Annual Report and Consolidated Financial Statements

for the year ended 31 December 2021

Contents

Devolver, a leading indie label, making a big fuss about extraordinary games.

Devolver is an award-winning, high-profile video game publisher and developer that consistently publishes highly-rated indie games, backed by industry pioneers.

We have worked with independent developers from all over the world to produce and promote the most original, eccentric, and beloved games of the past decade.

The Company has a highly differentiated philosophy and culture that has driven a virtuous cycle of success, founded on the principles of treating developers fairly and prioritising their creativity and brand. These factors have created an ideal environment that has produced top-rated games.

The Company focuses on nurturing innovation and supporting developers with one of the most experienced teams in the industry.

WINNER
publisher of the Year 2021
GamesIndustry.biz

revenue growth*
38%

EBITDA growth*
63%

new games released
8

revenue from top 5 games*
43%

back catalogue revenue*
70%

publishing brands
2

development studios
5

* Normalised comparative numbers strip out the beneficial contribution of the Fall Guys title in 2020 and 2021, since publishing rights were sold in April 2021.

strategic highlights

SUCCESSFUL IPO

TO SUPPORT INVESTMENT IN OUR UNIQUE CULTURE AND PROVEN STRATEGY

INDUSTRY RECOGNITION

GAMEINDUSTRY.BIZ 2021 PUBLISHER OF THE YEAR

AWARDS AND NOMINATIONS

Death's Door, Loop Hero and Inscryption (BAFTA winner)

CRITICAL ACCLAIM

77

average metacritic rating for our titles (2020: 75)

CLEAR ORGANIC GROWTH STRATEGY, OUR PRIMARY DRIVER

PARTNERING WITH DEVELOPERS

BUILDING OUT OUR PIPELINE OF FUN-FILLED GAMES

SUPPORTING OUR BACK CATALOGUE OF INTERESTING AND UNUSUAL GAMES

EXCELLENT MOMENTUM FOR OUR STRATEGY

EVERGREEN BUSINESS MODEL

back catalogue of

97 titles

BRINGING THE FUN

8

new titles released in 2021 (2020: 10)

DIVERSIFIED REVENUES

back catalogue revenue of

70%

(2020: 61%)

financial highlights

PERFORMANCE IN LINE WITH MARKET EXPECTATIONS

STRONG NORMALISED REVENUE GROWTH OF

38%

GROWTH DRIVEN BY ROBUST BACK CATALOGUE SALES AND SUCCESSFUL NEW TITLE RELEASES

NORMALISED EBITDA GROWTH OF

63%

STEADY IMPROVEMENT IN MARGINS

GROSS MARGINS ROSE TO

40%

(2020: 32%)

INCREASE REFLECTS BACK CATALOGUE REVENUES AND NEW TITLE IMPROVEMENTS

STRONG CASH BALANCES

NET CASH OF

$86m

who we are

Devolver is an award-winning digital video games publisher and developer in the indie games space.

Recently awarded 'Publisher of the Year 2021' by GamesIndustry.biz and 'Best Publisher of 2021' by Shacknews, Devolver has one of the most recognisable labels in the indie market. Built over a decade by highly experienced industry veterans with deep, wide-ranging relationships in the gaming sector, Devolver has a back catalogue of over 90 games, including a number of indie cult classics.

1998

G.O.D. FOUNDED

Devolver's Founders have a long track record of innovating together in the video games industry. In 1998 Harry Miller, Rick Stults and Mike Wilson co-founded the video games publishing brand Gathering of Developers, also known as G.O.D. Games.

1999

2000

G.O.D. ACQUIRED BY TAKE-TWO INTERACTIVE

2001

2002

2003

2004

2005

2006

2007

GAMECOCK MEDIA GROUP ESTABLISHED

Harry, Rick and Mike reunited in 2007 to found video games publisher Gamecock Media Group ("Gamecock"). Devolver co-founders Graeme Struthers and Nigel Lowrie later joined Gamecock, working on their first venture with Harry, Rick and Mike.

2008

GAMECOCK WAS SOLD TO SOUTHPEAK GAMES

2009

DEVOLVER FOUNDED

Devolver was formed as a digital-only developer-first publisher, which principally released titles on PC via Steam. Working with original developer Croteam and other small studios, Devolver successfully published several games in the Serious Sam series for release on PC and mobile.

2010

Devolver's proven model curates and publishes high-quality premium games. Devolver leverages its renowned brand to help enhance the discoverability of partner studios and their games. Devolver boosts visibility of titles through its established global network of partners and platforms and by targeting gamers through original and focused marketing.

Founded by Harry Miller (Executive Chairman), Rick Stults (Finance and HR Manager), Graeme Struthers (Head of Publishing) and Nigel Lowrie (Head of Marketing), together with Mike Wilson, Devolver has positioned itself as the "developers' publisher". A comprehensive exploration of Devolver's role as the "developers' publisher" is set out on pages 8 to 11.

Devolver has begun to selectively acquire studios and IP that enhance its pipeline and support its long-term international growth strategy. Since the beginning of 2020, Devolver has acquired five of its long-term partner development studios and a second publishing brand. As a digital-first brand, the majority of Devolver's staff work remotely and have done so since founding. Currently the Group has approximately 210 team members spread across the globe in Europe, North America and Asia. The Group has subsidiaries in the United Kingdom, the Netherlands, Croatia, Poland and the United States.

2011

2012

HOTLINE MIAMI RELEASED

Following the early financial success of the Serious Sam series, the Group branched out and began collaborating on new franchises and titles with other development studios. Devolver's first breakout hit was Hotline Miami in 2012. It received critical acclaim putting Devolver in the indie spotlight.

2013

SHADOW WARRIOR RELEASED

A reboot of a title released in 1997 through G.O.D. Games. Devolver licensed the IP for the franchise alongside Polish video game developer Flying Wild Hog, with the aim of creating a newly imagined title and revitalising the series. A sequel was released in 2016. Devolver acquired the IP outright in 2018. The third title was released in March 2022.

2014

2015

2016

ENTER THE GUNGEON RELEASED

A fast-paced dungeon crawler and shooter, released on PC and PlayStation. The title was ported to Xbox a year later, and then to Switch at the end of 2017. The title was a success for Devolver and US-based developer Dodge Roll (acquired by Devolver in July 2021), generating over $25 million of revenue.

2017

2018

2019

2020

FALL GUYS RELEASED

Devolver has continued to build a broad portfolio of premium indie games, with a back catalogue of approximately 90 titles. Most recently, Devolver experienced runaway success with the exceptional outperformance of Fall Guys, which was released in August 2020.

FALL GUYS BECOMES MOST DOWNLOADED PLAYSTATION PLUS TITLE IN HISTORY

The game generated $150.5 million revenue in the year to 31 December 2020 alone. The developer, Mediatonic, was acquired by Epic Games in March 2021, at which point the Group sold the publishing rights to Epic Games. Devolver has retained the merchandising rights for Fall Guys for six years.

2021

TARGETED ACQUISITIONS AND INVESTMENTS

Acquisitions made to-date include Devolver's long-term partner studios Croteam, Dodge Roll and Nerial, as well as another developer, Firefly, and complementary publisher Good Shepherd.

NAMED PUBLISHER OF THE YEAR BY INDIE PUBLISHING AWARDS

chairman's letter to shareholders

"None of our success would have been possible without our talented people and the unique culture they have built in the past thirteen years."

A unique culture

2021 was a special year for Devolver. None of our success – great performance, industry recognition in awards and nominations, exciting talent joining us and our IPO at the end of the year – would have been possible without our talented people and the unique culture they have built in the past thirteen years.

I know from personal experience that our people are passionate about bringing the most interesting and unusual video games to the forefront. It is a hobby and a passion rather than a job. Devolver is a 'flat' organisation that gives our extraordinary people the right environment to innovate, create and partner with developers and platforms.

This culture is deep within the DNA of Devolver. It hasn't changed since 2009, when five business partners – including Rick Stults, Graeme Struthers, Nigel Lowrie, Mike Wilson and me – sat down for a picnic in Austin, Texas with a new idea. We wanted to build a video games publisher that creative, innovative developers would want to work with. We wanted developers to come back to us again and again. We wanted Devolver to keep bringing the fun.

Focus on organic growth

Organic growth is our primary driver. Our IPO in November 2021 was the right move for our strategy to drive organic growth, delivering a stronger platform in 2022 and in future. Devolver will continue to invest in bringing even more wonderful games to the forefront, retaining our culture and keeping and hiring the best talent. We will also stay true to our values and become a better partner for developers to work with for fun-filled games.

It is in this context that I am proud to present Devolver's maiden full-year results and Annual Report as a public company.

Being a public company has given liquidity to the team at Devolver, so they can benefit from the growth in value that they have created.

We begin life as a public company in a position of financial strength, with an excellent balance sheet and a net cash position.

As a quoted company we will continue to operate with a high level of transparency that we know our developers, platforms, gamers, partners and shareholders all value.

Board changes and corporate governance

Our executive management team was strengthened in 2021 by the appointment of Douglas Morin as CEO in August 2021, having joined Devolver in 2020. Our CFO Daniel Widdicombe joined in May 2021 and both Douglas and Daniel joined the Board as Executive Directors in July 2021. Douglas has over 25 years of experience in leadership positions and in equity capital markets. Daniel has more than 30 years of finance experience, many of which were spent in senior roles in listed businesses.

I am very pleased to be joined by Kate Marsh, Janet Astall, Jo Goodson and Jeff Ko as Non-Executive Directors. Devolver now has a Board with significant breadth and depth in terms of knowledge, experience and geography. Kate has more than 30 years of experience in digital and media businesses as a senior leader and non-executive director. Janet has more than 20 years of experience working in finance, mainly for consumer-facing technology businesses. Jo is an accomplished tech entrepreneur with more than 25 years of experience. Jeff specialises in the video games sector and has held a number of leadership roles in Asian companies and federations.

The Board of Devolver is committed to its obligation to act in good faith to promote the success of the company for the benefit of shareholders and a wide range of stakeholders.

Summary

Devolver begins 2022 with excellent momentum. We have a proven strategy that has been a success over a long period. The Board believes that we are well positioned for future success and we look forward to reporting on our progress in the year ahead.

Harry Miller
Executive Chairman

3 May 2022

210 members

Including 172 full time employees and contractors

CEO's statement

> "Devolver has a unique and attractive business model. This is based on a range of factors including the longevity and strength of our distributor relationships, the diversified nature of our revenues and a track record of growth."

The "developers' publisher"

Devolver Digital is an award-winning digital video games publisher and developer with one of the most recognisable labels in the indie market.

Built by highly experienced industry veterans with deep, wide-ranging relationships in the gaming sector, we have a back catalogue of approximately 90 games, including a number of indie cult classics.

We have a proven model to curate and publish high-quality premium games by leveraging our renowned brand to enhance the discoverability of partner studios and their games, boosting visibility of titles through our established global network of partners and platforms

IPO to support our proven strategy

Our IPO in November 2021 was the right choice to ensure our continued growth and deepen our ability to support our developers. Most importantly it allows us to retain our culture and supports investment in talent and our clear and proven organic growth strategy, focused on:

- **Partnering with developers**
- **Building out our pipeline of fun-filled games**
- **Supporting our back catalogue of interesting and unusual games**

In addition, the IPO gives us a platform to enhance our reputation as an ethical publisher and when it makes cultural and strategic sense, bring other partners into the Devolver family.

Momentum in 2021 and industry recognition

The Group has an excellent financial track record, with a normalised revenue CAGR of 32% between 31 December 2018 and 31 December 2021. I am delighted to announce that we performed strongly once again in 2021, with $98.2m of normalised revenue, and $25.7m of normalised EBITDA, growing at 38% and 63% respectively, and excellent gross profit margins of 40%.

We are committed to our promise to keep bringing the fun, with the release of 8 new titles in 2021 including Death's Door, the BAFTA-winning Inscryption, Loop Hero and Olija across a variety of platforms and geographies. These titles have all performed well since release and Inscryption in particular sold nearly 1m units in the short period since its release in late October to the end of 2021.

In addition to our financial success, our titles were recognised by multiple awards and nominations in 2021, including the British Academy Games Awards (best debut game award – Carrion), gamesradar+ (Best Games of 2021 awards – Death's Door, Loop Hero and Boomerang X) and The Game Awards (Best Indie Game nominations – Death's Door, Inscryption and Loop Hero).

In 2022, Devolver's Inscryption won both the Game Developers Choice Awards - Game of the Year and the Independent Games Festival Awards, the first time in history a game has won both titles. And following on from this, it won the BAFTA for Best Game Design in April 2022. This is a testament to the high quality of Devolver's titles, also reflected in high Metacritic and OpenCritic ratings with an average of 77 in 2021 for Devolver titles overall.

Devolver Digital was named as Publisher of the Year by Shack News, following recognition as Publisher of the Year 2021 in the Gamesindustry.biz Indie Publishing Awards.

Our model

We have a unique and attractive business model, based on a range of factors including:

- **the longevity and strength of our distributor relationships**
- **the diversified nature of our revenues**
- **a track record of growth**

Read more about our business model on page 19.

DISTRIBUTOR RELATIONSHIPS | **DIVERSIFIED REVENUE** | **TRACK RECORD OF GROWTH**

Distributor relationships

We have partnered with more than 60 developers to publish over 90 indie games since 2009, primarily through third- party publishing agreements. More recently, the Group has acquired standalone IP and long-term development partners, which has brought franchises in-house.

Titles are generally either fully or partially funded by us, and our range of services include project and lifecycle management; development and production assistance; publishing; and technical and creative support. The Group's broad offering continues to attract both established and early-stage developers. Of the numerous development partners working on pipeline titles, roughly a third are repeat partners.

You can read more about our relationships with Third Party partners on page 18.

Diversified revenue

Our back catalogue of over 90 titles supports highly diversified revenues, accounting for 70% of our revenues in 2021. Our back catalogue includes all titles released during or before the 2021 financial year. From 2018 to 2021 Devolver Digital has achieved an average normalised back catalogue revenue contribution of 64%, providing a strong and stable contribution to sales. This has increased from 41.8% in 2015.

Track record of growth

Devolver has delivered consistent growth over many years, recording a 32% normalised revenue CAGR from 2016-2021, with growth in 2021 even exceeding this long-term run rate. We have enjoyed multi-year success, with numerous "evergreen" titles generating material revenues for years after initial launch. In addition, in recent years we have established a successful acquisition track record. The five acquisitions completed since 2020 provide substantial support for our long-term growth strategy. The launch of a growing number of subscription and streaming platforms has accelerated demand for high concept indie games, boosted by projections that the global gamer community will grow to 3.3 billion players by 2024. These factors augur well for continued growth as the market expands.

Market

In 2021 the global video games market was valued at $180.3bn*, having grown at a CAGR of 10.3% from 2017. Growth has been accelerated by the global pandemic, which restricted consumers to their homes, resulting in an increase in total market value of $35.9bn since 2019.

Continued market growth is expected over the next three years to 2024, with a forecast CAGR of 6.7% from 2021 to 2024. Amongst other drivers, the market growth is underpinned by a rapid increase in gamer numbers, which is expected to increase by 1.3bn from 2015 to a total of 3.3bn gamers globally in 2024.

Video gaming is a truly global pastime. In 2021, North America, Europe and Asia-Pacific represented 7%, 14% and 55% of the total number of players respectively. Devolver has direct exposure to all these regions and has a well-executed strategy in Asia. The Group aims to continue to grow in the region through an established distribution and media partner network overseen by locally based Devolver team members. Read more about the global market place on pages 22 and 23.

** Source: ©NewZoo, Global Games Market Report, January 2022, https://newzoo.com*

Growth strategy

There are four key components to our growth strategy:

1 EXECUTE AND BUILD PIPELINE

Devolver Digital will continue to publish critically-acclaimed and independent games under the Devolver brand, targeting approximately ten to fifteen titles per year. Our existing pipeline includes more than 30 titles, many of which are from repeat developer relationships.

We will also publish further titles under the Good Shepherd brand (a recently acquired, complementary publishing brand), bringing different game styles to a wider audience and adding licensed IP to the release schedule. The pipeline includes third-party titles, acquired IP titles, such as the Shadow Warrior franchise, and titles from recently-acquired subsidiary studios. Read more about our acquisitions on pages 12 and 13.

Devolver will build upon existing momentum, identifying and building new franchises. Managing the breakout success of Fall Guys has elevated Devolver's profile, proving that the Group can handle hit titles on a grand scale.

2 MINE THE BACK CATALOGUE

Devolver Digital's back catalogue has contributed impressively to revenues in recent years. Due to the quality of back catalogue titles and our reputation in the indie space, management believe that there are significant opportunities for sustainable revenue growth and margin expansion.

Devolver's rich portfolio of titles means that subscription services, such as PlayStation Plus and Xbox Gamepass will continue to seek out and showcase Devolver titles for their respective platforms. New entrants into the streaming market are also looking to Devolver for content for their services. Further revenue can be generated by including titles in bundles, as well as promoting publisher specific sales on digital marketplaces.

Porting titles across platforms opens up games to new player bases, and can be released in conjunction with targeted marketing campaigns and bundled deals. Localising titles in new languages expands the addressable market for a game and drives back catalogue sales. In franchises such as Hotline Miami, Devolver has managed to boost unit sales of the initial title when bringing out a sequel. With targeted promotion, Devolver can continue to capitalise on franchise release interest rather than cannibalising revenues.

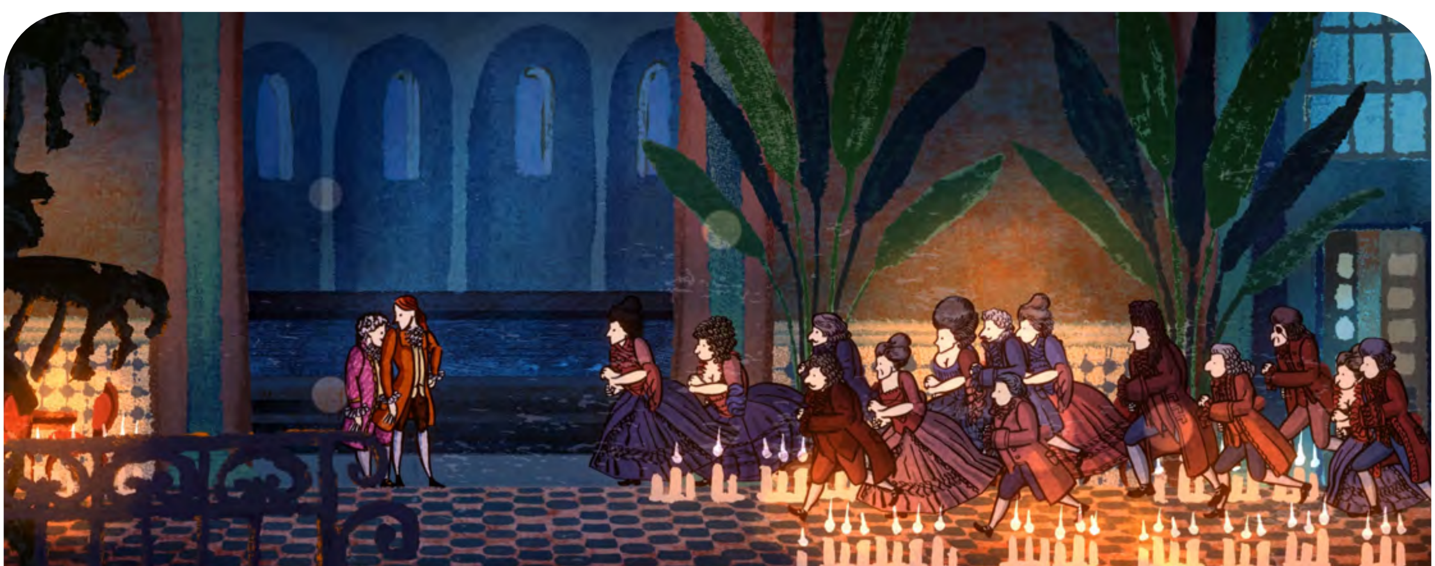
3 IMPROVE OUR CRAFT

Devolver's recent performance has provided the capital for greater investment of resources and money into games and services. The Group is organically improving its service offering and abilities, which the Directors believe should ultimately drive an increased return on investment for titles. Greater investment in games allows for bigger budgets on certain titles, which when applied to our own-IP titles can drive significant margin upside.

Increased investment includes better game selection, more gameplay testing, improved porting and localisation services, and bigger marketing campaigns. 'Improving our craft' allows the Group to better capitalise on the momentum of initial releases by simultaneously releasing titles on multiple platforms and in multiple geographies. The Group has selectively added individual talent as it has grown, bringing on industry experts with years of relevant experience. Taking on new industry veterans adds to the already growing breadth of services and deeper capabilities.

