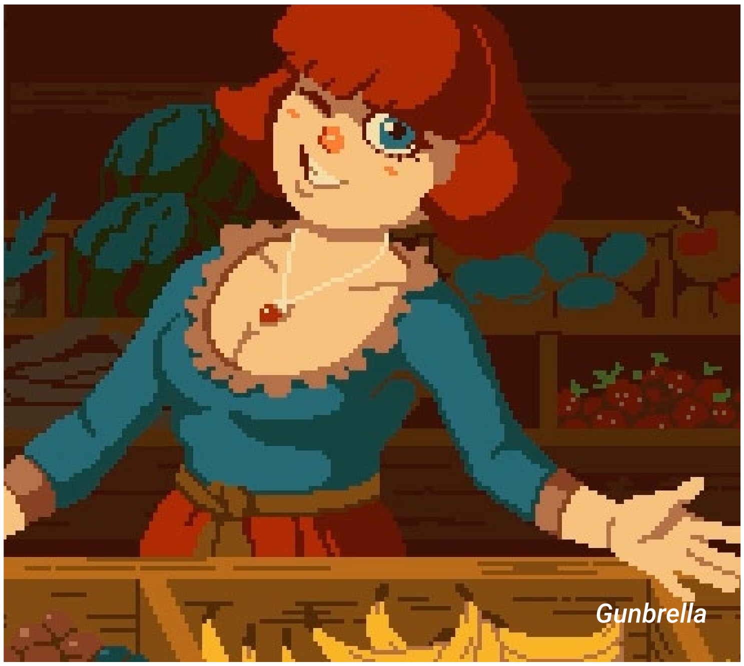
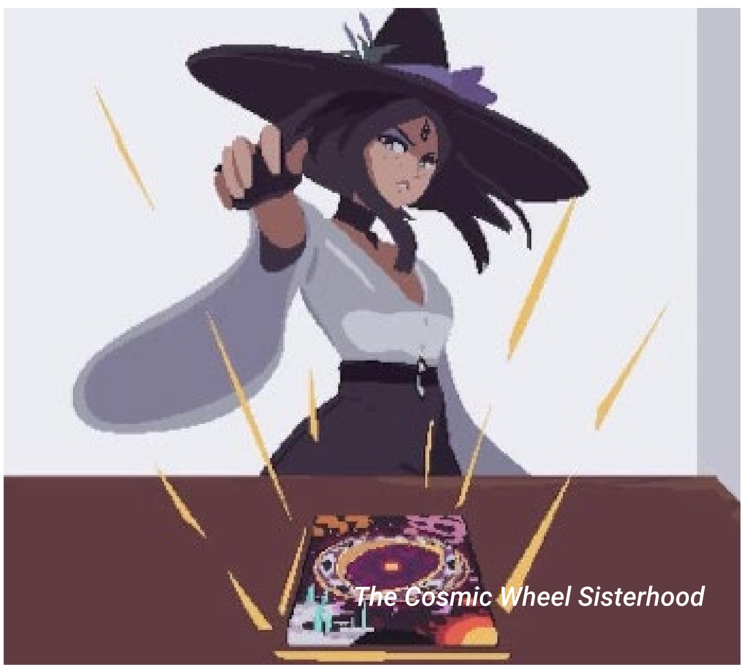
Annual Report and Consolidated Financial Statements

for the year ended 31 December 2023

Volvy



Gunbrella



The Cosmic Wheel Sisterhood

contents

strategic report

strategic highlights	2
financial highlights	3
who we are	4
Non-Executive Chair's letter to shareholders	6
CEO's statement	8
awards and nominations	10
Devolver in the media	12
acquisitions	15
future game releases	16
strategy and business model	18
risk factors	27
ESG report	31
CFO's report	34

corporate governance

Non-Executive Chair's introduction	38
principles of the QCA code	39
board of directors	42
company policies	44
board committees	45
audit committee report	46
remuneration committee report	48
directors' remuneration report	51
nomination committee report	53
statement of directors' responsibilities	54

financial statements

Report of Independent Certified Public Accountants	56
Consolidated statement of profit or loss	58
Consolidated statement of comprehensive income	59
Consolidated statement of financial position	60
Consolidated statement of changes in equity	61
Consolidated statement of cash flows	62
Notes to the consolidated financial statements	63

other information

company and shareholder information	90
glossary	91

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

Devolver is an award-winning, high-profile video game publisher and developer with a track record of consistently publishing highly rated indie games, founded in 2009 by industry pioneers.

We work with independent developers from all over the world to produce and promote the most original, eccentric, and entertaining games.

The Group has a highly differentiated philosophy and culture, founded on the principles of treating developers fairly and prioritising their creativity and brand. We have an experienced and engaged team who relentlessly seek to deliver an exciting gaming experience to the Devolver community.

Gunbrella

New games released

11

Annual revenue

92.4m

Revenue from top 5 games

45%

Back catalogue revenue

83%

Publishing brands

2

Development studios

7

strategic highlights

INDUSTRY RECOGNITION

TERRA NIL Winner of G4C Most Innovative Game Award 2023; Winner of 15th Unity Games Best Social Impact Project Award; BAFTA nominated for Game Beyond Entertainment 2024; and 11 honourable mentions and/or nominations.

CULT OF THE LAMB 3x BAFTA nominated; Winner of Unity Awards Best Desktop / Console Game and 2x nominations; Honourable mentions at GDC Awards and IDF

TALOS PRINCIPLE 2 Thinky Awards Community Choice winner and nominated for Best Presentation and Best "Aha" Moment

THE COSMIC WHEEL SISTERHOOD 2x Honourable mentions at IDF and nominated at Golden Joystick Awards

CONTINUED CRITICAL ACCLAIM

76*

Average metacritic rating for our titles (2022: 78)

* Average Metacritic of 79 excluding impaired title Hellboy: Web of Wyrd

Terra Nil

ESTABLISHED MODEL OF PUBLISHING INDIE GAMES

DEVELOPERS REMAIN OUR KEY PARTNERS

HEALTHY, DIVERSE PIPELINE OF EXCITING GAMES

EXTENDING LIFECYCLE OF OUR BACK CATALOGUE GAMES

Cult of the Lamb

A STRONG PLATFORM TO BUILD ON

PROVEN BUSINESS MODEL
PORTFOLIO OF

120 TITLES

STREAMLINED OPERATIONS THROUGH THE APPOINTMENT OF GRAEME STRUTHERS AS COO

FUN-FILLED GAMES

11

NEW TITLES RELEASED IN 2023 (2022: 12)

STRATEGIC ACQUISITION OF SYSTEM ERA SOFTWORKS

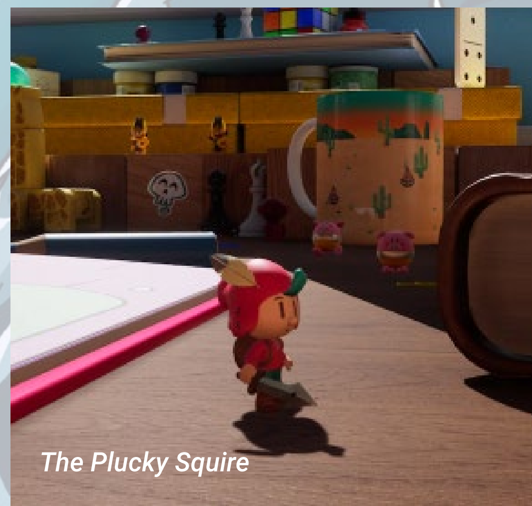
financial highlights

SOLID REVENUE BASE

REVENUE OF

$92.4m

FINANCIAL PERFORMANCE REFLECTS QUIETER 1H RELEASE SCHEDULE



The Plucky Squire

Return to Monkey Island

RETURN TO POSITIVE ADJUSTED EBITDA IN SECOND HALF

TWO MAJOR TITLES RELEASED IN 4Q 2023

ROBUST BACK CATALOGUE GROWTH OF 25%

STATUTORY NET LOSS OF $12.7M

BALANCE SHEET STRENGTH

CASH HOLDINGS OF

$42.7m

CASH HOLDINGS SUPPORT INVESTMENT INTO GAME DEVELOPMENT AND PROVIDE OPPORTUNITIES FOR M&A

DIVERSIFIED REVENUES

FEWER MAJOR TITLE RELEASES LED TO BACK CATALOGUE REVENUE OF

83%

(2022: 45%)

Wizard With a Gun

who we are

Devolver is an award-winning digital video games publisher and developer in the indie games space. Recognised by The Edge Awards 2023 as runner-up for “Best Publisher”, 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 portfolio of 120 games, including a number of indie cult classics.

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 (CEO), Graeme Struthers (Chief Operating Officer), Nigel Lowrie (Chief Marketing Officer) together with Rick Stults and Mike Wilson, Devolver has positioned itself as the “developers’ publisher”.

