ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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STRATEGIC REPORT

NEXT-GEN ENTERTAINMENT

TINYBUILD IS A GLOBAL VIDEO GAMES PUBLISHER AND DEVELOPER WITH A CATALOGUE OF MORE THAN 80 PREMIUM TITLES ACROSS DIFFERENT GENRES, PRIMARILY FOR PC AND CONSOLES.

Headquartered in Bellevue, Washington, USA, tinyBuild's operations stretch across the Americas, Europe and Asia using a flexible, decentralised model. The Company's innovative grassroots approach to marketing, involving 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

$44.7m
consolidated revenues

$10.6m
cash from operations

>80
games portfolio

68%
of sales from Own-IP

92%
of sales from catalogue

$2.5m*
net cash position
at the end of Dec '23

* Net Cash is defined as Cash and Cash Equivalents minus short and long term financial debt

"IN 2023 WE HAVE REFOCUSED ON PRODUCTS THAT CONNECT WITH AUDIENCES, USING HARD DATA TO BACK IT UP, EVIDENCED BY EARLY 2024 TRACTION AND ANNOUNCEMENTS. WE ARE ALSO LEANER AND MORE EFFICIENT, WITH A LOWER AND MORE FLEXIBLE COST BASE."

CHAIRMAN’S STATEMENT

RESTARTING THE GAME

It’s an understatement to proclaim it has been a challenging financial year for tinyBuild. From key changes to its executive team to the closure of studios; from delayed titles to an equity fundraise underwritten by its CEO and founder, tinyBuild has worked with and around a great deal of issues, and the management continues to work hard to address the challenges of a fast-changing industry.

While it’s true the industry as a whole faced headwinds in the past twelve months, the travails of the Group should not be solely ascribed to these variables. Our merger & acquisitions (M&A) growth strategy delivered underwhelming results, prompting a refocusing towards internal production which, although slower, in turn allows for more control and predictability, likely improving outcomes in the form of more games that perform in line with forecasts.

Given our stated ambition of transitioning a significant portion of our portfolio from premium games to games as a service, this realignment towards production and publishing is key and features higher odds of delivering the expected results. Greenshoots of this work can already be seen in the form of the successful announcements of Kingmakers, Level Zero: Extraction and DUCKSIDE, and how these titles’ premises resonated with players to a higher degree compared to the titles the Group announced or launched last year.

Overall, the fundamentals of the games industry remain solid and promising, full of opportunities, not least the opening gap in release windows that is being created by the recent series of titles cancellations and teams’ closures industry-wide: in the next 12 to 36 months, there should be less competing titles launched than otherwise across all platforms, creating more space for our games to be seen and experienced. This puts renewed demand over the tinyBuild teams, in particular its executive group, to go back to the basics that formed its earlier success stories: its ability to produce and find high-quality IP.

The executive team’s conviction in its ability to deliver against the stated objectives is exemplified by the CEO’s actions when reinvesting into the business at a critical juncture. This belief is shared throughout the Group and bolstered by the reception of recent title announcements, pointing towards the potential of our upcoming games and their alignment with the Group’s long term strategy.

What remains now is to execute on the new strategy and live up to the expectation of these games both on production and publishing fronts – something tinyBuild has the capability to deliver over the coming years

Henrique Olifiers
Non-Executive Chairman

Dated: 24 June 2024

HISTORY AND BACKGROUND

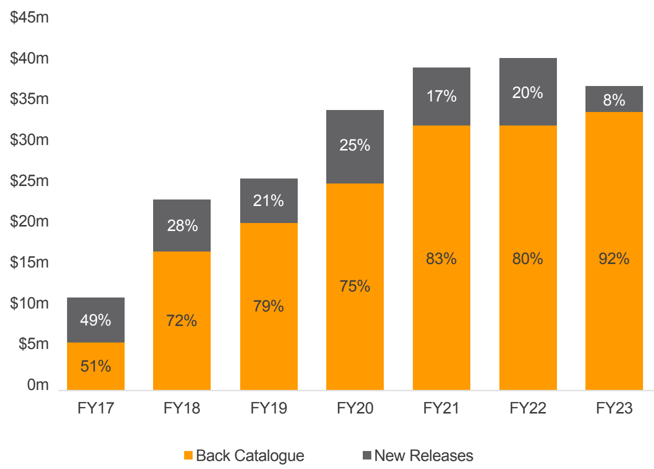
ABOUT TINYBUILD

tinyBuild started as an indie game developer in 2011, it incorporated in 2013, it raised capital in October 2017 from Makers Fund and in January 2019 from NetEase. It listed on the London Stock Exchange (AIM:TBLD) in March 2021 and successfully raised more capital in January 2024 adding Atari to its core shareholders. tinyBuild is now a global video games publisher and developer with a catalogue of more than 80 premium titles across different genres, primarily for PC and consoles.

tinyBuild's approach to growth is two-fold. On the one hand the Company continues investing in its back catalogue to make its games available on more platforms, including sequels, spin-offs, cross-media and new technologies. This is a low-risk strategy that generates a stable and predictable stream of cash flows. Some of the most successful titles include *Deadside, Graveyard Keeper, SpeedRunners, Streets of Rogue, Spiderheck and Potion Craft, alongside Hello Neighbor.*

Back catalogue revenues support investments for future growth

80%
BACK CATALOGUE AS % OF GAMING REVENUES*



**Gaming revenues excludes development service and events revenues*

On the other hand, tinyBuild invests heavily to create and develop new, high-potential IP with a particular focus on games that can be played for over 1,000 hours and become self-standing franchises. In 2023, the Company has been focusing on a selected number of games that have received validation from their audience. A variety of factors are considered including, but not limited to, the numbers of followers and wishlists, critic reviews and players' feedback.

HISTORY AND BACKGROUND... CONTINUED

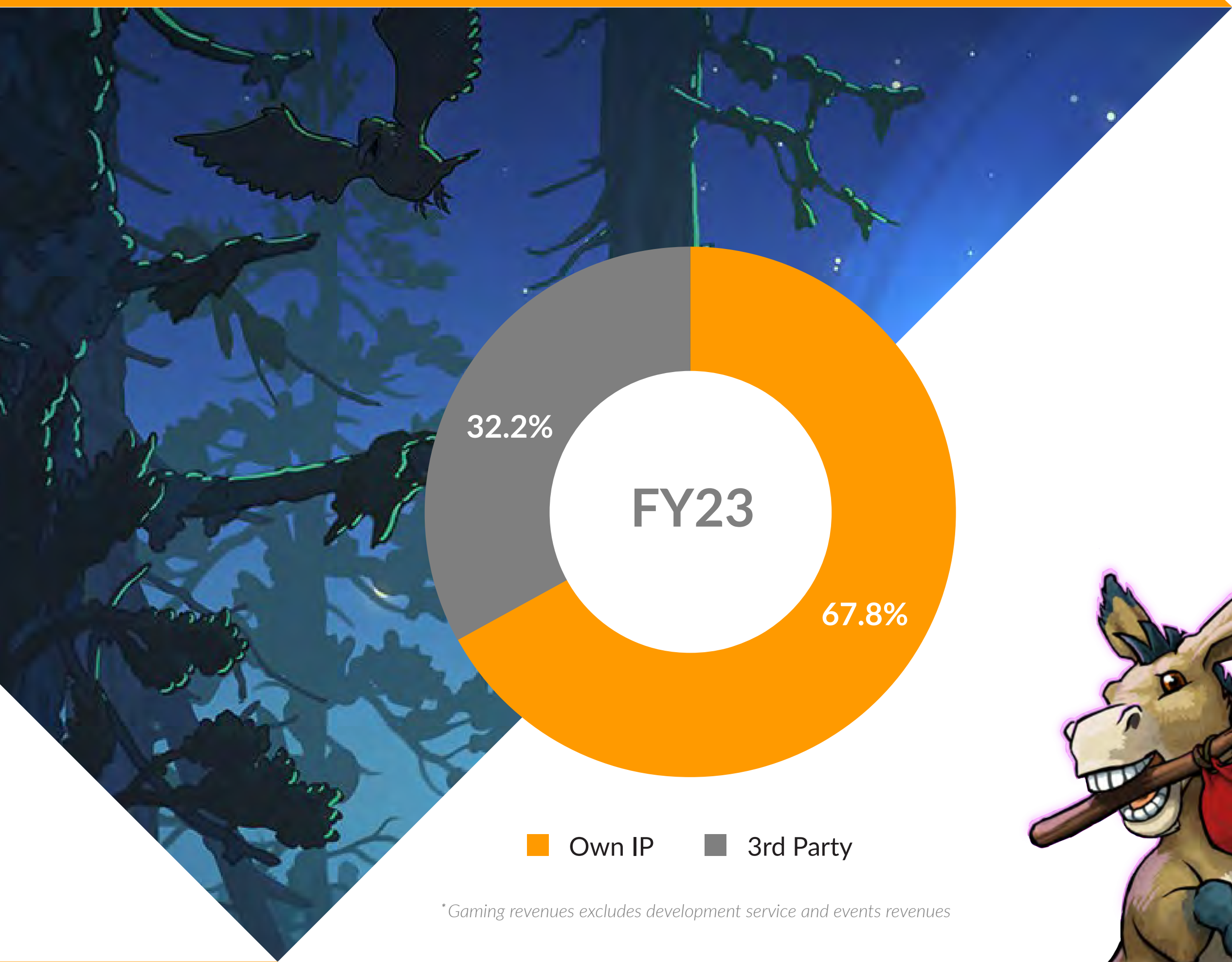
In 2023, contribution from new titles was lower than in previous years. tinyBuild launched a number of new games, including Punch Club 2, I am Future (early access), Rhythm Sprout, Farworld Pioneer, The Bookwalker and Slime 3K, plus VR titles such as Kill it with Fire, Not for Broadcast and Hello Neighbor Search and Rescue. The Company also stepped up its organic investments in new projects, including a handful of high-potential titles. Projects that were not showing clear traction have been cancelled and studios reorganised for maximum efficiency.

Over the course of the year, tinyBuild continued to support people affected by the invasion of Ukraine, across multiple locations, while strengthening its decentralised model.

Own-IP focus

In 2023, over two thirds of tinyBuild's revenues were generated from own-IP (first and second party) titles. A fully aligned developer-publisher strategy means that the full potential of each game can be explored more easily, including multimedia content. For example, the *Hello Neighbor* franchise now extends to books and graphic novels (over 4m sold) and the Welcome to Raven Brooks animated series (over 13m views on YouTube). In 2023 the Company released the first six short episodes (season 1) of the Hello Neighbor animated series, with plans to release twelve more episodes (season 2 and 3).

Gaming revenues* breakdown by own-IP and third party



Gaming revenues excludes development service and events revenues

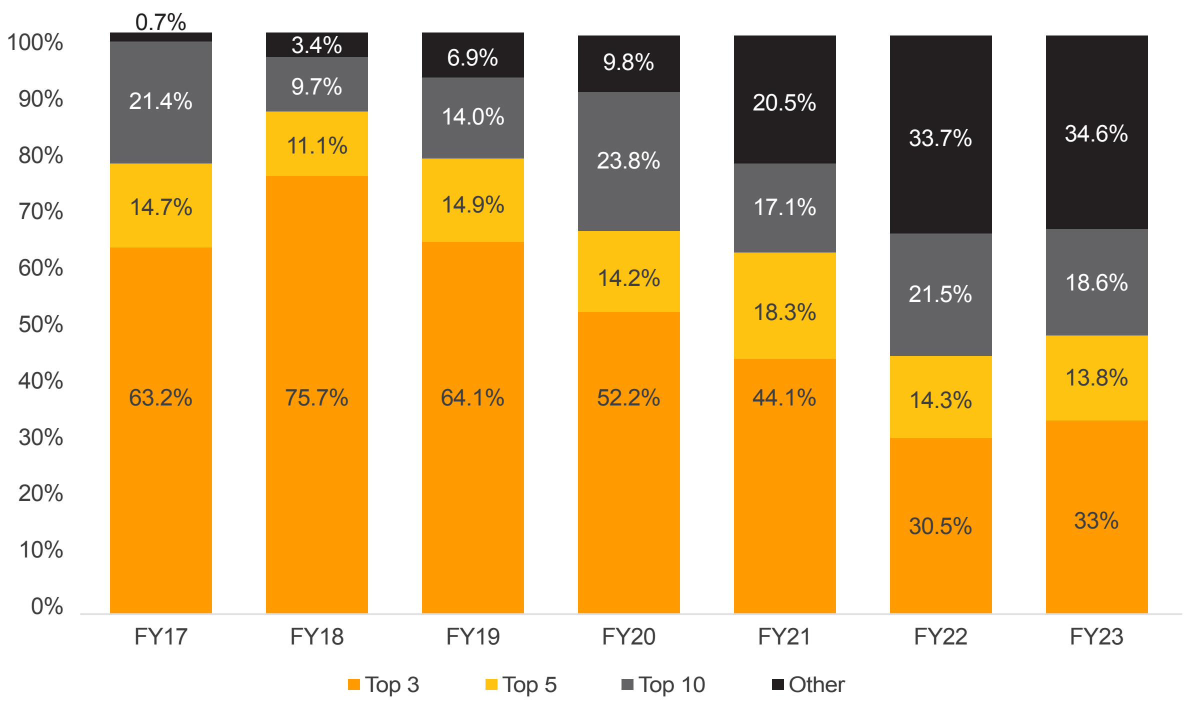
The team now counts more than 300 staff, including independent contractors. Particular attention goes into maintaining Company's culture close to its roots as a developer, guaranteeing that each studio has full creative autonomy. This approach helps tinyBuild attract talents beyond geographical borders.

STRATEGY

tinyBuild's reputation and its extensive network mean it has developed close ties with the main distribution platforms, while its grassroots marketing approach translates into 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.

