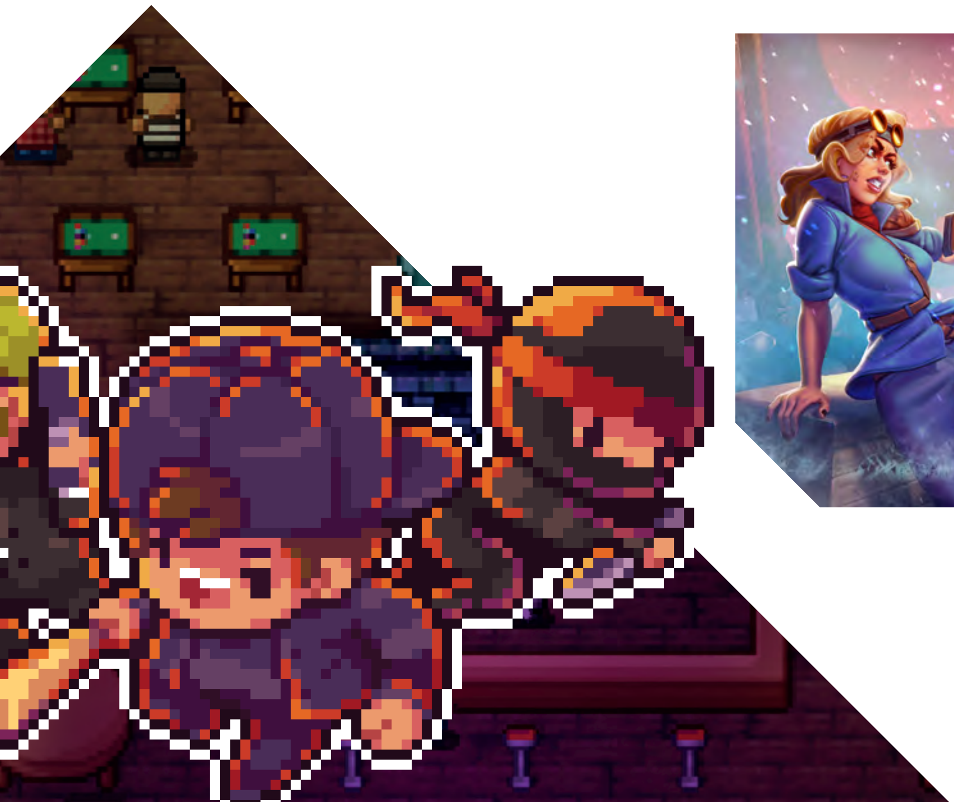
**At Admission, Henrique Olifiers, (Non-Executive Chairman) annual fee was satisfied and issued as an allotment of 51,454 Shares at the Placing Price.*

Disclosure of directors' pay for the year
The remuneration of the directors during the year ended 31 December 2021 is set out below:

Remuneration Summary				
Name of Director	**Salary**	**Annual Bonus**	**Benefits**	**Total**
Alex Nichiporchik	$ 350,000	$ 420,000	$ 4,460	$ 774,460
Luke Burtis	$ 308,000	$ 420,000	$ 4,460	$ 732,460
Antonio Assenza	$ 220,000	$ 420,000	NIL	$ 640,000
Henrique Olifiers	$ 120,000	NIL	NIL	$ 120,000
Neil Catto	$ 70,000	NIL	NIL	$ 70,000
Nick van Dyk	$ 100,000	NIL	NIL	$ 100,000

The table below sets out the beneficial interests in shares at 11 April 2022, after the acquihire of Demagic Games.

Directors' interests in shares			
Name of Director	**Number of Shares**	**Percentage of Enlarge Share Capital**	**Options**
Alex Nichiporchik	76,996,100	37.8%	NIL
Luke Burtis	14,239,107	7.0%	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 2021. 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 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 3 to 22.

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 (2020: $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)

Directors' Interests
Directors' share options and interests in shares can be found in the remuneration report on pages 30 to 31.

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 32 to the financial statements.

Financial Risk Management
Details of financial risk management are provided in note 25 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.