Devolver has selectively acquired studios and IP that enhance its pipeline and support its long-term international growth strategy. Since the beginning of 2020, Devolver has acquired 7 development studios, including 4 long-term partners, and a second publishing brand.

Most recently, in October 2023 Devolver acquired System Era Softworks, a multi-platform game developer based in Seattle, USA. As a digital-first brand, the majority of Devolver’s staff work remotely and have done so since its founding. Currently the Group has 285* team members spread across the globe in Europe, Asia, Australia, North America and South America. The Group has subsidiaries in the United Kingdom, the Netherlands, Croatia, Poland, France, Canada and the United States.

* 285 team members as of date of publication; 303 as of 31 December 2023

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

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, mobile and VR..

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 and a third title was released in 2022.

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, who were subsequently acquired by Devolver in July 2021.

who we are continued

2020

FALL GUYS **RELEASED**

Fall Guys was an instant success, becoming the most downloaded Playstation Plus title in history and generating over US$150m revenue for Devolver 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 6 years.

2021

ACQUISITIONS & SUCCESSFUL IPO

Following acquisitions including Devolver's long-term partner studios Croteam, Dodge Roll and Nerial, as well as another developer, Firefly, and complementary publisher Good Shepherd, Devolver successfully listed on the AIM Market of the London Stock Exchange ("LSE") in November 2021, the largest ever US-based company to list on the LSE.

2022

CULT OF THE LAMB **RELEASED**

Cult of the Lamb was a smash hit from the pre-sales to present day. During the Steam Next Fest week in June 2022, *Cult of the Lamb* was the number 1 wish-listed game of all demos featured. The game beat all Devolver records for first day and first week unit sales on all platforms, excluding 2020's *Fall Guys*. At the time of reporting, the game has seen 7 award wins and received 16 nominations and honourable mentions, including being shortlisted for the BAFTA's Game of the Year.

2023

ACQUISITION OF DOINKSOFT AND SYSTEM ERA

In January 2023 Devolver acquired the IP, assets and development team of Doinksoft, a small development studio based in Oregon, United States. Doinksoft created *Gato Roboto* and *Gunbrella*, which were published by Devolver in 2019 and 2023 respectively.

In October 2023 Devolver acquired System Era Softworks, an award-winning, multi-platform video game developer and the creator of *Astroneer*, a highly successful, space-exploration themed, multiplayer sandbox adventure game. The acquisition represents a strategic opportunity for Devolver to expand outside of its core strength of premium indie titles, leveraging System Era's knowledge of Expandable Game style development, as well as its live operations technology and existing IP.

The acquisitions bring Devolver's combined first-party IP and franchises to more than 15, encompassing over 40 individual titles.

STEADY 2023

2023 was a quieter year for major releases but Devolver saw significant critical acclaim across its titles, with Metacritic scores at and above 80 for large releases *Terra Nil* and *The Talos Principle 2*, as well as smaller art-house titles including *The Cosmic Wheel Sisterhood* and *Gunbrella*, and the remastered real-time strategy title *Stronghold: Definitive Edition* from subsidiary Firefly Studios. We have a healthy pipeline of more than 30 new titles due for release in the next three years with several exciting new titles to be announced during 2024.

2024

Non-Executive Chair's letter to shareholders

The "developers' publisher"

Devolver Digital is an award-winning digital video games publisher and developer – 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, Devolver continues to deliver a fun-infused experience to its fans.

"We move into 2024 with confidence as we continue to build on the greater scale platform we have established over the years"

Focus on quality

This year, Devolver continued to focus on the quality of game development and garnered critical acclaim for its new releases. Our new releases including *Terra Nil*, *Wizard With a Gun* and *The Talos Principle 2* were well received, engaging our ever-growing community of fans.

I was pleased to see the team's efforts to focus on quality every step of the way, from discovering to building and publishing the most captivating games in the indie genre. As a result, our diverse portfolio of games continues to impress players around the world and creates long-term value for our shareholders.

Devolver's DNA to commit to high quality titles that stand the test of time remains unchanged. In the face of inflationary pressures and higher cost of living as well as demand uncertainty, I am confident that Devolver's model of publishing quality indie games positions us for profitable growth in 2024 and acceleration in 2025.

Looking back on the year

2023 was a year of reset with contrasting halves – a quieter year for major releases, with 3 titles releasing in comparison to the 5 larger titles released in 2022. In the first half of 2023 the only sizeable title release was *Terra Nil* and combined with delayed releases and a reset on subscription deals, the Group posted an Adjusted EBITDA pre-impairment loss of US$2.5m. However, Devolver recovered steadily in the second half of 2023, supported by strong production, publishing and marketing teamwork that drove increased demand for our back catalogue and the release of 2 large titles in the fourth quarter. This in turn drove a return to positive Adjusted EBITDA in the second half and Adjusted EBITDA pre-impairment profit for the full year, also supported by continued strength in back catalogue, delivering over 25% year-on-year revenue growth, from titles including *Cult of the Lamb*, *Inscryption* and *Death's Door*. Overall the Group reported a statutory net loss of US$12.7m.

We want to ensure that we invest the right amount of time, effort and money into our titles as it remains the best way to do justice to our healthy pipeline of more than 30 releases scheduled for the next 3 years. We are confident that this approach remains key to our future success.

Some high potential titles have been rescheduled to 2024 to ensure that they have the right level of support to succeed. Nonetheless, the first half of the year featured the success of *Terra Nil*, which continues to attract new fans. In the second half, we released *The Talos Principle 2*, *The Cosmic Wheel Sisterhood*, *Wizard With A Gun*, as well as *Gunbrella*, and *KarmaZoo* all of which underscore Devolver's record of releasing high-quality, popular indie games. Metacritic scores remained high in 2023 on the back of new releases.

Supported by a robust balance sheet, our acquisition of System Era Softworks is another example of our strategic approach to nurturing high-quality IP, and aligns with our objective to gradually gain more exposure to the Expandable Games market. We are confident that System Era Softworks will provide a meaningful contribution to Devolver in the future.

Non-Executive Chair's letter to shareholders continued

Board changes

In January 2024, we announced that Douglas Morin stepped down from his role as CEO and Board member and was succeeded by Harry Miller, Executive Chairman, who was appointed as CEO with immediate effect. Harry is stepping back into the role of CEO of the company where he is a co-founder and shareholder, bringing with him more than 30 years of video games experience and industry expertise.

The Board and I would like to thank Douglas for his commitment to Devolver. He played a key role in Devolver's IPO and the programme to build the corporate and operating structure of Devolver as a listed company along with championing the acquisition of System Era Softworks.

As part of the Board change, I have been appointed as Non-Executive Chair, and will work with Harry, the executive team and the Board to continue to ensure effective governance, safeguard shareholder interests, and guide the strategic direction of our Company. I am excited to be part of Devolver's journey and story, both previously in my role as Senior Independent Director and now in this new capacity.

In January, we also announced that Graeme Struthers, Chief Operating Officer and co-founder, joined the Board. Graeme was appointed COO at the end of 2022 to oversee the strengthening of our production leadership team and operational structures across the Group.

Jo Goodson, Non-Executive Director, stepped down as Chair of the Nomination Committee to become Chair of the Remuneration Committee. Meanwhile, I stepped down as Chair of the Remuneration Committee to become Chair of the Nomination Committee and will continue to sit on the Remuneration and Audit Committees.

The Company has a strong commitment to high quality games and engaging its fan base across the years. As we move into 2024 both of those core values will continue to underpin the work of the talented team of experts that make up Devolver.

Together, we will all continue working towards Devolver's long-term growth and development.

Looking to the future

We will build on our successful track record of releasing exciting games for our ever-growing community of fans, prioritising quality of content to unlock long-term value for gamers and shareholders alike.

At Devolver, we remain committed to growing our business responsibly and remain optimistic about our prospects.

We move into 2024 with confidence as we continue to build on the greater scale platform we have established over the years.

Kate Marsh

Non-Executive Chair

(Harry Miller was Executive Chair until 31 January 2024)

22 April 2024

Astroneer

CEO's statement

We continue to prioritise the quality of our games to engage our fans and unlock long-term value for our shareholders.

"With a deep pipeline, strong contribution from extensive back catalogue and our return to positive EBITDA in the second half of 2023, we are confident of further progress in 2024 and in the future"

Executing on our strategy

Whilst the first half of the year had only one major new release, *Terra Nil*, the second half was marked by major titles including *Wizard With A Gun* and *The Talos Principle 2* which again contributed to one of the highest average Metacritic scores among indie publishers, with *The Talos Principle 2* receiving an impressive 87 Metacritic score and fantastic reviews. We continue to develop more of our games with an eye to longevity, including *Wizard With a Gun*, which will enjoy subsequent new content updates and features being added to the game.