Diversified portfolio
tinyBuild has had a consistent approach of building a diverse portfolio of own-IP to create multimedia franchises that will potentially live for generations. In 2023, revenue concentration increased slightly, with the top 3 titles representing only 41% of group revenues (was c.76% in 2018), and the share of revenues generated from the top 5 titles at less than 50%. Importantly, the top five titles tend to change from year to year and some titles come back into the top 10 years after the launch.

Gaming revenues* breakdown by top titles



*Gaming revenues excludes development service and events revenues

Organic growth strategy
tinyBuild's approach to organic revenue growth is multifaceted, with an emphasis on diversification and minimization of external dependencies. The Company actively works to maintain a global presence and break into various genres to attract broader audiences.

Internal development teams are key to enhance the quality and variety of its game pipeline with innovative, genre-defining concepts like Not For Broadcast. The Company invests in its acquired studios, such as those behind Deadside, to unlock the full potential of each franchise. Publishing label Versus Evil specialises in RPG and strategy offerings, to expand the group genre reach. Established partnerships complete the picture that allows creative teams to innovate and develop new IPs, such as Potion Craft. Finally, tinyBuild leverages influencer relationships and broadens its social media footprint to maintain its marketing edge.

The expansion strategy for any IP includes a multi-game approach using Hello Neighbor's success as a blue print for creating multi-title franchises, exemplified by Punch Club 2 (2023) and Streets of Rogue 2 (release planned in 2024). It also includes lengthening the lifespan of IPs with regular new content, as seen with Graveyard Keeper's DLCs, and porting titles to new platforms, and technologies like the Kill it with Fire VR. Until now, mobile has mostly been used as a marketing tool, as illustrated by mobile versions of Secret Neighbor and Hello Neighbor.

Lastly, tinyBuild is dedicated to exploring multimedia opportunities to further extend its own-IP portfolio off-screen, including book and graphic novel adaptations exemplified by Hello Neighbor. The Company also retains IP rights as it delves into television series production, potentially opening up larger revenue streams. The first six short episodes of *Hello Neighbor: Welcome to Raven Brooks* animated series were released in 2023 with 12 more to come in 2024. Merchandise is sometimes utilized as a marketing tool, contributing additional, though modest, revenue.

STRATEGY... CONTINUED

CASE STUDY: Hello Neighbor: Welcome to Raven Brooks (animated series)

The *Hello Neighbor* original game launched in 2017 with some critics dubbing it the worst game of the year. Close integration of the development and publishing functions would bring it to a resounding commercial success within a short period of time. From there, multiple studios started developing new branches such as the multiplayer Secret Neighbor and reaching out to new platforms such as HN: Search and Rescue VR title.

The launch of Welcome to Raven Brooks animated series adds to the multimedia reach after books and graphic novels, completing the lore. And the latest announcement of Raven Brooks Online (RRBO) opens up yet more optionality for the IP.

The first six episodes collected over 13m view on YouTube, potentially attracting new gamers to the Hello Neighbor universe while also generating its own revenue stream through YouTube advertising income. We call this canon-commercial: in the context of video games, "canon" refers to the official storyline, characters, events, and world established by the game. So, a canon-commercial is a form of advertising that is true and integral to the game's universe, sometimes completing the storyline as allowed by different media.

M&A Strategy

Since 2013, tinyBuild has completed fifteen acquisitions[1], including Bossa's IP (Surgeon Simulator, I am Fish, I am Bread) and the studios behind *Despot's Game* (August 2022), *Streets of Rogue* (June 2021) and *Deadside* (September 2021). In 2021 the Company also acquired Versus Evil.

When possible, the Company uses the low-risk acquihire model, acquiring only selected resources instead of whole companies. The consideration typically consists of cash and tinyBuild shares to help align the goals of the key developers with those of tinyBuild. While the acquihire model will remain an important part of the inorganic growth strategy, tinyBuild may utilise other models to balance the upside potential with focus on risk mitigation, including back-end loaded earnout structure and anti-dilution mechanisms in the case of share consideration.

In 2023, as tinyBuild achieved its target in terms of diversification and scale, the M&A strategy grew more cautious both in terms of number of deals and size. The growing in-house capability in terms of development talent, games services, and publishing now gives the Group greater visibility on the whole process and protects the business against potential delays caused by a lack of access to third-party resources.

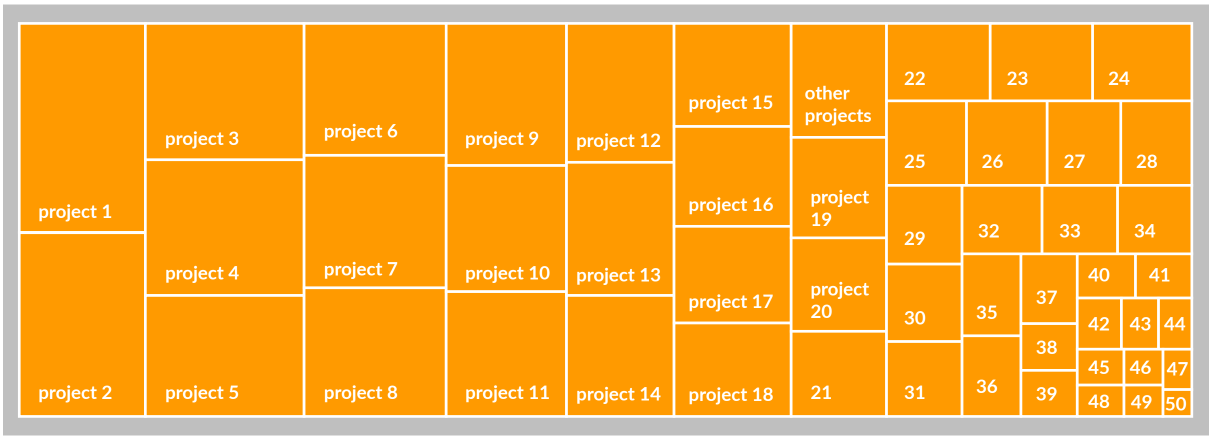
More opportunities for acquihires and larger-scale acquisitions may arise in the future to further scale and diversify the business. Any future M&A will prioritise maintaining a strong financial position and take into account the current and expected market conditions. Targeted disposals will also be considered when they create value for shareholders.

[1] *Including 11 acquihires and 44 business combinations*

BUSINESS MODEL

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. Capital allocation is well diversified across the wide portfolio: no project attracted more than 15% of the total development budget in 2023 and there were over 20 projects with an annual spend of over $0.5m. Each game budget is reviewed periodically and adjusted up or down to reflect audience validation and commercial potential.

Breakdown of capitalised development cost by project



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.

The Company also continues to expand its footprint in the wider landscape by adding capabilities in new platforms. The release of an official Roblox version of Secret Neighbor in June 2023 and the increased investments in VR across multiple hardware devices represent only the most visible examples of how the Company captures nascent opportunities and remains relevant for its growing audience over time.

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.

Locations and partners
tinyBuild's geographical footprint has consolidated in 2023, following the relocation of staff and studios from areas affected by the invasion of Ukraine into relatively safer locations. tinyBuild remains particularly focused on faster-growing emerging markets with lower publisher coverage. It continues to source talent in Eastern Europe, and support staff and potential new joiners regardless of their passport or citizenship.

The Company's strong reputation across all of Eastern Europe represents a strategic advantage when recruiting for a diverse team and looking for new IP originating from these regions.

BUSINESS MODEL... CONTINUED

"tinyBuild's truly global presence is a major asset when sourcing best talent in the most attractive locations"

tinyBuild's geographical footprint enables it to capitalize on all key commercial areas. The Company's locations in the US facilitate closer ties with the major entertainment companies (such as Valve, Microsoft, Nintendo and Epic), whilst focus on countries other than the US, Canada and the UK gives access to highly skilled talent, with comparatively lower local living 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.

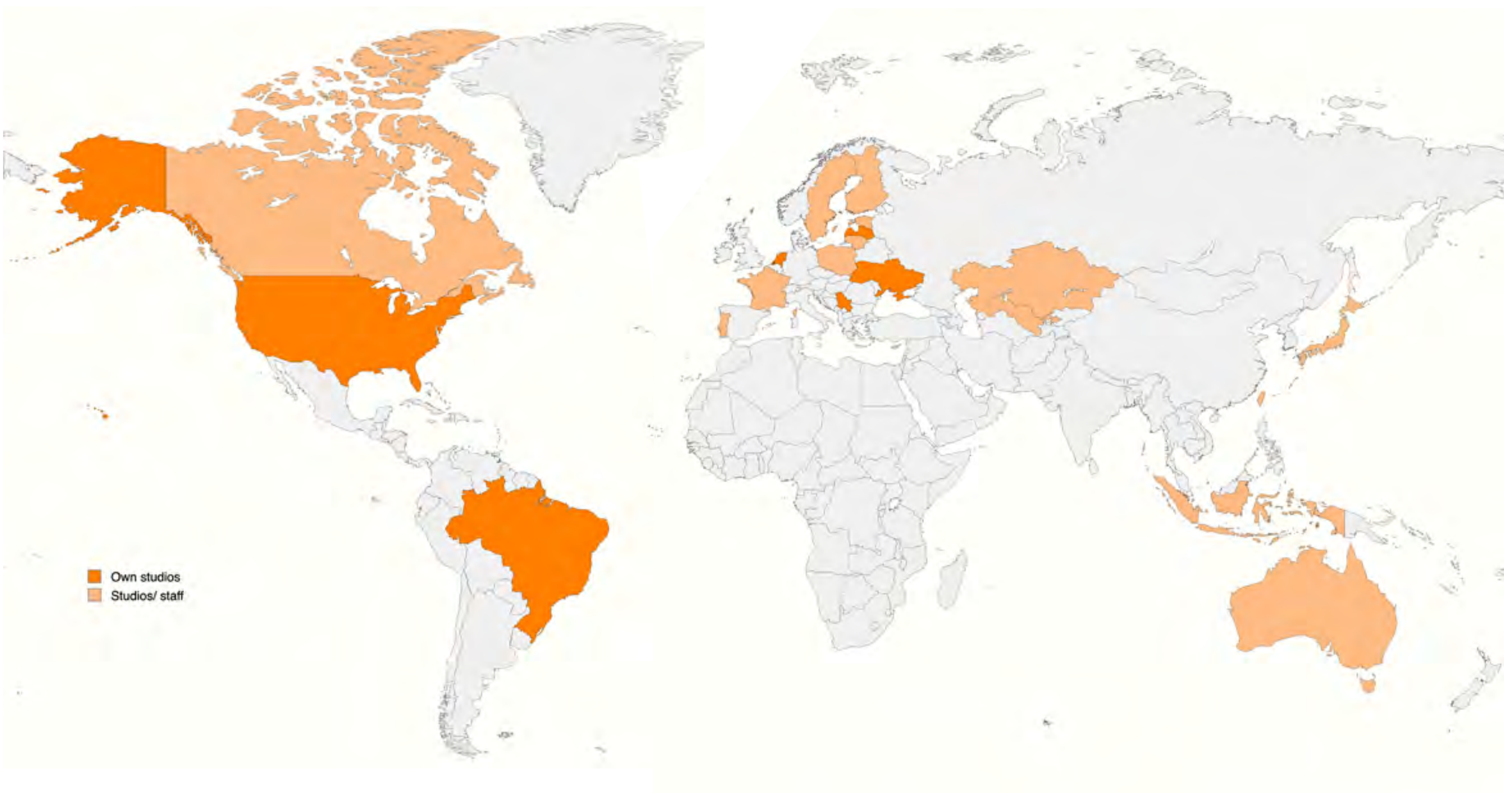
IP origination and selection

tinyBuild originates new IP by actively scouting for new games (for example, Cluster Truck was discovered on the 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.

Initial sessions with developers are highly interactive, exploring everything from the core concept of the game through to title marketing. Through its efficient selection process, the Company can evaluate a large volume of opportunities quickly and can secure high-quality IP faster than less nimble competitors.

tinyBuild also maintains a high visibility in the broader video games industry. Building on the transition from indie game developer to broader publisher, the Company cultivates a high level of interaction with the community and its attendance at gaming conferences worldwide accelerates the formation of relationships with developers. Brand recognition is built across multiple social outlets to reach specific demographics in different geographies, which again boost brand recognition.

Geographical location of tinyBuild studios



DevGAMM events

Recognising the importance of industry reputation and relationships, in 2018, tinyBuild completed a strategic investment in DevGAMM, an Eastern European-focused video games event organiser. In 2023, DevGAMM successfully launched new events in Gdansk (Poland), Vilnius (Lithuania), London (UK) and Lisbon (Portugal), expanding its geographical footprint and strengthening its presence across Western and Eastern Europe.

tinyBuild's marketing and community engagement is highly efficient and effective thanks to its strong relationships with influential streamers and notable figures in the video games industry, paid or not, who have assisted tinyBuild to achieve over 5 billion content related views on YouTube, to 31 December 2023.