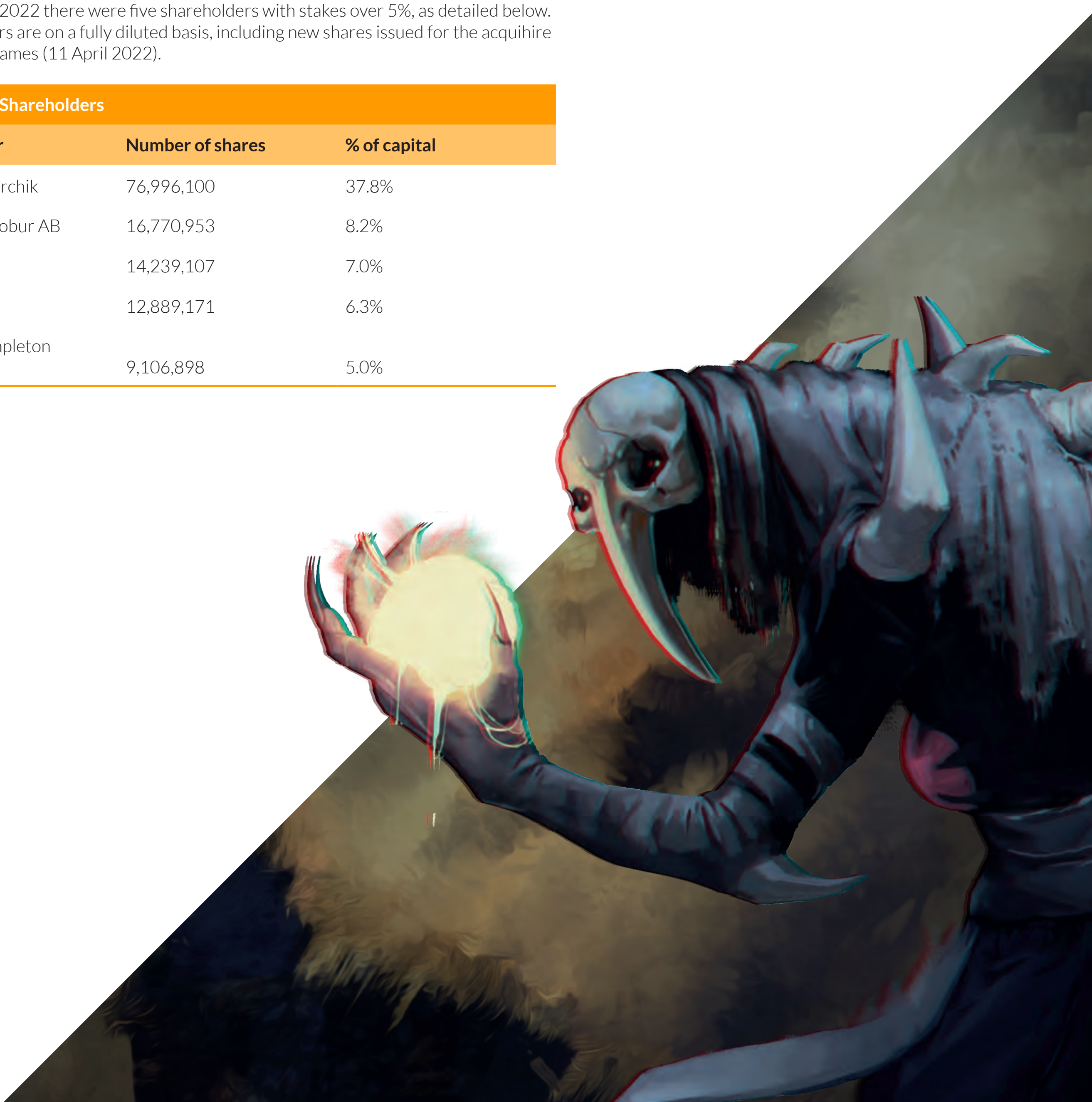
The pandemic had a limited impact on the Company in 2021 and to date there has been no sign that the end of the lockdown will affect sales of tinyBuild titles.

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for 2022 and beyond and accordingly these financial statements are prepared on a going concern basis, with no material uncertainty over going concern.

Auditors
Grant Thornton LLP 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 11 May 2022 there were five shareholders with stakes over 5%, as detailed below. These numbers are on a fully diluted basis, including new shares issued for the acquihire of Demagic Games (11 April 2022).

Substantial Shareholders		
Shareholder	**Number of shares**	**% of capital**
Alex Nichiporchik	76,996,100	37.8%
Swedbank Robur AB	16,770,953	8.2%
Luke Burtis	14,239,107	7.0%
NetEase	12,889,171	6.3%
Franklin Templeton Investments	9,106,898	5.0%



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 Ničiporčiks

Alex Nichiporchik
Chief Executive Officer

Dated: 19 May 2022

FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

GRANT THORNTON LLP

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
tinyBuild, Inc.

Opinion

We have audited the consolidated financial statements of tinyBuild, Inc. (a Delaware corporation) and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for 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.

In preparing the consolidated financial statements, management is required to assess the Group's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other information included in the Annual Report
Management is responsible for the other information included in the Annual Report. The other information comprises the Strategic Report and Corporate Governance but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Grant Thornton LLP