4 SELECTIVE STUDIO & IP ACQUISITION AND INTEGRATION

Devolver will continue to strategically acquire development studios, standalone IP or service providers, with the aim of broadening the Group's offering and improving its financial profile. Some of these are likely to be trusted partners, who have existing relationships with the Group. Historical collaboration lowers the integration risk of bringing these companies on board, with the prospect of mutual upside. The Group's acquisition strategy will remain considered and selective, and management will take a prudent approach to M&A. Alongside trusted partners, the Group will also consider acquiring non-partner businesses which provide complementary IP, products or services. The Directors believe that, in cases where Devolver has previously published titles with developers, bringing them in-house will improve margins and reinforce successful relationships. In cases where Devolver hasn't published a studio's titles, acquisitions will provide incremental revenue. Devolver can energise back catalogues and add value to new releases in development, production and marketing. The Group can help to accelerate porting and localisation plans, and include titles in publisher sales, bundled deals and more.



Pipeline

Devolver has a pipeline of more than 30 games scheduled for release over the next two years and beyond. As a result, the Group has full title visibility until the third quarter of 2023.

Recent acquisitions have increased the number of own-IP titles in the pipeline. Devolver currently holds the rights to nine own-IP franchises, up from one in 2019. The recent addition of Good Shepherd, which is a horizontal publishing brand, will increase the number of titles published by the Group each year.

Our pipeline for 2022 is healthy and diverse in terms of titles, genre, developers, platforms and geography. In early 2022 we released own-IP Shadow Warrior 3, Tentacular on VR, and Weird West, which will be followed by new titles which we have not yet announced.

Acquisitions

Devolver has begun to selectively acquire studios and IP that enhance its pipeline and support its long-term international growth strategy. Since the beginning of 2020, Devolver has acquired five of its long-term partner development studios and a second publishing brand. As a digital-first brand, the majority of Devolver's staff work remotely and have done so since founding.

The cash generated from the huge success of Fall Guys and the subsequent sale of its publishing rights has provided the Group with additional capital to accelerate its long-term growth strategy, investing in developer studios and other initiatives. Devolver has acquired and integrated long-term partners and associates, formalising relationships that have existed for up to 20 years.

For most of these studios, moving in-house to Devolver has been a natural evolution, as the length and success of these partnerships has built strong ties and mutual trust. In welcoming these businesses into the fold, Devolver will continue to evolve those partnerships. Devolver has also strategically acquired long-term associates who have not previously had a commercial relationship with the Group, but whose culture was similar and well understood.

Familiarity and shared understanding with these partner studios and long-term relationships lowers integration risk. The Directors believe that bringing these businesses into the Group will unlock additional sources of revenue and provide margin enhancement.

CROTEAM

Acquired in October 2020, Croteam is a Croatia-based developer with 32 developers and 38 total team members. Devolver has published 12 games with Croteam, the most of any single developer.

Devolver's Founders' relationship with Croteam stretches back to partnerships with G.O.D. Games. Titles in the Serious Sam franchise were the first games published by the Group, proving to be a ground-breaking series for Devolver. Croteam will continue to develop Serious Sam, Talos Principle and new IP games published under the Devolver brand. Bringing such a key long-term partner in-house will improve margins on some of the Group's biggest titles.

FIREFLY STUDIOS

Acquired in June 2021, Firefly is a UK-based video games studio with 28 developers and 38 total team members. Best known for the Stronghold franchise, they create historical real-time strategy (RTS) and online titles for both PC and mobile platforms. Whilst Devolver has never published a Firefly title, earlier Stronghold instalments have been published by the founders at G.O.D. Games and Gamecock Media. Firefly have since used a variety of publishers and also self-published their titles. The acquisition of Firefly will expand Devolver's presence in the RTS space and free-to-play games. Firefly brings additional titles to the back catalogue, which will continue to generate revenue for the Group.

GOOD SHEPHERD ENTERTAINMENT

Acquired in January 2021, Good Shepherd is a Netherlands-based publisher that also majority owns a Polish development studio, Artificer. The combined business has 56 total team members with 35 developers working at Artificer. Established in 2011 with independent investment from some of the Devolver founders, Good Shepherd will continue publishing third party and licensed IP titles, as well as titles based on its own original IP. Good Shepherd brings a horizontal publishing brand to the Group with a more selective and streamlined pipeline with niche titles, a focus on strategy and simulation games and partnerships with large IP owners such as Disney, Lionsgate and Metro Goldwyn Mayer.

NERIAL

Acquired in May 2021, Nerial is a UK-based development studio with 18 developers and 20 total team members, creating story-focused games. Nerial has 6 titles published or in production with Devolver with a combined cumulative revenue of over $10 million. Devolver published Nerial's first major title Reigns, released in 2016, and has continued to publish their titles since then, benefiting from the margin enhancement of bringing IP in-house.

DODGE ROLL

Acquired in July 2021, Dodge Roll is a US-based video games studio with 4 team members, who are all developers. Dodge Roll's first major partnership with Devolver was Enter the Gungeon in 2016, which was a breakout hit, selling over 4 million units and making more than $25m revenue. This was followed by Exit the Gungeon, which launched on Apple Arcade in 2019. Acquiring Dodge Roll has brought a key piece of IP in-house, which the Directors believe will improve margins. Dodge Roll will continue to develop games published by Devolver, building on existing franchises and generating new concepts.

Current trading and outlook

2021 ended well for Devolver with excellent momentum for titles such as Death's Door, Loop Hero and Inscryption.

Devolver has a healthy and diverse pipeline in terms of titles, genre, developers, platforms and geography. We remain on track to release ten to fifteen new titles in 2022. Our total pipeline for 2022 and beyond comprises more than 30 games including an exciting line-up of titles, with a balanced mix of third-party IP and own-IP.

Devolver's momentum, pipeline and strong contribution from its extensive back catalogue support confidence of further progress in 2022.

Douglas Morin
Chief Executive Officer

3 May 2022

investing in our key strengths

LEADING GLOBAL PUBLISHER OF INDIE GAMES

- **LEADER: highest rated indie publisher** of scale by Metacritic rating, current average of 75 (2013-2021)[1]
- **DEVELOPER FOCUSED: deep relationships with developers** gives visibility of release pipeline
- **AWARD-WINNING: Publisher of the Year in 2021** (GamesIndustry.biz Indie Publishing Awards)

  Best Publisher of 2021 by Shacknews
- **VIRTUAL:** digital-first brand with **210 team members globally** in Europe, North America and Asia

1 based upon a selection of competitors, which could reasonably be considered publishers of scale (i.e. only those who have at least 50 title reviews listed on Metacritic in total)

PROVEN, SCALABLE, DIFFERENTIATED MODEL

- **PROVEN:** built over a decade by **highly experienced industry veterans** with deep gaming relationships
- **SCALABLE: approximately 90 titles released,** pipeline of 30+ titles; long-term distributor and platform relationships
- **DIFFERENTIATED:** Devolver's know-how and relationships help **developers gain scale and visibility**
- **MEGA HIT CAPABILITIES:** Fall Guys, released in August 2020, was a record-breaking title before the sale of the publishing rights, **enabling investment into future launches and acquisitions**

CLEAR STRATEGY FOR INTERNATIONAL, LONG-TERM GROWTH

- **EXECUTE AND BUILD PIPELINE: release 10-15 unique titles per year**; the Group's most invested pipeline ever
- **MINE THE BACK CATALOGUE: over 90 titles** as at 31 December 2021
- **IMPROVE OUR CRAFT: ongoing improvement** in gameplay mechanics, marketing, multi-platform launches and localisation
- **SELECTIVE STUDIO AND IP ACQUISITION:** broadening Devolver's offering and **delivering financial benefits**

PROVEN AND ATTRACTIVE FINANCIAL TRACK RECORD

- **DIVERSIFIED:** revenues by **title, genre, platform, developer and geography**
- **CONSISTENT REVENUE GROWTH: >30%** normalised revenue CAGR 2016-2021
- **ACQUISITION TRACK RECORD: five acquisitions since 2020** to support long-term growth strategy
- **MULTI-YEAR SUCCESS: titles generate material revenues for years** after initial launch

LONG-TERM STRUCTURAL GROWTH DRIVERS IN VIDEO GAMING

- **ESTABLISHED FORM OF ENTERTAINMENT: global gamers forecast to grow to 3.3 billion (2024)** from 2 billion (2015)
- **LARGE, GROWING VIDEO GAMING MARKET: estimated to rise to $218.7 billion (2024)** from $180.3 billion (2021)
- **PLATFORMS NEED NEW GAMES:** launch of subscription and streaming platforms **has accelerated demand for high concept indie games**

awards & nominations

Multiple Award Wins in 2021

Inscryption became the first game to ever win top prizes at both GDCA and IGF Awards

Inscryption made history as the only game to ever get top prizes at both Game Developers Choice Awards (GDCA) and the Independent Games Festival Awards (IGFA).

Independent Games Festival	INSCRYPTION	Seumas McNally Grand Prize 2022
Game Developers Choice Awards	INSCRYPTION	Best Publisher of 2021
Shacknews	INSCRYPTION	Best Publisher of 2021
British Academy Games Awards	CARRION	Debut Game Award 2021
British Academy Games Awards	INSCRYPTION	Game Design 2022
The 38th Golden Joystick Awards	DEATH'S DOOR	Best Indie Award
Indie Publishing Awards	DEVOLVER DIGITAL	Best Indie Publisher
	MY FRIEND PEDRO: RIPE FOR REVENGE	Best Indie Game 2021

British Academy Games Awards — NOMINATIONS

INSCRYPTION	Best Game
INSCRYPTION	Best Design
INSCRYPTION	Original Property
DEATH'S DOOR	Best Game

The Game Awards — NOMINATIONS

INSCRYPTION	Best Indie Game
INSCRYPTION	Best Sim/Strategy
DEATH'S DOOR	Best Indie Game
LOOP HERO	Best Indie Game

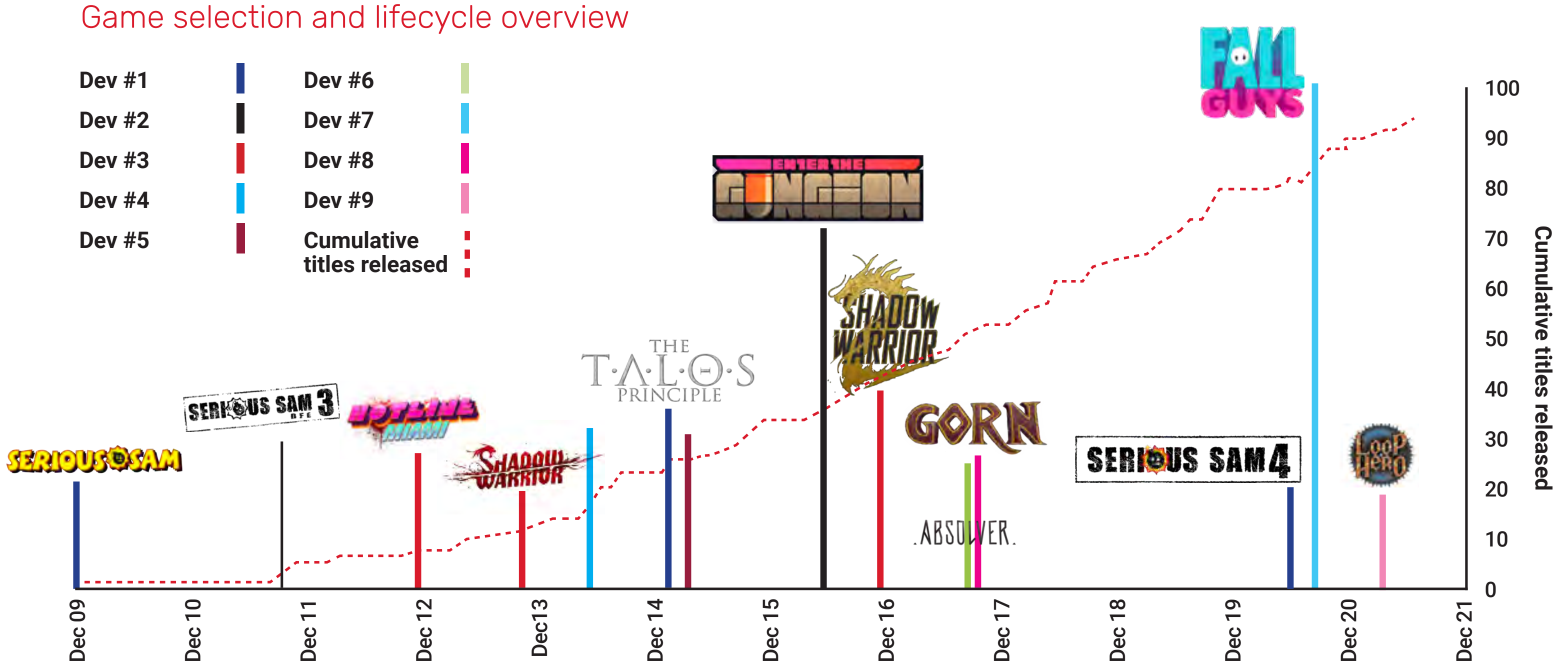
Multiple Best Games of 2021 Nominations

IGN, GameSpot, Kotaku, Slant, digitaltrends, gamesradar+, gameinformer, NME, Polygon, TheGamer, AV Club, npr

portfolio, platforms and lifecycle

Devolver has a back catalogue of over 90 games and released 8 new titles in 2021.
The chart below illustrates the steady game portfolio progression from 2009 to the end of 2020.

Game selection and lifecycle overview



As of December 31, 2021

Within Devolver's portfolio, there are five multi-title franchises, Serious Sam, Shadow Warrior, Enter the Gungeon, Reigns and Hotline Miami. Of these, Devolver owns the IP of all but Hotline Miami.

Each franchise provides long-term revenue generation for the first two years post-release.

FRANCHISE	NUMBER OF TITLES RELEASED	AVERAGE METACRITIC RATING	CUMULATIVE LIFETIME REVENUE RANGE	IP TYPE
SERIOUS SAM	10	72	\$20m - \$30m	Own-IP
HOTLINE MIAMI	2	78	\$10m - \$20m	Third-Party
SHADOW WARRIOR	2	74	\$20m - \$30m	Own-IP
ENTER THE GUNGEON	2	78	\$20m - \$30m	Own-IP
REIGNS	4	81	\$10m - \$20m	Own-IP

As of December 31, 2021

Business overview

Beginning in 2009, Devolver has partnered with over 60 developers to publish over 90 indie games, primarily through third-party publishing agreements. More recently, the Group has acquired standalone IP and long-term development partners, which has brought franchises in-house.

Third-party partnerships have been essential to Devolver's success to-date, and still form the majority of Devolver's published titles. However, over the last twelve months Devolver has also acquired eight franchises, increasing the Company's first-party IP. Management believes there are advantages to having a balanced business model, allowing the Group to work with the newest and most innovative indie developers as their publisher, as well as owning and developing its own stable of games.

Titles are generally either fully or partially funded by Devolver. In limited cases, funding is not provided for development if the studio does not require it. Funding is structured in varying amounts through developer advances pursuant to a milestone plan. Generally, once costs are recouped, future revenue is apportioned between Devolver and the developer based on equitable sharing agreements.

Devolver's range of services include project and lifecycle management; development and production assistance; publishing; and technical and creative support. Devolver generates pre-release interest through tailored marketing programmes, PR, promotions, and leveraging digital distributor platform relationships. The Group's broad offering continues to attract both established and early-stage developers. Of the 29 development partners working on pipeline titles, 9 are repeat partners. The process from identification to post-release management can been seen in the diagram below.

Title selection & onboarding

Devolver receives and vets over 2,000 unsolicited title pitches per year at varying stages of progress, from initial concept to fully-formed games. Devolver does not require developers to hand over the IP or sequel rights to their games, which the Directors believe is attractive to creators.

Devolver's approach is successful – over 90% of titles published since inception have generated a positive return on investment. The average payback time on a title is four months.

Devolver's greenlight process filters inbound proposals down to 10 to 15 titles for release annually. The Group assesses options across a wide variety of genres, styles, formats and geographies. Devolver's culture of a meritocracy of ideas is key to this discovery process, with anyone in the team able to put forward a game for review.

Promising ideas will receive input from members of the team from across the Group, including production, marketing, technology, finance and more. Devolver looks for titles that are creative, exciting, high quality, innovative and responsible.

Devolver's core greenlight team is made up of industry veterans with many decades of cumulative experience, who can recognise high-potential games and development teams. Following input from all areas of the business, the greenlight committee must unanimously agree to sign a title, taking into consideration Devolver's current capabilities and games roster.

Game selection and lifecycle overview

Diverse business model

1. Titles

Devolver's wide variety of title releases means the Group is not reliant upon the performance of any single title or franchise. Title diversification allows Devolver to benefit from the significant upside of a breakout hit, but also lowers the risk profile of the Group.

A prudent approach to planning, budgeting and appropriately investing in individual titles has ensured that Devolver continues to generate profits from a wide mix of games.

In the twelve-month period ended 31 December 2021, normalised sales from the top 5 performing titles contributed approximately 43% to total revenue, with the remaining titles in the portfolio contributing approximately 57%.

2. Platform

Devolver's normalised revenues are varied across platforms, with 65% of revenue from PC, 25% from console, 6% from mobile and 4% other in the twelve-month period ended 31 December 2021.

In contrast, the year ended 31 December 2018 saw 65.4% of revenues from PC, 29.1% from console and 5.4% from mobile.

The Group has continued to diversify revenues and reduce reliance on one medium. Devolver is continuing to capitalise on the growth in the mobile segment, with a growing mobile title offering. Devolver has strong relationships with digital distribution partners across all platforms, including PlayStation, Steam, Nintendo, Xbox, Apple Arcade, Stadia, BiliBili, NetEase and Tencent.

3. Genre

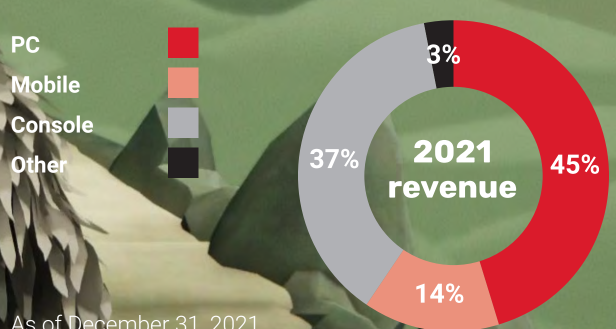
Devolver's selection process has no bias towards any one individual genre and the Group has released titles in a variety of genres including role playing games ("RPGs"), top-down shooter, beat em' up, action adventure, point and click, first person shooter ("FPS") and more.

Diversification ensures Devolver's games appeal to a broad fan base. Devolver's titles encompass a number of artistic styles, varying in visual fidelity, environment and storyline. This range allows Devolver's titles to reach a wide audience, limiting exposure to trends in one genre and expanding the brand following and fan base.

4. Geography

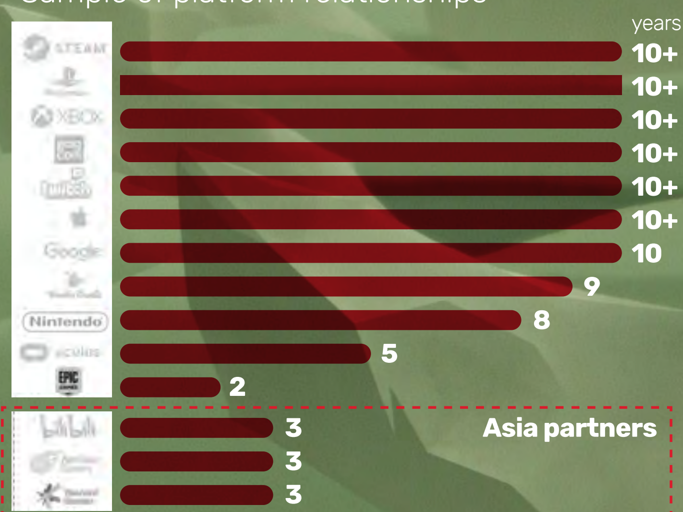
Devolver's revenues are not concentrated in a single geographical area, limiting exposure to any one market. In 2021, Steam unit sales from North America and Latin America were 41% and 4% respectively, and Western Europe comprised 23% of units sold. Devolver is currently experiencing strong growth in the Asia Pacific region. Asia Pacific is now Devolver's third largest market by Steam unit sales, at 21% of units sold. Growth to-date has been driven by demand in the region, rather than any targeted campaigns. User bases have grown with limited input from the Group, and Asia Pacific continues to represent a significant opportunity.