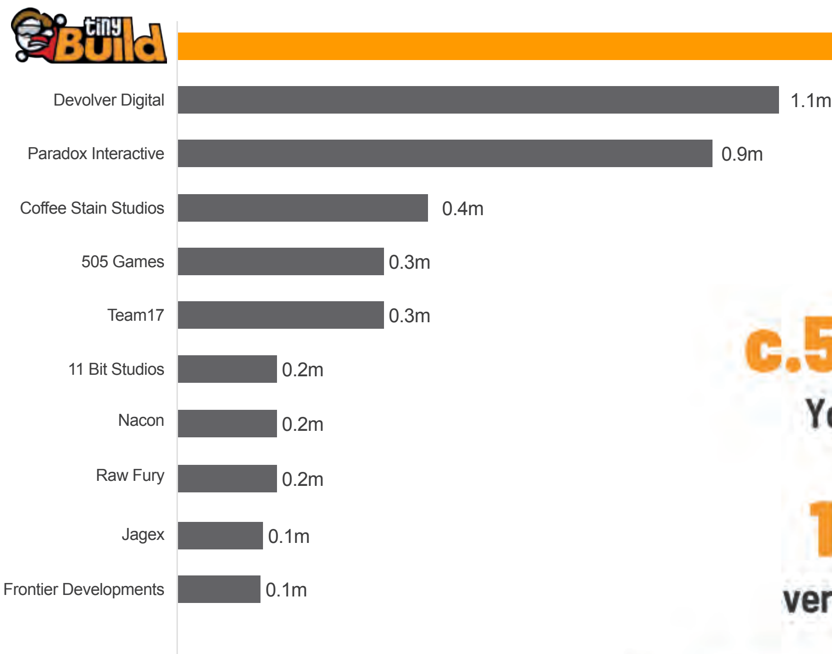
tinyBuild develops games and uses tools which result in high number of viewers for influencers (e.g. over 2m views on Kingmakers announcement trailer), allowing them to monetise their channels more efficiently, whilst marketing the game on tinyBuild's behalf. As a result, tinyBuild has become a staple 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.

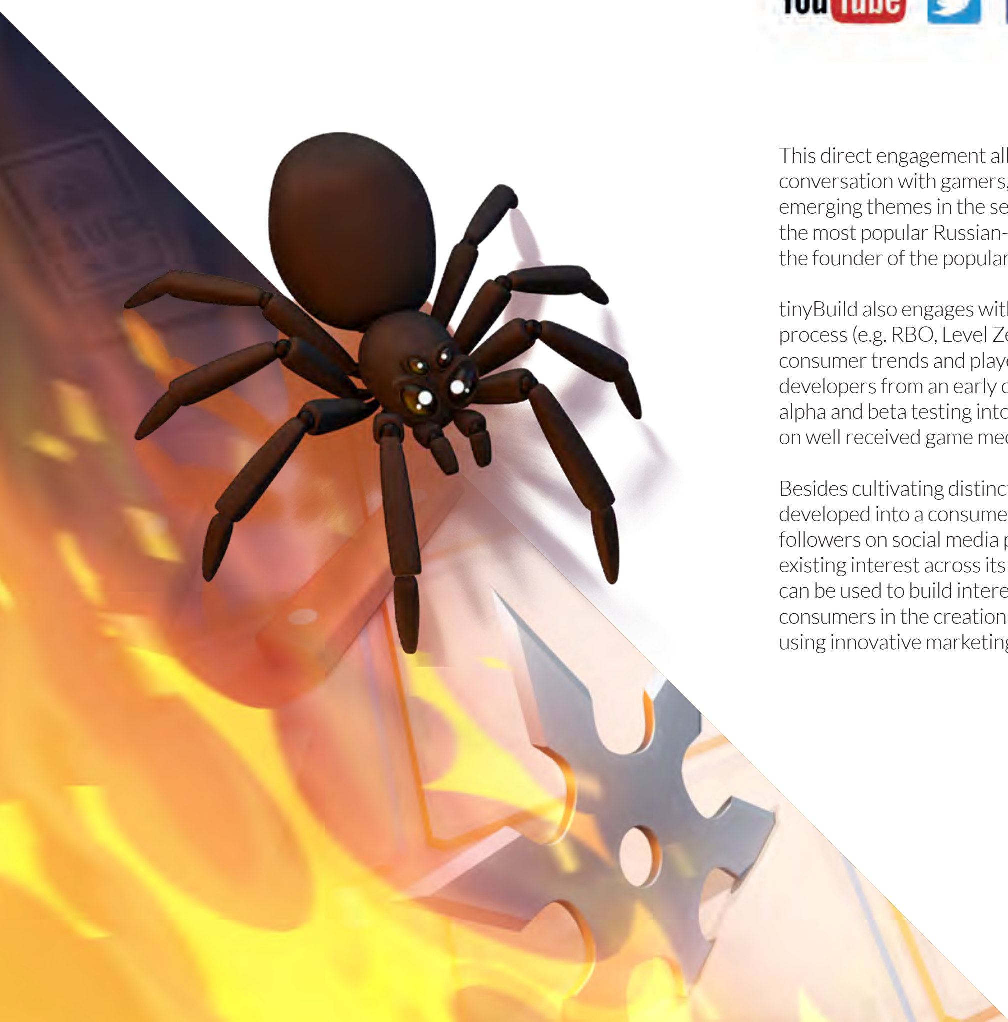
When it comes to social media, the Company has built the strongest position among peers as a publishing brand, with a total number of followers in excess of 1.7 million, over 50% more than the closest competitor.

BUSINESS MODEL... CONTINUED

Social Media Following



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



This direct engagement allows tinyBuild to maintain a two-way conversation with 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 (e.g. RBO, Level Zero, VOIN playtests), ensuring that titles reflect consumer trends and player expectations 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 mechanics in response to consumer feedback.

Besides cultivating distinct sub-brands for each game, the Company has developed into a consumer brand in its own right, with over 1.7 million followers on social media platforms at the end of 2023. 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 blueprint for future franchises

Hello Neighbor is tinyBuild's first hit 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.

Hello Neighbor 2 was launched at the end of 2022 and *Hello Neighbor Search and Rescue*, a new VR title released in 2023 on PSVR2 and Oculus, plus *Hello Engineer* added PC and consoles, and *Secret Neighbor* also launched on Roblox. Early in 2024 the Company also hosted a playtest for RBO in the Hello Neighbor universe.

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, avoiding bottlenecks and enabling them to build specialist expertise in a single format type and specific gameplay features.

Investment Case

Since the start, tinyBuild's ambition has been to grow a high-potential, well-diversified portfolio of premium games, by expanding into new genres, by reaching new audiences, by establishing a presence in strategic geographies, by strengthening the value chain and by innovating with new genre-defining IPs. Indeed the Company has grown to over 300 people in just a decade, 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 ability to enhance IP is central to tinyBuild's success. Alex's vision to build long-lasting multimedia franchises as well as his direct engagement with developers effectively creates multiple optionality in every single project the Company invests in.

In 2023 the Company embarked on a functional reorganisation aimed at streamlining processes and refocusing capital allocation in accordance to the 1000-hour game vision. The capital raise in January 2024 strengthened the financial position and made more resources available to reboot organic growth in 2024. tinyBuild's organic investments in new games are now regularly reviewed and aligned with the inputs received from continued audience validation.

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

Looking forward, tinyBuild will continue to invest in own-IP while seeking a strong financial position, 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.

As the industry resets to reflect a lower number of large deals and a more competitive environment, tinyBuild continues to grow towards its longer-term ambition of becoming a leading next-generation entertainment company.

CHIEF EXECUTIVE'S REVIEW

2023 has been the reset year of the games industry, which is bleeding into 2024. We've seen development budgets in AAA skyrocket, which led to, despite record-setting sales, also record-setting layoffs, and a complete reshuffle of allocation of capital. Many studios have realized the hardships of building efficient teams remotely. Most studios are readjusting to listening to gamers first and foremost and using real data to make decisions. All while megahits such as Palworld and Helldivers 2 are reaffirming our strategy of investing into deeply replayable, emergent gameplay products.

In 2023 we have refocused on products that connect with audiences, using hard data to back it up, evidenced by early 2024 traction and announcements. In 2024 we also expect to be leaner and more efficient, with a lower and more flexible cost base.

We're all gamers at tinyBuild. It's all about the games. My full attention has been on product since post the fundraise at the start of the year.

Tectonic shifts in the industry
Over the course of 2023 funding for video games dried up completely. All of the sudden, capital was not cheap anymore, if it was accessible at all. At the same time, the wave of labour cost inflation caused by the invasion of Ukraine aggravated pressure on development budgets, which were already particularly high, so funding even the most promising game became incredibly hard in the context of the funding environment before 2023.

As the development of a game was becoming more difficult to finance, a huge number of games developed in previous years were being released, sucking the air out of each other. A good and fun game that would have performed really well only a few years back may just drown in the sea of new launches and even struggle to cover its costs.

For a game to get noticed now, you need to have a brand new idea, cool-looking graphics, top-notch technology, constant two-way communication with your audience and impeccable marketing strategy. The relationship between developer and publisher is even more important and is the only way to achieve a successful launch.

Adapting our strategy
Over the past few years, we have continued to adapt our strategy to the changing environment, shifting gradually to the 1,000-hour game. When players are so completely fascinated by the experience that nothing else matters. They spend over a year playing it, for several hours every day. Every single day. We all have these memories from our youth. Mortal Kombat, Tekken, GTA SAMP (which morphed into GTA Online), Counter-Strike, Team Fortress 2, World of Warcraft, and so many more.

The easiest way to create a game like these is to get thousands of developers churning out enormous amounts of content in a mega franchise. It's absolutely fine to do so. If I think of it though, the amount of money poured into some of my favourite games is really scary. So we took a different tack, we look for emergent gameplay based on the interaction systems instead of content. Games where the players may decide their own definition of win. Games like Minecraft or DayZ, H1Z1, Rust, ARK, The Culling even. If you grew up playing Minecraft, your game experience is not about a game saying you did great. It's about knowing you did great. It's about the emotional satisfaction of your own set goal and achieving that goal.

CASE STUDY: **re-announcement of Level Zero: Extraction**

If something isn't working, you need to adapt and overcome. Level Zero was announced two years ago as an asymmetric multiplayer title, and while it got initial traction, we were concerned about the longevity of the concept. A year ago we came together with the design team and looked at the market landscape, agreeing we had an opportunity to pivot into an exciting direction. Typically re-announcing a game gets little to no traction. Our production and marketing teams came up with a brilliant plan. Let's re-announce the game in its new form - as an Extraction-style horror title - focusing on the unique aspects of several human teams fighting each other, and an overarching threat, a team of monsters that hunts everyone. We did an amazing trailer, and actually gave the game to targeted influencers to play it. The shortest way to describe it is "Alien Isolation meets Escape from Tarkov", and it hit the target audience exactly how we forecasted. A new, fresh take with live gameplay sessions recorded for influencers. This rejuvenated interest in the title, and set us up for a public playtest with close to 100,000 players opting in.

Let's first talk about multiplayer since this is the obvious focus for us. Secret Neighbor, SpeedRunners, Pandemic Express, Deadside, the upcoming SAND, Rawmen, Kingmakers, Level Zero - all of these are multiplayer games. Here's what we learned from these games and playing other titles:

- You release a game that blows up;
- Tens of thousands of users play the game;
- Two weeks later the buzz starts to drop off;
- Development teams need to rapidly scale up and produce more content so that veteran players come back.

We were stuck in exactly this grind loop with Secret Neighbor, working overtime to get content updates out the door. Even then, new players can't really appreciate the later-stage level content as they're still enjoying the vanilla game. Instead, now we focus on adding more systems to the game so that all players can experience from the outset and interact with each other on an equal level. Social interaction in multiplayer games is another gameplay mechanic which is not fully understood and should be used in single player experiences. The addition of crafting, looting, farming and similar mechanics also allows users to create their own progression and their own personal space in the game.

So here we have a formula to create worlds where players can spend 1,000 hours, without committing a AAA budget.

KINGMAKERS – the potential to be the next big thing?

Kingmakers is a shooter/real time strategy hybrid where you fight off thousands of enemies in a medieval battle – using modern weapons. The game is developed by the extremely talented team behind Road Redemption, and the tech behind it has been in the works for over four years.

The announcement of this title is a testament to our approach to production and marketing of new IP. The announcement trailer received tens of millions of views across social media, propelling the game to top 50 wishlisted on Steam within weeks. We are working hard to meet player expectations when the game launches.

We have plenty of exciting projects in the pipeline and we have proven that we don't need a AAA budget to reach large audiences. Post the recent fundraise, tinyBuild is well positioned for 2024 and beyond. I am as confident in the opportunity ahead and we all remain 100% committed to ensuring we capitalise on it.

2024 and beyond is the time to shine.

Alex Nichiporchik
CEO and Founder

Dated: 24 June 2024

CHIEF FINANCIAL OFFICER'S REVIEW

2023 was a testing year. Testing for our staff and testing for the whole Company. Game delays at Versus Evil and inflationary cost pressures added to a sharp decline in revenues from large deals into the end of the year. We regrouped once more and together we made some difficult decisions. We took action on costs to re-align expected revenues with planned growth investments and we raised net proceeds of over $11m in new capital, welcoming Atari as a new core investor in tinyBuild in January 2024.

The full impact of the internal reorganisation will become visible only in 2024 which started with cautious investments in high-potential games that have already received clear validation from their respective audiences.

Revenue
Revenue generated from games sold to consumers were resilient at $34.2m (-1% y-o-y), but the sharp drop in revenues from large contract (e.g. subscription programs, development partnerships and exclusivity agreements) caused Company revenues to decline by 29% (2022: +21%) from $63.3m to $44.7m. Events revenues increased over 100% in 2023 with launches in new locations across Western and Central Europe.

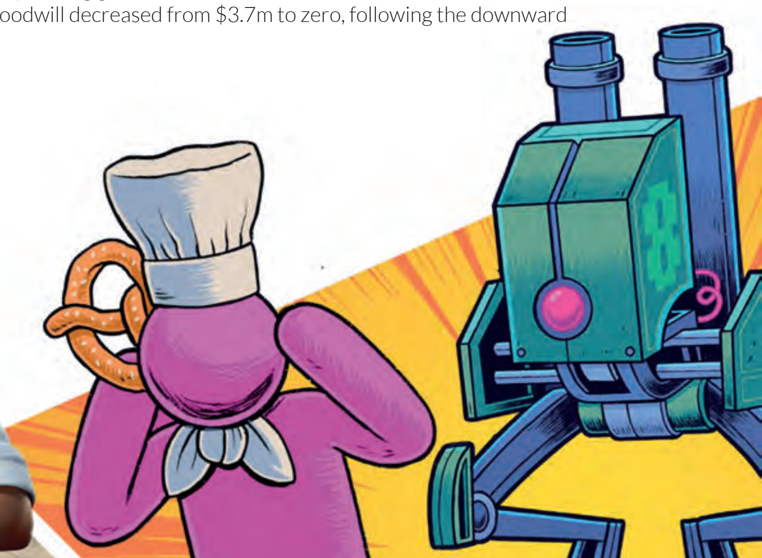
Revenue generated from own-IP (1st and 2nd party games) declined to 65% of gaming revenues (2022: 77%), as a result of changes in portfolio mix. Revenues from back-catalogue increased to 92% of total (2022: 80%), with successful new releases including I am Future (Early Access) and Punch Club 2. The top 5 games generated 46.8% of total revenues (2022: 44.8%), and the top 10 games 65.44% (2022: 66.3%), demonstrating broad diversification across audiences, genres and technologies.