Bellevue, Washington

Dated: 19 May 2022

Grant Thornton

Grant Thornton LLP is the U.S. member firm of Grant Thornton International Ltd (GTIL). GTIL and each of its member firms are separate legal entities and are not a worldwide partnership.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 $'000	2020 $'000
Revenue	5	52,153	37,648
Cost of sales		(18,112)	(15,120)
Gross profit		**34,041**	**22,528**
Administrative expenses:			
- General administrative expenses		(14,469)	(8,714)
- Share-based payment expenses		(2,452)	(5,845)
- IPO related costs	6	(4,588)	(467)
Total administrative expenses		(21,509)	(15,026)
Other operating income	7	–	162
Operating profit	**9**	**12,532**	**7,664**
Finance costs	10	(8)	(21)
Finance income	11	–	57
Profit before tax		**12,524**	**7,700**
Income tax expense	12	(4,281)	(2,752)
Profit and total comprehensive income for the year		**8,243**	**4,948**
Attributable to:			
- Owners of the parent company		8,268	4,942
- Non-controlling interests		(25)	6
		8,243	**4,948**
Basic Earnings per share ($)*	13	0.043	0.028
Diluted earnings per share ($)*	13	0.042	0.027
Adjusted EBITDA**	14	22,239	15,275

* Basic earnings per share and diluted earnings per share for the comparative period have been adjusted to reflect the stock split that occurred during 2021 (see note 28).

** Adjusted EBITDA is a non-GAAP measure and is defined as earnings before interest, tax, depreciation, amortisation (excluding amortisation of capitalised software development costs), share-based payments expenses and other significant one-off expenses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 $'000	2020 $'000
ASSETS			
Non-current assets			
Intangible assets	15	57,156	15,141
Property, plant and equipment:			
- owned assets	16	41	87
- right-of-use assets	16	528	673
Trade and other receivables	19	266	16
Total non-current assets		**57,991**	**15,917**
Current assets			
Trade and other receivables	19	15,569	4,999
Cash and cash equivalents		48,832	26,313
Total current assets		**64,401**	**31,312**
TOTAL ASSETS		**122,392**	**47,229**
EQUITY AND LIABILITIES			
Equity			
Share capital	28	203	1
Share premium	28	63,546	18,674
Warrant reserve	28	1,920	–
Retained earnings		30,639	19,919
Equity attributable to owners of the parent company		96,308	38,594
Non-controlling interest		137	162
Total equity		**96,445**	**38,756**
LIABILITIES			
Non-current liabilities			
Lease liabilities	24	277	442
Contingent consideration	22	6,336	–
Deferred tax liabilities	26	2,345	1,663
Total non-current liabilities		**8,958**	**2,105**
Current liabilities			
Borrowings	23	–	13
Trade and other payables	20	9,290	3,496
Contingent consideration	22	4,793	–
Contract liabilities	21	2,645	2,675
Lease liabilities	24	261	184
Total current liabilities		**16,989**	**6,368**
Total liabilities		**25,947**	**8,473**
TOTAL EQUITY AND LIABILITIES		**122,392**	**47,229**

The Financial Statements were approved by the Board of Directors and authorised for issue on 19 May 2022 and are signed on its behalf by:

Aleksandrs Ņičiporčiks

Alex Nichiporchik

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Share capital $'000	Share premium $'000	Warrant reserve $'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 2020		**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	27	–	–	–	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**
Profit and total comprehensive income for the year		–	–	–	8,268	8,268	(25)	8,243
Transactions with owners in their capacity as owners:								
Share split	28	178	(178)	–	–	–	–	–
Issue of shares, net of transaction costs	28	23	46,816	–	–	46,839	–	46,839
Issue of shares on exercise of options	28	1	154	–	–	155	–	155
Issue of warrants	28	–	(1,920)	1,920	–	–	–	–
Share-based payments	27	–	–	–	2,452	2,452	–	2,452
Total transactions with owners		202	44,872	1,920	2,452	49,446	–	49,446
Balance at 31 December 2021		**203**	**63,546**	**1,920**	**30,639**	**96,308**	**137**	**96,445**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Cash generated from operations	29	13,290	16,470
Net cash generated by operating activities		**13,290**	**16,470**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	18	(11,784)	–
Software development	15	(15,085)	(6,549)
Purchase of intellectual property	15	(10,832)	(570)
Proceeds on disposal of intangible assets		45	–
Purchase of property, plant and equipment	16	–	(24)
Net cash used in investing activities		**(37,656)**	**(7,143)**
Cash flows from financing activities			
Proceeds from borrowings	23	–	175
Repayment of borrowings		(13)	–
Proceeds from issuance of shares, net of transaction costs		46,839	–
Proceeds from exercise of share options		155	–
Payment of principal portion of lease liabilities		(96)	(198)
Net cash generated by/(used in) financing activities		**46,885**	**(23)**
Cash and cash equivalents			
Net increase in the year		22,519	9,304
At 1 January		26,313	17,009
At 31 December		48,832	26,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 1100 Bellevue Way NE, STE 8A #317, 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), unless otherwise stated.

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 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 initially 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 2021, the Group has adopted the following new IFRSs (including amendments thereto) and International Financial Reporting Interpretations Committee ("IFRS IC") interpretations, that became effective for the first time. The new standard adopted has not had any material impact on the Group.

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

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***
Amendments to IFRS 16 Leases: Covid-19- Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	1 April 2021
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)	1 January 2022
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	1 January 2023

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:

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.

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.