Revenue diversification by platform

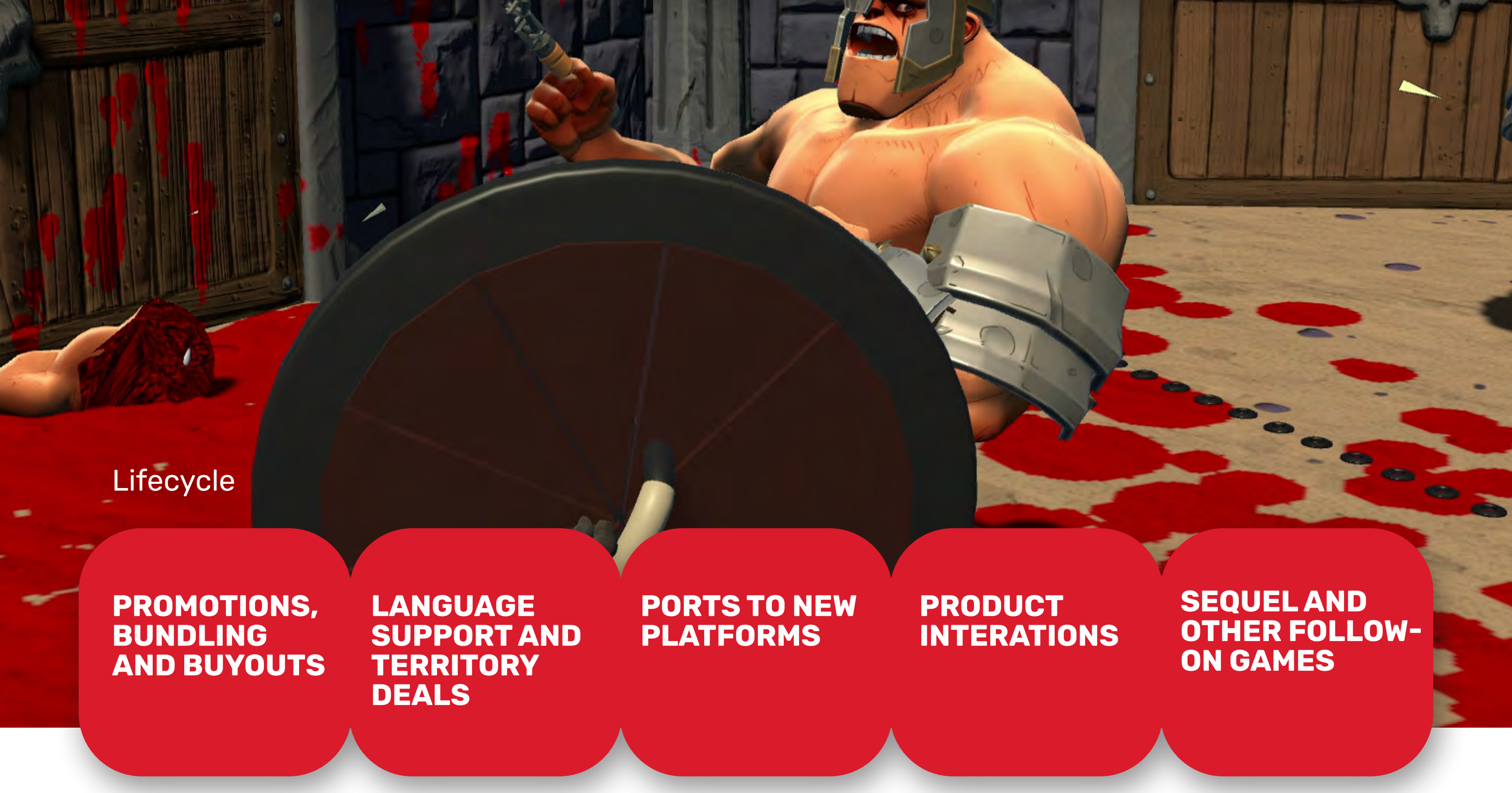


As of December 31, 2021

Sample of platform relationships



As of December 31, 2021



Platforms

Devolver has long-term associations with key digital distribution partners across the video gaming industry, some of which stretch over a decade. We believe that the strength of these relationships allows us to promote titles in ways which may be unavailable to other publishers. We have strong relationships with established providers, as well as the new entrants, and provide an uplift that developers may struggle to achieve on their own. Our revenues are also varied across platforms as we continue to diversify and reduce reliance on one medium. Devolver continues to explore opportunities in the mobile segment, which currently only accounts for a small proportion of overall revenues.

Devolver assists in the game lifecycle in a number of ways:

Quality assurance

The Group has an experienced production team, including a dedicated technical team and trusted relationships with quality contractors that help provide services for which there is no direct in-house capability.

Devolver's services free up partner studios' resources to focus on development and removes the administrative burden of the development process.

Through data, experience and relationships, the team assesses what game formats, features and mechanisms are popular or unpopular with consumers and specific distribution platforms bringing the principles and practices of much larger organisations to small developers without infringing on creativeness.

Publishing and release execution

Devolver's brand provides a lift for developers, bringing value in terms of discoverability and title promotion, for example its content and games have been frequently featured by media outlets including IGN, the most visited video gaming media site globally.

With over 200 million hours viewed, Devolver is one of the most watched indie labels on Twitch, which has been a long-term partner for the Group. The Group has one of the biggest social media reaches in the indie gaming space, with over 750,000 followers on social media, and utilises partnerships with influencers to generate pre-and post-release interest.

Tailored campaigns managed by Devolver's highly experienced PR and marketing teams use these and other relationships to drive pre-release momentum.

The strength of Devolver's relationships with global digital platforms ensures that titles will be prominent and visible on their storefronts.

Post-release support

Post-release support includes exploring ways to attract new customers and accelerate sales. Support services include technical assistance, such as server administration, further porting and localisation management and continued marketing.

Porting titles to new platforms and releasing in additional languages expands the customer base and generates incremental revenue.

Relationships with distribution platforms enable Devolver to promote portfolio titles effectively through bundle agreements and publisher sales.

The Group takes advantage of its back catalogue titles to generate large one-off fees through agreements with subscription services such as PlayStation Plus or Game Pass, and deals with new entrants such as Amazon Luna.

global marketplace

Market opportunity

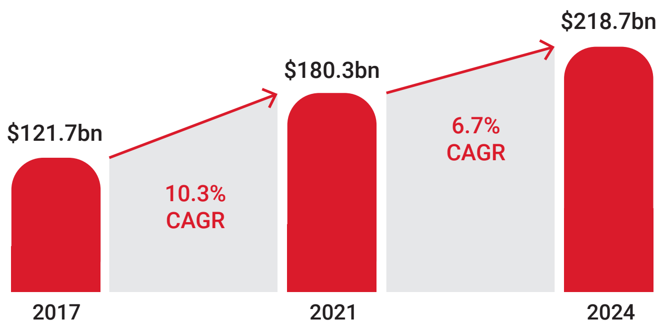
In 2021 the global video games market was valued at $180.3bn, having grown at a CAGR of 10.3% from 2017.

Growth has been accelerated by the global pandemic, which restricted consumers to their homes, resulting in an increase in total market value of $35.9bn since 2019.

Continued market growth is expected over the next three years to 2024, with a forecast CAGR of 6.7% from 2021 to 2024. Amongst other drivers, the market growth is underpinned by a rapid increase in gamer numbers, which is expected to increase by 1.3bn from 2015 to a total of 3.3bn gamers globally in 2024.

Video gaming is a truly global pastime. In 2021, North America, Europe and Asia-Pacific represented 7%, 14% and 55% of the total number of players respectively. Devolver has direct exposure to all these regions and has a well-executed strategy in Asia. The Group aims to continue to grow in the region through an established distribution and media partner network overseen by locally based Devolver team members.

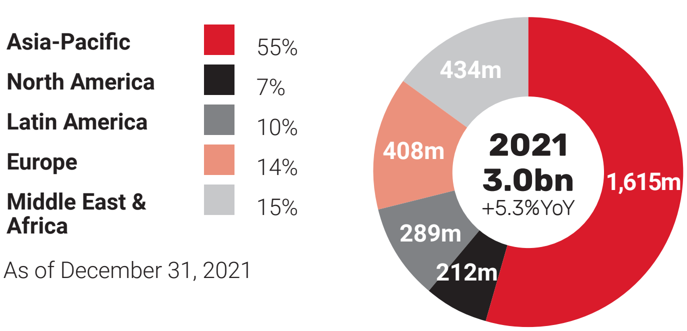
Video games market forecast*



As of December 31, 2021

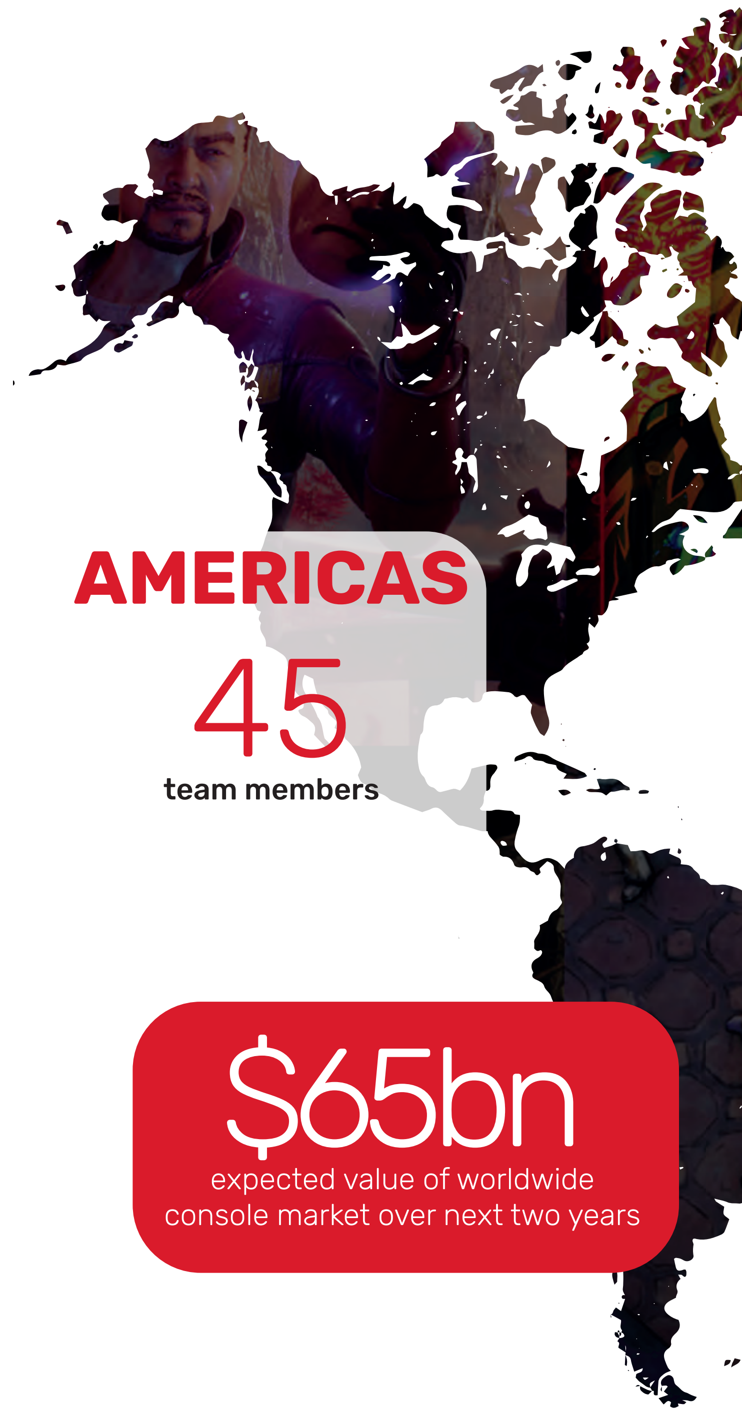
2021 Video gamer numbers by geography*

Market size of games by region



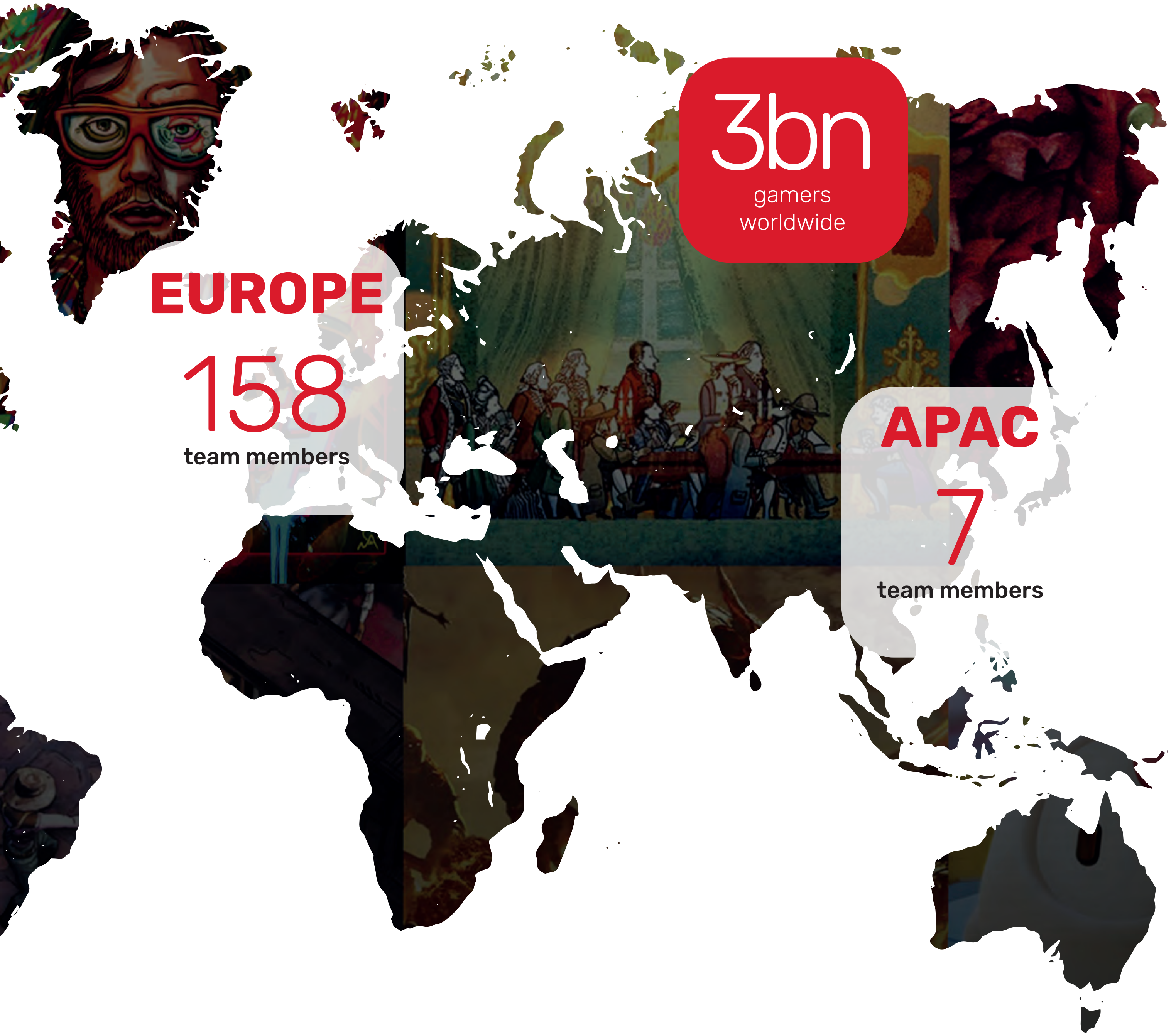
As of December 31, 2021

22 countries



** Source: ©NewZoo, Global Games Market Report, January 2022 | https://newzoo.com*

and 210 team members



Market trends

DIGITAL DISTRIBUTION	WHERE DO WE FIT?
Digital distribution has facilitated the video games market's high growth rates. In 2016, console and PC digital distribution penetration was 29% and 76% respectively, increasing to 43% and 91% in 2020. Both are forecast to continue growing, with digital distribution on console set to overtake physical distribution by 2023.	Our founders identified this key trend in the market, and purposefully established Devolver as a digital-first publisher. Having embraced digital distribution from the outset, Devolver is well-positioned to continue to win digital market share.

QUALITY CONTENT	WHERE DO WE FIT?
Demand for quality content has surged in recent years. In 2010, PC gaming and the three main console makers, PlayStation, Xbox and Nintendo each competed for consumers' time and loyalty. Through the addition of the cloud gaming operators such as Google Stadia, the growth of Steam and the addition of new stores and subscription services such as Xbox Game Pass and Apple Arcade, the demand for quality games which draw consumers to specific platforms is at an all-time high.	Devolver's strong brand in the indie space means that we attract high-quality game ideas from developers. This contributes to our track record for publishing high-quality titles that consistently score well with critics and gamers, fuelling a virtuous circle that drives increased demand for games published by Devolver.

DEVELOPER DISCOVERABILITY	WHERE DO WE FIT?
Developers need help to be discovered as title release volume is increasing, driven by the lower barriers of entry to development which digital distribution provides. The number of titles released on Steam annually has grown from 285 in 2009 to 9,692 in 2020. The growing number of developers releasing titles across a broader set of platforms makes it increasingly difficult for studios to differentiate their games to distributors and gamers.	Working with Devolver brings key advantages to developers that help to enhance the discoverability of their titles. Devolver has a well-established and recognisable label in the indie market and has decade-long relationships with digital distributors. Additionally, Devolver has one of the largest social media followings in the indie gaming space, with over 750,000 social media followers across Western and Asia-focused platforms. Devolver works with a spectrum of streamers and influencers to extend the reach of their titles.

ESG report

Devolver is committed to sustainability, employee wellbeing and development, diversity, equal opportunities and supporting charitable initiatives. We operate in an ethical manner across the jurisdictions in which we do business. We strive to create a positive impact through our business and wider activities, creating a community of people who share a passion for independent games. We aim to support this community through our ESG and sustainability activities.

Operating responsibly is at the core of our day-to-day operations, culture and values as a business. Our ESG activities are intertwined with those efforts and are centred around Our People, Our Community, and Our Planet.

$49.2k

total donated through charitable partnerships in 2021

Some of the donations went to...

Our people

We believe that developing a diverse workforce is the key to our future success and are proud to have created a workplace that encourages our colleagues to be their true selves at work regardless of disability, gender, race, sexual orientation or background. We believe that a diverse workforce brings a broad range of experience, skills and views that strengthen our business and allow us to deliver a better service to all our stakeholders. Our Board is comprised of 43% women, and we hope to replicate that balance in senior management and throughout the organisation in time. As part of those efforts, we will look at formalising a diversity and inclusion policy in the period ahead.

As a fully distributed company, we believe that talent can be found, nurtured and succeed, regardless of location. Today, we are 210 people spread across 22 countries, two publishing brands and five development studios. We believe our model affords our people the flexibility and freedom to pursue work on their own terms. This is a key ingredient to the success of our company, and as we grow our team, we look forward to continued diversification to unlock the opportunities it brings.

The wellbeing of our workforce is very important to us, and we have worked hard to develop an inclusive culture which promotes our values. We have also implemented policies and procedures to ensure that ethical values and behaviours are adhered to across the group. This includes the staff handbook, and policies concerning whistleblowing, social media, anti-bribery and corruption, communication, and general employee conduct. Through the implementation of these policies, we have created a culture that we are proud of, in which all employees are able to thrive. We will maintain the community culture that nurtures our employees as we grow as a listed company.

Over the past year, the Devolver team has experienced rapid growth. While we adjust to our larger team, we will be ensuring that our strong values are maintained. Over the next year we will ensure that we create a positive culture across our diverse workforce and look to implement health and wellbeing initiatives to support them. Our employees are our most important asset, and we recognise that the last year has been difficult for everyone.

Our community

As a digital entertainment company, our audience is global. We pride ourselves on our unique games and eye for quality, and we want as many people as possible to feel welcome. We have fostered a community where people are accepted and can come together to have fun and relax.

To strengthen our international community of gamers, we have broadened our localisation to nine languages and are constantly adding more. We have created a reputation for inclusivity with our developers and our gamers and are working hard to strengthen that across our work. We are implementing software to provide captioning to increase accessibility for those that are hard of hearing, and will continue to implement initiatives to increase the accessibility of our games as well as the gaming industry as a whole.

Supporting charities through donations and fundraising is a very important way that we do that. Our team continues to support a wide range of organisations and charities through donations and fundraising for causes dear to the hearts of our team and our community. Devolver is a proud supporter of SpecialEffect, a charity that helps disabled gamers across the world with their ground-breaking projects. Through our fundraising events we support SpecialEffect to transform the lives of people with physical challenges through the innovative use of technology. We will look to formalise our partnership with SpecialEffect over the next year to increase the accessibility of gaming.

We are also proud to support War Child. From 2021 to date, we have donated $20,400 (USD) to War Child in support of their incredibly important work.