We made the commercial decision to move 5 titles out of 2023, confident that adding more time will be the difference between a 'one-time' release event and a potential franchise IP with significant longevity. We saw this with *Cult of the Lamb*, which was released in 2022 and continues to perform like a newly released title. As a result, we enter 2024 with a release schedule featuring wonderful titles such as *Pepper Grinder*, *The Plucky Squire*, *Anger Foot* and *Neva*, with releases balanced more evenly throughout the year.

System Era Softworks Acquisition

On 31 October 2023, we acquired System Era Softworks, a Seattle-based award-winning, multi-platform video game developer. This acquisition aligns with our broader vision of building expertise in the Expandable Games market. Along with the powerful technology already developed by System Era, we have gained access to crucial expertise developing, launching, and running live-operations games, allowing us to expand beyond our core offering of premium indie titles. System Era's hit release *Astroneer* continues to perform strongly entering its eighth successive year and we expect it to positively contribute to EBITDA going forward. The System Era Softworks team is a welcome addition to the Devolver family, and we look forward to the release of their future IP.

Building on back catalogue strength

Our back catalogue includes all titles released before the 2023 calendar year. Over our 15-year history we have published 120 games, and have also acquired a number of additional legacy titles through our subsidiary acquisitions. Our back catalogue has delivered a normalised* revenue growth of over 15% every year from 2018 to 2023, and provides a strong foundation to our overall business. In 2023, back catalogue accounted for 83% of our revenues, higher than the 45% of 2022, primarily due to lower new title contribution and continued strong performance from *Cult of the Lamb* and *Inscryption* titles.

** Fall Guys excluded*

CEO's statement continued

We continue to build on our back catalogue strength through a variety of strategic levers, such as new DLC, sequels, porting to new platforms, adding languages, new bundle agreements and optimising platform sales opportunities. As a result, we have seen a consistent and strong increase in back catalogue sales year over year. We have one of the most experienced and skilled store teams in the industry who work hand in hand with our platform partners to deliver our tribe of indie games - beloved old and new Devolver games.

Momentum in 2023 and industry recognition

We are committed to "bringing the fun" and there have been several positive developments in 2023 with the release of 11 exciting new titles. We were particularly pleased that major titles continued to receive industry recognition with *Terra Nil's* achievement of an 82 Metacritic score, award wins for Most Innovative and Best Social Impact Project and 11 honourable mentions and/or nominations, as well as *The Talos Principle 2* receiving an 87 Metacritic score and glowing reviews.

In addition to strategically moving certain titles to 2024, we took a calculated approach to subscription deals this year, declining several proposals we felt undervalued the titles' worth in 2023 and 2024. The result was lower subscription revenues in 2023 but provides an opportunity to sign more attractive subscription deals in the future as the market recovers.

Following the reset of our publishing subsidiary Good Shepherd ("GSE") early this year, we have seen a steady progression towards refocusing the business on licensed IP in an indie style, on a modest budget. During the year, GSE announced a partnership with Rebellion (*Sniper Elite*) to develop and publish video game adaptations based on stories from the beloved 2000 AD universe, the home of *Judge Dredd*, *Rogue Trooper*, *ABC Warrior* and more, as well as Rebellion's other comic IP, including *Roy of the Rovers* and *Battle Action*.

Market

According to NewZoo's Global Games Market Report, published in January 2024, the global video games market is set to generate US$184bn, a modest 0.6% year-on-year increase, despite challenging macroeconomic factors. According to estimates, the number of players worldwide will reach 3.3bn in 2023, a 4.3% increase year-on-year, and will continue to grow with a 2023-2026 CAGR of +3.6% to reach 3.7bn players by the end of 2026.

North America, Europe, and Asia-Pacific will represent 7%, 14% and 52% of the total number of 2023 players respectively, with growth in players seen across all regions. Devolver benefits from an established global distribution and media partner network overseen by locally based Devolver team members across 20 countries.

Exciting pipeline

We have a pipeline of more than 30 titles scheduled for release over the next three years with title visibility into 2026. Our pipeline for 2024 is healthy and diverse in terms of titles, developers, platforms, and geography. This includes the released titles *Pepper Grinder* and *Children of the Sun* (both with 80+ Metacritic scores), announced titles *The Plucky Squire*, *Stick It To The Stickman*, *Anger Foot* and *Neva*, and new titles yet to be revealed. We are also excited about the post 2024 releases of *Skate Story*, *Human Fall Flat 2*, *Baby Steps* and others not yet announced.

Improving our craft remains the core tenet of our organic indie growth strategy and we will continue to deliver unique and high-quality games in 2024 and beyond. We are acutely appreciative and respectful of our fans who come back to us year after year for our exciting games, and this continued interest in and support for our brand is a positive indication of future uptake. Average cost per title in 2024 is expected to reduce more than 30% versus 2023, reflecting a deliberate recalibration of the mix between higher cost and lower cost games in 2024.

Current trading and outlook

2023 has been a pivotal year for Devolver as we reset our business for future success. In the first half of 2023 we released four titles of which only *Terra Nil* was a major release, but a busy release schedule in the second half saw titles such as *Wizard With a Gun* and *The Talos Principle 2*, among others, immediately capture our fans' attention.

Our recent acquisition of System Era Softworks brings another 56 talented professionals to our team, and we are excited about our future together.

With a deep pipeline, strong contribution from extensive back catalogue and our return to positive Adjusted EBITDA in the second half of 2023, we are confident of further progress in 2024 and in the future.

Harry Miller

Chief Executive Officer

(Douglas Morin was CEO until 31 January 2024)

22 April 2024

awards and nominations

Highlights from 2023

Devolver saw strong critical acclaim for new releases during the year, with awards and nominations for *Terra Nil, The Talos Principle 2* and *The Cosmic Wheel Sisterhood*. Back catalogue titles also continued to receive acclaim, with *Cult of the Lamb* enjoying 7 award wins and 16 honourable mentions and nominations since its release in August 2022; amongst these were 3 BAFTA nominations, including Game of the Year.

Awards

TERRA NIL
Excellence in Design 2023
HONOURABLE MENTION

Excellence in Visual Arts 2023
HONOURABLE MENTION

Seamus McNally Grand Prize 2023
HONOURABLE MENTION

CULT OF THE LAMB
Excellence in Audio 2023
HONOURABLE MENTION

THE COSMIC WHEEL SISTERHOOD
Nuovo Award 2024
HONOURABLE MENTION

Seamus McNally Grand Prize 2024
HONOURABLE MENTION

SLUDGE LIFE 2
Excellence in visual arts 2024
HONOURABLE MENTION

TERRA NIL
Social Impact 2023
HONOURABLE MENTION

CULT OF THE LAMB
Game of the Year 2023
HONOURABLE MENTION

Best Visual Art 2023
HONOURABLE MENTION

Best Debut 2023
HONOURABLE MENTION

Best Design 2023
HONOURABLE MENTION

Innovation Award 2023
HONOURABLE MENTION

RETURN TO MONKEY ISLAND
Best Narrative 2023
HONOURABLE MENTION

TERRA NIL
Best Social Impact Project 2023
WINNER

CULT OF THE LAMB
Best Desktop / Console Game 2023
WINNER

CULT OF THE LAMB
Game of the Year 2023
WINNER

TERRA NIL
Most Innovative Award 2023
WINNER

CULT OF THE LAMB
Game Music Award 2023
WINNER

THE TALOS PRINCIPLE 2
Community Choice 2023
WINNER

THE TALOS PRINCIPLE 2
Top 50 Games of 2023
NUMBER 45

awards and nominations continued

Nominations

BAFTA

CULT OF THE LAMB
Best Game 2023

Game Design 2023

Original Property 2023

TERRA NIL
Game Beyond Entertainment 2024

The Game Awards

TERRA NIL
Games for Impact 2023

Best Mobile Game 2023

Gayming Awards 2023

CULT OF THE LAMB
Gayming Magazine
Readers' Award 2023

The 38th Golden Joystick Awards

BABY STEPS
Best Game Trailer 2023

THE COSMIC WHEEL SISTERHOOD
Best Storytelling 2023

DICE 26th Annual Awards

TERRA NIL
Mobile Game of the Year 2024

15th Unity Awards

CULT OF THE LAMB
The Golden Cube 2023
(best overall game)

Best 2D visuals 2023

Thinky Awards

THE TALOS PRINCIPLE 2
Best Presentation 2023

Best "Aha" Moment 2023

MCV Develop Awards 2023

CARD SHARK
Visual Innovation of the Year 2023

EDGE

DEVOLVER
Publisher of the Year 2023

App Store Awards

RETURN TO MONKEY ISLAND
Mac Game of the Year 2023

IGN

TERRA NIL
Games for Impact 2023

Best Mobile Game 2023

Independent Games Festival

THE COSMIC WHEEL SISTERHOOD
Excellence in Narrative 2024

Pocket Gamer Mobile Games Awards 2023

TERRA NIL
Best Netflix Games Game 2023

Games for Impact 2023

Devolver in the media

Our top reviewed games in 2023 were *The Talos Principle 2*, *The Cosmic Wheel Sisterhood*, *Gunbrella* and *Terra Nil*. Some of the greatest hits among reviews for these games are below.