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 contracts where the Group transfers control of the product over time and where the contract meets one of the following criteria. Different contracts meet different criteria, as below, which varies between contracts.

- 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.

Revenue is recognised based on time elapsed. 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. When payment from a customer is received in advance of performance obligations being satisfied, a contract liability is recognised in the statement of financial position. 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 usually 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
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 Company also took the necessary steps to support its staff and families in the regions affected by the invasion of Ukraine, and to limit the impact on its operations. The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least twelve months beyond the issuance of these financial statements and accordingly these financial statements are prepared on a going concern basis, with no material uncertainty over going concern.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021

IPO related 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 in the periods presented.

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 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, acquisition costs, other non-recurring items, IPO related 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 – goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intangible assets – other than goodwill
The Group has four categories of intangible assets:

Brands
Brands acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. At the time of purchase, the Group estimates the useful life for financial reporting purposes and recognises amortisation on a straight-line basis over the useful life of the asset, typically 15 years.

Customer relationships
Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. At the time of purchase, the Group estimates the useful life for financial reporting purposes and recognises amortisation on a straight-line basis over the useful life of the asset, typically 7 years.

Purchased intellectual property
The Group purchases intellectual property related to video games. 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.

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, less any allowance for expected credit losses. 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.

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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. For other financial assets measured at amortised cost, 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.

Share-based payments
The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees and contractors 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

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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.

Asset purchases

The Group undertakes asset acquisitions and business combinations. In determining whether the acquired assets meets the definition of a business, the Group applies the concentration test set out in IFRS 3. If management determine that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets, the concentration test is met and the set of assets acquired is not considered a business. For the Group's asset acquisitions, substantially all the fair value is concentrated in the IP acquired, therefore management have determined that these do not meet the definition of business combinations.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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.

Allocation of transaction price to performance obligations

For development contracts relating to multiple game titles, 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. 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.

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:

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.

Contingent consideration

As discussed in note 18, the Group has promised to deliver a variable number of common shares as contingent consideration based on the acquiree meeting certain EBITDA targets. Management have estimated the level of EBITDA the acquiree will achieve in calculating the fair value of the contingent consideration. Sensitivities to the estimates are included in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

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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 2021**	**Year ended 31 December 2020**
	$'000	**$'000**
Owned IP	30,640	24,683
Third-party IP	9,231	9,239
	39,871	**33,922**

Three customers were responsible for approximately 67% of the Group's revenues (2020: four – 80%).

The Group has six (2020: one) right-of-use asset located overseas with a carrying value of $528,000 (2020: $49,084). All other non-current assets are located in the US.

5 REVENUE

	Year ended 31 December 2021	**Year ended 31 December 2020**
An analysis of the Group's revenue is as follows:	**$'000**	**$'000**
Revenue analysed by class of business		
Game and merchandise royalties	39,871	33,922
Development services	11,477	2,917
Events	805	809
	52,153	**37,648**
Revenue analysed by timing of revenue		
Transferred at a point in time	40,676	34,731
Transferred over time	11,477	2,917
	52,153	**37,648**

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 are generally recognised as revenue within 12 months.

6 IPO RELATED COSTS

	Year ended 31 December 2021	**Year ended 31 December 2020**
	$'000	**$'000**
IPO related costs	4,588	467

IPO transaction costs in the year ended 31 December 2021 relate to significant one-off costs, which have not been deducted from equity, associated with the Group's admission onto AIM in March 2021. The costs comprise advisors' fees, stock exchange listing fees and other IPO costs.

Costs totalling $8,593,000 incurred in association with the IPO which met IAS 32 definition of transaction costs (being incremental and directly related to the issuance of new equity instruments and which would have been avoided had the instruments not been issued) have been deducted from share premium (note 28).

7 OTHER OPERATING INCOME

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Government grant – PPP loan forgiveness (note 23)	–	162

8 EMPLOYEES

An analysis of the Group's staff costs is as follows:	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Employee benefit expense	6,134	3,767
Equity-settled share-based payments	2,452	5,845
Total employee benefit expense	**8,586**	**9,612**

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 30.

9 OPERATING PROFIT

The operating profit is arrived at after charging:	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Net foreign exchange loss	–	5
Amortisation of intangible assets	5,162	5,321
Impairment of intangible assets	283	–
Depreciation of property, plant and equipment - owned	46	38
Depreciation of property, plant and equipment - right-of-use assets	71	201
Operating lease rentals - short-term leases	–	31

10 FINANCE COSTS

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Lease finance costs	8	21

11 FINANCE INCOME

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Bank interest receivable	–	57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

12 INCOME TAX EXPENSE

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Current tax: US tax	3,599	3,631
Deferred tax: Origination and reversal of timing differences	682	(879)
Total deferred tax	682	(879)
Total income tax expense	**4,281**	**2,752**

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 2021 $'000	Year ended 31 December 2020 $'000
Profit before tax	12,524	7,700
Tax at the US corporation tax rate of 21%	2,630	1,617
Adjusted for the effects of:		
Expenses not deductible for tax purposes:		
- Relating to share-based payments	515	1,340
- Other non-taxable expenses	593	(590)
State income taxes	480	169
Other	63	216
Total income tax expense	**4,281**	**2,752**

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.