Over the past year we have also made one-off donations of $10,000 to Feminist Frequency and Gone off the Deep End Productions. These causes were identified by our employees as close to their hearts. To formalise our charitable partnerships and empower our employees to support these charities and causes we have created a Fundraising Committee.

> “This year we will fund tree planting to absorb at least 1,500 tonnes of CO_2”

Our planet

We are passionate about having a positive impact on the planet and believe we have responsibility to understand our environmental footprint, minimise our impact and strive to become a carbon neutral company.

As a newly quoted company, we have already begun that journey of understanding. In partnership with Tree-Nation, we are working to calculate the carbon footprint of Devolver as a Group and will include the impact of data centres within these calculations. As a gaming company, we recognise that our responsibility to the environment does not stop at the boundary of our Company. Within the work we have begun with Tree-Nation, Devolver is assessing the environmental impact of our own operations, our external development partners and our external agencies involved in the journey of developing and publishing our games. This is a commitment that will be ongoing and we will be implementing a tree-planting offset programme as part of a basket of initiatives to minimise our impact on the environment.

This year we will fund tree planting to absorb at least 1,500 tonnes of CO_2.

Using nature-based solutions to ensure our company is carbon neutral is an important step on our sustainability journey, however we recognise offsetting is part of an overall environmental strategy. We are continuing to develop further ways to reduce the carbon footprint of our day-to-day operations. Devolver is a highly distributed team, with the majority of the group working from home with the obvious environmental benefits this brings. As we emerge from the pandemic, we are introducing a hybrid working model for those team members who were previously based in an office environment. Wherever possible, we will pursue initiatives to reduce the carbon footprint of our offices and operations, details of which will be provided in future reports.

We recognise our responsibility to develop a strategic approach to ESG and sustainability. We also recognise that it takes time to develop a strategy that is appropriately ambitious and impactful. As a newly quoted and rapidly growing company, developing the sustainability strategy that is right for Devolver will take time, and we embrace that responsibility. For example, this annual report is published digitally on our website, rather than posted out in hard copy to all shareholders.

Looking forward

We will formalise our approach to ESG over the next year by developing a strategy to ensure we positively impact our communities and the environment. We want to ensure that our ESG approach is aligned to our creative culture and intend to detail our sustainability strategy and progress target-setting, as a means of driving performance and holding ourselves to account as we strive to continue to operate as a responsible business.

risk factors

RISKS RELATING TO THE GROUP AND ITS BUSINESS

New game selection and enhancement of back catalogue

RISK: The games industry is highly competitive. There is no guarantee the Group will continue to identify, develop and publish successful new titles. As consumer preferences change, the Group's ability to generate revenue from its back catalogue of games may diminish.

MITIGATION: The strength of the 'Devolver' brand continues to draw high numbers of publishing enquires from the indie development community, with an estimated 2,000 games evaluated each year, leading to a highly curated selection of titles for publication.

The combination of the track record, skill and expertise of the Group with the hands-on oversight of the production teams enables the Group to select strong titles and guide development studios throughout the development of the game title to promote its likely success. In addition, the back-catalogue of over 90 games includes a number of 'evergreen' titles and franchises which generate consistently strong revenues over many years. The emergence of an increasing number of platforms requiring significant content to bolster their offering suggests that there will be continuing demand for back-catalogue titles in the foreseeable future.

The Group is reliant on key strategic relationships with third parties

RISK: The Group relies upon its strategic relationships and strategic partnerships with global video games media and streaming services. Any significant disruption to those relationships could have a material adverse effect on the Group's financial performance. Increased competition for premium positioning on digital marketplaces and the rise of new entrants may negatively impact the Group's ability to compete successfully, which would have a corresponding impact upon sales and profitability.

MITIGATION: The Group has continually moved to diversify its revenue sources by introducing our games to new platforms, including Virtual Reality (VR) platforms, subscription platforms such as Netflix and Amazon, cloud-based streaming platforms, mobile platforms such as Apple Arcade, as well as emerging players such as Epic and GoG games. Additionally, the Group enjoys geographical diversity of revenues with about one third of revenues being derived from each of geographical North America, Europe and Asia, respectively. As such, if a disruption occurred related to a particular geographical region it might not affect the overall operations on a particular platform world-wide.

The Group may not sustain its growth due to external factors

RISK: The Group's operating results could fluctuate as a result of factors beyond its control both in the games industry and national and world economies at large. The growth rate of the video games market, an increase in competitive pricing pressures from new entrants, changes in video game technologies, general economic conditions and world political events could negatively impact the Group's revenue growth.

MITIGATION: Devolver enjoys four distinct categories of diversification and support in its business model. In addition to geographical diversity (cited above), the Group enjoys steady back catalogue sales which provide revenue support, historically ranging from 60% to 70% of total Group revenues in recent years. The release of multiple new titles per year means that the Group is not overly reliant on any single game release for the Group to maintain positive revenue and cashflow generation. In addition, the Group benefits from working with a diversified number of game development studios, ensuring that the Group is not overly reliant on the work output from a concentrated small number of studios.

The pipeline of new titles generally has larger development and marketing budgets than previous titles

RISK: As the Group grows, development and marketing expenditure in relation to the pipeline titles will likely be, on average, larger than historic releases. The increase in development and marketing spend increases the risk that developer advances may not be recovered if a title is not a commercial success. Increasing development and marketing spend may also lead to an increase in concentration risk, subsequently resulting in the possibility that the commercial failure of a single game could materially reduce the Company's forecasted revenue.

MITIGATION: In step with the growth of the video game market globally, the increase in global gamers, and the emergence of an increasing number of content-provision platforms, the Group has seen a notable lengthening in the revenue decay curve of its titles, with many titles now generating consistent revenue over 6 years or longer. The increasing duration of a title's sale potential increases the likelihood that over a period of time the game will recoup its expenses. On average, Devolver has historically enjoyed pay-back of fully-loaded investment into a game over an average period of four months, and over 90% of games have been profitable. New titles will increasingly be launched same day/date on all major platforms, increasing the impact of release and reducing the need for additional marketing spend on subsequent launches on different platforms. Increased localisation into more foreign languages further increases the potential for greater revenue capture across more geographies.

The Group uses the services of third-party developers for many of its games

RISK: The Group contracts external indie developers to develop many of the games it publishes. There is significant demand in the industry for the services of high-quality indie developers, and the Group has limited visibility or control over their other commitments once contracted.

Indie developers engaged by the Group may be acquired by a competitor, or may enter into exclusive development agreements with such competitors. In either case, this would restrict the ability of the developers to continue to perform services for the Group, except for instances where the developers are contractually required to complete development.

MITIGATION: Devolver has worked with a number of game development studios that have been acquired by competitor publishers in the past, and this has not led to the studios discontinuing their relationship with Devolver, as such acquisitions are based on the studios continuing their work as before. Nevertheless, the Group has worked with over 60 development studios including 29 currently for the existing pipeline of games. This diversification of studio exposure mitigates against the risk that certain studios might move to other game contracts once their work for Devolver is complete.

The Group is dependent on its key talent

RISK: The successful operation of the Group relies partly on the efforts and abilities of its senior management, executive officers and Directors. Their knowledge, expertise and experience are key contributors to the continued success of the business. The failure to retain the services of any of the Directors, executive officers or senior management could have a material adverse effect on the Group's profitability.

MITIGATION: Devolver's successful growth to date has been driven by attracting talent and providing the environment in which they can develop their skills. Managers at all levels are actively encouraged to foster talent and to consider succession-planning for the future. Devolver considers that it has a deep bench of veteran talent and a growing number of candidates for leadership in numerous positions throughout the Group. In addition, the Board intends to introduce a Long-Term Incentive Programme (LTIP) in 1H 2022 with the aim of rewarding and retaining key personnel in leadership positions across the company.

RISK: The success of the Group's business and revenues depends upon the talent and skills of its personnel. It may prove increasingly difficult in a fast-growing competitive industry to recruit highly experienced employees. The Group's production, development and marketing teams possess key skill sets that are essential to the success of the business. Should the Group no longer be able to retain such employees and/or attract new employees, the Group's business, revenues and prospects could suffer significantly.

MITIGATION: Devolver has ensured that employees throughout the company have received stock option awards and many are also shareholders. Additional equity awards are planned going forward. The company has conducted a number of reviews and implemented salary increases where required, as well as recently introduced additional inflation-based salary adjustments to reflect the recent challenging environment. These steps are taken to ensure that our staff are well incentivised and continue to feel valued and rewarded. Key personnel in production, development and marketing are able share in the success of the company through competitive salaries, equity grants, and by having clear paths of progression to increasing responsibility and leadership.

The Group is subject to the risk of software piracy

RISK: In addition to the risk of IT security breaches, the Group is subject to the threat of unauthorised copying and software piracy of its games. The Group's games are typically subject to copy protection technology or other technological protection measures intended to prevent software piracy. However, the protection is ordinarily added to the Group's products by the digital platforms rather than by the Group itself and these measures may not be adequate to fully protect against piracy. Unauthorised copying of the Group's own-IP, or games published by the Group, could have an adverse effect on the Group's ability to generate revenues and profits.

MITIGATION: The Group operates in the premium content sector of the video games industry. The games published by Devolver require significant budgets for their production and are created and refined over a period of years prior to commercial launch. The premium quality, time to market and significant expense create a meaningful barrier to wholesale game infringement or copying. In instances where short aspects of a game are unlawfully copied and used, for example, on a video platform, the Group is swiftly alerted to such use by its community and TM/IP infringement monitoring services and undertakes a simple take-down.

The Group may not be able to comply with the increased regulation of the video games industry worldwide

RISK: The video games industry continues to see an increase in national and supra-national regulation in a wide range of areas. The Group must ensure ongoing compliance with various data protection laws, including the UK's Data Protection Act 1998, the General Data Protection Regulation (Regulation (EU) 2016/679) ("GDPR"), the Privacy and Electronic Communications (EC Directive) Regulations 2003, the U.S. Children's Online Privacy Protection Act and the California Consumer Privacy Act, among others. In addition new regulations affecting the distribution, use and promotion of video games is increasing worldwide.

MITIGATION: The nature of the Group's PC publishing business (where game titles are owned and maintained by third-party developers) means that it is typically not interacting directly with the players or consumers of the video game titles and content we publish. As a B2B business, the Group does not collect the normal categories of data that are the focus of GDPR. In the areas where the Group does collect player or consumer data, for example where a game is wholly owned IP within the Group or increasingly with mobile titles, the Group maintains a rigorous GDPR check with its legal and technology advisors in Europe. The Group regularly reviews its activities in connection with new legislation around the world and implements adjustments (if needed) or directs its indie development studio partners to implement adjustments to align with legal guidance.

The Group's second largest market is in Asia, where there is growing demand for games, but there can be no guarantee that this growth will continue and may be reduced by, for example, interventionist laws and regulations

RISK: Asia is now the Group's second largest market by Steam unit sales, at 26% of units sold. Growth to-date has been driven by demand in the region, rather than any targeted campaigns. User bases have grown with limited input from the Group, and Asia Pacific continues to represent a significant opportunity. However, there can be no guarantee this demand will continue. In China, for example, recent rules have sought to curb the exposure under-18s have to video games, restricting them to playing online games only three hours per week. Online gaming companies have been barred from providing gaming services to minors in any form outside those hours and would need to ensure they had put real name verification systems in place. This comes further to legislation in 2018 where regulators in China halted issuing video game licences. Whilst these restrictions are targeted at free-to-play games rather than the premium titles distributed by the Group, the Group's target market in China may be reduced by any similar future measures.

MITIGATION: Devolver is keen to expand into other Asian markets and make more headway in established gaming markets such as Japan and South Korea. Increased localisation in more Asian languages will open the door for increasing sales in what are currently relatively minor markets for Devolver. In China, Devolver's sales are made through Steam Global, the international platform of Steam. Devolver's games are not targeted at minors and are not "always-on", "free-to-play" or "pay-to-win" games. Devolver's premium games are downloaded and played on a PC (generally), usually by a single player over a period of time of their choosing. Conversely, the recent regulatory tightening in China might bolster Devolver's standing from the perspective of China's gamers who may seek out games such as Devolver's which do not include the unsavoury elements or predatory financial practices of the mobile free-to-play market.

The Group is subject to general litigation risks

RISK: There is an increase in litigation amongst large global companies in the video games industry. Apple, Google, Epic and others are engaged in legal actions that can include the Group. In addition, the Group may become involved in legal disputes (with and without merit) arising out of its global operations. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any legal proceeding will not have a material effect on the Group's financial position or results of operations.

MITIGATION: Devolver commits to fair practices and endeavours to treat its partners fairly and with a high level of transparency and honesty. The Group's considers that its overall ethical stance and good reputation within the industry, combined with its internal controls and a layer of Directors & Officers insurance protection, collectively raise the level of mitigation in this area.

CFO report

This is the first annual report and accounts issued by Devolver Digital, Inc. following Admission to trading on AIM on 4 November 2021 (the "IPO").

IPO outcome

Devolver Digital successfully raised US$49.6 million of net funds for the Company as part of a total gross fund raise at the IPO of US$261 million. This leaves us with a healthy cash position at the end of 2021 of US$86.2 million. The IPO introduced a roster of high-quality institutional investors as well as the introduction of Sony Interactive Entertainment as a strategic shareholder.

Statutory financial results

The financial results included in this annual report cover the Group's combined activities for the 12 months ended 31 December 2021 (prepared in accordance with applicable International Financial Reporting Standards).

Our statutory results reflect the revenues attributable in 2020 and 2021 to the publication of the Fall Guys title in August 2020. They also reflect the gain from the sale of publishing rights to Fall Guys and the gain on sale of an IP owned by a subsidiary game development studio in 2021, both of which are reflected as Other Income.

Normalised adjusted results

The following narrative refers to Normalised Adjusted results, as presented in the financial statements contained within this annual report. Normalised Adjusted results exclude revenue outside budget from the Fall Guys title released in August 2020, as well as one-time exceptional costs related to the November 2021 IPO.

Significant revenue growth with improved margins and strong cash generation

Devolver delivered a full year 2021 performance slightly ahead of market expectations set at the time of our IPO in November 2021. This included strong normalised revenue growth of 38% to US$98.2 million and normalised adjusted EBITDA growth of 63% to US$25.7 million.

This growth was driven by strong performances from new titles released in 2021, robust back catalogue sales including within bundled special deals, and a solid contribution from newly acquired subsidiaries. In 2021 Devolver delivered a rapid improvement in normalised gross profit with a 70% annual increase to US$39.2 million, up from US$23.1 million in 2020.

Gross margins grew to 40% in 2021 from 32% in 2020, due to a combination of:

1) a higher percentage of own-IP game sales in part due to the acquisition during the year of game development studios whose games we publish;

2) an increase in bundled deals, including back catalogue titles, with the major distribution platforms, and;

3) an increased focus on same day-date releases across multiple platforms with inherent efficiencies in marketing and launch costs.

EBITDA margins

Adjusted EBITDA margins increased to 26% in 2021 compared to 22% the previous year, reflecting the flow-through from higher gross profit margins but offset by the higher relative administrative costs of the acquired subsidiaries with established offices.

Comparative results

Normalised results are prepared to provide a more comparable indication of the Group's core business performance by removing the impact of certain items including exceptional items (material and non-recurring), and other, non-trading, items that are reported separately.

Normalised results are not intended to replace statutory results. These have been presented to provide users with additional information and analysis of the Group's performance, consistent with how the Board monitors results.

Normalised results exclude the benefit from the substantial returns from the Fall Guys title, (the publishing rights were sold in April 2021), as well as one-time expenses related to the IPO). Normalised Adjusted EBITDA makes the following adjustments:

1) Excludes US$142 million of Fall Guys revenue and $64.9 million of EBITDA that exceeded budget in 2020;

2) Excludes net gain of US$100.0 million in 2021 from the sale of Fall Guys publishing rights and the sale of the IP;

3) Excludes stock compensation (share-based payment) expenses;

4) Excludes one-time expenses related to the November 2021 IPO, and;

5) Excludes Amortisation of acquired IP (but does not exclude amortisation of capitalised software development costs).

Further details of adjustments are given in Note 13 to the financial statements contained in this annual report.

Cash

Net cash at year end 2021 was US$86.2 million (2020: net cash of US$43.5 million) following the receipt of the net proceeds of the IPO. The Group's current cash reserves provide sufficient capital to fund our growth strategy.

Capital expenditure

The Group's ongoing capital expenditure requirements are primarily expected to be focused on game development advances and the costs associated with publishing new titles. In addition, there is ongoing internal investment into new HR and accounting systems to better integrate the subsidiaries across the group. We may use cash holdings as part of the total consideration for any future selective acquisitions that the Group may undertake.

Capital and reserves

Total equity for the year increased by US$175.2 million to US$246.8 million (2020: US$71.5 million), reflecting cash generation from operations, the sale of the Fall Guys publishing rights to Epic Games in April 2021, and the issue of new shares at the IPO in November 2021.

Dividend policy

The Company paid a special dividend in 1H 2021 due to the outstanding success of Fall Guys. However, the Directors intend to re-invest a significant portion of the Company's cash reserves and earnings to facilitate plans for further growth. As such, the Directors do not expect to declare any dividend in respect of the current financial year ending on 31 December 2021 or in the foreseeable future.

Over the longer term, should the Group generate a sustained level of distributable profits above assessed capital needs at the time, then the Board would consider introducing a progressive dividend policy. Declaration of dividends will always remain subject to all applicable legal and regulatory requirements and recommendations of final dividends and payments of interim dividends will be at the discretion of the Board. The Board will exercise such discretion where it is commercially prudent to do so, taking into account the policy set out above.

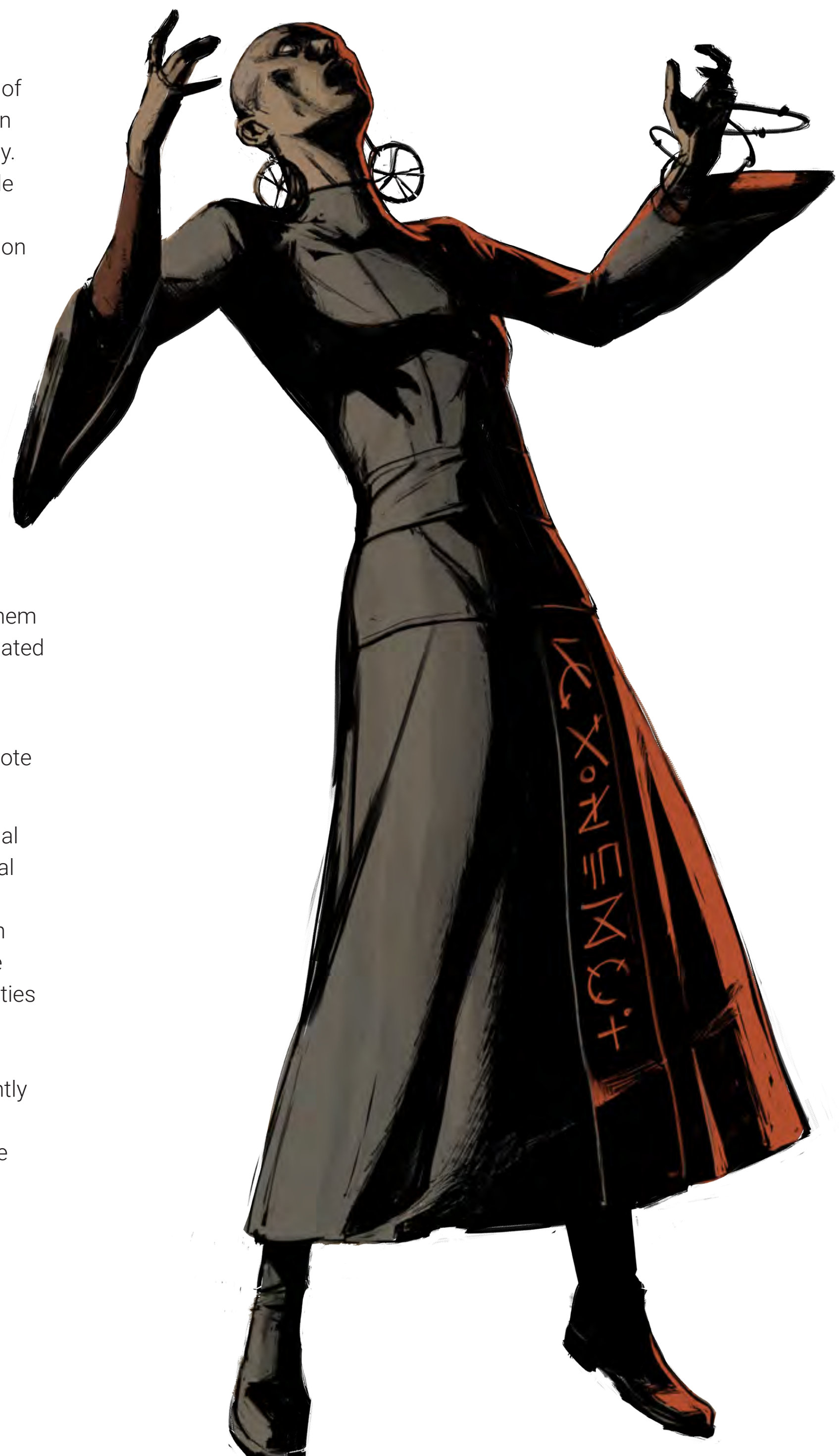
Whilst the Board considers dividends as the primary method of returning capital to shareholders, it may, at its discretion, consider share purchases, when advantageous to shareholders and where permissible. The Board may revise its dividend policy from time to time.