Digital Spy.
The Talos Principle 2 *"The Talos Principle 2 is a polarising masterpiece"*
5/5

GAMESPOT
The Talos Principle 2 *"The Talos Principle 2 is a game about puzzles. The puzzles are really good"*
9/10

gamesradar+
The Cosmic Wheel Sisterhood *"I've never seen a game tackle player choice in such a fascinating way"*
5/5

IGN FAZENDO O BRASIL JOGAR MAIS
The Cosmic Wheel Sisterhood *"Simply magical and one of the best narrative games I've ever played."*
10/10

GOD IS A GEEK
Gunbrella *"a wonderful action platformer featuring one of the coolest weapons in all of video games"*
9.5/10

SHACKNEWS
Gunbrella *"Bringing a 'brella to a gunfight"*
9/10

CHECKPOINT GAMING
Terra Nil *"Flourishing against all odds"*
10/10

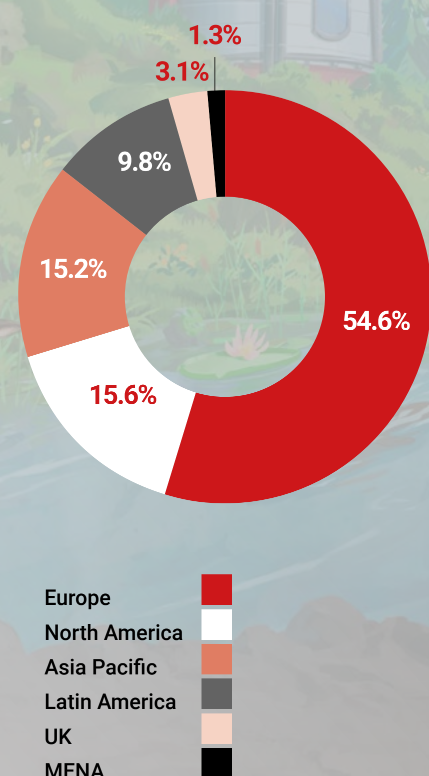
HARDCORE GAMER
Terra Nil *"does a fantastic job in showcasing various ways the environment can be affected"*
4.5/5

GAMING TREND
Wizard With a Gun *"Push back the forces of chaos with a deep arcane arsenal"*
95/100

2023 on Metacritic & Opencritic

	metacritic	OpenCritic
Terra Nil	82	82
Sludge Life	71	71
Showgunners	75	77
The Cosmic Wheel Sisterhood	86	86
Gunbrella	80	80
Wizard with a Gun	73	75
Mike Mignola's Hellboy Web of Wyrd	53	56
The Talos Principle II	87	89
Stronghold Definitive Edition	80	n/a
Karmazoo	78	77

PR coverage by territory



Devolver in the media continued

22k articles in 62 countries

THE TOTAL NUMBER OF ARTICLES WRITTEN ABOUT DEVOLVER OR DEVOLVER-PUBLISHED GAMES

7.9m engagement on 4k posts

CLICKS ON DEVOLVER'S AND DEVOLVER'S DEVS' SOCIAL POSTS

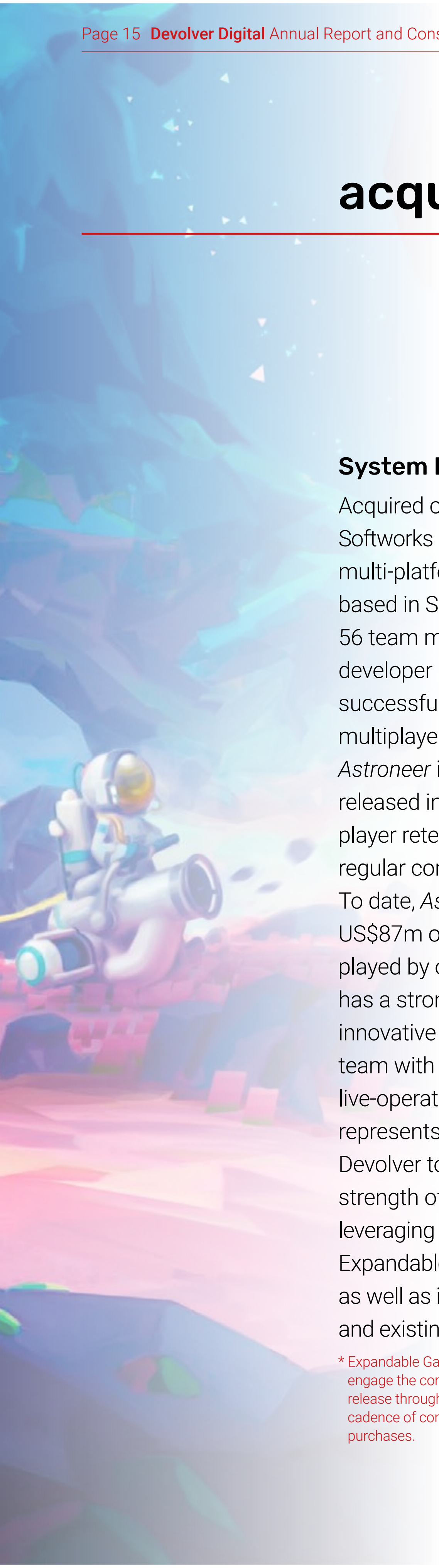
881m views on 59k videos

NEW VIEWS ON VIDEOS MADE BY OR ABOUT DEVOLVER OR DEVOLVER-PUBLISHED GAMES

26.7m hours on 107k streams

TOTAL NUMBER OF HOURS WATCHED BY VIEWERS

"To date, *Astroneer* has generated over **US$87m** of gross revenues and has been played by over **13m** people"



acquisitions

System Era Softworks

Acquired on 31 October 2023, System Era Softworks ("System Era") an award-winning, multi-platform video game developer based in Seattle, United States, with 56 team members. System Era is the developer behind *Astroneer*, a highly successful, space-exploration themed multiplayer sandbox adventure game. *Astroneer* is an Expandable Game* title released in 2016, with a proven history of player retention and engagement through regular content releases and updates. To date, *Astroneer* has generated over US$87m of gross revenues and has been played by over 13m people. System Era has a strong track record of developing innovative content, driven by a quality team with significant experience in the live-operations space.The acquisition represents a strategic opportunity for Devolver to expand outside of its core strength of premium indie titles, leveraging System Era's knowledge of Expandable Game style development, as well as its live operations technology and existing IP.

* Expandable Games refers to premium games that continue to engage the community and bring in new players for years after release through enduring, timeless game design and a regular cadence of content and feature updates with optional in-game purchases.

Doinksoft

In January 2023, Devolver acquired the IP, assets and development team of Doinksoft, a small development studio based in Oregon, United States. Doinksoft are the developers behind *Gato Roboto* and *Demon Throttle*, both of which were published by Devolver (in 2019 and 2022 respectively). Doinksoft were also responsible for the game *Devolver Bootleg* released in 2019. In 2023, Devolver also published Doinksoft's latest title: *Gunbrella*. Doinksoft will continue to develop games published by Devolver, building on existing franchises and generating new concepts.

future game releases

Several market events held in 2023 have added to the excitement about our future releases. The Summer Games Fest 2023 included Devolver Direct, in which several new titles were introduced or updated including *The Plucky Squire*, *Neva*, *Baby Steps* and *Human Fall Flat 2*, the highly anticipated sequel to *Human Fall Flat* which sold over 50m copies worldwide since release in July 2016. In 2023, Devolver Direct saw its highest viewership ever, with over 400,000 peak concurrent views, ranking among the top 10 summer game showcases.

The Plucky Squire

follows the magical adventures of Jot and his friends - storybook characters who discover a three-dimensional world outside the pages of their book. When the malevolent Humgrump realises he's the villain of the book - destined to lose his battle against the forces of good for all eternity - he kicks the heroic Jot out of its pages and changes the story forever. Jot must face challenges unlike anything he's ever seen if he is to save his friends from Humgrump's dark forces and restore the book's happy ending.

Anger Foot

is a lightning-fast hard bass blast of kicking doors and taking names. Crash through the caffeine-fuelled fever dream of Shit City, putting the boot to a menacing menagerie of merciless gangsters.