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 and warrants to the extent that they are deemed to be issued for no consideration in accordance with IAS 33.

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Total comprehensive income attributable to the owners of the company	8,268	4,942
Weighted average number of shares	191,241,890	179,602,538
Basic earnings per share ($)	**0.043**	**0.028**
Total comprehensive income attributable to the owners of the company	8,268	4,942
Weighted average number of shares	191,241,890	179,602,538
Dilutive effect of share options	2,484,523	2,739,413
Dilutive effect of warrants	149,130	–
Dilutive effect of restricted stock awards	954,654	–
Weighted average number of diluted shares	194,830,197	182,341,951
Diluted earnings per share ($)	**0.042**	**0.027**

*Basic earnings per share and diluted earnings per share for the comparative period have been adjusted to reflect the stock split that occurred during 2021 (see note 28).

14 ADJUSTED EBITDA

The Directors of the Group have presented the performance measure adjusted EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, share-based payment expenses, depreciation, amortisation of purchased intellectual property, acquisitions costs and IPO transaction costs. Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Profit for the year	8,243	4,948
Income tax expense	4,281	2,752
Finance costs	8	21
Finance income	–	(57)
Share-based payment expenses	2,452	5,845
Amortisation of purchased intellectual property, brands and customer relationships (note 15)	1,662	1,222
Depreciation of property, plant and equipment (note 16)	117	239
IPO related costs (note 6)	4,588	467
Acquisition costs (note 18)	888	–
Other operating income (note 7)	–	(162)
Adjusted EBITDA	**22,239**	**15,275**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021

15 INTANGIBLE ASSETS

	Goodwill	Brands	Customer relationships	Purchased intellectual property	Software development costs	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
As at 1 January 2020	–	–	–	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
Additions – internally generated	–	–	–	–	15,084	15,084
Additions – separately acquired	–	–	–	10,832	–	10,832
Additions through business combinations (note 18)	13,202	1,815	4,261	2,356	–	21,634
Transfers	–	–	–	1,962	(1,962)	–
Disposals	–	–	–	–	(90)	(90)
As at 31 December 2021	13,202	1,815	4,261	21,320	30,159	70,757
Amortisation and impairment:						
As at 1 January 2020	–	–	–	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
Amortisation charge for the year	–	10	51	1,601	3,500	5,162
Impairment charge for the year	–	–	–	–	283	283
As at 31 December 2021	–	10	51	2,687	10,853	13,601
Carrying amount:						
As at 31 december 2021	13,202	1,805	4,210	18,633	19,306	57,156
As at 31 December 2020	–	–	–	5,084	10,057	15,141

The following intangible assets are individually material to the financial statements:

Description	**Carrying amount**	**Remaining amortisation period**
Hello Neighbor IP	$3.7m	4.7 years
Bad Pixel IP	$6.3m	6.7 years

Due to the proximity of the business combination that resulted in goodwill to the reporting date, a detailed quantitative annual impairment assessment has not been performed. Management determined that the carrying values at the reporting date approximate the fair values, and there were no indicators of impairment.

Purchased intellectual property relates to the intellectual property rights to 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 indicators of impairment annually. A formal impairment review is only undertaken if there are indicators of impairment. Any impairment is recognised immediately within the Statement of Comprehensive Income. Amortisation of purchased intellectual property is recognised within general administrative expense in the Statement of Comprehensive Income.

During the period, the Group purchased the intellectual property rights to five video games for total consideration of $14,265,000, including non-cash consideration of 929,166 ordinary shares and transfers from software development costs.

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 $9,801,000 (2020: $1,723,000) relating to intangible assets under construction for which amortisation has not yet commenced.

16 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets (note 24) $'000	Fixtures, fittings and equipment $'000	Total $'000
Cost:			
As at 1 January 2020	1,144	215	1,359
Additions	–	24	24
As at 31 December 2020	1,144	239	1,383
Additions	537	–	537
Disposals	(1,091)	–	(1,091)
As at 31 December 2021	590	239	829
Depreciation and impairment:			
As at 1 January 2020	270	114	384
Charge for the year	201	38	239
As at 31 December 2020	471	152	623
Charge for the year	71	46	117
Eliminated on disposals	(480)	–	(480)
As at 31 December 2021	62	198	260
Carrying amount:			
As at 31 December 2021	528	41	569
As at 31 December 2020	673	87	760

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, STE 8A #317, Bellevue, WA 98004, USA	51%
DevGamm LLC	Gaming events	3831 152nd Place SE, Bothell, WA 98012, USA	49%
HakJak Studios LLC	Video game development	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Hologryph LLC	Video game development	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Moon Moose LLC	Video game development	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	80%
Hungry Couch LLC	Video game development	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Animal LLC	Video game development	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Bad Pixel LLC	Video game development	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