Operating Profit and Adjusted EBITDA
Operating loss was $63.7m (2022: $15.9m operating profit), impacted by the $18.6m decline in revenues, the $36.2m impairment of software development costs and $11.8m impairment of other intangible assets. Exceptional charges for 2023 relate to a $3.5m legal settlement. Included within the operating loss is a further $0.6m of charges in relation to the conflict in Ukraine, where the situation remains uncertain and management cannot exclude further charges in the future.

Adjusted EBITDA is presented net of amortisation of development costs, excluding share-based compensation expenses, amortisation of purchased IP and other intangible assets and one-off costs such as impairments. Adj. EBITDA loss was $7.1m (2022: $24.4m profit), largely driven by the decline in revenues, aggravated by inflationary pressure on costs resulting from the geopolitical and macroeconomic situation. The full impact of cost action carried out before the end of 2023 will be visible in 2024.

Interest income and taxation
Interest income was $0.4m (2022: $0.1m) and the tax credit was $0.6m (2022: $4.4m tax charge).

Financial Position
In 2023, the net cash position decreased to $2.5m from $26.5m, as investments in new games including a number of larger-budget titles more than offset cash generated by the operations. In December tinyBuild also paid the $1.5m as part of the legal settlement, with a further $2m paid in February 2024. Capitalised software development costs decreased from $35.8m to $31.9m in 2023 as a result of more selective investments in the upcoming pipeline releases. As at 31 May 2024, post the January fundraise, the Company had cash levels in the mid-to-high single digit millions. This is anticipated to reduce towards the half year as the Company invests in upcoming game releases scheduled for the second half of this year. Goodwill decreased from $3.7m to zero, following the downward



revision for the carrying value for Not Games which was sold in December 2023. IP decreased to $16.1m (2022: $23.1m) and Software Development to $34.0m (2022: $49.0m) as the impairment carried out in 2023 more than offset additions.

Cash Flow
Cash flows from operating activities decreased from $19.3m to $10.9m primarily due to lower revenues and game delays at Versus Evil, more than offsetting the decrease in investments. Seasonality and timing of the release schedule also impacted net working capital. It is important to note that timing issues can fluctuate year over year and variability here is to be expected especially during the Holiday season and partners' payment terms.

Employee incentive plan and EBT update
Since the Company's previous update on 21 December 2023, the Employee Benefit Trust has purchased an additional 1,036,058 ordinary shares on the market and held a total of 3,937,587 ordinary shares as of 28 June 2024. The EBT was setup in 2022 for the benefit of current and future employees and will continue to act independently of the Company to satisfy potential future option exercises of vested options granted.

As previously announced, the Remuneration Committee of tinyBuild intends to utilise share awards to incentivise and retain key employees, including executive directors. The share awards not only encourage share ownership and stakeholder alignment in the business but also serves to preserve cash resources that would otherwise be used by the Company to satisfy bonus awards. A further announcement will be made in due course in connection with these awards, which include a multiyear vesting share award to Giasone (Jaz) Salati, CFO of the Company. Where possible, the Company has the option to issue shares from the employee benefit trust to satisfy such awards.

Acquisitions and disposals
In December 2023 tinyBuild sold Not Games studio, while retaining Not For Broadcast, a critically acclaimed full motion propaganda simulator. tinyBuild had acquired the studio in March 2023, ahead of the game's launch on consoles.

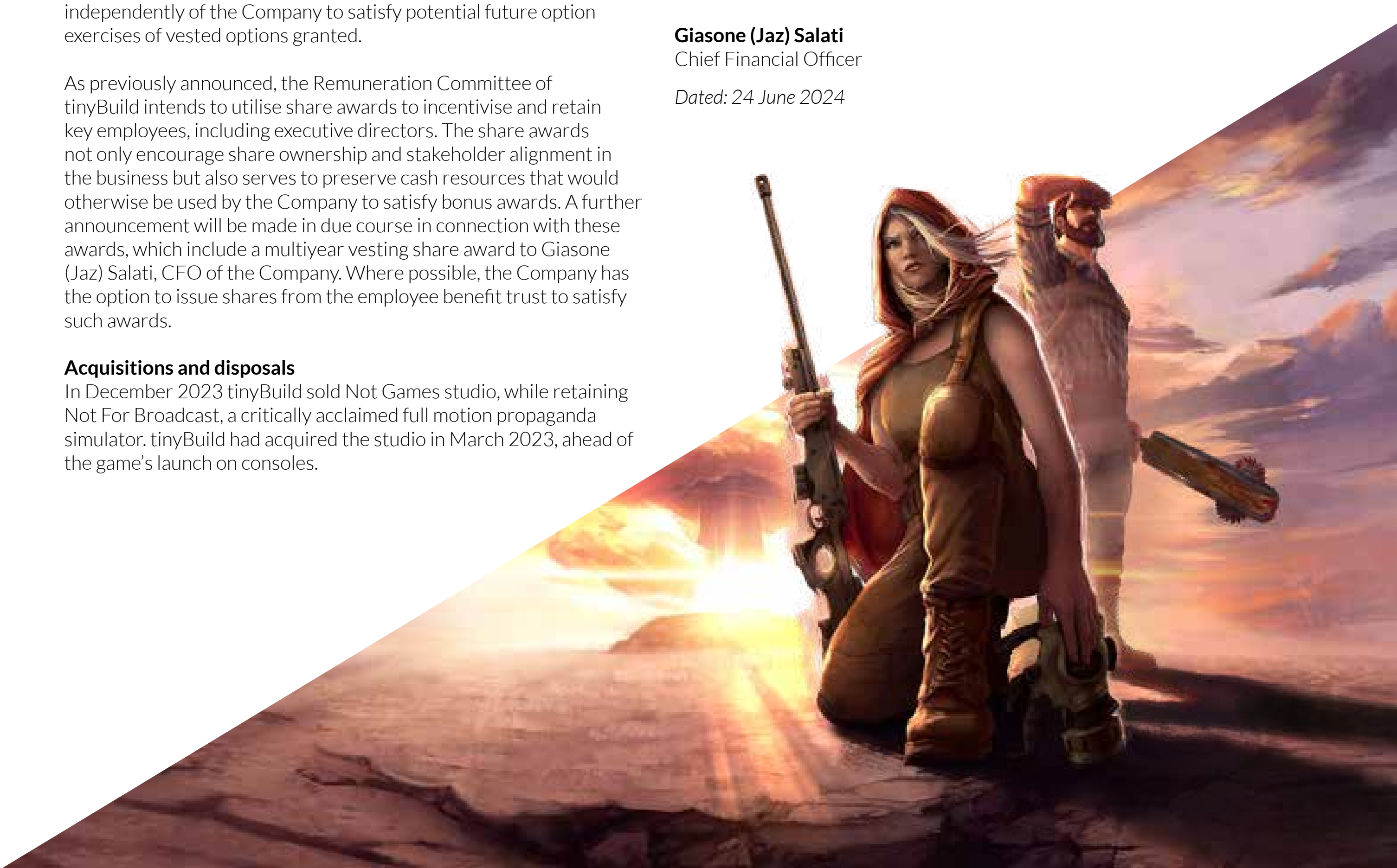
Events after the reporting date
In January 2024, tinyBuild raised $12.3m from existing and new shareholders in a placing, subscription and open offer. As a result of Alex Nichiporchik's participation in the fundraise ($10m), his ownership increased from 37.8% to 57.9% of outstanding shares on a fully diluted basis. Alex remains the ultimate controlling party of tinyBuild.

tinyBuild sold Total Reliable Delivery Service (February 2024) and Surgeon Sim (June 2024) to Atari for an undisclosed sum. There has been two studio closures post year end; Moon Moose LLC was closed in February 2024 and Demagic LLC was closed in March 2024.

In March 2024, Michael Schauble, Chief Commercial Officer, resigned from tinyBuild to focus on family. Michael's role and responsibilities have been successfully taken over by the existing business development and leadership team.

Giasone (Jaz) Salati
Chief Financial Officer

Dated: 24 June 2024



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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 its 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, including sensor activated lights. 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 and encourage the use of push bikes and electric-bikes, wherever possible.

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. The Company relocated over 100 people affected by the conflict in Ukraine and it continues to support staff and families that are still directly or indirectly exposed to the consequences of the war.

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, after a successful trial, tinyBuild institutionalised its unlimited paid holiday policy for all direct employees in addition to two mandatory weeks of holiday firm-wide (one in summer and around the end of the year) as a gesture of appreciation for everybody's hard work.

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 European General Data Protection Regulation (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 continuation of the war in Ukraine may endanger the lives and well-being of staff (employee or independent contractors) that are still 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. Delays or even cancellation of games are possible if the conflict continues or intensifies in 2024 and beyond, or if it extends to neighbouring regions. tinyBuild also has operations in Baltic countries, such as Latvia.

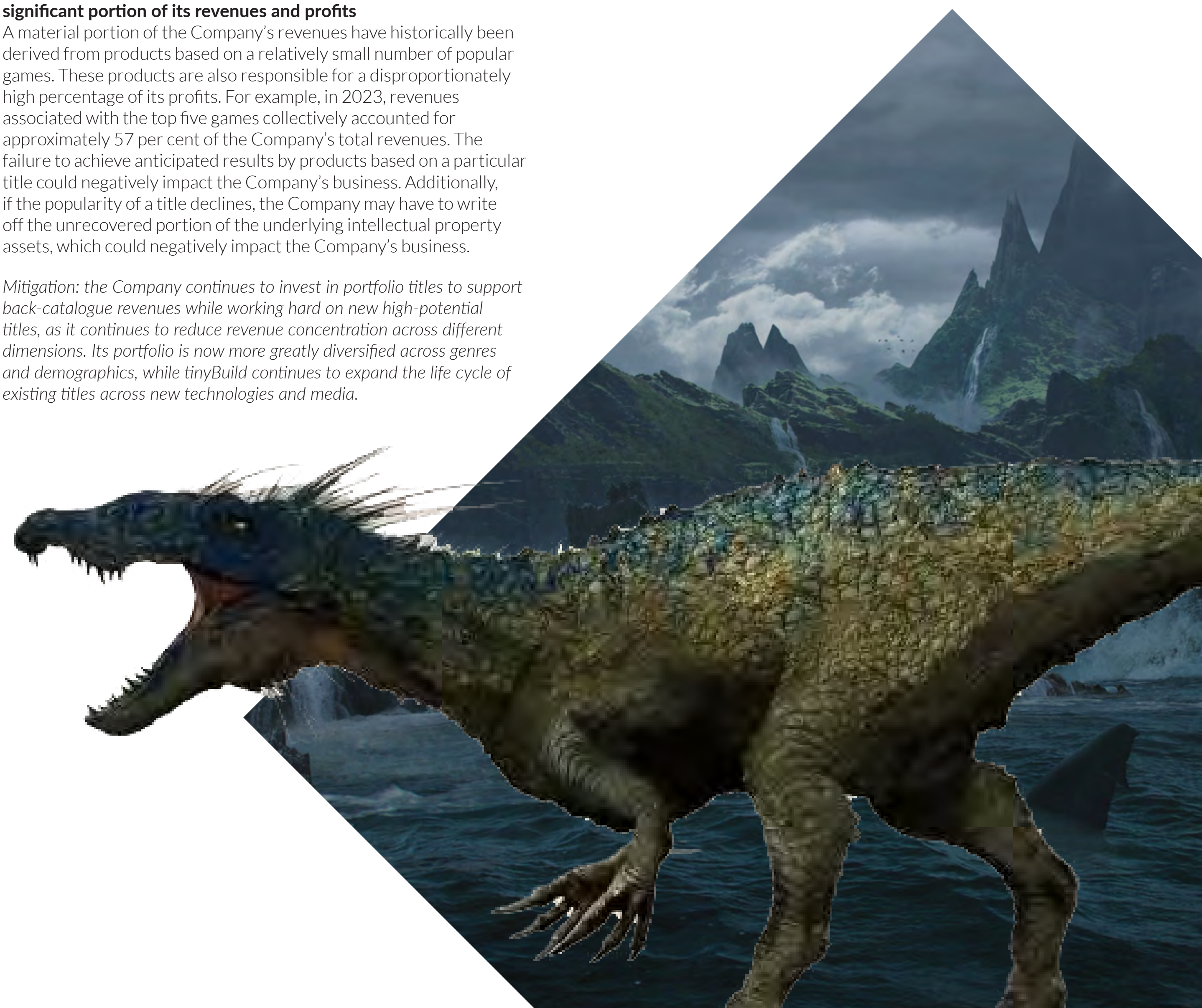
Mitigation: the Company has continued to provide both logistic and financial support to relocate Ukrainian people either in West Ukraine or in the EU. A new studio was opened in 2022 in Belgrade, Serbia to welcome Russian staff.

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 2023, revenues associated with the top five games collectively accounted for approximately 57 per cent of the Company's total revenues. The failure to achieve anticipated results by products based on a particular title could negatively impact the Company's business. Additionally, if the popularity of a title declines, the Company may have to write off the unrecovered portion of the underlying intellectual property assets, which could negatively impact the Company's business.