Principal risks and uncertainties

The Group is exposed to a variety of risks and actively manages them through risk management procedures. While risk cannot be eliminated altogether, actions are taken to mitigate risk wherever possible.

Details of the Group's financial risk management objectives and policies of the Group and exposure to risk are laid out in detail in note 23 of this Annual Report.

In late February 2022 Russia invaded Ukraine, leading to substantial economic sanctions being levelled upon Russia by the international community. Revenues from the Russia/Ukraine/CIS region have accounted for less than 3% of total Group annual revenues in each of 2020 and 2021. Less than 1% of royalty and other expenses are payable into the affected countries in the conflict region, and royalties have not been paid to Russia-based developers since Russia was barred from SWIFT, the international banking system. Royalties withheld are recorded as accounts payables. The Company currently believes that the impact from the conflict will not materially affect its operations, revenue or expenses. The Company has no full-time employees in the affected geographies.



Daniel Widdicombe
Chief Financial Officer

3 May 2022

corporate governance

chairman's introduction

Dear Shareholder

On behalf of the Board of Directors, I am pleased to present the governance report for the year ended 31 December 2021. The Board is collectively responsible for the success of the Company, and entrepreneurial leadership is balanced by the scrutiny and oversight provided by the Independent Non-Executive Directors.

As a business quoted on the AIM market of the London Stock Exchange, we have adopted the Quoted Companies Alliance Corportate Governance ("QCA") Code. Devolver supports the principles of the Code and the Directors believe it provides the Company with the appropriate framework to ensure that a strong level of oversight is maintained. This enables the Company to establish an effective governance culture as part of building a successful and sustainable business for all of its stakeholders. The Company complies with the ten principles of the Code, as detailed below.

Harry Miller
Executive Chairman

3 May 2022

principles of the QCA code*

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company's business model and strategy is set out on pages 8 to 13. The Directors believe that the Company's model and growth strategy will strengthen the Company's working capital position by improving its core game publishing craft, leveraging existing intellectual property owned by the companies in the Group, and selectively acquiring new intellectual property, publishers and development studios. These combined actions will promote long-term value for shareholders.

The principal risks facing the Group are set out on pages 27 to 29. The Directors will continue to take appropriate steps to identify risks and undertake a mitigation strategy to manage these risks, including implementing a risk management framework.

Principle 2: Seek to understand and meet shareholder needs and expectations

Prior to listing in November 2021, the Company's Executive Directors undertook a roadshow which informed the Company as to its shareholders' expectations following Admission to the AIM market of the London Stock Exchange.

The Company's Annual Report will be available on the Company's website on 3 May 2022 and the Notice of Annual Meeting (AM) will be sent to all shareholders on 2 June 2022. The AM will take place virtually on 24 June 2022. All documents will be available to download from the Company's website.

The Company maintains an active dialogue with shareholders, who 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 are also announced through a Regulatory Information Service. The Company commenced individual and group shareholder meetings following the announcement of the 2021 Full Year results on 4 April 2022.

The Company's AM will be an opportunity for shareholders to meet with the Chairman, Executive and Non-Executive Directors. The AM will be open to all shareholders, and offers an opportunity to ask questions and raise issues during the formal business, or more informally, following the virtual meeting. The results of any voting at the AM will be announced through the Regulatory Information Service and posted on the Company's website.

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 the AM.

There is also a designated email address for Investor Relations, ir@devolverdigital.com, and all contact details are included on the Company's website.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company 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 maintain an ongoing and collaborative dialogue with stakeholders and take feedback into consideration as part of the decision-making process and consider where feedback can impact the day-to-day running of the business.

Devolver has always supported numerous local, national, and global charities and initiatives and in the year ended 31 December 2021 donated $49,200.00 (USD) to charity. More information on our corporate social responsibility can be found on pages 25 to 26.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The principal risks facing the Group are set out on pages 27 to 29. The Directors take appropriate steps to identify risks and undertake a mitigation strategy to better manage such risks where possible. A formal review of these risks is carried out at least on an annual basis. Additionally, the Company holds an active risk register which is regularly reviewed at Board level as well as by the Audit & Risk Committee.

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

Principle 5: Maintain the Board as a well-functioning, balanced team, led by the Chairman

The Board comprises the following persons:

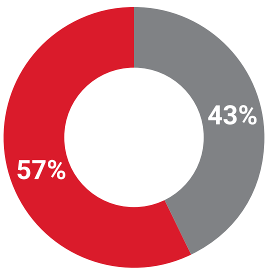
- Four Non-Executive Directors, and;
- Three Executive Directors.

The biographies of the Directors are set out on pages 38 to 39. The Senior Independent Director, Kate Marsh, and Non-Executive Directors Jeffrey Lyndon Ko, Janet Astall and Jo Goodson are considered to be independent and were selected with the objective of bringing experience and independent judgement to the Board.

* The company listed on November 4th 2021 and the full board including the four Independent Non-Executive Directors was constituted on that date. The QCA Commitments as described came into effect on that date.

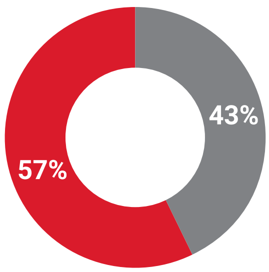
The Executive Chairman, Harry Miller, is well-supported by experienced Independent Directors and the Senior Independent Director with clearly defined roles and responsibilities. The Board as a whole will be collectively responsible for the success of the Group, and the proposed structure provides leadership of the Group within the framework of effective controls.

Gender balance



Male
Female

Executive vs Non-Executive



Non-Executive Directors
Executive Directors

As of December 31, 2021

The division of responsibilities between the Executive Chairman, the Chief Executive and the Senior Independent Director will be agreed by the Board. Kate Marsh, the Senior Independent Director, will lead the Independent Non-Executive Directors on matters where independence is required. The Board is not dominated by one individual and all Directors have the ability to challenge proposals put forward at each meeting, democratically. Additionally, the governance architecture has been designed to empower the independent members of the Board through the various Committee structures.

The Board is also supported by the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee, further details of which are set out on pages 42 to 46. The Nomination Committee will keep the composition of the Board under regular review, taking into account the relevant skills, experience, independence, knowledge and diversity of the Board.

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 them to discharge their respective duties. Since the IPO, the Board has met monthly and plans to continue this cadence of monthly meetings.

			Board Attendance					
Name	**Position**	**Committee Membership**	**Nov 21**	**Dec 21**	**Jan 22**	**Feb 22**	**Mar 22**	**Class**
Harry Miller	Executive Chairman	Nomination	✓	✓	✓	✓	✓	I
Douglas Morin	Chief Executive Officer		✓	✓	✓	✓	✓	II
Daniel Widdicombe	Chief Financial Officer		✓	✓	✓	✓	✓	III
Kate Marsh	Senior Independent Director	Audit, Remuneration (Chair)	✓	✓	✓	✓	✓	I
Jo Goodson	Non-Executive Director	Nomination (Chair), Remuneration	✓	✓	✓	✓	✓	II
Jeff Lyndon Ko	Non-Executive Director	Audit, Remuneration	✓	✓	✓	✓	✓	III
Janet Astall	Non-Executive Director	Audit (Chair), Nomination	✓	✓	✓	✓	✓	III

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 the end of 2022, Directors belonging to Class I will offer themselves up for re-election.

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

Sub-committee attendance

REMUNERATION COMMITTEE

Name	17 Dec 21	8 Apr 22
Kate Marsh (Chair)	✓	✓
Jeff Lyndon Ko		✓
Jo Goodson	✓	✓

AUDIT COMMITTEE

Name	6 Dec 21	14 Mar 22	21 Mar 22
Janet Astall (Chair)	✓	✓	✓
Kate Marsh	✓	✓	✓
Jeff Lyndon Ko	✓	✓	✓
Jo Goodson	✓	✓	✓

NOMINATION COMMITTEE

Name	11 Apr 22
Jo Goodson (Chair)	✓
Harry Miller	✓
Janet Astall	✓

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The skills and experience of the Directors are summarised in their biographies set out on pages 38 to 39.

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.

Prior to listing the Directors also received a briefing from the Company's Nominated Adviser ("NOMAD") in respect of continued compliance with, inter alia, the AIM Rules and from the Company's Solicitors, Fieldfisher LLP, in the United Kingdom in respect of continued compliance with, inter alia, the AIM Rules for Companies and UK Market Abuse Regulations ("MAR"). The Company's General Counsel and Board has attended several training sessions with the Company's NOMAD and solicitors regarding the AIM Rules, the Disclosure Guidance and Transparency Rules and MAR.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Directors consider the effectiveness of the Board, Audit & Risk 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. There is also an annual overall review and assessment of the Board. The outcome of these performance reviews will be included in the Annual Report for the year ended 31 December 2022 and thereafter.

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 Company's policies promote this culture and include such matters as whistleblowing, social media, anti-bribery and anti-corruption. The Board takes responsibility for the promotion of ethical values throughout the Group, and for ensuring that such values 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 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 & Risk Committee, the Remuneration Committee and the Nomination Committee, further details of which are set out on pages 42 to 46. 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.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Responses to the principles of the QCA Code and the information that will be contained in the Company's Annual Report and Accounts provide details to all stakeholders of how the Company is governed.

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 meeting the Group's objectives and updating its strategic targets can be given to shareholders.

Additionally, the Board uses the Company's Annual Meeting 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: ir@devolverdigital.com, and all contact details are included on the Group's website.

board of directors

HARRY MILLER

Executive Chairman (Nomination)

Harry is a video games industry veteran, with over 26 years of sector experience, having established and managed a number of publishing and developing businesses. Harry was a co-founder and CEO of video games developer Ritual Entertainment, leaving in 1998. In the same year he co-founded Gathering of Developers, also known as G.O.D. or G.O.D. Games, alongside two founders of Devolver. Following the sale of G.O.D. to Take-Two Interactive in 2000, Harry became CEO of Hong- Kong based En-Tranz Entertainment, where he stayed until 2003. Harry was a Director of Play HK Ltd, until reuniting with the G.O.D. Games founders in 2006, helping establish another developer-first publishing brand, Gamecock Media. Harry ran Gamecock as President until its sale in 2008. Harry and several of the G.O.D. founders went on to establish Devolver, where he currently occupies the Executive Chairman role, having previously served as President. Harry is also a founding partner of Good Shepherd and has an MIM from Thunderbird School of Global Management.

DOUGLAS MORIN

Chief Executive Officer

Douglas joined Devolver in 2020 as Chief of Staff and was appointed CEO in 2021. Prior to joining Devolver, Douglas has had 24 years of experience working in global equity capital markets. He started his career at Bear Stearns in 1996 transferring to Hong Kong in 1997. In 2007 Douglas joined CCB International where he worked on a number of high-profile IPOs. In 2012 he became the CEO of the listed company Crosby Securities. Douglas moved to Silicon Valley, California in 2016, later joining Wedbush Securities in San Francisco, where he was an MD in Equity Capital Markets. Douglas has an MBA from Thunderbird School of Global Management, where he first met Harry.

DANIEL WIDDICOMBE

Chief Financial Officer

Dan joined Devolver as CFO in 2021, bringing with him over 30 years of finance experience. A fluent Mandarin speaker, Dan trained as an investment analyst in Hong Kong at HSBC and Bear Stearns, and then spent 4 years as CFO of NASDAQ-listed internet company Chinadotcom. Dan has held a number of non-executive roles including Chairman of the Audit & Risk Committee of Corgi International, another NASDAQ-listed business, and Middle Earth Limited. On returning to London, Dan spent over 10 years at China Construction Bank as Head of Investment Banking, leaving in 2020, joining Devolver in May 2021.

KATE MARSH

Senior Independent Director (Audit, Remuneration Chair)

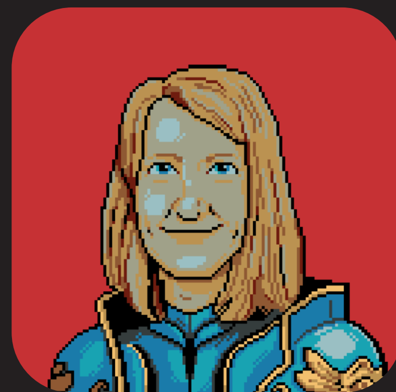
Kate is an experienced Executive and Non-Executive Director with over 30 years experience in digital and media businesses, holding senior management roles with global companies including Sky, GroupM, Sony Pictures and the BBC. Kate is currently Senior Vice-President of International Digital Networks, MGM Studios where she leads MGM's branded streaming business outside the US with services across Australia, Canada, EMEA and Latin America.

She is a Non-Executive Director at UK FTSE 250 company, Games Workshop Group Plc, where she sits on the Remuneration, Nomination and Audit & Risk Committees and is also a Non-Executive Director of Elstree Film Studios Limited. She has served at board-level for Sony Pictures Entertainment companies in Europe, Plato Media Ltd, Hopster along with Mediahuis Ireland Ltd (previously INM Plc), the home of the Irish Independent and Belfast Telegraph.

JO GOODSON

Independent Non-Executive Director (Nomination Chair, Remuneration)

Jo is a technology sector entrepreneur with over 25 years of experience. Jo co-founded MediaGold in 1998, which was later sold to Avanquest, a Paris-based Euronext-listed company in 2003. Before starting her current role, Jo advised tech companies on the internet, gaming software and entertainment space, including Mediatonic Games, Playmob, MediaGold and Indigo Pearl. She was also a Non-Executive Director of Six to Start. Jo is currently a Managing Partner at Hampleton Partners.



JANET ASTALL

Independent Non-Executive Director (Audit Chair, Nomination)

Janet has over 20 years of experience working in finance, the majority of which has been spent working for consumer-facing technology businesses. Janet is currently the Finance Director, Financial Controller and COO Business Partnering at Three. Janet has previously held similar roles at BT, British Gas and O2 and was a Non-Executive Director at Telefonica. Janet is a Chartered Accountant, qualifying at KPMG in 1998.

JEFF LYNDON KO

Independent Non-Executive Director (Audit, Remuneration)

Jeff has over 20 years of experience in the video games sector. He is currently President of iDreamsky Technology, a company he co-founded in 2009. iDreamsky is a Chinese headquartered video games company, listed on the Hong Kong Stock Exchange. Jeff was elected as the President of the Shenzhen ESports Association in November 2018. He also served as the Honorary Advisor of Hong Kong Esports Club Limited and the Honorary President of Macau E-Sports Federation.

company policies

Share Dealing Code

The Company has adopted a share dealing policy which sets out the requirements and procedures for the Board and applicable employees' dealings in any of its AIM securities in accordance with the provisions of UK MAR and of the AIM Rules.

Anti-Bribery and Anti-Corruption Policy

Devolver has adopted an anti-corruption and bribery policy which applies to the Board and employees of the Group. It sets out their responsibilities in observing and upholding a zero tolerance position on bribery and corruption in all the jurisdictions in which the Group operates. It also provides guidance to those working for the Group on how to recognise and deal with bribery and corruption issues and the potential consequences. The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner, being aware of and referring to this policy in all of their business activities worldwide. The Company expects any and all business carried out on the Company's behalf to be in compliance with this policy. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

Whistleblowing Policy

Devolver's Whistleblowing Policy sets out a framework for the Group to promote and encourage confidence in its business practices and operations.

It provides for complaints to be received and retained regarding suspected wrongdoing, such as, fraud, illegal or unethical behaviour and auditing misconduct to give a few examples.

It aims to encourage individuals to report any suspected wrongdoing that they are aware of in a confidential manner, to protect individuals who report on such suspected unethical behaviour and enable Devolver to meet its obligations under local laws.

This policy applies to all entities and individuals working at all levels in Devolver and the Group within the Devolver group of companies, including senior managers, officers, directors, agents, employees, consultants, contractors, part and fixed term workers, casual and agency staff irrespective of their geographical location within Devolver.

The policy sets out a detailed reporting procedure, including filing a report and reporting via the Whistleblowing service, namely online or via a telephone helpline.

Environmental, Social and Corporate Governance Policy

Devolver seeks to conduct its enterprise in a responsible manner, to treat its business partners and employees fairly and respectfully, understanding the importance of restricting the negative impacts of its operations on the environment, and advocating those principles with those whom it does business with. The Company seeks to emphasise its commitment to sustainability, employee welfare and development, diversity, equal opportunities, reducing waste and supporting charitable initiatives. The Company seeks to operate in an ethical manner across the jurisdictions in which it does business.

Conflict of Interest Policy

Devolver's Conflict of Interest Policy encourages disclosure of actual, potential or perceived conflicts of interest in order to protect the reputation and integrity of Devolver. It broadly outlines (i) identifying potential conflict of interest situations (ii) dealing with identified conflicts of interest and (iii) obligation on all staff to disclose conflict of interest or potential conflicts of interest and maintain high ethical standards.

The policy applies to all directors, officers, employees, contractors and agents of Devolver and the Group and sets out the Conflict Review Procedure.

IT Use Policy

Devolver's IT Use Policy establishes a framework for Devolver to promote effective communication and working practices when using various forms of electronic media by outlining the following (i) standards to observe when using such systems (ii) when Devolver will monitor use (iii) action taken if there is a breach in standards.

The policy applies to all directors, officers, employees, contractors and agents of Devolver and of the Group who use communications equipment and systems in performing their duties.

board committees

The Company has established Audit & Risk, Nomination and Remuneration committees.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee comprises:

- **Janet Astall** – Chair
- **Jeff Lyndon**
- **Kate Marsh**

Janet Astall, the Chair of the Audit & Risk Committee, has recent and relevant financial experience and is a qualified Chartered Accountant.

The Audit & Risk Committee will, among other duties, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Company.

REMUNERATION COMMITTEE

The Remuneration Committee comprises:

- **Kate Marsh** – Chair
- **Jeff Lyndon**
- **Jo Goodson**

The Remuneration Committee will review and make recommendations in respect of the Executive Directors' remuneration and benefits packages, including share incentive awards and the terms of their appointment. The Remuneration Committee will also make recommendations to the board concerning the allocation of share incentive awards to employees under the intended share schemes.

NOMINATION COMMITTEE

The Nomination Committee comprises:

- **Jo Goodson** – Chair
- **Harry Miller**
- **Janet Astall**

The Nomination Committee will review the composition and efficacy of the Board and, where appropriate, recommend nominees as new directors to the Board. It evaluates the balance of skills, knowledge and experience on the Board and keeps up-to-date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates. It keeps under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

audit & risk committee report

Committee governance

The Committee consists solely of the Independent Non-Executive Directors: Janet Astall, Kate Marsh, and Jeff Lyndon. The Chair of the Committee, Janet Astall, is a Chartered Accountant and brings recent and relevant financial experience and expertise. The other Committee members bring considerable relevant industry and public company experience at a senior level as set out in their biographies on pages 38 to 39.

Roles and responsibilities

The terms of reference of the Committee can be found on the Group's website, https://investors.devolverdigital.com. These clearly define the Committee's responsibilities, which are to assist the Board in the following matters:

- Overseeing the financial reporting process in order to ensure that the information provided to the shareholders is fair, balanced and comprehensive and allows them to assess the Group's position, performance, business model and strategy;
- Oversight of the external audit process and management of the relationship with the Group's external auditor, reviewing their performance and independence, advising the Board on their appointment and remuneration and approving any non-audit work;
- Ensuring compliance with accounting standards and the consistency of the methodologies applied, reviewing and reporting to the Board on significant financial reporting issues and judgements;
- Monitoring the adequacy and effectiveness of the Group's internal controls and risk management system.

Significant reporting issues and judgments

As part of the Committee's review of the 2021 full year results announcement and the 2021 Annual Report, the following key accounting policies and estimates were reviewed:

- Revenue Recognition, the application of IFRS 15;
- Accounting for acquisitions during 2021;
- Capitalised development costs and their useful economic life;
- The testing of goodwill and intangible assets for impairment;
- Accounting for share-based payments;
- Taxation; and
- Going concern.