17 SUBSIDIARIES... CONTINUED

Name of subsidiary	Principal activity	Country of incorporation and registered office	Proportion of ownership interest and voting rights held
DogHelm LLC	Video game development	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Versus Evil LLC	Video game development	4801 W Lovers LN, Dallas, TX 75209, USA	100%
Red Cerberus LLC	Video game development	4801 W Lovers LN, Dallas, TX 75209, USA	100%
Steven Joseph Escalante - Serviços de Tecnologia de Informação, Eireli LLC	Video game development	Avenida das Nações Unidas, 13.797, Bloco II, 12º andar, Brooklin Paulista, São Paulo, SP, CEP 04578-000, Brazil	100%

No subsidiary undertakings have been excluded from the consolidation. 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 DevGAMM LLC increased from 40% to 51% during the year ended 31 December 2021. The Group continues to consolidate the results of DevGAMM LLC on the basis of control.

DevGamm LLC contributed $805,000 to the Group's revenue in the year ended 31 December 2021 (2020: $526,000). 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.

18 BUSINESS COMBINATIONS

On 24 November 2021, the Group acquired 100% of the issued share capital of Versus Evil LLC, a Delaware limited liability company, together with its two wholly owned subsidiaries, Red Cerberus LLC and Steven Joseph Escalante - Serviços de Tecnologia de Informação, Eireli LLC.

Consideration for the acquisition comprised $13,062,000 cash. Contingent consideration of $11,129,000 has been recognised in respect of a variable number of equity instruments which will be issued in the event of the acquired company meeting certain EBITDA targets in the future (see note 22). The potential outcome of the undiscounted contingent consideration ranges between $Nil and $18,750,000. Acquisition related costs totalling $638,000 have been recognised in profit or loss within general administrative expenses.

The goodwill of $13,202,000 represents our bolstered publishing capabilities in RPG and Strategy genres. The acquisitions also added Quality Assurance functions and improved our in-house porting facilities that have helped our plan to make our titles as widely available as possible from day one.

The acquired businesses contributed revenues of $2,502,000 and profits after tax of $868,000 to the Group from 24 November 2021 to 31 December 2021. If the acquisition occurred on 1 January 2021, the full year contributions would have been revenues of $13,591,000 and profits after tax of $3,301,000.

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

	Book value	Fair value adjustments	Total
	$'000	$'000	$'000
Intangible assets (note 15)	–	8,432	8,432
Property, plant and equipment	2	–	2
Trade and other receivables	1,912	–	1,912
Cash	1,278	–	1,278
Trade and other payables	(635)	–	(635)
Total	2,557	8,432	10,989
Goodwill (note 15)			13,202
			24,191
Consideration:			
Cash			13,062
Fair value of contingent consideration equity			11,129
Total consideration			**24,191**

19 TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 $'000	As at 31 December 2020 $'000
Non-current assets		
Other receivables	266	16
Current assets		
Platform receivables	13,067	4,431
Prepaid expenses and other current assets	2,502	568
	15,569	4,999
Total trade and other receivables	**15,835**	**5,015**

All of the platform receivables are 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.

20 TRADE AND OTHER PAYABLES

	As at 31 December 2021 $'000	As at 31 December 2020 $'000
Trade payables	2,074	3,057
Accrued expenses and other current liabilities	7,216	439
	9,290	**3,496**

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

21 CONTRACT LIABILITIE

	As at 31 December 2021 $'000	As at 31 December 2020 $'000
Contract liabilities	2,645	2,675

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 $2,675,000 was recognised during 2021 in respect of contract liabilities as at 31 December 2020.

22 CONTINGENT CONSIDERATION

	As at 31 December 2021 $'000	As at 31 December 2020 $'000
Current	4,793	–
Non-current	6,336	–
Total	**11,129**	–

Contingent consideration represents the fair value of equity consideration promised as part of the acquisition consideration (see note 18), contingent on the level of EBITDA achieved by the acquiree. Assumptions and sensitivities applied in the calculation of the fair value are disclosed in note 25(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

23 BORROWINGS

	As at 31 December 2021 $'000	As at 31 December 2020 $'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.

24 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 2021 $'000	As at 31 December 2020 $'000
Maturity analysis:		
Within 1 year	294	200
Between 1 and 5 years	297	457
	591	657
Less unearned interest	(53)	(31)
Lease liability	**538**	**626**
Analysed as:		
Non-current	277	442
Current	261	184
	538	**626**

As disclosed in more detail in note 16, the carrying value of right-of-use assets in respect of the above lease liabilities is $528,000 (2020: $673,202).

The Group's lease arrangements are in relation to six property leases. The leases have termination dates ranging from 2022 to 2024 and have extension options ranging from 3 to 5 years. At the year end, the Group is committed to one lease which has not yet commenced, with a lease term of 30 months and monthly payments of approximately $2,000.