Mitigation: the Company continues to invest in portfolio titles to support back-catalogue revenues while working hard on new high-potential titles, as it continues to reduce revenue concentration across different dimensions. Its portfolio is now more greatly diversified across genres and demographics, while tinyBuild continues to expand the life cycle of existing titles across new technologies and media.

Market growth, new developments and technological trends
There is a risk that the growth in the global video games market may slow further or reverse, for example, as it is subject to economic fluctuations, the cost-of-living crisis or as a result of the conflict in Ukraine. The video games market is also increasingly 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 and technologies.



PRINCIPAL RISKS AND UNCERTAINTIES... CONTINUED

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 game 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 and in consideration of technical feasibility of the development being achieved. In the majority of cases, the Company acquires the IP as a part of the agreement and the budget for a specific game is also adjusted at regular cadence using a data-driven approach. The Company intensified audience validation checkpoints with the help of playtests and demos in order to better align with consumer trends and player expectations.

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, Hello Neighbor: Nicky's Diaries launched in 2023. The potential of tinyBuild's portfolio of IP remains mostly untapped on mobile and represents a potential new source of revenues.

Dependence on a concentrated customer and third-party platform base

The Company is largely dependent on a relatively small number of third-party platforms including Apple, Meta, Nintendo, Sony, Valve, Epic Games and Microsoft. In the year ended 31 December 2023, these platforms in aggregate contributed over 80 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. The Company's decentralised model allows more and more often the release of a game on multiple platforms, while new relationships are established quickly with new distribution partners (e.g. Meta and Roblox).

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 across the Americas and Europe.

Mitigation: the Company pays competitive salaries in each geography and it maintains a direct contact with the developer teams. tinyBuild also keeps a diverse range of suppliers for each function (e.g. porting, QA, etc.) avoiding concentration with a single vendor.

Overseas operations

The Company currently has operations in the Americas and Europe 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 some Easter European countries 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.

PRINCIPAL RISKS AND UNCERTAINTIES... CONTINUED

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. Staff are routinely advised on how to maintain the highest level of scrutiny.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

ALEX NICHIPORCHIK

Chief Executive Officer

Alex founded tinyBuild in 2013, with Luke Burtis. Alex has over 18 years of experience working in the video games and marketing sectors. Having started out as pro-gamer, Alex then moved to become a games journalist, then games producer and finally a marketing executive. This combination of experience enabled Alex to kickstart tinyBuild. Prior to, and since, founding tinyBuild, Alex has accumulated invaluable expertise in games development and publishing. Alex's proficiency in selecting and enhancing IP has been imperative in tinyBuild's success to date.

GIASONE (JAZ) SALATI

Chief Financial Officer

Jaz has over twenty years' experience as an equity research analyst in the TMT space previously working at Credit Suisse, Redburn and Macquarie, and was ranked #1 Stock Picker in 2019. Alongside his career in finance, he worked on innovation and reorganisation for the CEOs of media and tech companies, more recently at Ascential (LSE: ASCL). Jaz read economics at La Sorbonne and attained a master's degree in Finance from LBS.

HENRIQUE OLIFIERS

Non-Executive Chairman

Henrique has over 23 years' experience in the gaming sector. Henrique is the co-founder and CEO of Bossa Studios, a London-based video games developer. Prior to founding Bossa Studios, Henrique worked at a number of other companies in the sector including: Finalboss.com, Globo.com, Jagex and Playfish.

NEIL CATTO

Non-Executive Director

Neil is currently the CFO of Revolution Beauty (LSE: REVB), having served as CFO of Boohoo (LSE: BOO) for over 10 years before that. Neil qualified as a chartered accountant with EY and was previously Finance Director of dabs.com plc and has held senior financial positions in BT plc and The Carphone Warehouse Group plc. In his early career Neil was CFO of Elixir Studios, a video games developer in the UK.

NICK VAN DYK

Non-Executive Director

Nick van Dyk is Chief Strategy Officer of Nexon Corp. and President of its Film & Television division. Previously, he has been a partner in Bain & Company's Media Practice, President of Activision Blizzard Studios, and SVP of Corporate Strategy at The Walt Disney Company, where he played major roles in the acquisitions of Pixar, Marvel and Lucas. He holds a BA from UCLA, and an MBA from the Harvard Business School.

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 will continue to take appropriate steps to identify risks and undertake a mitigation strategy."

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 set out on page 19.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Directors 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
In 2023, the Board comprised the following persons:

- three Non-Executive Directors including the Non-Executive Chairman; and
- three Executive Directors[2].

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.

[2] *Luke Burtis resigned from the Board of Directors and management role on 29 March 2023*

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 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.

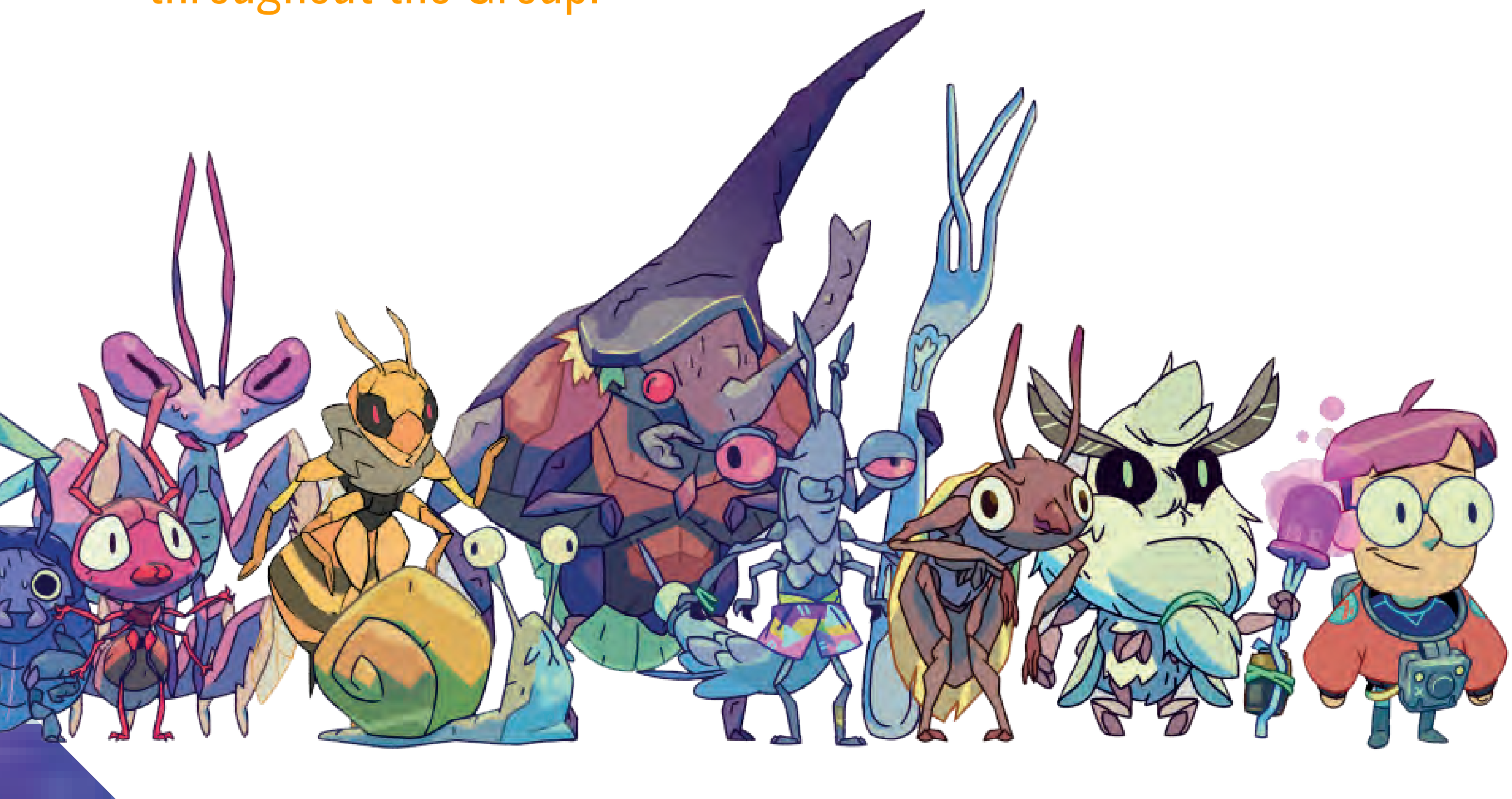
The staff handbook and policies promote this culture and include such matters as whistleblowing, social media, anti-bribery and corruption, communication and general conduct of employees. The Board takes responsibility for the promotion of ethical values and behaviours throughout the Group, and for ensuring 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 (three meetings in FY 2023). 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 (two meetings in FY 2023). 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 (two meetings in FY 2023). Neil Catto and Nick van Dyk are the other members of the Remuneration Committee.

Board/Committees Attendance

Director	Position	Attendance***
Henrique Olifiers	Non-Executive Chair	19
Alex Nichiporchik	Chief Executive Officer	12
Giasone Salati*	Chief Financial Officer	6
Antonio Assenza**	Chief Financial Officer	5
Neil Catto	Non-Executive Director	19
Nick Van Dyk	Non-Executive Director	17

* *Giasone Salati was appointed Chief Financial Officer on 29 June 2023 and joined the Board of Directors on 3 August 2023*

** *Antonio Assenza resigned from the Board of Directors and management role on 29 June 2023*

*** *in 2023 the Board of Directors met monthly (12 times), the Audit Committee met three times, the Nomination Committee met twice and the Remuneration Committee met twice*

AUDIT COMMITTEE REPORT

The Audit Committee is composed of Neil Catto as Chairman, Henrique Olifiers and Nick van Dyk as independent non-executive directors. Neil has been appointed Chief Financial Officer of AIM-listed Revolution Beauty effective 1 January 2024, he is a qualified chartered accountant and former CFO at AIM-listed Boohoo, having previously held a number of senior finance positions. Neil and Henrique have served on this committee since the Company listed in March 2021. The Audit Committee meets at least twice a year.

The Audit Committee is responsible 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 continually assesses whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made by management. These include ongoing reviews of accounting policies and key judgments for:

- Capitalised development costs and their useful life
- Valuation of goodwill and intangible assets
- Valuation of contingent consideration

The Audit Committee confirms that it has reviewed the independence and effectiveness of the external auditor, Grant Thornton LLP, and recommends that they are reappointed. The Audit Committee has taken into account the views of the Company's shareholders in providing this recommendation.

REMUNERATION COMMITTEE REPORT

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 Dyk (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. The Remuneration Committee of tinyBuild intends to utilise share awards to incentivise and retain key employees and executive directors.

Base salary
At the end of 2023, the salaries of the executive directors are $350,000 for Alex Nichiporchik, $220,000 for Giasone (Jaz) Salati.

Salaries are reviewed annually, with the next review being scheduled to take effect during the current year started 1 January 2024.

Pension and other benefits
Alex Nichiporchik receives Company health care. No pension plan was in place during the year ended December 31, 2023.

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.

Share Award
As previously announced, the Remuneration Committee of tinyBuild intends to utilise share awards to incentivise and retain key employees and executive directors. The share awards not only encourage share ownership and stakeholder alignment in the business but also serves to preserve cash resources that would otherwise be used by the Company to satisfy bonus awards. A further announcement will be made in due course in connection with these awards, which includes a multiyear vesting share award to Giasone Salati, CFO of the Company. Where possible, the Company has the option to issue shares from the employee benefit trust to satisfy such awards.

The shares 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 shares and/or options will continue to be made periodically at the discretion of the Committee.

Service contracts
Alex Nichiporchik has a 12-month notice period from both the Company and the executive while Giasone (Jaz) Salati 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
Henrique Olifiers (Non-Executive Chairman) and Neil Catto and Nick Van Dyk (Non-Executive Directors) 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.

Disclosure of directors' pay for the year
The remuneration of the directors during the year ended 31 December 2023, including payment of bonus for 2022, is set out below:

Remuneration Summary				
Name of Director	**Salary**	**Annual Bonus**	**Benefits**	**Total**
Alex Nichiporchik	$ 350,000	$ 175,000	$ 4,460	$ 529,460
Giasone (Jaz) Salati	$ 220,000	NIL	$ 2,230	$ 222,230
Antonio Assenza**	$ 280,000	140,000	NIL	$ 420,000
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 above fees will be reviewed annually by the board.*

** *Antonio Assenza resigned from the Board of Directors and management role on 29 June 2023."*

The table below sets out the beneficial interests in shares at 31 December 2023..

Directors' interests in shares			
Name of Director	**Number of Shares**	**Percentage of Enlarge Share Capital**	**Options**
Alex Nichiporchik	76,996,100*	37.8%	NIL
Antonio Assenza**	NIL	NIL	NIL
Henrique Olifiers	51,454	0.01%	NIL
Neil Catto	NIL	NIL	NIL
Nick Van Dyk	NIL	NIL	428,780

** 230,076,100 shares (57.9% of capital) after January 2024 fundraise*

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 2023. 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 5 to 23.

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 (2022: $nil).

Directors
The Directors who served the Company during the year were as follows:

- Alex Nichiporchik
- Giasone (Jaz) Salati (appointed 3 August 2023)
- Antonio Assenza (resigned 29 June 2023)
- Luke Burtis (resigned 29 March 2023)
- Henrique Olifiers
- Nick Van Dyk
- Neil Catto

Directors' Interests
Directors' share options and interests in shares can be found in the remuneration report on pages 31 and 32.

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

Post Reporting Date Events
Post reporting date events can be found in note 30 to the financial statements.