For further detail on these, please see the notes on page 57 to 81 of the financial statements. The Committee also reviewed and discussed the findings of the audit with the external auditor.

Activities during 2021

Between admission to AIM on 4 November 2021 and the end of December 2021, the Committee met once. All Committee members and the Group's external auditors, Grant Thornton LLP, were in attendance. The Committee:

- Considered the timetable of the Trading Update, the 2021 full year results announcements and the 2021 Annual Report;
- Performed a review of the auditor's fees, independence and effectiveness;
- Agreed the 2021 full year audit plan, scope, timetable and engagement letter with the auditor;
- Reviewed the risk policy, risk register, and improvements to internal controls since admission to AIM; and
- Reviewed implementation of key policies including whistleblowing and anti-bribery and corruption.

Priorities during 2022

Priorities for the Committee during 2022 include oversight of the installation of a group-wide SAP reporting software system. Following this implementation, the Committee will review internal reporting and financial controls across the Group including at the subsidiary level.

remuneration committee report

Roles and responsibilities

The Terms of Reference for the Remuneration Committee were created at Admission on 4 November 2021. Following Admission, the Remuneration Committee met once prior to the Group's to year end December 2021. Key responsibilities of the Committee are as follows:

- Annual review of remuneration arrangements, policies and trends across the Group;
- Reviewing and making recommendations in respect of Executive Directors' remuneration and benefits packages, including share incentive awards and the terms of their appointment;
- Reviewing the design of employee share incentive plans and determining each year whether awards will be made;
- Ensuring remuneration schemes promote alignment with long-term shareholder interests.

Activities during 2021

As of the year end 31 December 2021, Devolver had been quoted on the AIM for only two months. As such, this report is intended to provide shareholders with information on the role of the Committee and the work to date, rather than providing a full report of the Remuneration Committee's activities given the timing. Following admission on 4 November 2021, the Committee met to initiate a remuneration review to create a policy to reflect the Company's newly listed status. The committee, with the approval of the Board, has engaged the services of independent advisor Alvarez & Marsal to support the committee in that review, focusing on three key areas:

- Remuneration policy for Executive Directors and senior management for 2022 and beyond;
- The design of an long-term incentive plan (LTIP) for the Company; and
- The design of a company-wide bonus scheme.

Such review is fully underway and an advisory report, to include independent benchmarking, stakeholder interviews and recommendations on the design of the future incentive plans, is due to be completed by the end of Q1 2022 for consideration by the Remuneration Committee.

Governance processes

The Remuneration Committee will meet at least 3 times a year.

The Committee is committed to complying with the principles of good corporate governance in relation to the design of its remuneration policy, and as such our policy will follow the QCA Remuneration Guidance as far as is appropriate to Devolver's management structure and the company's size and listing.

Priorities for 2022

The Remuneration Committee initiated a remuneration review following Admission and in the year ending 31 December 2022 the committee plans to have completed and adopted, subject to Board approval and following shareholder consultation, an appropriate Remuneration Policy that will attract, incentivise and retain talent across the Group and align with the long-term objectives of the Group and its shareholders.

directors' remuneration report

Directors' remuneration policy

The Remuneration Committee sets the overall policy on remuneration and other terms of employment of Directors. The Non-Executive Directors do not have any personal interest in the matters to be decided by the Remuneration Committee, or any potential conflicts of interest or day-to-day involvement in the operations of the Company. The Executive Directors may be asked to attend meetings when appropriate to provide advice, however, no Director will be present for discussions concerning their own remuneration.

Remuneration for the Executive Directors may include base salary, annual bonus and share awards. Remuneration for the Non-Executive Directors will comprise an annual fee.

Basic salary and benefits

The Directors' forward compensation plans are part of the review by Alvarez & Marsal described above. The Remuneration Committee anticipates presenting the remuneration and compensation report to the Board H1 this year. The Directors' compensation for the year ended 31 December 2021 was discretionary. Details of these payments, which were audited, are in the table below and included in the table of Directors' emoluments on page 45.

	Basic salary / fee
Executive Directors	
Harry Miller, Chairman	$400,000
Douglas Morin, CEO	$400,000
Daniel Widdicombe, CFO	£350,000
Non-Executive Directors	
Kate Marsh (Senior Independent Director)	£80,000*
Joanne Goodson	£55,000*
Janet Astall	£55,000*
Jeffrey Lyndon Ko	£50,000

*including an additional £5,000 in respect of their committee chair roles

Going forward base salaries or fees for each Director will be reviewed annually by the Remuneration Committee, and adjusted where appropriate to reflect performance, change in responsibilities, market conditions and/or information from independent sources on rates of salaries for similar roles and responsibilities.

Annual bonus

The Group's bonus arrangements are subject to review following Admission. In February 2021, discretionary bonuses were paid to Harry Miller and Douglas Morin. Details of these bonuses are included in the table of Directors' emoluments on page 45.

Pension

The Group operates a defined contribution pension scheme under which it pays contributions based upon a percentage of the members' basic salary.

Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income and differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

During the year, pension contributions of $23,200 (2020: $104,440) were paid to Executive Directors. The 2021 contributions are included in the table of Directors' emoluments on page 45.

Taxable benefits

The Directors' taxable benefits are detailed in the table of Directors' emoluments on page 45.

Service contracts and letters of appointment

The Group's policy is for all of the Executive Directors to have a notice period of twelve months. All Non-Executive Directors have a notice period of three months.

The Executive Directors' service agreements also contain confidentiality undertakings and prohibitions (which apply for a period of twelve months following termination of employment) on competing, soliciting and dealing with customers, poaching employees and interfering with relationships with suppliers.

Company policy on external appointments

The Group recognises that its Directors may be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will benefit the Group. Executive Directors are, therefore, subject to the approval of the Company's Board, allowed to accept non-executive appointments if such appointments are not with competing companies and are not likely to lead to conflicts of interest.

Share based compensation

As mentioned above, the Remuneration Committee is working with an independent advisor to develop a new share-based incentive plan for the Group. This work is currently in process and is undertaken as part of the Group's wider remuneration policy review initiated after Admission.

As at 2021 year end, and in accordance with the QCA guidelines, the following information on executive Director compensation is presented in this Report:

- the total number of interests in shares in the Group including interests of connected persons;
- the total number of scheme interests differentiating between shares and share options; and
- the total number of share options which are vested but unexercised, and exercised in the reported financial year.
- base salary received during the reported financial year;
- taxable benefits received during the reported financial year;
- short-term incentives earned as a result of performance relating to a period ending in the reported financial year;
- long-term incentives where vesting is determined as a result of performance relating to a period of more than one year which ends in the reported financial year; and
- pension related benefits received during the reported financial year.

Details of the options to purchase shares in the Company granted to the Executive Directors are set out below. Details of share-based payments are included in Note 25 to the financial statements.

	Share option scheme	Vesting period	Opening amount at 1 January 2021	Granted during the year	Lapsed / exercised during the year	Closing amount at 31 Dec 2021
Executive Directors						
Harry Miller, Chairman	-	-	-	-	-	-
Douglas Morin, CEO	2017 Equity Incentive Plan	9 Years	2,292,500	1,750,000	-	4,042,500
Daniel Widdicombe, CFO	2017 Equity Incentive Plan	9 Years	-	4,025,000	805,000	3,220,000
Non-Executive Directors						
Kate Marsh	-	-	-	-	-	-
Joanne Goodson	-	-	-	-	-	-
Janet Astall	-	-	-	-	-	-
Jeffrey Lyndon Ko	-	-	-	-	-	-

Directors' emoluments

The figures below represent emoluments earned by Directors during the year ended 31 December 2021 and relate to the period of each Director's membership of the Board (since admission on 4 November 2021). Benefits incorporate all benefits assessable to tax arising from employment by the Group.

	Salary or fees and benefits US$	Cash Bonus US$	Share-based Compensation US$	Pension contributions US$	Total US$
Executive Directors					
Harry Miller, Chairman	$341,149	$650,000	-	$11,600	$1,002,749
Douglas Morin, CEO	$279,166	$210,000	-	$11,600	$500,766
Daniel Widdicombe, CFO	$283,333	-	$1,138,755	-	$1,422,088
Non-Executive Directors					
Kate Marsh	$18,133	-	-	-	$18,133
Joanne Goodson	$12,467	-	-	-	$12,467
Janet Astall	$12,467	-	-	-	$12,467
Jeffrey Lyndon Ko	$11,333	-	-	-	$11,333

nomination committee report

Roles and responsibilities

The role of the Nomination Committee is to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and reappointments to the Board. In addition, it is responsible for reviewing the succession plans for Executive Directors and Non-Executive Directors.

The Nomination Committee will hold its first meeting since Admission in advance of the Group's first Annual Meeting. The core responsibilities of the Committee will be to:

- ensure the balance of Directors on the Board and their mix of skills, experience and knowledge supports the Group and its ability to compete effectively in the marketplace;
- lead the process for Board appointments, identify and nominate candidates to fill vacancies as and when they arise;
- support succession planning for the Board and senior management; and
- take an active role in setting diversity objectives and strategies for the Board and the Group.

Diversity and inclusion

Our diversity and inclusion values hold that no individual should be discriminated against on the grounds of age, disability, gender, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation. The Group is committed to encouraging equality, diversity and inclusion among our workforce. Our aim is for our workforce to be truly representative of all sections of society and for each employee to feel respected and thrive.

We firmly believe in making progress towards more diverse leadership in all areas, including gender and cultural diversity. As of 31 December 2021, the Board comprised 42% (three) female and 58% (four) male Board members

Governance processes

The Nomination Committee meets at least twice a year.

The Committee has formal terms of reference which can be viewed on the Group's website.

statement of directors' responsibilities

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

The Company is a US corporation incorporated under the laws of the State of Delaware, 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 comprehensive information;
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to better understand the impact of particular transactions, other events and conditions on the Company'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.

This Directors' Report was approved and signed on behalf of the Board.

Douglas Morin
Chief Executive Officer


FLYING
WILD
HOG

financial statements

report of independent certified public accountants

Board of Directors

Devolver Digital, Inc.

Opinion

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

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

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

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

Other information included in the Annual Report

Management is responsible for the other information included in the Annual Report. The other information comprises the Strategic report, Corporate governance and Other information included in the Annual Report 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 Strategic report, Corporate governance and Other information, and we do not express an opinion or any form of assurance thereon.

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

Grant Thornton LLP
Tulsa, Oklahoma

3 May 2022

consolidated statement of profit or loss

	Note	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Revenue	5	**212,738**	**98,152**
Cost of sales		(121,045)	(58,920)
Gross profit		**91,693**	**39,232**
Administrative expenses		(14,533)	(105,295)
Other income	6	–	116,080
Operating profit	8	**77,160**	**50,017**
Finance income	9	101	10
Finance costs	10	(104)	-
Profit before taxation		**77,157**	**50,027**
Income tax expense	11	(13,064)	(19,400)
Profit for the year		**64,093**	**30,627**
Profit for the year/period is attributable to:			
Equity holders of the parent		64,093	30,550
Non-controlling interests		–	77
		64,093	**30,627**
Basic earnings per share ($)	12	0.183	0.081
Diluted earnings per share ($)	12	0.174	0.075
Non-IFRS measures			
Adjusted EBITDA*	13	**80,573**	**110,818**

** Adjusted EBITDA is a non-IFRS measure and is defined as earnings before interest, tax, depreciation, amortisation (but not taking out amortisation of capitalised software development costs) and share-based payment expenses.*

consolidated statement of comprehensive income

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Profit for the year	**64,093**	**30,627**
Other comprehensive income: Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations:	–	(986)
Total comprehensive income for the year	**64,093**	**29,641**
Total comprehensive income is attributable to:		
Equity holders of the parent	64,093	29,564
Non-controlling interests	–	77
	64,093	**29,641**

consolidated statement of financial position

	Note	As at 31 December 2020 $'000	As at 31 December 2021 $'000
ASSETS			
Non-current assets			
Intangible assets			
– goodwill	14	159	66,820
– other intangible assets	14	51,573	97,822
Property, plant and equipment	15	52	226
Investments	16	1,294	–
Deferred tax assets	24	362	2,413
Total non-current assets		**53,440**	**167,281**
Current assets			
Accounts receivable	19	15,847	17,811
Prepaid and other current assets		361	1,544
Cash and cash equivalents	20	43,529	86,239
Prepaid income tax		–	8,512
Total current assets		**59,737**	**114,106**
TOTAL ASSETS		**113,177**	**281,387**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	1	44
Share premium	26	–	121,588
Translation reserve		–	(986)
Retained earnings		71,512	126,184
Equity and reserves attributable to owners of the parent		**71,513**	**246,830**
Non-controlling interest		–	(77)
Total equity		**71,513**	**246,753**
Non-current liabilities			
Deferred tax liabilities	24	–	9,316
Trade and other payables	22	920	1,567
Total non-current liabilities		**920**	**10,883**
Current liabilities			
Trade, other payables and accrued expenses	22	39,789	17,835
Deferred revenue	22	599	4,482
Loans and borrowings	21	240	–
Current tax and deferred tax payable		116	1,434
Total current liabilities		**40,744**	**23,750**
Total liabilities		**41,664**	**34,633**
TOTAL EQUITY AND LIABILITIES		**113,177**	**281,387**

consolidated statement of changes in equity

	Share capital $'000	Share premium $'000	Translation reserve $'000	Retained earnings $'000	Total equity Devolver $'000	Non-Controlling Interest $'000	Total equity $'000
Balance at 31 December 2019	1	2,927	–	17,714	20,642	–	20,642
Profit for the period	–	–	–	64,093	64,093	–	64,093
Currency translation differences	–	–	–	–	–	–	–
Transactions with owners in their capacity as owners:							
Dividends	–	–	–	(10,000)	(10,000)	–	(10,000)
Issue of shares	–	20,867	–	–	20,867	–	20,867
Exercise of share options	–	(6,000)	–	–	(6,000)	–	(6,000)
Shareholder share buy-back	–	(17,794)	–	(3,042)	(20,836)	–	(20,836)
Share-based payments	–	–	–	2,747	2,747	–	2,747
Total transactions with owners	**–**	**(2,927)**	**–**	**(10,295)**	**(13,222)**	**–**	**(13,222)**
Balance at 31 December 2020	**1**	**–**	**–**	**71,512**	**71,513**	**–**	**71,513**
Profit for the period		–	–	30,627	30,627	(77)	30,550
Currency translation differences	–	–	(986)	–	(986)	–	(986)
Transactions with owners in their capacity as owners:							
Dividends	–	–	–	(30,000)	(30,000)	–	(30,000)
Issue of shares	43	119,230	–	3	119,276	–	119,276
Other	–	2,358	–	(1,108)	1,250	–	1,250
Share-based payments	–	–	–	55,150	55,150	–	55,150
Total transactions with owners	**43**	**121,588**	**–**	**24,045**	**145,676**	**–**	**145,676**
Balance at 31 December 2021	**44**	**121,588**	**(986)**	**126,184**	**246,830**	**(77)**	**246,753**

Share capital
The called-up share capital records the nominal value of shares issued and paid up.

Share premium
Consideration received for shares issued above their nominal value, net of share issue costs.

Translation reserve
Cumulative exchange differences on consolidation of overseas subsidiaries.

Retained earnings
Cumulative profit and loss attributable to the owners of the parent company, net of distributions to owners and including share-based payment reserve.

Non-Controlling Interest
Cumulative profit and loss attributable to the owners of the non-controlling interests in the Group.

consolidated statement of cash flows

	Note	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Cash flows from operating activities			
Net income		64,093	30,627
Gain on sale of publishing rights & intellectual property		–	(115,576)
Amortisation & depreciation		6,978	9,338
Share based payments		2,747	55,150
Working capital movement		(1,030)	140
Other operating activity movement		(533)	2,891
Net cash generated by operating activities	28	**72,255**	**(17,430)**
Cash flows from investing activities			
Purchase of intangible assets	14	(22,175)	(31,734)
Acquisitions of businesses, net of cash acquired		(3,278)	(34,083)
Sale of publishing rights & intellectual property		–	127,500
Other		65	–
Net cash (used in)/generated from investing activities		**(25,388)**	**61,683**
Cash flows from financing activities			
Dividends paid		(10,000)	(30,000)
Proceeds from borrowings		7,240	–
Repayment of borrowings		(7,000)	–
Repayment of Shareholder Loan		(6,000)	(20,837)
Share capital issuance, net of IPO fees		–	49,362
Legal fees on share issue/IPO		–	(68)
Net cash generated by/ (used in) financing activities		**15,760**	**(1,543)**
Cash and cash equivalents			
Net increase in the year		31,107	42,710
At 1 January		12,422	43,529
At 31 December		**43,529**	**86,239**

notes to the consolidated financial statements

1. GENERAL INFORMATION

Devolver Digital, Inc. ("the Company") is a publicly listed company traded on the AIM market of the London Stock Exchange, and is registered, domiciled and incorporated in Delaware, USA. The address of its registered office is 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808, USA.

The Group ("the Group") consists of Devolver Digital, Inc. and all of its subsidiaries as listed in Note 17.

The Group's principal activity is that of a video game publisher specialising in independent games.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This Annual Report presents the financial track record of the Group for the two years ended 31 December 2021 and is prepared for the purposes of regulatory disclosure requirements on AIM; a market operated by the London Stock Exchange. This combined financial information has been prepared in accordance with the requirements of the AIM Rules for Companies, in accordance with this basis of preparation summarised below.

The Annual Report has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The directors of the company are solely responsible for the preparation of this Annual Report.

The Annual Report is prepared in US Dollars, which is the functional currency and presentational currency of the Company. The functional currency of the Group's foreign operations is that of the currency used in the countries in which they operate. All balance sheet accounts of the Group's foreign subsidiaries, where applicable, are translated from their functional currencies, at the year-end rate of exchange, and income statement items are translated at the weighted average exchange rate on a monthly basis. Foreign currency translation adjustments are included as a component of comprehensive income for each period, net of the effect of income taxes.

Monetary amounts included in all tables in this Annual Report are rounded to the nearest thousand US Dollar.

Basis of accounting

The Annual Report has been prepared under the historical cost convention except for, where disclosed in the accounting policies, certain items shown at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods, services and assets.

The preparation of Annual Report in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the Annual Report. If in the future, such estimates and assumptions which are based on management's best judgement at the date of the Annual Report, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Critical accounting estimates and key sources of estimation uncertainty in applying the accounting policies are disclosed in Note 3.

Basis of consolidation

The consolidated Annual Report incorporates those of the Company and all of its subsidiaries.

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

The cost of a business combination is the fair value at acquisition date of the assets given, equity instruments issued, and liabilities incurred or assumed. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Costs directly attributable to the business combination are expensed to profit or loss as incurred.

Going concern

After reviewing the Group's forecasts and projections and taking into account the proceeds of the November 2021 Initial Public Offering ("The Placing"), the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, which is defined as period of not less than 12 months from the date of publication of this Annual Report. The Group has therefore adopted the going concern basis in preparing the Annual Report.

New and revised standards in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standard/amendment Effective date

Amendments to IFRS 16 Leases: Covid-19- Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) 1 April 2021

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) 1 January 2022

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) 1 January 2023

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

Revenue recognition

IFRS 15 Revenue from Contracts with Customers has been applied for all periods presented within the Annual Report.

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 or the transfer of control of a product.

The Group evaluates and recognises revenue by:

- identifying the contract, or contracts, with a customer;
- identifying the performance obligations in each contract;
- determining the transaction price;
- allocating the transaction price to the performance obligations in each contract; and
- recognising revenue when, or as, performance obligations are satisfied by transferring the promised goods or services to a customer (i.e. transfer of control).

The Company derives revenue principally from the development of and sale of licensed games that can be played by customers on a variety of platforms which include game consoles, PCs, mobile phones and tablets. The Company's product and service offerings include, but are not limited to, the following:

- licensing games to third parties to distribute and host games.
- full games ("Games") delivered digitally or via physical disc at the time of sale and product keys that provide access to offline core game content ("software license");

Certain of the Company's full games are sold to resellers with a contingency that the full game cannot be resold prior to a specific date ("Street Date Contingency"). The Company recognises revenue for transactions that have a Street Date Contingency when the Street Date Contingency is removed and the full game can be resold by the reseller. For digital full games sold to customers, the Company recognises revenue when the full game is made available for download to the customer.

The Group also receives revenue where the Group agrees to make a game available to a third party platform for their customers to download for an agreed period of time for a fixed fee and with minimal future performance obligations required by the Group. These contracts are determined as right to use contracts in accordance with IFRS 15 and the fixed fee is recognised on the date the game is first made available on the third party platform.

Revenue includes income from the release of full games and early access versions of self-published games, paid downloadable content, royalties from published games and associated physical merchandise. Revenue from physical sales is recognised at a point-in-time when the physical merchandise is delivered. On release of a game, free downloadable content or updates provided to consumers are not considered additional performance obligations as these are not promised to the consumer and are only available at the discretion of the Group.