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 2021 $'000	As at 31 December 2020 $'000
Depreciation charge on right-of-use assets included within 'general administrative expenses'	71	201
Interest expense on lease liabilities included within 'finance costs'	8	21
Expense relating to short-term leases included within 'general administrative expenses'	–	31
	79	**253**

Effects of leases on cash flows:	As at 31 December 2021 $'000	As at 31 December 2020 $'000
Total cash outflow for leases	(111)	(229)

25 FINANCIAL INSTRUMENTS AND 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 2021	As at 31 December 2020
	$'000	$'000
Financial assets at amortised cost:		
Trade and other receivables	13,333	4,447
Cash and cash equivalents	48,832	26,313
	62,165	**30,760**
Financial liabilities at amortised cost:		
Borrowings	–	13
Trade and other payables	7,903	3,496
Lease liabilities	538	626
	8,441	**4,135**
Financial liabilities at fair value:		
Contingent consideration	11,129	–

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.

Fair values of financial liabilities

The Group measures financial instruments at fair value and are classified into the following hierarchy:

- **Level 1** Quoted prices in active markets.
- **Level 2** Level 1 quoted prices are not available but fair value is based on observable market data.
- **Level 3** Inputs are not based on observable market data.

The contingent consideration liability is a factor of the EBITDA achieved by the acquired company (note 18) each year from 2022 to 2024 and is categorised within level 3 of the fair value hierarchy. The assumptions applied in determining the fair value of the contingent consideration are detailed below:

Unobservable inputs	**Range**	**Sensitivity**
EBITDA achieved	100%	10% change would increase/decrease fair value by $1,113,000.
Discount rate	8.8%	1% increase would decrease fair value by $135,000. 1% decrease would increase fair value by $139,000.

(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 2021	As at 31 December 2020
	$'000	$'000
Current trade and other receivables	13,067	4,431
Non-current trade and other receivables	266	16
Cash and cash equivalents	48,832	26,313
	62,165	**30,760**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT... CONTINUED

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. In the unlikely event that a game is cancelled and not published, the Group is further protected by the carrying value of any owned IP. For unowned IP, prepaid developer advances are likely to be written off.

Trade receivables are regularly reviewed for impairment loss. 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 2021 totalled approximately $10.5m (2020: $3.5m).

(d) 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.

(e) 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 2021 $'000	As at 31 December 2020 $'000
Within 1 year:		
Borrowings	–	13
Trade payables	2,074	3,057
Accruals and other payables	5,829	439
Lease liabilities	261	184
	8,164	**3,693**
Between 1-2 years: Lease liabilities	202	189
Between 2-3 years: Lease liabilities	75	188
Between 3-4 years: Lease liabilities	–	65
Between 4-5 years: Lease liabilities	–	–
Total	**8,441**	**4,135**

(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.

	As at 31 December 2021 $'000	As at 31 December 2020 $'000
Net cash	48,832	26,313
Total equity	96,445	38,756
	145,277	**65,069**

26 DEFERRED TAX

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

	As at 31 December 2021 $'000	As at 31 December 2020 $'000
Deferred tax liability:		
Short term timing differences	2,345	1,663
Net deferred tax liability	**2,345**	**1,663**

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
The net movement is explained as follows:		
Opening deferred tax liability	1,663	2,542
Charge to profit or loss	682	(879)
Closing deferred tax liability	**2,345**	**1,663**

27 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 and acquired employees. 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, the 2019 grant is $40.21 per share and the 2021 grant is $2.095 per share. The 2017 and 2019 RSAs vest in instalments every three months over the service period and fully vested on IPO. The 2021 RSAs vest over 3 years in a 50:25:25 ratio. 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:

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Opening RSA outstanding	191,220	367,730
RSA granted	954,654	–
RSA vested	(191,220)	(176,510)
Closing RSA outstanding	954,654	191,220
Weighted average remaining contractual life in years	2.88	1.08

The company has an Equity Incentive Plan that provides for the issuance of non-qualified stock options to officers and other employees and contractors 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 2020	21,100	42.41	11,815	13.33	8.08
Adjustment for stock split	2,718,246				
Granted during the period	1,533,998	1.57			
Exercised during the period	(541,290)	0.29			
At 31 December 2021	3,732,054	0.85	1,474,928	0.54	6.62

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021

27 SHARE-BASED PAYMENTS... CONTINUED

The options have been adjusted for the impact of the stock split which occurred during the year (see note 28). The weighted average exercise price of the options outstanding immediately after the stock split was $0.33.

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

	Grant date					
	17 November 2021	3 March 2021	3 February 2021	25 November 2020	15 October 2020	17 April 2020
Share price at grant date	$2.77	$2.35	$1.59	$1.59	$1.06	$0.33
Exercise price	$2.77	$2.35	$1.59	$1.59	$1.06	$0.33
Option life	2.5	6.25	6.25	6.25	6.25	6.25
Expected volatility	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Discount rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Weighted average fair value per option	$0.52	$0.49	$0.66	$0.66	$0.44	$0.14

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.