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

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

Going Concern
The Group going concern assessment is based on forecasts and projections of anticipated trading performance. The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows. The Group has assumed growth rates through the twelve months following the issuance date of these consolidated financial statements based on (i) historical data, (ii) the operational results subsequent to the financial reporting date up to the date of the assessment, and (iii) sales projections and strategic operational plans within existing markets. The Group made a loss for the financial year of $62.8 million and had net current liabilities of $4.3 million at the end of 2023, which cast significant doubt upon the Group's ability to continue as a going concern. The decline in financial performance is largely driven by the impairment losses recognised in the year totalling $48.1 million. 2023 was a challenging year in the video game industry, and the Group acted quickly and to limit the impact of shortfall in revenues from large contracts and to resolve legal claims that resulted in the $3.5m global settlement announced in December 2023. A $12.3m fund raise was successfully completed in January 2024, re-establishing the Group's financial equilibrium. The Group continues to take action on costs, regularly reviewing investment in new games to align with audience validation. The Group remains in a significant net asset position of $48.1 million at the reporting date. The Group continues to have no borrowings and has cash and cash equivalents of $2.5m at the reporting date (mid-to-high single digit million as of the end of May 2024). Generating further funds through the sale of intellectual property remains an option for the Group as evidenced by two sales as disclosed in the subsequent events. Furthermore, the Group has a number of high-potential games in the pipeline, which are anticipated to contribute to organic revenue growth in FY24. Having considered the information available and recent changes to the business, including the post year-end fundraise, the Directors concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Auditors

Auditor remuneration	Year ended 31 December 2022 $'000	Year ended 31 December 2023 $'000
Audit services	368	378
Taxation services	48	148
Corporate finance services	–	–
	416	526

Substantial Shareholders

As at 30 January 2024 there were three shareholders with stakes over 3%, as detailed below. These numbers are on a fully diluted basis.

	Number of shares	% of capital
Alex Nichiporchik	230,076,100	57.9%
Atari	31,416,902	7.9%
NetEase	12,889,171	3.2%

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

Alex Nichiporchik
Chief Executive Officer

Dated: 24 June 2024

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF TINYBUILD INC

GRANT THORNTON LLP

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
tinyBuild, Inc.

Opinion
We have audited the consolidated financial statements of tinyBuild, Inc. (a Delaware corporation) (and subsidiaries) (the “Company”), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of income and 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 Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with IFRS Accounting 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 Company 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 IFRS Accounting 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 Company’s ability to continue as a going concern for at least, but not limited to, twelve months after the date the financial statements are issued; 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 Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TINYBUILD INC

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 Company'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 significant doubt about the Company'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.

/s/ GRANT THORNTON LLP

Bellevue, Washington

Dated: 24 June 2024

Grant Thornton

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Revenue	5	44,663	63,295
- Cost of sales		(30,980)	(20,592)
- Impairment of software development costs		(36,206)	(95)
Total cost of sales		(67,186)	(20,687)
Gross (loss)/profit		**(22,523)**	**42,608**
Administrative expenses:			
- General administrative expenses		(26,090)	(23,328)
- Impairment of intangible assets		(11,849)	(11,075)
- Share-based payment expenses		(414)	(1,726)
- Non-recurring costs	6	(3,500)	(1,678)
Total administrative expenses		(41,853)	(37,807)
Other income	7	619	11,122
Operating (loss)/profit	**10**	**(63,757)**	**15,923**
Finance costs	11	(128)	(73)
Finance income	12	391	80
(Loss)/profit before tax		**(63,494)**	**15,930**
Income tax	13	649	(4,417)
(Loss)/profit for the year		**(62,845)**	**11,513**
(Loss)/profit for the year is attributable to:			
Owners of the parent company		(62,537)	11,545
Non-controlling interests		(308)	(32)
		(62,845)	**11,513**
Basic earnings per share ($)	14	(0.307)	0.057
Diluted earnings per share ($)	14	(0.307)	0.056
Adjusted EBITDA*	15	(7,113)	24,355

* Adjusted EBITDA is a non-IFRS measure and is defined as earnings after capitalised software development costs, but before interest, tax, depreciation, amortisation, share-based payments expenses, impairment and other significant one-off other income or expense items.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 $'000	2022 $'000
(Loss)/profit for the year	(62,845)	11,513
Other comprehensive income net of taxation		
Exchange differences on translation of foreign operations – may be reclassified to profit and loss	(24)	7
Total comprehensive income for the year	**(62,869)**	**11,520**
Total comprehensive income for the year is attributable to:		
Owners of the parent company	(62,561)	11,552
Non-controlling interests	(308)	(32)
	(62,869)	11,520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Non-current assets			
Goodwill	16	–	3,746
Other intangible assets	16	51,512	76,638
Property, plant and equipment:			
- owned assets	17	661	794
- right-of-use assets	17	374	342
Deferred tax assets	24	–	–
Other receivables	19	385	406
Total non-current assets		**52,932**	**81,926**
Current assets			
Trade and other receivables	19	13,666	25,382
Cash and cash equivalents		2,500	26,496
Total current assets		**16,166**	**51,878**
TOTAL ASSETS		**69,098**	**133,804**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	204	204
Share premium	26	65,593	65,593
Own shares	26	(1,031)	–
Warrant reserve		1,920	1,920
Translation reserve		(17)	7
Retained earnings		(18,213)	(43,910)
Equity attributable to owners of the parent company		48,456	111,634
Non-controlling interest		(351)	(43)
Total equity		**48,105**	**111,591**
LIABILITIES			
Non-current liabilities			
Lease liabilities	22	146	97
Deferred tax liabilities	24	388	1,800
Total non-current liabilities		**534**	**1,897**
Current liabilities			
Trade and other payables	20	20,227	20,046
Lease liabilities	22	232	270
Total current liabilities		**20,459**	**20,316**
Total liabilities		**20,993**	**22,213**
TOTAL EQUITY AND LIABILITIES		**69,098**	**133,804**

The Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 7 June 2023 and are signed on its behalf by:

Alex Nichiporchik
CEO and Founder

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital $'000	Share premium $'000	Own shares $'000	Warrant reserve $'000	Translation 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 2022	**204**	**65,593**	**–**	**1,920**	**7**	**43,910**	**111,634**	**(43)**	**111,591**
Loss for the year	–	–	–	–	–	(62,537)	(62,537)	(308)	(62,845)
Other comprehensive income:									
Foreign exchange differences on the translation of foreign operations	–	–	–	–	(24)	–	(24)	–	(24)
Total comprehensive income for the year	–	–	–	–	(24)	(62,537)	(62,561)	(308)	(62,869)
Transactions with owners in their capacity as owners:									
Share-based payment charge	–	–		–	–	414	414	–	414
Own shares acquired	–	–	(1,031)	–	–	–	(1,031)	–	(1,031)
Total transactions with owners	–	–	(1,031)	–	–	414	(617)	–	(617)
Balance at 31 December 2023	**204**	**65,593**	**(1,031)**	**1,920**	**(17)**	**(18,213)**	**48,456**	**(351)**	**48,105**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital $'000	Share premium $'000	Warrant reserve $'000	Translation 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 2022	**203**	**63,546**	**1,920**	**–**	**30,639**	**96,308**	**137**	**96,445**
Profit/(loss) for the year	–	–	–	–	11,545	11,545	(32)	11,513
Other comprehensive income:								
Foreign exchange differences on the translation of foreign operations	–	–	–	7	–	7	–	7
Total comprehensive income for the year	–	–	–	7	11,545	11,552	(32)	11,520
Transactions with owners in their capacity as owners:								
Dividends paid to non-controlling interests	–	–	–	–	–	–	(148)	(148)
Issue of shares on exercise of options	–	28	–	–	–	28	–	28
Issue of shares, net of transaction costs	1	2,019	–	–	–	2,020	–	2,020
Share-based payments charge	–	–	–	–	1,726	1,726	–	1,726
Total transactions with owners	1	2,047	–	–	1,726	3,774	(148)	3,626
Balance at 31 December 2022	**204**	**65,593**	**1,920**	**7**	**43,910**	**111,634**	**(43)**	**111,591**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Cash generated from operations	27	10,617	19,188
Net interest received		262	80
Net cash generated by operating activities		**10,879**	**19,268**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(1,234)	–
Software development costs	16	(31,899)	(35,789)
Purchase of intellectual property	16	–	(4,150)
Purchase of property, plant and equipment	17	(180)	(1,180)
Net cash used in investing activities		**(33,313)**	**(41,119)**
Cash flows from financing activities			
Acquisition of own shares		(1,031)	–
Proceeds from exercise of share options		–	28
Payment of principal portion of lease liabilities		(531)	(365)
Dividends paid to non-controlling interests		–	(148)
Dividends paid to non-controlling interests		(148)	–
Net cash used in financing activities		**(1,562)**	**(485)**
Cash and cash equivalents			
Net decrease in the year		(23,996)	(22,336)
At 1 January		26,496	48,832
At 31 December		2,500	26,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

tinyBuild Inc. ("the Company") is a public company limited by shares, and is registered, domiciled and incorporated in Delaware, USA. tinyBuild has been listed on the London Stock Exchange (AIM:TBLD) since March 2021. The address of the registered office is 1239 120th Ave NE, Suite A, Bellevue, WA 98005, United States of America.

The Group ("the Group") consists of tinyBuild Inc. and all of its subsidiaries as listed in note 18. 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 ($), which is the functional currency and presentational currency of the Company. Monetary amounts in these financial statements are rounded to the nearest thousand US Dollars ($'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.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

Adoption of new and revised standards

With effect from 1 January 2023, 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 standards adopted have not had any material impact on the Group.

Standard/amendment	***Effective date***
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2022)	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2022)	1 January 2023
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	1 January 2023
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12) (issued 23 May 2023)	1 January 2023

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***
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (issued on 22 September 2022)	1 January 2024
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

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 relevant 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. Based on an evaluation of Principal vs Agent considerations, in particular who is primarily responsible for delivering the goods, the Group has determined that the third-party platform is considered to be the principal to end customers for the sale of full games and related content. Therefore, the Group reports revenue related to these arrangements net of the fees retained by the storefront. 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 licenses 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. The transaction price for the performance obligation is generally a fixed amount which is specified in the contract.

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-based input measure of progress as the Company's efforts are incurred evenly over time and the customer obtains generally equal benefit from the service through the development period. 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 expected to be less than one year at contract inception.

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 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 Group has assumed growth rates through the twelve months following the issuance date of these consolidated financial statements based on (i) historical data, (ii) the operational results subsequent to the financial reporting date up to the date of the assessment, and (iii) sales projections and strategic operational plans within existing markets. The Group made a loss for the financial year of $62.8 million and had net current liabilities of $4.3 million at the end of 2023, which cast significant doubt upon the Group's ability to continue as a going concern. The decline in financial performance is largely driven by the impairment losses recognised in the year totalling $48.1 million. 2023 was a challenging year in the video game industry, and the Group acted quickly and to limit the impact of shortfall in revenues from large contracts and to resolve legal claims that resulted in the $3.5m global settlement announced in December 2023. A $12.3m fund raise was successfully completed in January 2024, re-establishing the Group's financial equilibrium. The Group continues to take action on costs, regularly reviewing investment in new games to align with audience validation. The Group remains in a significant net asset position of $48.1 million at the reporting date. The Group continues to have no borrowings and has cash and cash equivalents of $2.5m at the reporting date (mid-to-high single digit million as of the end of May 2024). Generating further funds through the sale of intellectual property remains an option for the Group as evidenced by two sales as disclosed in the subsequent events. Furthermore, the Group has a number of high-potential games in the pipeline, which are anticipated to contribute to organic revenue growth in FY24. Having considered the information available and recent changes to the business, including the post year-end fundraise, the Directors concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

Foreign currencies

Transactions in currencies other than the functional currency (i.e., in foreign currencies) 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.

Non-recurring 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 developing new 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.

Software 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 the conditions set out above as well as for 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 expenses 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-IFRS 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, impairment, acquisition costs, other non-recurring items and other gains 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

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	2 – 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 over three years in a 40:35:25 ratio reflecting the pattern in which the asset's future economic benefits are expected to be consumed.

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 for non-owned IP, reflecting the pattern in which the asset's future economic benefits are expected to be consumed. For developer advances where the Group owns the underlying IP, costs are amortised upon release of the game over three years in a 40:35:25 ratio.

The Group capitalises costs for localisation, porting and quality assurance of games as software development costs pursuant to IAS 38. Costs are amortised upon release of the game over three years in a 40:35:25 ratio.

Impairment of property, plant and equipment (including right-of-use assets) and of intangible 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.

The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

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 expected impairment losses.

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

Cash and cash equivalents

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

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and lease liabilities.

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

Trade and other payables

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

Equity

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

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

Impairment of financial assets under IFRS 9

The Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

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 are 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 (i.e. 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 Group the right to use an asset for a period of time in exchange for consideration, the Group 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' (i.e. the asset value, when new, is less than $5,000), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES... CONTINUED

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

Remeasurement of the lease liability

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

Asset purchases

The Group undertakes asset acquisitions and business combinations. In determining whether the acquired assets meet 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 Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period (as needed), 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) twelve 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.

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 applies judgement when determining the price that a customer would be willing to pay for the goods and services.

Recognition of development services revenue over time

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 three criteria listed in IFRS 15 Revenues from Contracts with Customers. Revenue is recognised based on time elapsed from execution of the contract / commencement of the development work to the expected release date of the product. Determining the release date for a product requires a significant amount of judgment and is contingent on internal and external factors.

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 is 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, management estimate 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 sensitivity of the assumptions used within these forecasts is considered in note 16. The forecast revenue and cash generation from each intangible asset are separately identifiable within the Group forecasts. The forecast cash generation represents significant assumptions regarding its commercial performance, should the assumptions prove to be significantly incorrect there would be a risk of material adjustment in the financial year following the release of that product.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 $'000	Year ended 31 December 2022 $'000
Owned IP	23,765	26,915
Third-party IP	12,816	13,105
	36,581	**40,020**

Three customers were responsible for approximately 60% of the Group's revenues (2022: three – 67%).