Pepper Grinder

is an action-packed pirate adventure starring the titular Pepper, a seafaring soul with a passion for prospecting, and Grinder, her super-powered drilling device. Shipwrecked and robbed of her treasure, Pepper must spin up her trusty sidearm to reclaim what the mischievous Narlings stole.

future game releases continued

Stick it to the Stickman

is a practical guide for anybody seeking to climb the corporate ladder in the fastest way possible. A groin-kicking, staple-gunning, chainsaw-wielding roguelike brawler loaded with high-impact, physics-based combat, copious amounts of coffee, and weaponized farts. Players are invited to batter their way through coworkers, middle-management, and bosses, learning more powerful “business techniques” on their way to becoming CEO of the worst company in America.

Baby Steps

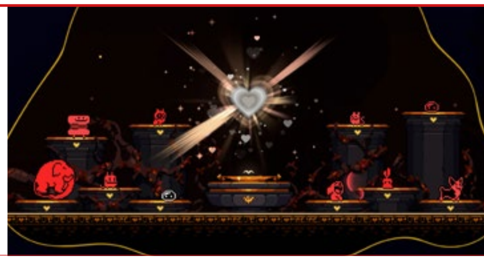
is a literal walking simulator where you can explore a world shrouded in mist, one step at a time. Through hiking the serene mountains by placing each footstep yourself, you fall in love with the local fauna, and try to find meaning in a wasted life.

Neva

is an emotionally-charged action adventure from the visionary team behind the critically acclaimed GRIS. *Neva* chronicles the story of Alba, a young woman bound to a curious wolf cub following a traumatic encounter with dark forces. Together they embark on a perilous journey through a once-beautiful world as it slowly decays around them.

strategy and business model

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. Our existing pipeline for the next three years includes more than 30 titles, many of which are from repeat developer relationships. The pipeline includes third-party titles, acquired IP titles, and titles from subsidiary studios.

Devolver will build upon existing momentum, identifying and building new franchises. In particular, Devolver is focused on moving further into the Expandable Games space - publishing premium games that continue to engage the community and bring in new players for years after release through enduring, timeless game design and a regular cadence of content and feature updates with optional in-game purchases.

2 MINE THE BACK CATALOGUE

Devolver Digital's back catalogue has contributed impressively to revenues in recent years, growing at an annual rate of over 15%* for the last five years. Due to the quality of our back catalogue titles and reputation in the indie space, management believe that there are significant opportunities for sustainable revenue growth and margin expansion.

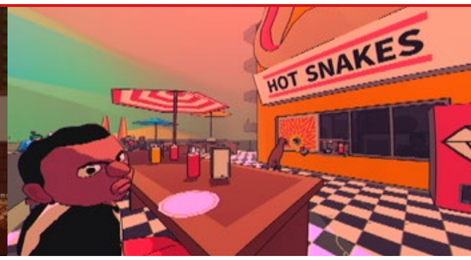
Devolver's rich portfolio of titles means that subscription services, such as PlayStation Plus and Xbox Game Pass regularly seek out and showcase Devolver titles for their respective platforms. New entrants into the streaming market have also sought out Devolver for content for their services. Further 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 they 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 *Talos Principle*, 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. *Cult of the Lamb* is a good current example of the benefit of introducing waves of fresh content and targeted marketing adding to further sales and increased longevity.

Gunbrella

* Fall Guys excluded

strategy and business model continued



3 IMPROVE OUR CRAFT

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.

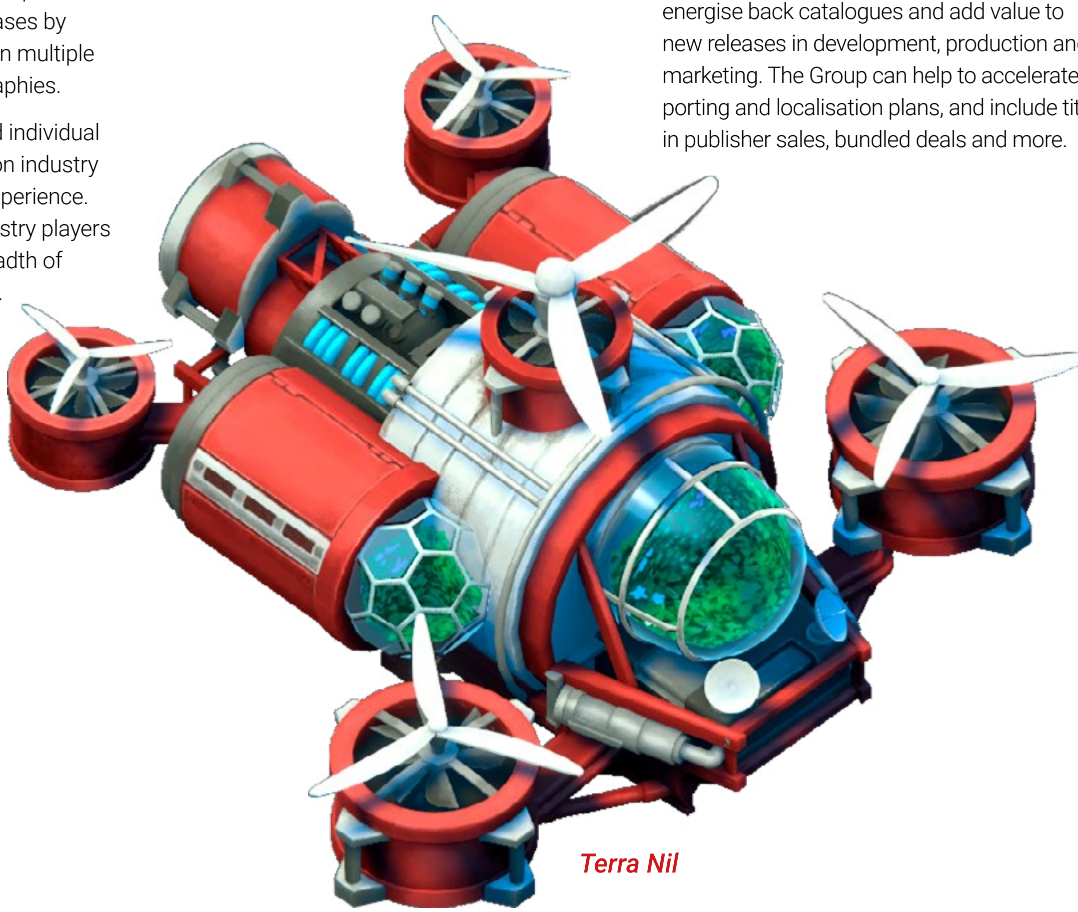
Increased investment includes better game selection, more gameplay testing, improved porting and localisation services, and bigger marketing campaigns. 'Improving our craft' allows the Group to better capitalise on the momentum of initial releases by simultaneously releasing titles on multiple platforms 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 experienced industry players adds to the already growing breadth of services and deeper capabilities.

4 SELECTIVE STUDIO & IP ACQUISITION AND INTEGRATION

In the medium term, 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. 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.