28 SHARE CAPITAL

	As at 31 December 2021 No.	As at 31 December 2020 No.
Class of share		
Ordinary shares of $0.001 each	202,507,081	1,059,052
Series Seed preferred shares of $0.001 each	–	125,755
Series A preferred shares of $0.001 each	–	198,560

	As at 31 December 2021 $'000	As at 31 December 2020 $'000
Class of share		
Ordinary shares of $0.001 each	203	1
Series Seed preferred shares of $0.001 each	–	–
Series A preferred shares of $0.001 each	–	–
	203	1

On 26 February 2021, 324,315 preferred shares were converted into 324,315 ordinary shares. The Company then completed a stock split pursuant to which 1,383,367 ordinary shares of $0.001 each were split into 179,597,639 shares of $0.001 each.

On 3 March 2021, the Company granted Zeus Capital 1,511,448 warrants to subscribe for ordinary shares. Each warrant confers the right, exercisable only if the share price exceeds 253 pence per share, to subscribe in cash for one ordinary share at the placing price of 169 pence per share. The warrants are only exercisable during the period from 9 September 2022 to 9 March 2031. The fair value of this warrant instrument has been calculated using a lattice model, giving a total fair value of $1,919,540. This amount has been recognised within the warrant reserve with a corresponding decrease in the share premium account representing the cost of issuing equity instruments.

On 9 March 2021, the Company's shares were listed on the Alternative Investment Market of the London Stock Exchange ("AIM"). A total of 21,438,985 new ordinary shares were issued in the placing at the placing price of 169 pence per share. Share premium, net of transaction costs, totalling $44,147,000 has been recognised on the transaction.

During the year 541,290 share options were exercised at a weighted average exercise price of $0.29, generating proceeds of $155,000.

During the period, 929,166 shares were issued as partial consideration for the acquisition of intellectual property totalling $2,692,000.

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 27, 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. As noted above, the preferred shares were converted into ordinary shares prior to the IPO.

29 CASH GENERATED FROM OPERATIONS

	Year ended 31 December 2021	Year ended 31 December 2020
	$'000	$'000
Profit for the year after tax	8,243	4,948
Adjustments for:		
Share-based payments	2,452	5,845
Amortisation of intangible assets	5,162	5,321
Impairment of intangible assets	283	–
Depreciation of tangible fixed assets	117	239
Foreign exchange losses	–	5
Finance costs	8	21
Income tax expense - current	3,599	3,631
Movements in working capital:		
Increase in receivables	(8,160)	(1,807)
Increase in payables	5,204	2,269
Increase/(decrease) in deferred tax liability	682	(879)
Income tax paid*	(4,300)	(3,123)
Cash generated from operations	**13,290**	**16,470**

*The 2020 figure has been disaggregated for comparative purposes.

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 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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2021

29 CASH GENERATED FROM OPERATIONS... CONTINUED

	As at 1 January 2021 $'000	Cash flows $'000	Non-cash movements $'000	As at 31 December 2021 $'000
Cash and cash equivalents	26,313	22,519	–	48,832
Borrowings	(13)	13	–	–
Lease liabilities	(626)	96	(8)	(538)
Net debt	**25,674**	**22,628**	**(8)**	**48,294**

30 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 included in the Remuneration Committee Report on an individual basis, and is summarised below:

Key management personnel remuneration	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Aggregate emoluments	3,037	1,552
Equity-settled share-based payments	2,159	5,801
	5,196	**7,353**

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 40% to 51% during the year ended 31 December 2021.

During the year, the wife of one of the Group's directors exercised 489,836 share options at an exercise price of $0.07.

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

31 ULTIMATE CONTROLLING PARTY

The Company's ultimate controlling party is Alex Nichiporchik.

32 POST REPORTING DATE EVENTS

In late February 2022 Russia invaded Ukraine, leading to substantial economic sanctions being levelled upon Russia by the international community. tinyBuild promptly offered logistic and financial support to relocate staff and families in the affected regions, on a voluntary basis. A new hub is being set up in the Balkans to welcome everybody, and plans to open a third location in the EU are being discussed.

Revenues from the Russia/Ukraine/CIS region have accounted for less than 5% of total Group annual revenues in each of 2020 and 2021. tinyBuild continues to operate in the regions affected by the conflict in accordance with the sanctions imposed by the US and other Western countries (e.g. four major Russian banks have been barred from SWIFT, the international banking system). Royalties withheld are recorded as accounts payables, and are not material. The Company currently believes that the impact from the conflict will not materially affect its operations, revenue or expenses.

On 11 April 2022, tinyBuild announced the asset acquisition of Demagic Games, a development studio with 23 staff currently based in Ukraine and Russia. The Company has been working with Demagic Games for over a year on various projects including Hello Neighbor 2, unannounced titles, and more recently Deadside. The small asset acquisition will have no material impact on the Company's earnings.

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