The Group has nine (2022: seven) right-of-use assets located overseas with a carrying value of $374,000 (2022: $342,000). The Group also has tangible assets located overseas with a carrying value of $540,757 (2022: $623,000). All other non-current assets are located in the US.

5 REVENUE

An analysis of the Group's revenue is as follows:	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Revenue analysed by class of business		
Game and merchandise royalties	36,581	40,020
Development services	6,919	22,744
Events	1,163	531
	44,663	**63,295**
Revenue analysed by timing of revenue		
Transferred at a point in time	37,744	40,551
Transferred over time	6,919	22,744
	44,663	**63,295**

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

6 NON-RECURRING COSTS

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Ukraine/Russia conflict related costs	–	1,678
Legal settlement fees	3,500	–
	3,500	1,678

The Group continues to incur costs relating to the relocation of contractors and their families out of Ukraine and Russia due to the ongoing conflict. Due to the ongoing nature of these costs the current and future costs form part of operating expenses and are included within administrative expenses in the income statement.

7 OTHER INCOME & EXPENSES

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Fair value gain on remeasurement of contingent consideration (note 21)	–	11,129
Foreign exchange losses	–	(7)
Gain on disposal of subsidiary (note 8)	708	–
Write off of trade debtor	(89)	
	619	11,122

Other gains are included in determining Operating (loss)/profit in the Statement of Comprehensive Income.

8 BUSINESS COMBINATIONS

On 6 April 2023, the Group acquired 100% of the issued share capital of NotGames Ltd, a private company domiciled and incorporated in the United Kingdom. NotGames is the development studio of Not For Broadcast, a critically acclaimed full motion propaganda simulator. The goodwill of $2,418,000 was recognised representing the potential for bolstered development capabilities in propaganda genres. Consideration for the acquisition comprised $1,500,000 initial cash consideration and a further $1,236,000 of contingent consideration. Contingent consideration was recognised in respect of cash and a variable number of equity instruments which were to be issued in the event of the acquired company meeting certain financial targets in the future. The fair value of the contingent consideration was calculated by estimating the probability of targets being met and discounting the corresponding liability to its present value. The potential outcome of the undiscounted contingent consideration ranged between $nil and $4,200,000. Acquisition-related costs totalling $27,000 were recognised in profit or loss within general administrative expenses. The acquired business contributed revenues of $nil and losses after tax of $209,000 to the Group. If the business combination took place on 1 January 2023, the contribution would have been $nil revenue and $160,500 losses after tax.

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

	Book value $'000	Fair value adjustments $'000	Total $'000
Property, plant and equipment	40	–	40
Trade and other receivables	42	–	42
Cash and cash equivalents	266	–	266
Trade and other payables	(30)	–	(30)
	318	**–**	**318**
Goodwill			2,418
Fair value of assets acquired and liabilities assumed			2,736
Consideration:			
Cash			1,500
Fair value of contingent consideration liability			1,236
Total consideration			**2,736**

As disclosed in note 16, intangible assets including goodwill have been subject to impairment testing due to lower than expected sales and future projections. The intangible assets, including goodwill, were impaired to a carrying value of $nil. Subsequently, the Group sold 100% of the share capital back to the founders of NotGames Ltd on 26 December 2023 for $4 which was the nominal value of the shares. The Group retains the rights to the IP. As a result of the sale, the contingent consideration is no longer payable. A net gain on disposal of $708,000 has been recognised including the impact of the cash and cash equivalents in the subsidiary lost on disposal of $96,500. Please see below. The sale of NotGames Ltd did not meet the definition of a discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

8 BUSINESS COMBINATIONS... CONTINUED

	$'000
Carrying value of contingent consideration liability de-recognised	1,236
Carrying value of net assets at disposal	(528)
	708
Cash consideration received	–
Gain on disposal of subsidiary	708

9 EMPLOYEES

An analysis of the Group's staff costs is as follows:	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Employee benefit expense	10,454	10,069
Equity-settled share-based payments	414	1,726
Total employee benefit expense	**10,868**	**11,795**

10 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is arrived at after charging:	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Net foreign exchange loss	78	7
Amortisation of intangible assets	15,135	9,786
Impairment of intangible assets	48,055	11,170
Depreciation of property, plant and equipment – owned	420	427
Depreciation of property, plant and equipment – right-of-use assets	365	320

11 FINANCE COSTS

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Lease finance costs	40	41
Foreign exchange losses	88	32
	128	73

12 FINANCE INCOME

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Bank interest	391	64
Foreign exchange gains	–	16
	391	80

13 INCOME TAX

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Current tax:		
Current tax expense	763	4,962
Deferred tax:		
Origination and reversal of timing differences	(1,412)	(545)
Total deferred tax	(1,412)	(545)
Total income tax (credit)/expense	**(649)**	**4,417**

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 2023 $'000	Year ended 31 December 2022 $'000
(Loss)/profit before tax	(63,494)	15,930
Tax at the US corporation tax rate of 21%	(13,334)	3,345
Adjusted for the effects of:		
Expenses not deductible for tax purposes:		
- Relating to share-based payments	6	287
- Other non-taxable expenses	(119)	137
Change in valuation allowance	12,300	(9)
Uncertain tax positions	198	670
Impact of foreign operations	318	(383)
State income taxes	(59)	340
Other	41	30
Total income tax expense	**(649)**	**4,417**

14 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

14 EARNINGS PER SHARE... CONTINUED

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
(Loss)/profit attributable to the owners of the company	(62,537)	11,545
Weighted average number of shares	203,877,356	203,421,359
Basic earnings per share ($)	**(0.307)**	**0.057**
(Loss)/profit attributable to the owners of the company	(62,537)	11,545
Weighted average number of shares	203,877,356	203,421,359
Dilutive effect of share options	–	1,481,621
Dilutive effect of warrants	–	–
Dilutive effect of restricted stock awards	–	954,654
Weighted average number of diluted shares	203,877,356	205,857,634
Diluted earnings per share ($)	**(0.307)**	**0.056**

15 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 other significant non-recurring expenses. 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 2023 $'000	Year ended 31 December 2022 $'000
(Loss)/profit for the year	(62,845)	11,513
Income tax	(649)	4,417
Finance costs	128	73
Finance income	(391)	(80)
Share-based payment expenses	414	1,726
Amortisation of purchased intellectual property, brands and customer relationships (note 16)	4,482	3,999
Depreciation of property, plant and equipment (note 17)	785	747
Impairment of intangible assets (note 16)	48,055	11,075
Legal settlement (note 6)	3,500	–
Ukraine related costs (note 6)	–	1,678
Acquisition costs	27	329
Other income (note 7)	(619)	(11,122)
Adjusted EBITDA	**(7,113)**	**24,355**

16 INTANGIBLE ASSETS

	Goodwill	Brands	Customer relationships	Purchased intellectual property	Software development costs	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
As at 1 January 2022	13,202	1,815	4,261	21,320	30,160	70,758
Additions – internally generated	–	–	–	–	35,788	35,788
Additions – separately acquired	–	–	–	8,395	–	8,395
Transfers	–	–	–	251	(251)	–
As at 31 December 2022	13,202	1,815	4,261	29,966	65,697	114,941
Additions – internally generated	–	–	–	–	31,899	31,899
Additions – separately acquired	2,418	–	–	–	–	2,418
Disposals	(2,418)	–	–	–	(413)	(2,831)
As at 31 December 2023	13,202	1,815	4,261	29,966	97,183	146,427
Amortisation and impairment:						
As at 1 January 2022	–	10	51	2,687	10,853	13,601
Amortisation charge for the year	–	121	609	3,269	5,787	9,786
Impairment charge	9,456	675	-	944	95	11,170
As at 31 December 2022	9,456	806	660	6,900	16,735	34,557
Amortisation charge for the year	–	73	353	4,056	10,652	15,134
Impairment charge for the year	6,164	–	2,773	2,912	36,206	48,055
Eliminated on disposal	(2,418)	–	–	–	(413)	(2,831)
As at 31 December 2023	13,202	879	3,786	13,868	63,180	94,915
Carrying amount:						
As at 31 December 2023	–	936	475	16,098	34,003	51,512
As at 31 December 2022	3,746	1,009	3,601	23,066	48,962	80,384

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

Description	Carrying amount	Remaining amortisation period
Hello Neighbor IP	$2.1m	2.7 years
Bad Pixel IP	$4.4m	4.7 years
Bossa IP	$2.5m	5.7 years

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on an annual projection period approved by management and extrapolated for a further four years, together with a terminal value. Red Cerberus, Versus Evil and NotGames are distinct business operations classified as cash generating units (CGUs) due to being the smallest identifiable group of assets that generate cash inflows which are largely independent of the cash inflows from other assets. Where the value in use of the CGU's goodwill was not sufficient to support the carrying value, the assets were impaired.

A summary of the goodwill allocation is presented below:

	Red Cerberus	Total
Carrying amount of goodwill allocated:	$'000	$'000
As at 31 December 2023	–	–
As at 31 December 2022	3,746	3,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

16 INTANGIBLE ASSETS... CONTINUED

The Company performed an impairment review of Red Cerberus due to the claim made against the Company during the year (see note 28). The carrying amount of Goodwill and Customer Relationships attributable to the Red Cerberus CGU was determined to be in excess of the recoverable amount, therefore an impairment charge of $6,519k has been recognised during the year in respect of the Red Cerberus CGU.

Please refer to note 8 for the impairment review of NotGames. As a result of this review, an impairment charge of $2,418k has been recognised during the year in respect of NotGames goodwill. The goodwill was impaired to a carrying value of $nil and disposed during the year.

The following table sets out the key assumptions for the value in use calculations for the CGUs:

2023	Red Cerberus	Versus Evil
Discount rate (%)	13%	13%
Per annum projected revenue growth (%)	5.5%	5.4%
Per annum increase in operating costs and overheads (%)	4.7%	3.0%
Long-term growth rate (%)	2.0%	2.0%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Discount rate	This discount rate is based on specific risks relating to the cash generating units and has been determined using comparable industry data.
Per annum projected revenue growth	Average annual growth rate over the five-year forecast period; based on current industry trends.
Per annum increase in operating costs and overheads	The increase reflects inflationary increases. This rate does not reflect any future restructurings or cost-saving measures.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

Sensitivity

As disclosed in note 3, Management have made judgements and estimates in respect of impairment testing of intangible assets. Should these judgements and estimates not occur the resulting intangible assets carrying amount may decrease. The sensitivities are as follows:

- A 1% increase/decrease in the pre-tax discount rate would increase/decrease the impairment charge by $122,000.
- A 1% increase/decrease in the projected revenue growth rate would decrease/increase the impairment charge by $488,000.
- A 1% increase/decrease in the operating costs and overheads growth rate would increase/decrease the impairment charge by $455,000.

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 Consolidated Income Statement.

During 2023, the Group recorded impairment losses of $2,912,000 against the carrying value of Purchased IP at 31 December 2023. The impairment related to studio closures during 2023 and post year end of We're Five, Demagic, Hakjak and Moon Moose.

During 2022, the Group purchased the intellectual property rights to six video games/franchises for total consideration of $8,395,000, including non-cash consideration of 941,906 ordinary shares and transfers from software development costs. During the previous period, the Group recorded impairment loss of $944,000 against the carrying value of Purchased IP at 31 December 2022. The impairment related to back-catalogue assets that were acquired as part of the Versus Evil/Red Cerberus business combination in the 2021 fiscal year and was a result of lower than expected sales and future projections.

Amortisation of other intangible assets, consisting of Brand and Customer Relationships, is recognised within general administrative expense in the Consolidated Income Statement.

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 Consolidated Income Statement. Included within software development costs is $5,701,000 (2022: $28,919,000) relating to intangible assets under development for which amortisation has not yet commenced. Amortisation of these costs will commence upon publication of the game/content, which varies by item but are expected to be released within 1 to 2 years after the date of this report.

16 INTANGIBLE ASSETS... CONTINUED

During 2023, the Group recorded impairment losses of $36,206,000 against the carrying value of software development costs. $26,409,000 resulted from a value in use calculation being performed for each game title using a pre-tax discount rate of 7% and forecast net revenues. The value in use and therefore the recoverable amount for a number of games was lower than the existing carrying amounts. The sensitivities are as follows for the impairment:

- A 1% increase/decrease in the pre-tax discount rate would increase/decrease the impairment charge by $175,000

The remaining impairment loss of $9,797,000 relates to cancelled games mainly as a result of studio closures. The software development costs associated with these games were written down to a carrying value of $nil.