The Company utilises third-party licensees to distribute and host games in accordance with license agreements, for which the licensees typically pay a fixed minimum guarantee and/or sales-based royalties. The Company recognises as revenue the minimum guarantee when control of the license of software is transferred (upon commercial launch). Any sales-based royalties are recognised as the related sales occur by the licensee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Revenue recognition continued

Payment Terms

Substantially all of the Company's transactions have payment terms, whether customary or on an extended basis, of less than one year; therefore, the Company generally does not adjust the transaction price for the effects of any potential financing components that may exist.

Principal Agent Considerations

The Company evaluates sales to end customers of full games and related content via third-party storefronts, including digital storefronts, in order to determine whether or not the Company is acting as the principal in the sale to the end customer, which is considered in determining if revenue should be reported gross or net of fees retained by the third-party storefront. An entity is the principal if it controls a good or service before it is transferred to the end customer. Key indicators that the Company evaluates in determining gross versus net treatment include but are not limited to the following:

- the underlying contract terms and conditions between the various parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Acting as Agent with third party platforms

Based on an evaluation of the above indicators, in particular who is primarily responsible for delivering the goods, the Company has determined that the third party platform is considered the principal to end customers for the sale of full games and related content. Therefore, the Company reports revenue related to these arrangements net of the fees retained by the storefront.

Acting as Principal with game developer partners

The Company also performs an analysis to determine whether the Company is a principal or agent related to sales of video games developed by its independent game developer partners. Based on an evaluation of the above indicators, the Company has determined that the Company is the principal for sales of video games developed by its independent game developer partners. The Company therefore reports revenue related to these arrangements gross, and the royalty payments made to the independent game developer partners are reflected as cost of revenues.

Foreign currencies

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

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

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

Research and development expenditure

Expenditure on research activities as defined in IFRS is recognised in the Consolidated Statement of Profit and Loss as an expense as incurred.

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

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

The capitalised expenditure represents costs directly attributable to the development of the asset from the point at which the above criteria are met up to the point at which the product is ready for use. If the qualifying conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred.

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

Amortisation is charged in line with the Group's policy on intangible assets disclosed below.

Finance income and costs

Finance costs comprise interest charged on liabilities. Interest income and interest payable are recognised in the Consolidated 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 of IP (but does not exclude amortisation of capitalised software development costs). Share-based payment costs and one-time, non recurring items related to the November 2021 IPO 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

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 has been identified as the chief operating decision maker. Management information is reported as one operating segment in one area: revenue from video games publishing.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost of purchase, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Computer equipment	5 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 profit or loss.

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. No impairment was taken for goodwill in 2021.

Intangible assets other than goodwill

The Group has three categories of intangible assets excluding goodwill:

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 5 to 10 years.

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

Royalty rights

The Group invests in games developed by third parties in return for the right to receive royalties in the future for a period of 5-10 years. However, the Group recognises amortisation on a straight-line basis over a useful life of 5 years commencing on the release of the game to which the investment, and subsequent right to royalties, relates.

Software development costs

The Group incurs pre-release and post-release software development costs through both internal and third-party game studios. Amortisation of pre-release costs commences when the game is released and available for sale.

These costs are amortised over a three-year period split as 60% in the first year and 20% in each of the subsequent two years. Post-release costs are amortised on a reducing balance basis at 4%. per month. Development advances paid to external developers for the development of specified games are capitalised as incurred. Amortisation commences when the game is released and available for sale.

Impairment of property, plant and equipment and intangible assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible 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.

Intangible assets under development are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

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 the profit and loss account, 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 in the Consolidated 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.

Investments

Investments in equity instruments are classified as at fair value through profit or loss, unless the Group has made an irrevocable election at the time of initial recognition to designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at fair value through other comprehensive income. No such elections have been made. Equity investments are initially measured at fair value and subsequently measured at fair value at each reporting date, with any fair value gains or losses being recognised in profit or loss.

Trade and other receivables

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

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 and trade and other payables.

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.

Contingent consideration

Contingent consideration classified as a liability is measured at fair value through profit or loss. The liability is remeasured at each reporting date and movements in the fair value are recognised immediately in profit or loss.

Equity

Equity instruments issued are recorded at fair value on initial recognition net of share issue 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

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 permits the use of the lifetime expected loss provision for all trade receivables. The Group recognises twelve month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation default or delinquency in payments, and the unavailability of credit insurance at commercial rates are considered indicators that the receivable may be impaired.

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

Trade receivables

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

Employee benefits

The Group operates a defined contribution pension plan under which it pays contributions based upon a percentage of the members' basic salary.

Contributions to defined contribution pension plans are charged to the Consolidated Statement of Profit and Loss, and differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. 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 Consolidated Statement of Profit and Loss, with a corresponding adjustment to equity.

Taxation

The tax expense for the period comprises current and deferred tax, which 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 across different jurisdictions in which the Group operates. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or deductible in other years.

Deferred tax

Using the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Taxation continued

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

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

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

Equity

Equity instruments are contracts that give a residual interest in the net assets of an entity. Shares are classified as equity, of which equity instruments issued are recognised as the amount of proceeds received, net of costs directly attributable to the transaction.

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 Annual Report, judgements have been made in the process of applying the accounting policies that have had a significant effect in the amounts recognised in the Annual Report. The following are the areas requiring the use of judgements that may significantly impact the Annual Report.

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.

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 five 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. Capitalised software development costs are expensed upon release of the game, being amortised as to 60% in Year 1, 20% in Year 2 and 20% in Year 3. Post-release development costs are capitalised and amortised on a 4% per month declining balance basis. In the event of impairment, an estimate of the asset's recoverable amount is made. The value of the intangible assets are tested whenever there are indications of impairment and reviewed at each reporting date or more frequently should this be justified by internal or external events.

After assessing the carrying value of each intangible asset which is not yet ready for use at the reporting date, which is shown net of any impairment charge posted, the Directors are confident that the forecast cash generation is in excess of the intangible asset held.

The forecast cash generation is taken from the Group's forecasts which cover the trading expectations for a minimum of two years after the reporting date. The forecast revenue and cash generation from each intangible asset are separately identifiable within the Group forecasts. The forecast cash generation represents significant assumptions regarding its commercial performance, should the assumptions prove to be significantly incorrect there would be a risk of material adjustment in the financial year following the release of that product.

Fair value of contingent consideration
Contingent consideration arising from business combinations is classified as a liability measured at fair value through profit or loss in accordance with the Group's accounting policies. The level of contingent consideration payable is driven by the consideration on a sale event. The fair value of the contingent consideration is subject to estimates regarding the sale event consideration and is calculated using a Monte Carlo simulation model.

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 game publishing.

Two customers were individually responsible for over 10% of the Group's revenues, collectively totalling approximately 54% of the Group's revenues for the 2021 period (2020: three – 85%).

The Group has non-current assets located in foreign countries totalling $225,534 (2020: $52,000).

5. REVENUE

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
An analysis of the Group's revenue is as follows:		
Revenue analysed by class of business		
Game publishing	212,738	98,152
Revenue analysed by timing of revenue		
Transferred at a point in time	**212,738**	**98,152**

In respect of sales-based royalties receivable promised in exchange for the licence of intellectual property the Group has taken advantage of the provisions in IFRS 15.B63 to recognise the relevant royalty income in the period in which it is earned.

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

For the period ending 31 December 2021, revenue recognised includes $598,593 (2020: $1,895,000) that was included in the contract liability balance at the beginning of the period.

6. OTHER INCOME

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Gain on sale of publishing rights/intellectual property/others	–	116,080
	–	**116,080**

7. EMPLOYEES

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
An analysis of the Group's staff costs is as follows:		
Employee benefit expense	6,280	14,041
Pension expense	66	427
Equity-settled share-based payments	2,747	55,150
Total employee benefit expense	**9,093**	**69,618**

8. OPERATING PROFIT

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
The operating profit is arrived at after charging/(crediting):		
Royalty expense	103,034	46,573
Development expense	6,243	4,384
Amortisation of capitalised development costs and acquired intellectual property	6,978	9,191
Depreciation of property, plant and equipment	43	147
Fair value uplift to contingent consideration	–	15,056
Employee benefit expenses	6,346	14,468
Share-based payment charge	2,747	55,150
Professional fees	3,559	9,455
Marketing expenses	5,466	4,275
Other	1,162	5,515
Total administrative expenses and cost of sales	**135,578**	**164,215**
Add: Gain on sale of publishing rights/intellectual property/others	**–**	**(116,080)**

9. FINANCE INCOME

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Bank interest receivable	43	10
Other interest	58	–
Total finance income	**101**	**10**

10. FINANCE COSTS

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Interest paid on borrowings	**104**	**–**

11. INCOME TAX

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Corporation tax:		
Current year	13,597	22,016
Deferred tax:		
Origination and reversal of timing differences	(533)	(2,616)
Total income tax	**13,064**	**19,400**

Factors affecting tax charge for the year

The tax assessed for the year is higher (year ended 31 December 2020: lower) than the effective rate of corporation tax as explained below:

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Profit before taxation	**77,157**	**50,027**
Tax at the US corporation tax rate of 21%	16,203	10,843
Adjusted for the effects of:		
Permanent items	(3,169)	7,833
Effect of rates other than federal	(19)	201
Other	49	523
Total income tax expense	**13,064**	**19,400**

12. 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.

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Total comprehensive income attributable to the owners of the company	64,093	30,550
Weighted average number of shares	349,344,281	376,034,064
Basic earnings per share ($)	**0.183**	**0.081**
Total comprehensive income attributable to the owners of the company	64,093	30,550
Weighted average number of shares	349,344,281	376,034,064
Dilutive effect of share options	18,368,860	32,367,003
Weighted average number of diluted shares	367,713,141	408,401,067
Diluted earnings per share ($)	**0.174**	**0.075**

13. ADJUSTED EBITDA

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Operating profit	77,160	50,017
Share-based payment expenses	2,747	55,150
Amortisation of purchased intellectual property	623	5,504
Depreciation of property, plant and equipment	43	147
Adjusted EBITDA	**80,573**	**110,818**

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 2020 $'000	Year ended 31 December 2021 $'000
Adjusted EBITDA	80,573	110,818
Exceptional income from IP disposal & sale of publishing rights	–	(113,166)
Non-recurring, one-time expenses related to November 2021 IPO	73	7,857
FV of contingent consideration	–	15,056
Exceptional bonus payment relating to IP disposal & sale of publishing rights	–	5,164
Outperformance of Fall Guys	(64,864)	–
Normalised Adjusted EBITDA	**15,782**	**25,729**

Normalised adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of Normalised Adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Normalised gross profit adjusts 2020 gross profit to exclude the gross profit outperformance from Fall Guys of $68.6 million.

14. INTANGIBLE ASSETS

	Goodwill $'000	Purchased intellectual property $'000	Royalty rights $'000	Software development costs $'000	Total $'000
Cost:					
As at 31 December 2019	–	770	2	21,889	22,661
Additions – business combinations	159	23,414	–	–	23,573
Additions	–	–	–	22,175	22,175
Disposals	–	–	–	–	–
As at 31 December 2020	159	24,184	2	44,064	68,409
Additions – business combinations	66,661	35,633	–	–	102,294
Additions	–	–	–	31,735	31,735
Disposals	–	–	–	(14,403)	(14,403)
As at 31 December 2021	**66,820**	**59,817**	**2**	**61,396**	**188,035**
Amortisation and impairment:					
As at 31 December 2019	–	308	–	9,391	9,699
Amortisation charge for the period	–	623	–	6,355	6,978
As at 31 December 2020	–	931	–	15,746	16,677
Amortisation charge for the period	–	5,504	2	3,688	9,194
Disposal	–	–	–	(2,479)	(2,479)
As at 31 December 2021	**–**	**6,435**	**2**	**16,955**	**23,392**
Carrying amount:					
As at 31 December 2019	–	462	2	12,498	12,962
As at 31 December 2020	159	23,253	2	28,318	51,732
As at 31 December 2021	**66,820**	**53,382**	**–**	**44,441**	**164,643**

Purchased intellectual property relates to the intellectual property rights to certain games. The intellectual property is considered to have a useful life of 5 to 10 years and is amortised on a straight-line basis over the useful life. The intellectual property is assessed for impairment at least annually, or more frequently if there are indicators of impairment. A formal impairment review is only undertaken if there are indicators of impairment. Any impairment is recognised immediately within operating expenses in the Consolidated Statement of Profit and Loss.

Software development costs relate to costs incurred for the localisation and porting of games, advances payable 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 Statement of Profit and Loss. Included within software development costs is $41,259,569 (31 December 2020: $15,033,000) relating to intangible assets under construction for which amortisation has not yet commenced.

Included within software development costs is one game title that was sold during the period ended 31 December 2021 as disclosed below. It was considered material to the Group with a net book value of $11,924,307 (31 December 2020: $9,328,000).

During the period ended 31 December 2021, the Group sold the publishing rights to one game title and the intellectual property to another game title, recognising gains on disposal of $116.1 million (see note 6). Revenues related to these sales were $150,459,000 in 2020 and $7,826,088 (of which $3,961,341 were direct pass-through revenues to the new title-holder) in 2021.

15. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment $'000	Total $'000
Cost:		
As at 31 December 2019	–	–
Additions	*95*	95
As at 31 December 2020	95	95
Additions	223	223
Business Acquisitions	98	98
As at 31 December 2021	**416**	**416**
Depreciation and impairment:		
As at 31 December 2019	–	–
Charge for the period	43	43
As at 31 December 2020	43	43
Charge for the period	147	147
As at 31 December 2021	**190**	**190**
Carrying amount:		
As at 31 December 2019	–	–
As at 31 December 2020	52	52
As at 31 December 2021	**226**	**226**

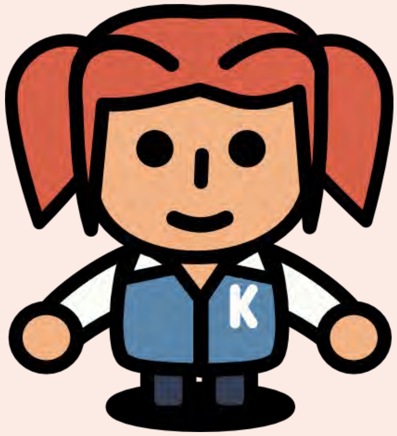
Depreciation and impairment of property, plant and equipment is recognised within administrative expenses in the Statement of Comprehensive Profit and Loss.

16. INVESTMENTS

	Total $'000
Cost:	
As at 31 December 2020	1,294
Carrying amount:	
As at 31 December 2020	1,294

Name of investment	Principal activity	Country of incorporation and registered office	Proportion of ownership interest and voting rights held
Gambitious B.V.	Video game development	Saturnusstraat 14, unit 2.04, 2516 AH, the Hague, the Netherlands	6%

The investment was acquired following the acquisition of ABEST d.o.o. (Note 18). During the period ended 31 December 2021, the Group acquired 100 %. of the share capital of Gambitious B.V. The results of Gambitious B.V. were consolidated as at 31 December 2021 and the holding is no longer reflected as an investment.



17. SUBSIDIARIES

Name of subsidiary	Principal activity	Country of incorporation and registered office	Proportion of ownership interest and voting rights held
ABEST d.o.o.	Video game development	Horvatova 82, 10000 Zagreb, Croatia	100%
DES INFORMATIKA 2010 d.o.o.	Video game development	Horvatova 82, 10000 Zagreb, Croatia	100%
NEBO IZ SNA d.o.o.	Video game development	Horvatova 82, 10000 Zagreb, Croatia	100%
NEBO MEDIA d.o.o.	Video game development	Horvatova 82, 10000 Zagreb, Croatia	100%
PLAVI SLON d.o.o.	Video game development	Horvatova 82, 10000 Zagreb, Croatia	100%
Gambitious B.V.	Video game development and publishing	Saturnusstraat 14 Unit 2.04, 2516 Ah The Hague, Netherlands	100%
GS Capital B.V.	Video game development and publishing	Saturnusstraat 14 Unit 2.04, 2516 Ah The Hague, Netherlands	95%
GSE USA, LLC	Video game development and publishing	103 E 5th St, Ste 208, Austin, TX 78701-3673, USA	100%
Artificer Games SP. z.o.o.	Video game development	Aleja Komisji Edukacji Narodowej 95, 02-777 Warsaw, Poland	85%
Nerial Limited	Video game development	Preston Park House, South Road, Brighton, BN1 6SB, UK	100%
Firefly Studios Limited	Video game development and publishing	4th Floor Imperial House, 8 Kean Street, London, WC2B 4AS, UK	100%
Firefly Holdings Limited	Video game development and publishing	4th Floor Imperial House, 8 Kean Street, London, WC2B 4AS, UK	100%
Firefly Studios Inc	Video game development and publishing	166 Albany Turnpike, Canton, CT 06019-2546, USA	100%

No subsidiary undertakings have been excluded from the consolidation.

18. ACQUISITIONS

The following acquisitions occurred during the course of 2021. Taken as a whole, if the acquisitions had occurred on 1 January 2021, the full year pro forma contributions would have been: revenues of $20,778,232 and profits after tax of $984,875.

Good Shepherd

On 7 January 2021, the Group acquired 100% of the share capital of Gambitious B.V. and 95% of GS Capital B.V., companies registered in the Netherlands, 100% of GSE USA, LLC, a company registered in the United States of America, and 85% of Artificer Games SP z.o.o., a company registered in Poland. All of the companies (together, "Good Shepherd") are engaged in video game development. The acquisition was executed as part of the strategy to remove royalties and increase gross margins, whilst also responding to the changing industry demands regarding content ownership.

The goodwill of $26,962,798 represents the expected synergies from the ability to access intangible assets such as acquired workforce and growth opportunities.

Consideration for the acquisitions comprised $15,725,787 cash and 18,698,960 Shares with a total fair value of $25,529,438. Acquisition related costs totalling $235,410 have been recognised in profit or loss.

The acquired business contributed revenues of $11,160,069 and profits after tax of $1,251,960 to the consolidated entity from 7 January 2021 to 31 December 2021.

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

	Total $'000
Intangible assets	9,449
Property, plant and equipment	55
Trade and other receivables	1,048
Cash	6,193
Trade and other payables	(3,092)
Deferred tax liability	(75)
Total	**13,578**
Non-controlling interests	90
Goodwill	27,587
	41,255

Consideration:	
Cash	15,726
Equity (18,698,960 Shares)	25,529
Total consideration	**41,255**

18. ACQUISITIONS continued

Nerial

On 29 April 2021, the Group acquired 100% of the share capital of Nerial Ltd, a company engaged in video game development and registered in England and Wales. The acquisition was executed as part of the strategy to remove royalties and increase gross margins, whilst also responding to the changing industry demands regarding content ownership.

The goodwill of $10,069,613 represents the expected synergies from the ability to access intangible assets such as acquired workforce and growth opportunities.

Consideration for the acquisitions comprised $6,405,333 cash and 5,425,595 Shares with a total fair value of $5,027,816. Contingent consideration with a fair value of $5,920,000 has been recognised based on a Monte Carlo simulation model in respect of additional consideration which will become payable in the event of a sale event. The likely potential outcome of the contingent consideration ranges between $5,328,000 and $6,512,000. The minimum and maximum amounts of contingent consideration are $Nil and unlimited respectively.

Acquisition related costs totalling $332,398 have been recognised in profit or loss.

The acquired business contributed revenues of $67 and profits/(loss) after tax of ($199,390) to the consolidated entity from 29 April 2021 to 31 December 2021.

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

	Total $'000
Intangible assets	4,595
Property, plant and equipment	24
Trade and other receivables	655
Cash	2,535
Trade and other payables	(523)
Deferred tax liability and others	(1,643)
Total	**5,643**
Goodwill	11,710
	17,353
Consideration:	
Cash	6,405
Equity (5,425,595 Shares)	5,028
Contingent consideration – cash or shares	5,920
Total consideration	**17,353**

18. ACQUISITIONS continued

Firefly

On 24 June 2021, the Group acquired 100% of the share capital of Firefly Holdings Limited and Firefly Studios Limited, both of which are registered in England and Wales, and Firefly Studios Inc., registered in United States of America. All of the companies (together, "Firefly") are engaged in video game development. The acquisition was executed as part of the strategy to remove royalties and increase gross margins, whilst also responding to the changing industry demands regarding content ownership.

The goodwill of $2,926,341 represents the expected synergies from the ability to access intangible assets such as acquired workforce and growth opportunities.

Consideration for the acquisitions comprised $21,016,601 cash and 4,080,510 Shares with a total fair value of $4,217,847. Contingent consideration with a fair value of $2,242,114 has been recognised based on a Monte Carlo simulation model in respect of additional consideration which will become payable in the event of a sale event. The potential outcome of the contingent consideration ranges between $2,017,903 and $2,466,325. The minimum and maximum amounts of contingent consideration are $Nil and unlimited respectively.