Terra Nil

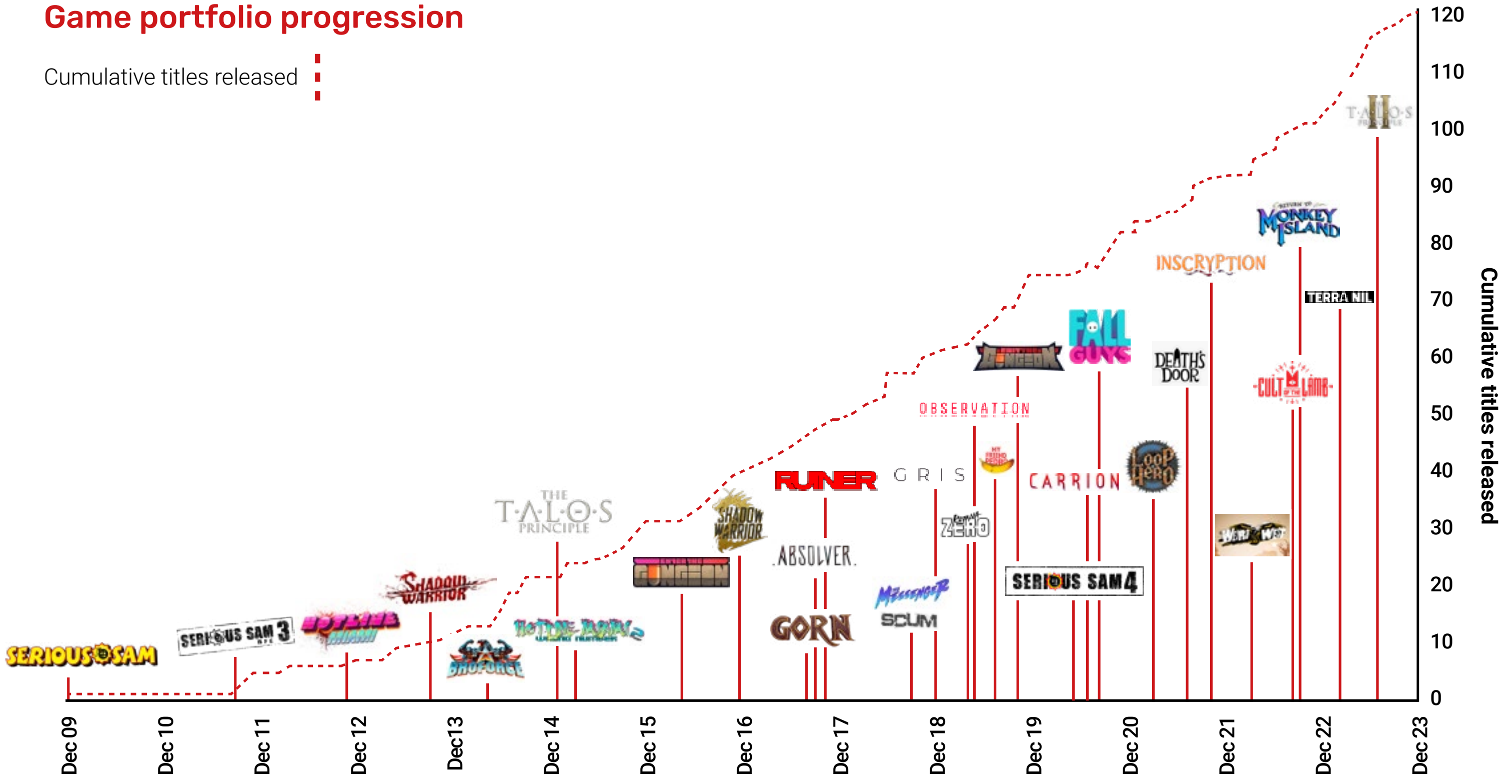
strategy and business model continued

Portfolio, platforms and lifecycle

Devolver has a portfolio of 120 titles, including 11 new releases in 2023 and 109 back catalogue titles. The chart below illustrates the steady game portfolio progression from 2009 to the end of 2023.

Game portfolio progression

Cumulative titles released



Within Devolver's portfolio, there are seven notable multi-title franchises: *Serious Sam, Shadow Warrior, Enter the Gungeon, Reigns, Hotline Miami, The Talos Principle* and *Stronghold*. Of these, Devolver owns the IP of all but *Hotline Miami*.

Each franchise provides long-term revenue generation post-release.

FRANCHISE	NUMBER OF TITLES RELEASED	AVERAGE METACRITIC RATING	DATE OF FIRST RELEASE	CUMULATIVE LIFETIME REVENUE RANGE	OWNERSHIP
SERIOUS SAM	11	69	2009	US$40m - US$50m	Own-IP
HOTLINE MIAMI	2	78	2012	US$20m - US$30m	Third-Party
SHADOW WARRIOR	3	73	2013	US$30m - US$40m	Own-IP
THE TALOS PRINCIPLE	2	86	2014	US$20m - US$30m	Own-IP
ENTER THE GUNGEON	2	78	2016	US$30m - US$40m	Own-IP
REIGNS	5	78	2016	US$10m - US$20m	Own-IP
STRONGHOLD	9*	80*	2001*	US$10m - US$20m	Own-IP

* The Stronghold franchise is self-published by Firefly Studios; revenues and Metacritic scores relate to the period after Firefly was acquired by Devolver in June 2021

strategy and business model continued

Business overview

Beginning in 2009, Devolver has partnered with c.100 developers to publish 120 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 three years Devolver has built the Group's first-party IP holding through acquisition. 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 c.30 development partners working on pipeline titles, over half are repeat partners. The process from identification to post-release management can be seen in the diagram below.

Title selection & onboarding

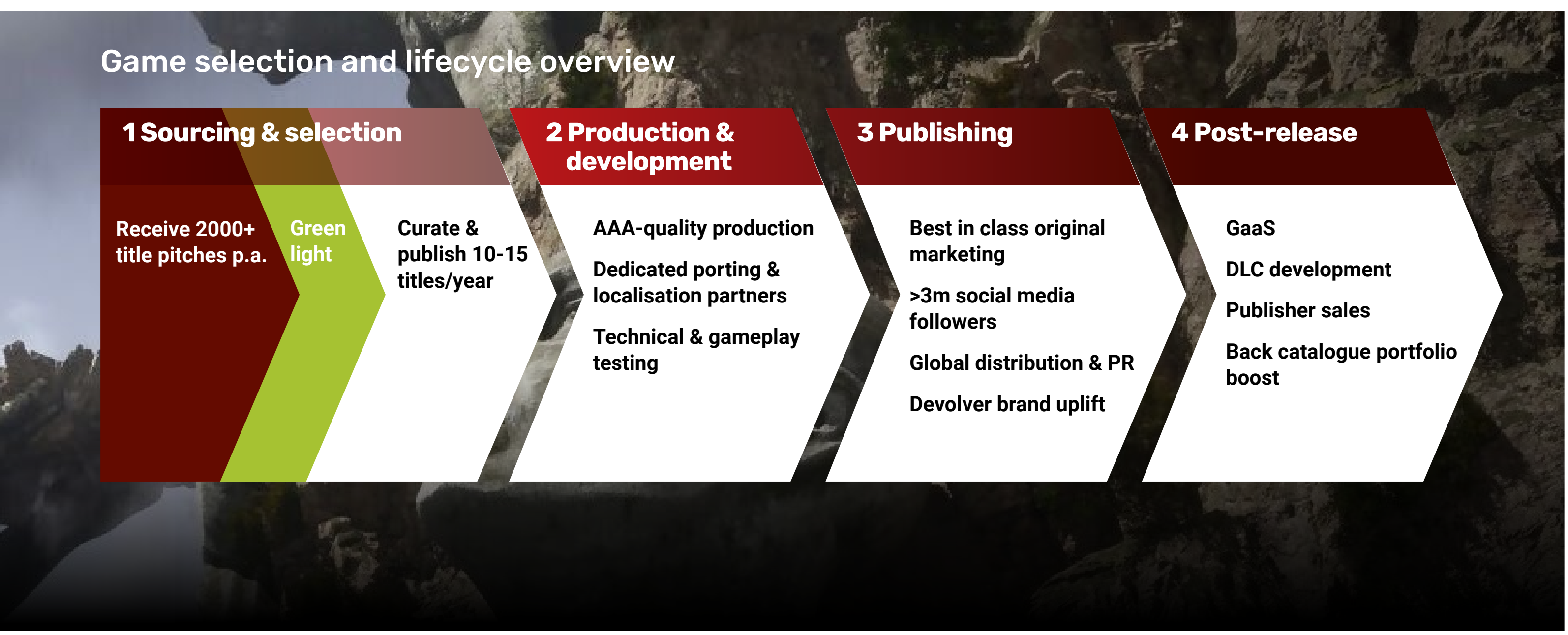
Devolver receives and vets over 2,000 unsolicited title pitches per year at varying stages of progress, from initial concept to fully-formed games. Devolver does not require developers to hand over the IP or sequel rights to their games, which the Directors believe is attractive to creators.

Devolver's approach is successful – over 90% of titles published since inception (where released for more than 12 months) have generated a positive return on investment.

Devolver's greenlight process filters inbound and internal proposals down to 10+ 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.

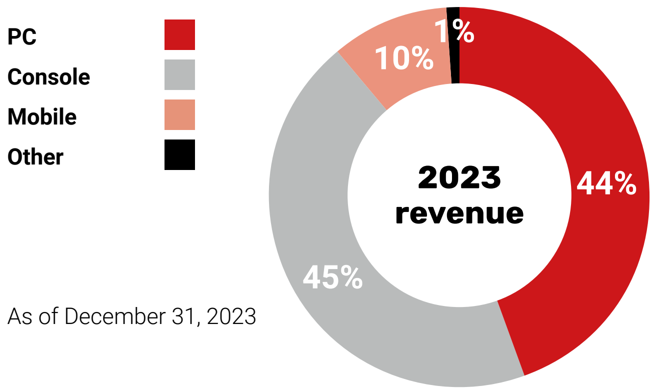
Promising ideas will receive input from members of the team from across the Group, including production, marketing, technology, finance and more. Devolver looks for titles that are creative, exciting, high quality and innovative.

Devolver's core greenlight team is made up of experienced industry players 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 publishing capacity and games roster. Since the beginning of 2023, the core greenlight team extended their oversight to all games published across all Group subsidiaries.



strategy and business model continued

Revenue diversification by platform



As of December 31, 2023

Wizard With a Gun

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 2023, sales from the top 5 performing titles contributed approximately 45% to total revenue.

2. Platform

Devolver's revenues are varied across platforms, with 45% of revenue from PC, 44% from console, 10% from mobile and 1% other in the twelve-month period ended 31 December 2023.