17 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets (note 22) $'000	Fixtures, fittings and equipment $'000	Total $'000
Cost:			
As at 1 January 2022	590	239	829
Additions	119	1,180	1,299
Disposals	(62)	–	(62)
Foreign exchange	15	–	15
As at 31 December 2022	662	1,419	2,081
Additions	399	219	618
Disposals	(83)	(52)	(135)
Remeasurement	21	–	21
Foreign exchange	20	26	46
As at 31 December 2023	1,019	1,612	2,631
Depreciation and impairment:			
As at 1 January 2022	62	198	260
Charge for the year	320	427	747
Eliminated on disposals	(62)	–	(62)
As at 31 December 2022	320	625	945
Charge for the year	365	420	785
Eliminated on disposals	(44)	(12)	(56)
Foreign exchange	4	(82)	(78)
As at 31 December 2023	645	951	1,596
Carrying amount:			
As at 31 December 2023	374	661	1,035
As at 31 December 2022	342	794	1,136

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2023

18 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	1	3831 152nd Place SE, Bothell, WA 98012, USA	100%
tinyBuild BV	1	Wandelpad 30, 1211 GN Gemeente Hilversum, Netherlands	100%
tinyBuild Studios, SIA	1	Lacplesa 52-77, 1011 Riga, Latvia	100%
Pine Events Inc.	2	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	51%
DevGamm LLC	2	3831 152nd Place SE, Bothell, WA 98012, USA	49%
Hologryph LLC	1	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Moon Moose LLC	1	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	80%
Hungry Couch LLC	1	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Animal LLC	1	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Bad Pixel LLC	1	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
DogHelm LLC	1	1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, USA	100%
Versus Evil LLC	1	4801 W Lovers LN, Dallas, TX 75209, USA	100%
Red Cerberus LLC	1	4801 W Lovers LN, Dallas, TX 75209, USA	100%
Red Cerberus Brasil LTDA (formerly Steven Joseph Escalante – Serviços de Tecnologia de Informação, Eireli LLC)	1	Avenida das Nações Unidas, 13.797, Bloco II, 12º andar, Brooklin Paulista, São Paulo, SP, CEP 04578-000, Brazil	100%
tinyBuild d.o.o.	1	Bulevar Mihajla Pupina, 115 Beograd (Novi Beograd), Grad Beograd, PAK 190624, Serbia	0%
Demagic LLC	1	1239 120th Ave NE, STE A, Bellevue, WA 98005, USA	100%
Konfa Games LLC		1100 Bellevue Way NE Ste 8A PMB 317 Bellevue WA 98004	100%
Scythe Studios LLC		1239 120th Ave NE, STE A, Bellevue, WA 98005, USA	100%
Bunny Crimes LLC		1239 120th Ave NE, STE A, Bellevue, WA 98005, USA	100%
Fantastic Signals LLC		1239 120th Ave NE, STE A, Bellevue, WA 98005, USA	100%

Principal activity key

1. Video game development
2. Gaming events

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 is 51% at the year ended 31 December 2023 (2022: 51%). The Group continues to consolidate the results of DevGAMM LLC on the basis of control.

DevGAMM LLC contributed $1,093,000 to the Group's revenue in the year ended 31 December 2023 (2022: $394,000). 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.

During 2022, affiliates of the Group incorporated tinyBuild d.o.o., a company registered in Serbia, in order to assist with the Group's efforts of relocating contractors from areas impacted by the Russia/Ukraine conflict. Despite having a 0% interest in the equity of tinyBuild d.o.o., the Group exercises control over the entity through contractual agreements and therefore the results of tinyBuild d.o.o. are consolidated into the results of the Group.

19 TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Non-current assets		
Other receivables	385	406
Current assets		
Platform receivables	11,934	23,410
Prepaid expenses and other current assets	1,732	1,972
	13,666	25,382
Total trade and other receivables	**14,051**	**25,788**

All of the platform receivables are non-interest bearing, receivable under normal commercial terms. The Group 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 2023 $'000	As at 31 December 2022 $'000
Trade payables	5,658	5,739
Accrued expenses and other current liabilities	14,569	14,307
	20,227	**20,046**

The Group consider that the carrying value of trade and other payables approximates their fair value. Included within Accrued expenses and other current liabilities for the period ended 31 December 2023 is $nil (2022: $2.2m) of asset acquisition costs.

21 CONTRACT LIABILITIES

Contingent consideration represents the fair value of equity consideration promised as part of the acquisitions of Versus Evil, Red Cerberus and NotGames, contingent on the level of EBITDA achieved by the acquiree. During 2022, fair value gains of $11,129,000 were recognised in 'Other gains' (note 7) due to contingent consideration being written down to $nil based on earn-out achievement being unlikely. Contingent consideration was recognised in respect of the NotGames acquisition (note 8) during 2023, however this was derecognised due to the subsequent disposal of the investment. The closing contingent consideration was therefore $nil as at 31 December 2023.

22 LEASES

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

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Maturity analysis:		
Within 1 year	260	292
Between 1 and 5 years	160	101
	420	393
Less unearned interest	(42)	(26)
Lease liability	**378**	**367**
Analysed as:		
Non-current	146	97
Current	232	270
	378	**367**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

22 LEASES... CONTINUED

As disclosed in more detail in note 17, the carrying value of right-of-use assets in respect of the above lease liabilities is $374,000 (2022: $342,000).

The Group's lease arrangements are in relation to nine property leases. The leases have termination dates ranging from 2024 to 2026 and have extension options ranging from 3 to 5 years.

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 1.0%. 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 2023 $'000	As at 31 December 2022 $'000
Depreciation charge on right-of-use assets included within 'general administrative expenses'	365	320
Interest expense on lease liabilities included within 'finance costs'	40	41
	405	**361**

Effects of leases on cash flows:	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Total cash outflow for leases	(334)	(406)

23 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 2023 $'000	As at 31 December 2022 $'000
Financial assets at amortised cost:		
Trade and other receivables	12,325	23,816
Cash and cash equivalents	2,500	26,496
	14,825	**50,312**
Financial liabilities at amortised cost:		
Trade and other payables	20,227	19,776
Lease liabilities	378	367
	20,605	**20,143**

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.

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT... CONTINUED

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.

(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 2023 $'000	As at 31 December 2022 $'000
Current trade and other receivables	11,940	23,410
Non-current trade and other receivables	385	406
Cash and cash equivalents	2,500	26,496
	14,825	**50,312**

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.

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 low given the size and sophistication of the customers and there being no historical write offs.

Accounts receivable from the Group's three largest customers at 31 December 2023 totalled approximately $4.9m (2022: three customers - $16.6m).

(d) Liquidity risk

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

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

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Within 1 year:		
Trade payables	5,658	5,739
Accruals and other payables	14,569	14,037
Lease liabilities	232	270
	20,459	**20,046**
Between 1-2 years: Lease liabilities	80	97
Between 2-3 years: Lease liabilities	66	–
Total	**20,605**	**20,143**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT... CONTINUED

(e) Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to operate 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 2023 $'000	As at 31 December 2022 $'000
Net cash	2,500	26,496
Total equity	48,105	111,591
	50,605	**138,087**

24 DEFERRED TAX

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

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Deferred tax liability: Short term temporary differences	388	1,800
Net deferred tax liability	**388**	**1,800**

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
The net movement is explained as follows:		
Opening deferred tax liability	1,800	2,345
Charge/(credit) to profit or loss	(1,412)	(545)
Closing deferred tax liability	**388**	**1,800**

25 SHARE-BASED PAYMENTS

The Group operates two share-based plans, the Stock Restriction Agreement and an Equity Incentive Plan, 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 2021 grant is $2.095 per share. The 2021 RSAs vest over 3 years in a 50:25:25 ratio. Forfeitures are recorded as they are incurred. 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 2023	Year ended 31 December 2022
Opening RSA outstanding	477,327	954,654
RSA granted	29,251	–
RSA vested	(267,914)	(477,327)
RSA forfeited	(238,664)	–
Closing RSA outstanding	–	477,327
Weighted average remaining contractual life in years	–	1.42

25 SHARE-BASED PAYMENTS... CONTINUED

The Group 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.

tinyBuild established an Employee Benefit Trust (EBT) to facilitate off-market and on-market stock option exercise by employees who were awarded Equity Incentive Plan stock options. The EBT is an independent Trust enabling option exercise and share settlement off-market without impacting market liquidity. The shares held by the EBT are disclosed as Treasury Shares within the Group's statement of changes in equity.

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 1 January 2022	3,732,054	0.85	1,474,928	0.54	6.62
Granted during the period	318,327	1.64			
Exercised during the period	(400,000)	0.07			
Forfeited during the period	(103,164)	0.33			
At 31 December 2022	3,547,217	1.02	1,812,394	0.94	7.58
Forfeited during the period	(584,190)	0.74			
At 31 December 2023	2,963,027	1.12	2,099,155	1.19	6.59

During the period covered by the financial statements, a total of 584,190 options with a weighted average exercise price of $0.74 were forfeited. Options granted during the two-year period 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 31 July 2022
Share price at grant date	$3.38
Exercise price	$1.40-$3.54
Option life	10
Expected volatility	60.00%
Expected dividends	0.00%
Discount rate	0.25%
Weighted average fair value per option	$1.35-$2.39

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2023

26 SHARE CAPITAL

	As at 31 December 2023 No.	As at 31 December 2022 No.
Class of share		
Ordinary shares of $0.001 each	203,878,238	203,848,987

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Class of share		
Ordinary shares of $0.001 each	204	204

On 17 January 2023, 29,251 Ordinary shares of $0.001 each were issued to employees for $nil consideration. The shares are subject to a 12-month lock-up period.

During the year no share options were exercised. In 2022, 400,000 share options were exercised at a weighted average exercise price of $0.07, generating proceeds of $28,000.

During 2022, 941,906 shares were issued as partial consideration for the acquisition of intellectual property totalling $2,020,000.

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.

Treasury shares
Treasury shares are shares in tinyBuild Inc that are held by the tinyBuild Employee Benefit Trust for the purpose of issuing shares under the equity incentive plan (note 25). Shares issued to employees are recognised on a first-in-first-out basis.

	Number of shares	$'000
At 1 January 2022 and 31 December 2022	–	–
Acquisition of shares by the Trust	2,901,529	1,031
At 31 December 2023	**2,901,529**	**1,031**

27 CASH GENERATED FROM OPERATIONS

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
(Loss)/profit after tax	(62,845)	11,513
Adjustments for:		
Share-based payments	414	1,726
Amortisation of intangible assets	15,134	9,777
Impairment of intangible assets	48,055	11,170
Gain on contingent consideration		
Gain on disposal of operations	(708)	(11,129)
Write off of bad debt	87	–
Depreciation of property, plant and equipment	785	747
Loss on disposal of property, plant and equipment	80	–
Finance income	(391)	(80)
Finance costs	128	73
Income tax expense	(649)	4,962
Movements in working capital:		
(Increase)/decrease in receivables	12,398	(14,323)
(Decrease)/increase in payables	(399)	5,887
Income tax paid	(1,472)	(1,135)
Cash generated from operations	**10,617**	**19,188**

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 2023 $'000	Cash flows $'000	Non-cash movements $'000	As at 31 December 2023 $'000
Cash and cash equivalents	26,496	(23,996)	–	2,500
Lease liabilities	(367)	531	(542)	(378)
Net debt	**26,129**	**(23,465)**	**(542)**	**2,122**

	As at 1 January 2022 $'000	Cash flows $'000	Non-cash movements $'000	As at 31 December 2022 $'000
Cash and cash equivalents	48,832	(22,336)	–	26,496
Lease liabilities	(538)	310	(139)	(367)
Net debt	**48,294**	**(22,026)**	**(139)**	**26,129**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS... CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2023

28 RELATED PARTY TRANSACTIONS

Interests in subsidiaries are set out in note 18.

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 2023 $'000	Year ended 31 December 2022 $'000
Aggregate emoluments	2,511	2,217
Equity-settled share-based payments	46	88
	2,557	**2,305**

Transactions with other related parties

The wife of the Company's CEO is the founder and CEO of DevGAMM LLC. During the period, DevGAMM LLC paid dividends totalling $nil (2022: $148,000) to this related party, in lieu of salary which included compensation for the previous two years.

During 2022, the Company also acquired Bossa's IP Catalogue for consideration of $3 million. Henrique Olifiers, Non-executive Chairman of the Company, is the Founder and CEO of Bossa. As a result of this relationship, the IP Catalogue acquisition represents a related party transaction in accordance with the AIM Rules for Companies. The Directors of tinyBuild, excluding Henrique Olifiers, consider, having consulted with Berenberg, tinyBuild's nominated adviser, that the terms of the transaction are fair and reasonable in so far as shareholders of tinyBuild are concerned.

On 4 December 2023, tinyBuild agreed to a binding summary of terms relating to a global settlement agreement to be entered into with Steve Escalante, Lance James and Stall Proof, LLC relating to a claim which had been made against tinyBuild following its acquisition of Versus Evil LLC ("Versus Evil") and Red Cerberus LLC ("Red Cerberus") in November 2021. tinyBuild has agreed to pay to the Claimants $3.5 million in cash (in addition to legal costs). The first payment was paid within 2023 of $1.5 million. The second payment of $2 million was paid subsequent to year end on 9 February 2024. The $2 million balance is accrued for as at 31 December 2023.

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

29 ULTIMATE CONTROLLING PARTY

The Company's ultimate controlling party is Alex Nichiporchik who owned 37.8% of outstanding shares on a fully diluted basis as of 31 December 2023. Subsequent to the year end, the Alex's ownership interest increased to 57.9% (see note 30).

30 POST REPORTING DATE EVENTS

In January 2024, a fundraise was approved in a special meeting on 26 January 2024. As part of this fundraise, 193,341,081 Ordinary shares of $0.001 each were issued at 5 pence per share raising gross proceeds of approximately $12.3 million in aggregate. Net proceeds are approximately $11.4 million.

As a result of the fundraise, Alex Nichiporchik's ownership increased to 57.9% of outstanding shares on a fully diluted basis. This has no impact on the ultimate controlling party as Alex remains the ultimate controlling party.

tinyBuild sold Total Reliable Delivery Service (February 2024) and Surgeon Sim (June 2024) to Atari for an undisclosed sum. There has been two studio closures post year end; Moon Moose LLC was closed in February 2024 and Demagic LLC was closed in March 2024.

Advisers

Nominated Adviser	**Joh. Berenberg, Gossler & Co. KG** London Branch 60 Threadneedle Street London EC2R 8HP
UK legal advisers to the Company	**Greenberg Traurig LLP** The Shard, 32 London Bridge Street London SE1 9SG
US legal advisers to the Company	**Premack Rogers** 1191 Second Avenue 10th Floor Seattle WA 98101
Reporting Accountants	**RSM UK Tax and Accounting Limited** Third Floor One London Square, Cross Lanes Guildford, Surrey GU1 1UN
Auditors	**Grant Thornton LLP** 2010 156th Ave NE Suite 300 Bellevue WA 98007
Depositary	**Link Market Services Trustees Limited** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registrars	**Link Market Services (Guernsey) Limited** Mont Crevelt House Bulwer Avenue St Sampson, Guernsey GY2 4LH
PR advisers to the Company	**SEC Newgate** 14 Greville St London EC1N 8SB

tinyBuild