Acquisition related costs totalling $308,538 have been recognised in profit or loss.

The acquired business contributed revenues of $2,720,842 and profits/(losses) after tax of ($749,195) to the consolidated entity from 24 June 2021 to 31 December 2021.

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

	Total $'000
Intangible assets	17,975
Trade and other receivables	714
Cash	6,303
Trade and other payables	(433)
Deferred tax liabilities	(4,268)
Total	**20,291**
Goodwill	7,185
	27,476
Consideration:	
Cash	21,016
Equity (4,080,510 Shares)	4,218
Contingent consideration – cash or shares	2,242
Total consideration	**27,476**

Dodge Roll

On 7 July 2021, the Group acquired 100% of the share capital of Dodge Roll LLC, registered in United States of America. Dodge Roll is engaged in video game development. The acquisition was executed as part of the strategy to remove royalties and increase gross margins, whilst also responding to the changing industry demands regarding content ownership.

The goodwill of $16,655,637 represents the expected synergies from the ability to access intangible assets such as acquired workforce and growth opportunities.

18. ACQUISITIONS continued

Consideration for the acquisitions comprised $8,079,814 cash and 3,092,040 Shares with a total fair value of $3,196,164. Contingent consideration with a fair value of $7,868,203 has been recognised based on a Monte Carlo simulation model in respect of additional consideration which will become payable in the event of a sale event. The potential outcome of the contingent consideration ranges between $7,081,838 and $8,655,203. The minimum and maximum amounts of contingent consideration are $Nil and unlimited respectively.

Acquisition related costs totalling $92,899 have been recognised in profit or loss.

The acquired business contributed revenues of $271,082 and profit after tax of $67,151 to the consolidated entity from 7 July 2021 to 31 December 2021.

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

	Total $'000
Intangible assets	3,401
Net working capital	(923)
Cash	10
Deferred tax liabilities	–
Total	**2,488**
Goodwill	16,656
	19,144
Consideration:	
Cash	8,080
Equity (3,092,040 Shares)	3,196
Contingent consideration – cash or shares	7,868
Total consideration	**19,144**

19. TRADE AND OTHER RECEIVABLES

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Non-current assets		
Deferred tax asset	362	2,413
Current assets		
Accounts receivable	15,847	17,811
Prepaid and other current assets	361	1,544
Total current trade and other receivables	16,208	19,355
Total trade and other receivables	**16,570**	**21,768**

All of the trade receivables were non-interest bearing, and are 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 figures recorded in the Annual Report.

20. CASH AND CASH EQUIVALENTS

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Cash at bank and in hand	**43,529**	**86,239**

21. BORROWINGS

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Paycheck protection program loan	**240**	–

In April 2020, the Group received a loan from Frost Bank in the amount of $239,600 under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid, Relief and Economic Security (CARES) Act. The loan is subject to a promissory note dated 1 April 2020. The loan accrued interest at 1 per cent. The principal amount and interest was to be repaid over 17 equal monthly payments of $13,321 and one final payment of $13,321, with the first payment due on 21 November 2020.

Subsequently, in November 2021 Devolver's PPP loan was re-paid in full by the Small Business Administration Agency of the US Government, resulting in a full loan forgiveness of principal and all accumulated interest. As at December 31 2021 the group had no borrowings outstanding.

22. TRADE AND OTHER PAYABLES

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Amounts due within one year:		
Trade payables	18,305	15,894
Contingent consideration	647	–
Accrued expenses and other	–	1,942
Current liabilities		
Deferred revenue	599	4,481
Amounts due to shareholder	20,837	–
	40,388	**22,317**
Amounts due after one year:		
Contingent consideration	**920**	**1,567**

Deferred revenue relates to development advances received from distribution partners to aid in the development of video games. In accordance with the Group's revenue recognition accounting policy, revenue equivalent to the transaction price allocated to each performance obligation is deferred and subsequently recognised when those performance obligations are satisfied upon delivery of the final version of the games to the platforms.

23. FINANCIAL RISK MANAGEMENT

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

(a) Risk management policies

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

(b) Financial assets and liabilities

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

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Financial assets at amortised cost:		
Trade and other receivables	15,847	19,355
Cash and cash equivalents	43,529	86,239
	59,376	**105,593**
Financial liabilities at amortised cost:		
Borrowings	240	0
Trade and other payables	39,789	17,835
	40,029	**17,835**
Financial liabilities at fair value through profit or loss:		
Contingent consideration	920	1,567

During 2021 contingent consideration was payable to shareholders of the acquired subsidiaries (see Note 18) which was crystallized at the November 4, 2021 IPO. 14,473,130 shares were issued at a fair value of $31,085,941. The contingent consideration balance at year end December 31, 2021 was $1.567 million.

Fair values of financial assets and 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 - When quoted prices are not available, fair value is based on observable market data.
- Level 3 - Inputs are not based on observable market data.

The assumptions applied in determining the fair value level of the financial instruments held by the Group are detailed below:

The carrying value of all financial instruments at amortised cost 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.

The following table summarises the quantitative information about the Group's Level 3 fair value measurements:

As at 31 December 2021	Fair value $'000	Valuation technique	Significant unobservable inputs	Ranges of inputs
Contingent consideration	1,567	Scenario-based model	WACC	3.7%
			Risk-free rate	1.3%
			Assumed exercise %	75%

As at 31 December 2020	Fair value $'000	Valuation technique	Significant unobservable inputs	Ranges of inputs
Contingent consideration	1,567	Scenario-based model	WACC	3.7%
			Risk-free rate	1.3%
			Assumed exercise %	75%

23. FINANCIAL RISK MANAGEMENT
Fair values of financial assets and liabilities continued

(c) Credit risk

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

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Current trade and other receivables	15,847	19,355
Other non-current receivables	362	2,413
	16,209	**21,768**

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

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

Accounts receivable from the Group's three largest customers at 31 December 2021 totalled approximately $8.7 million (31 December 2020: three largest customers – $14.4 million).

(d) Liquidity risk

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

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

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Within 1 year:		
Borrowings	240	–
Trade payables	18,305	15,894
Contingent consideration	647	–
Accruals and other payables	–	1,942
Deferred income	599	4,481
Amounts due to shareholder	20,837	–
	40,628	**22,317**
After 1 year:		
Contingent consideration	920	1,567
Total	**41,548**	**23,884**

23. FINANCIAL RISK MANAGEMENT
Fair values of financial assets and liabilities continued

(e) Interest rate risk

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

(f) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's financial instruments are denominated in their functional currencies. As such, currency risk is minimal.

(g) Capital management

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

The Group considers its capital to include net cash (cash and cash equivalents less borrowings), share capital, share premium and retained earnings.

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Net cash	43,289	86,239
Total equity	71,513	246,753
	114,802	**332,992**

24. DEFERRED TAX

The deferred tax balances recognised in the consolidated Statement of Financial Position are as follows:

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Deferred tax liability/(asset):		
Short term timing differences	(362)	7,152
Net deferred tax liability	**(362)**	**7,152**

The net movement is explained as follows:

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Opening deferred tax liability	171	(362)
Charge to profit or loss	(533)	7,514
Closing deferred tax liability	**(362)**	**7,152**

25. SHARE-BASED PAYMENTS

The Group operates two share-based plans, the 2017 Equity Incentive Plan ("the Plan") and Restricted Stock Awards ("RSAs"), detailed as follows:

Equity Incentive Plan

At 31 December 2021, the Plan has authorised a maximum 51.8 million (31 December 2020: 33.2 million) shares of common stock available for grant. Options generally have a ten-year term and vest between two and four years. The fair value of each option award is estimated on the date of grant using the Black-Scholes model. A reconciliation of share option movements is shown below:

	Number of options outstanding	Weighted average exercise price ($)	Number of options exercisable	Weighted average exercise price ($)	Weighted average remaining contractual life (years)
At 31 December 2019	12,522,685	0.071	8,211,070	0.071	8.0
Granted during the period	13,195,280	0.359			
At 31 December 2020	25,717,965	0.219	12,757,745	0.091	8.8
Granted during the period	25,315,780	0.559			
Exercised during the period	(10,833,830)	0.226			
Forfeited during the period	(42,840)	0.466			
At 31 December 2021	**40,157,075**	**0.478**	**13,509,438**	**0.310**	**9.0**

Options granted during the year were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted during the periods and the assumptions used in the calculation are as follows:

	Grant date				
	18 January 2020	4 November 2020	21 December 2020	1 April 2021	31 August 2021
Share price at grant date	$0.178	$0.432	$0.432	$0.432	$0.683
Exercise price	$0.178	$0.432	$0.432	$0.432	$0.683
Option life	6.5	6.5	6.5	6.5	6.5
Expected volatility	50.00%	50.00%	50.00%	50.00%	50.00%
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%
Discount rate	0.39%	0.39%	0.39%	0.37%	0.79%
Weighted average fair value per option	$0.086	$0.481	$0.481	$1.500	$1.550

Restricted Stock Awards ("RSAs")

The Group awards RSAs as part of business combinations. Awarded shares are made in the Company's 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. The fair value of the 2020 grant is $0.766 per share and the 2021 grants are $1.692, $1.853, $2.067 and $2.067 respectively. The RSAs vest in instalments either monthly or annually over the service period. Each instalment has been treated as a separate share option grant because each instalment has a different vesting period. This plan is equity-settled. As a result of the November 2021 IPO, all restrictions on the RSAs granted to four acquired subsidiaries were lifted and the vesting was accelerated at the IPO date. Consequently, a share-based payment charge of US$35,053,678 was recorded for the year ended December 2021. A reconciliation of RSAs is as follows:

	As at 31 December 2020	As at 31 December 2021
Opening RSAs outstanding	–	27,242,600
RSAs granted	27,242,600	9,907,100
RSAs vested	–	(34,744,337)
Closing RSAs outstanding	27,242,600	2,405,363
Weighted average remaining contractual life in years	**4.8**	**2.0**

26. SHARE CAPITAL

	As at 31 December 2020 No.	As at 31 December 2021 No.
Authorised		
Shares of $0.0001 each	**507,500,000**	**2,975,000,000**
Non-voting shares of $0.0001 each	52,500,000	–

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Shares of $0.0001 each	**1**	**44**
Non-voting shares of $0.0001 each	–	

	As at 31 December 2020 No.	As at 31 December 2021 No.
Issued and fully paid		
Shares of $0.0001 each	**334,735,835**	**442,256,716**
Non-voting shares of $0.0001 each	–	

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Shares of $0.0001 each	**1**	**44**
Non-voting shares of $0.0001 each	–	–

	As at 31 December 2020 No.	As at 31 December 2021 No.
Treasury shares		
Shares of $0.0001 each	**37,244,200**	**37,244,200**

	As at 31 December 2020 $'000	As at 31 December 2021 $'000
Shares of $0.0001 each	**–**	**–**

During the year ended 31 December 2020, the Group issued 54,485,795 Shares of $0.0001 each for consideration totalling $20,867,432 (Note 18). Share premium of $20,867,354 has been recognised in respect of this share issue.

During the period ended 31 December 2021, shares outstanding increased by 107.5 million shares of $0.0001 each, of which 21,288,429 shares were placed at the IPO as New Placing Shares, 1,990,568 as Subscription Shares and 45,770,095 as shares for acquisitions. Consideration totalling $48,106,337 has been recognised in respect of the New Placing and Subscription Share issues.

The Group also issued 10,883,830 Shares of $0.0001 each in respect of exercised share options. Consideration totalled $2,138,468 and share premium of $2,137,978 has been recognised in respect of this share issue.

On November 4th 2021 Devolver Digital Inc. was quoted on the AIM market of the London Stock Exchange with the placing of 21,288,429 New Placing Shares at 157 pence per share. As part of the reorganisation of the Group's capital structure prior to listing on the AIM market of the London Stock Exchange, the Group implemented a 35 to 1 stock split effected as a share dividend of 34 shares for every 1 share outstanding pursuant to its Pre-IPO Reorganisation. In addition, all non-voting shares were converted into voting shares. The aggregate par value of the dividend shares was transferred from share premium to share capital. Upon completion of the stock split, the share capital of the Company increased to approximately $44,000.

Each share entitles the holder to one vote at general meetings of the company, to participate in dividends and to share in the proceeds of any winding up of the company.

27. DIVIDENDS

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Dividends paid of $0.08 per share (2020: $0.03)	**10,000**	**30,000**

28. CASH GENERATED FROM OPERATIONS

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Profit for the year	64,093	30,627
Adjustments for:		
Amortisation of intangible assets	6,935	9,191
Depreciation	43	147
Gain on sale of Publishing Rights & Intellectual Property	–	(115,576)
Share-based payments	2,747	55,150
Contingent Consideration	–	15,055
Loan (forgiven)	–	(255)
Foreign exchange	–	(55)
Deferred tax	(533)	(3,159)
Movements in working capital:		
Receivables	(6,693)	(9,242)
Payables	5,663	687
Cash generated from operations	**72,255**	**(17,430)**

Changes in liabilities arising from financing activities

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

	As at 1 January 2020 $'000	Cash flows $'000	Non-cash movements $'000	As at 31 December 2020 $'000
Cash and cash equivalents	12,422	31,069	38	43,529
Borrowings	–	(240)	–	(240)
Net cash	**12,422**	**30,829**	**38**	**43,289**

	As at 1 January 2021 $'000	Cash flows $'000	Non-cash movements $'000	As at 30 December 2021 $'000
Cash and cash equivalents	43,529	42,709	–	86,239
Borrowings	(240)	240	–	–
Net cash	**43,289**	**42,949**	**–**	**86,239**

29. RELATED PARTY TRANSACTIONS

Interests in subsidiaries are set out in Note 16.

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

	Year ended 31 December 2020 $'000	Year ended 31 December 2021 $'000
Key management personnel compensation		
Salary and cash bonus	4,645	5,109
Pension	39	46
Share/option-based compensation	–	5,549
Aggregate emoluments	**4,684**	**10,704**

Transactions with shareholders

On 12 December 2020, the Group entered into a stock repurchase agreement with a shareholder of the Group to repurchase 37,244,200 shares of $0.0001 each for $25,836,834. The amount was paid in two instalments commencing on 31 December 2020 with the last payment being paid in full in April 2021. The amount outstanding at 31 December 2021 is $nil (2020: $20,836,829). No interest was payable on the balance.

Transactions with other related parties

During the period covered by this Annual Report the Group had distribution agreements with Guangzhou NetEase Computer System Co. ltd., which is a consolidated entity of NetEase, Inc. that directly controls one of the Company's shareholders, NetEase Hong Kong Ltd (collectively, NetEase). NetEase facilitated access for the Group to sell games through specified distribution platforms in Mainland China. In exchange, the Group generally received an advance at the beginning of the agreement period and remitted a stated royalty fee on all game sales to NetEase. The various agreements had terms ranging from three to five years with an optional renewal period. In December 2021 the Group cancelled its distribution agreements with Netease. The Group recorded revenue of $273,593 in 2021 (2020: $Nil) and made payments of $28,581 (2020: $73,179) to Netease.

One of the Group's executive officers has two family members employed by the Group, who received total compensation of $742,000 (2020: $277,000). Related party compensation is established in accordance with the Group's employment and compensation practices applicable to employees with equivalent qualifications and responsibilities and holding similar positions.

30. POST BALANCE SHEET EVENTS

In late February 2022 Russia invaded Ukraine, leading to substantial economic sanctions being levelled upon Russia by the international community. Revenues from the Russia/Ukraine/CIS region have accounted for less than 3% of total Group annual revenues in each of 2020 and 2021. Less than 1% of royalty and other expenses are payable into the affected countries in the conflict region, and royalties have not been paid to Russia-based developers since Russia was barred from SWIFT, the international banking system. Royalties withheld are recorded as accounts payables. The Company currently believes that the impact from the conflict will not materially affect its operations, revenue or expenses. The Company has no full-time employees in the affected geographies.

company and shareholder information

Company information

Websites
www.devolverdigital.com/
https://investors.devolverdigital.com/

Registered office
251 Little Falls Drive
Wilmington
New Castle County
Delaware 19808
USA

Registered number
Delaware corporation number 4524543

Country of incorporation and main country of operation
The Company is a US corporation incorporated under the laws of the State of Delaware.

There are a number of differences between the corporate structure of the Company as a Delaware corporation and that of a public limited company incorporated in England under the Companies Act. Certain provisions have been incorporated into the Certificate of Incorporation and Bylaws of the Company to provide rights to shareholders that are not conferred by the provisions of the Delaware General Corporation Law, but which the Company believes Shareholders would expect to see in a company whose shares are admitted to trading on AIM to the extent such practices are enforceable under Delaware law.

Company Secretary
Brian Chadwick

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United Kingdom

Shareholder information

Registrar
Computershare Investor Services (Jersey) Limited
13 Castle Street
St. Helier
JE1 1ES
Jersey
Channel Islands

Shareholder enquiries
Any enquiries concerning your shareholding should be addressed to the Company's registrar. The registrar should be notified promptly of any change in a shareholder's address or other details.

For assistance and for services relating to your holding please register / login to Investor Centre: www.investorcentre.co.uk
Or call / email our shareholder helpline:
+44 (0370) 707 4040
info@computershare.co.je

Shareholder security
Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. More detailed information can be found at www.moneyadviceservice.org.uk.

You can find out more information about investment scams, how to protect yourself and report any suspicious telephone calls to the Financial Conduct Authority (FCA) by visiting its website (www.fca.org.uk/scamsmart/resources) or contacting the FCA on 0800 111 6768.

Share price information
London Stock Exchange Alternative Investment Market (AIM) symbol: DEVO.

Information on the Company's share price is available on the Devolver investor relations website at https://investors.devolverdigital.com/investor-centre/share-price-tools/

Investor relations
https://investors.devolverdigital.com

Financial calendar

Full year results	4 April 2022
Annual Meeting	24 June 2022

glossary

AAA games
informal classification of video games developed, produced and/or distributed by major international video games publishers, created with a large budget

Back catalogue
titles released by Devolver in periods prior to the current financial year

Black-Scholes model
the Black-Scholes model is a methodology used to estimate the theoretical value of derivatives and other investment instruments, taking into account the impact of time and other risk factors

Cloud gaming
a type of game or platform which runs games on a remote server and streams the game directly to the user's device

Company / Devolver
Devolver Digital, Inc. and as the context shall so admit, means that entity and/or all or some of the members of its Group and/or any of their respective businesses from time to time

Digital distribution
electronic distribution and sale of video games and related content

DLCs
downloadable content, being digitally distributed additional content for already released video games. It can be downloaded for no additional cost or it may be a form of video game monetisation

First-party IP
intellectual property that is owned and developed by Devolver

Franchise
a collection of related games in which several derivative works have been produced following an original game

Games-as-a-service or GaaS
a business model whereby games receive significant developer post release support, including multiplayer hosting, community management, post-release patching, game fixes, downloadable content and expansions

Indie
an informal classification typically given to games developed by smaller development teams. The indie game style is considered to be accessible to a wider audience due to its lower price-point and simpler gameplay compared to AAA-rated games

IP
intellectual property

Monte Carlo simulation model
Monte Carlo simulations are used to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. It is a technique used to understand the impact of risk and uncertainty in prediction and forecasting models.

Options Shares
the 1,324,120 Shares which do not form part of the Existing Share Capital and which shall be issued pursuant to the exercise of Options

Own-IP
includes first-and second-party IP

Physical distribution
physical distribution and sale of video games and related content

Pipeline
future titles in the Company's pipeline as at the date of this document

Premium game
games which are not free to play

QCA
the Quoted Companies Alliance

QCA Code
the Corporate Governance Code 2018 published by the QCA

Return on investment
a financial metric based on an investment's lifetime total revenues as a percentage of its total costs (comprising development costs, royalties and other publishing costs such as porting, localisation, quality assurance and engine licensing)

Second-party IP
IP that is owned, but not developed in-house by Devolver

Shareholder
a holder of Shares or, as applicable, a holder of Depositary Interests

Shares
shares of the Company's common stock, par value $0.0001 each in the capital of the Company, and, where the context requires, any Depositary Interests representing any shares of such common stock from time to time

Stadia or Google Stadia
a cloud gaming service developed and operated by Google

Staff
both employees and independent contractors together

Steam
a video game digital distribution service

Team members
both full-time and part-time employees and independent contractors

Third-party IP
IP that is not owned or developed by Devolver. The Company typically enters into a commercial contract to publish third-party IP on behalf of developers

Treasury Shares
the 37,244,2000 Shares in issue but not outstanding as at the date of this document which are held by the Company itself in treasury

Twitch
an interactive live streaming service, with a focus on video game streaming

Design and production: CBG: together
cbgtogether.com

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