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 Sony PlayStation, Steam, Nintendo, Microsoft Xbox, Apple Arcade, Google, BiliBili, NetEase, Tencent and Netflix.

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. The recent acquisition of System Era, with its long running hit game Astroneer, provides further diversification across the Group.

4. Geography

Devolver's revenues are not concentrated in a single geographical area, limiting exposure to any one market. In 2023, our largest unit sales from Steam were North America at 43%, Europe at 28%, Asia Pacific at 22%, South America at 5%, and Africa at 2%. Devolver will continue to increase geographical analysis of title performance to drive decision making and maximise title success at a local level.

strategy and business model continued

KarmaZoo

Lifecycle

- PROMOTIONS, BUNDLING AND BUYOUTS
- LANGUAGE SUPPORT AND TERRITORY DEALS
- PORTS TO NEW PLATFORMS
- PRODUCT INTERATIONS
- SEQUELS, POST-RELEASE CONTENT AND OTHER FOLLOW-ON OR ASSOCIATED TITLES

Platforms

Devolver has long-term associations with key digital distribution partners across the video gaming industry, some of which stretch back 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

Quality assurance has continued to become a greater focus for Devolver as the size of games and complexity of simultaneous releases on multiple platforms expands.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 creativity.

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. In 2023 alone, Devolver had over 26m hours viewed on Twitch, a long-term partner for the Group. The Group has one of the biggest social media reaches in the indie gaming space, with over 3m followers in aggregate across all social media platforms for the Group's brands and titles, 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 Xbox Game Pass, and deals with newer entrants such as Netflix.

strategy and business model continued

Global marketplace

Market opportunity

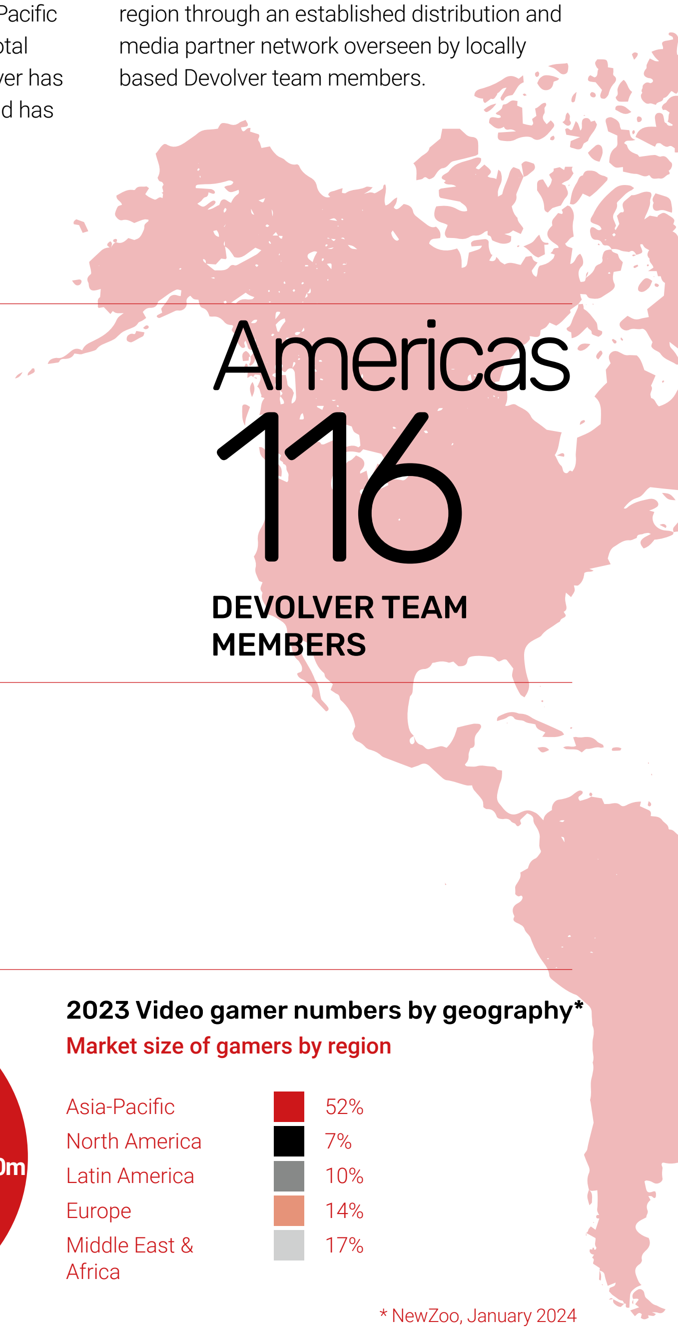
In 2023 the global video games market was valued at US$184bn, with an estimated 3.3bn video game players. The market grew less than expected due to economic factors which impacted consumer spending, such as high interest rates and inflation worldwide.

However, continued market growth is expected over the next three years to a forecast market value of US$206bn by 2026, a CAGR of 3.8% from 2023. Amongst other drivers, the market growth is underpinned by a rapid increase in gamer numbers, which are expected to increase by a forecast CAGR of 3.6% from 2023 to a total of 3.7bn gamers globally by 2026.

Video gaming is a truly global pastime. In 2023, North America, Europe and Asia-Pacific represented 7%, 14% and 52% 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.

Worldwide market statistics



$53.1bn

ESTIMATED VALUE OF WORLDWIDE CONSOLE MARKET IN 2023

Americas

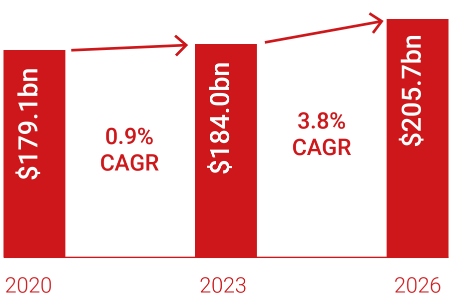
116

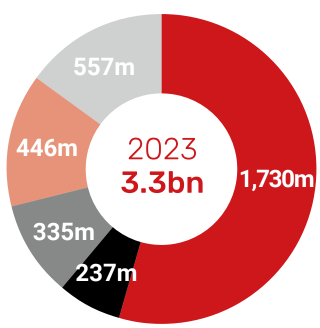
DEVOLVER TEAM MEMBERS

3.3bn

GAMERS WORLDWIDE

Video games market forecast*





2023 Video gamer numbers by geography*

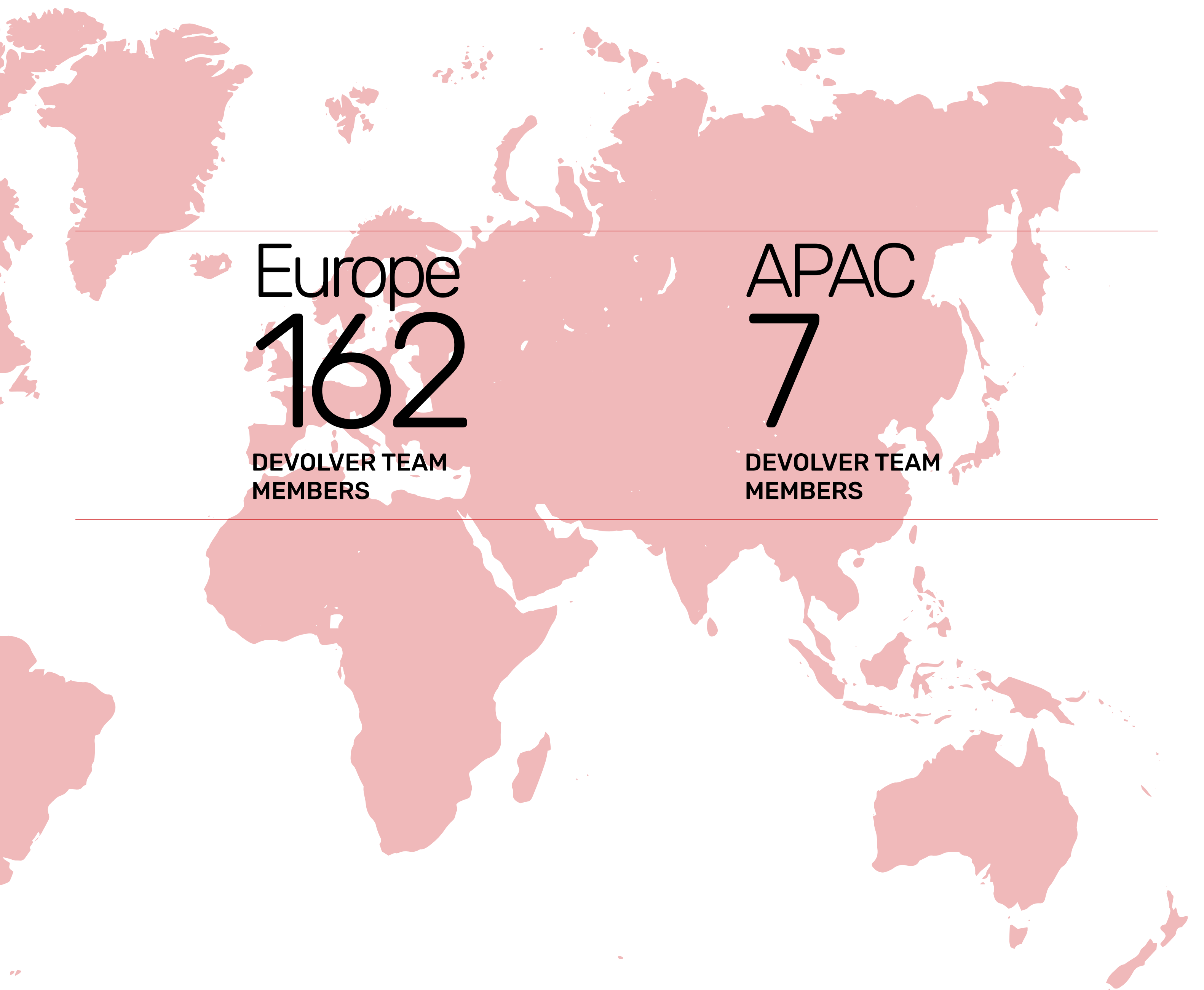
Market size of gamers by region

Asia-Pacific	52%
North America	7%
Latin America	10%
Europe	14%
Middle East & Africa	17%

* NewZoo, January 2024

strategy and business model continued

285 Devolver team members in 19 countries



strategy and business model continued

Market trends

DIGITAL DISTRIBUTION	WHERE DO WE FIT?
Digital distribution has supported high growth rates in the video games market. In 2016, console and PC digital distribution penetration was 29% and 76% respectively, increasing to 83% and 99% in 2023*.	Our founders identified this key trend in the market and intentionally 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, Sony (PlayStation), Microsoft (Xbox) and Nintendo each competed for consumers' time and loyalty. Through the addition of the cloud gaming operators, 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 exciting, interesting and diverse 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. Our developer-led approach gives our developer partners the space they need to bring their full creativity into the development process.
DEVELOPER DISCOVERABILITY	**WHERE DO WE FIT?**
Indie developers need help getting their games discovered as title release volume on PC has massively increased. The number of titles released on Steam annually has grown from 379 in 2009 to over 14,000 in 2023**. Although there are several platforms outside of PC available to indie developers, many developers lack the technical skillset or marketing knowledge to access these platforms successfully.	Devolver is a leader in discoverability. We continue to ramp-up our marketing capabilities that can include paid advertising, influencer outreach, community management, and partner relations to secure strong amplification of our marketing and storefront placement. We publish games across a broad range of PC, Console and Mobile platforms through direct relationships and work with a range of porting partners to bring developers' games to as wide a player base as possible. Devolver works with a spectrum of streamers and influencers to extend the reach of their titles.
PLAYER ENGAGEMENT AS A CORE METRIC	**WHERE DO WE FIT?**
The battle for consumers' business has extended beyond single downloads and into their time. As bigger 'games as a service' titles take an increasing share of players' time, it has become more important for publishers and developers to convince the audience that their games are worth the investment of their time. Likewise, the expanding game subscription market uses engagement as its primary metric.	Devolver is leaning more into games that have longer post-release content plans (both paid and free). We work to ensure that initial launch success can be followed up with new content and updates to keep players engaged, bring in new players, and provide additional purchase opportunities. Devolver is skilled at showing that our games provide both deeper and longer engagement paths for the consumer and are more attractive to subscription services at launch and later in the game's lifecycle.

* NewZoo, November 2023

** SteamDB, March 2024

risk factors

Risks relating to the group and its business

Platform relationships and partnerships

RISK: Maintaining and nurturing platform relationships is crucial for Devolver's continued success.

MITIGATION: Devolver prioritises maintaining strong platform relationships. Deals are evaluated based on both individual and contextual merits to ensure strategic alignment and mitigate risks associated with platform partnerships.

The Group is reliant on key strategic relationships with third parties

RISK: The Group relies upon its strategic relationships and 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, cloud-based streaming platforms, mobile platforms such as Apple Arcade, as well as challenger PC platforms such as Epic and GoG games.

Additionally, the Group enjoys geographical diversity of revenues with significant revenues being derived from each of geographical North America, Europe and Asia. As such, if a disruption occurred related to a particular geographical region it might not affect the overall operations on a particular platform worldwide.

Pipeline game spend

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 Group's forecasted revenue.

MITIGATION: Devolver has enhanced its greenlight process to include greater financial oversight in the development and marketing expenditure. The greenlight process is detailed further in the section "Portfolio, Platforms, and Lifecycle". Efforts are underway to improve cost tracking and forecast return on investment more accurately. In addition, collaboration with partners for co-funding larger projects mitigates financial risks associated with game development overspend. 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, over 90% of Devolver games are profitable where they have been released for more than 12 months. 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.

Anger Foot

risk factors continued

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. Talent retention and 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. 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.

MITIGATION: Succession planning and Devolver's experienced talent have proven to mitigate this risk of change in leadership, as evidenced by the smooth recent transition in the CEO and Chair roles. Devolver's 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. The Long-Term Incentive Programme ("LTIP") which the board introduced in 2022 continues to serve as a key tool in rewarding and retaining key personnel in leadership positions across the Group. Efforts to maintain company culture while growing ensure continuity and stability in talent management.

Return to Monkey Island

Market opportunity may be reduced by interventionist laws and regulations, with increased likelihood in Asia

RISK: Asia is a large market for the Group, with Asia-Pacific Steam unit sales at 22% 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: The Group 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 the Group. In China, Devolver's sales are made through Steam Global, the international platform of Steam and through Heybox, amongst others. Devolver's games are not targeted at minors and are not "always-on", "free-to-play" or "pay-to- win" games. The Group'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. Additionally, the Group has successfully received 21 successful trademark applications in the East Asian region, even in an environment with increased regulatory prohibitions on licences for games.

risk factors continued

Operational complexity and acquisition integration

RISK: As the Group continues to expand, the increasing operational complexity and the integration of acquired entities pose challenges to Devolver's performance.

MITIGATION: Devolver has strengthened its operational oversight and integration efforts under the guidance of the Chief Operating Officer and support structure. Enhanced financial tracking and reporting at subsidiary levels have improved operational efficiency. In addition, the development of an acquisition integration plan further mitigates risks associated with operational complexity. Brand-level marketing efforts and subsidiary brand differentiation safeguard brand reputation. The Founders' vision and company culture reinforce brand identity and resilience against reputational risks.

Regulatory compliance and use of outsourced expertise

RISK: Compliance risks in tax, legal and HR domains have historically been addressed through the use of outsourced expertise. While outsourcing has provided a certain level of support, delays in response times and decision-making processes can occur due to the inherent lag in communication and coordination with external entities. Additionally, the reliance on outsourced expertise often comes with a higher price tag, potentially increasing operational costs for the Group.

MITIGATION: Devolver has taken proactive steps to strengthen its compliance efforts. Devolver leverages outsourced expertise and has built good relationships with our partners and advisors. This not only fosters stronger communication but also enhances collaboration and trust. Additionally, Devolver has also recently hired in-house capabilities in finance, legal and HR teams to strengthen compliance efforts. By expanding our in-house expertise, this ensures a deeper understanding of the Group's operations and culture, enabling faster response times and more effective management of compliance issues. The increased capacity to identify, prioritise, and address areas for review also mitigate risks associated with compliance.

Market changes

RISK: Market changes including growth, new entrants, regulatory and geopolitical shifts pose risks to the Group's operations. Additional market changes facing the industry include changes in technology, user preferences, economic conditions, and increased cost-of-living.

MITIGATION: Devolver mitigates the risks associated with market changes by monitoring market trends and diversifying revenue streams. Embracing industry partnerships and new opportunities, such as Expandable Games as evidenced by the Group's acquisition of System Era Softworks, enhances the Group's ability to adapt to market fluctuations.

Sludge Life 2

The Talos Principle 2

ESG report

Devolver remains dedicated to sustainability, fostering diversity, providing equal opportunities, and championing charitable endeavours. We are committed to the wellbeing and professional development of our team members, offering comprehensive programs and resources to support their growth, health, and work-life balance. Finally, our dedication to supporting charitable initiatives extends to various projects and partnerships aimed at making a positive impact in our community.

Our people

Employee wellbeing

At Devolver we recognise the importance of addressing the wellbeing of our employees as an integral part of our ESG strategy. In the spirit of collaboration and team bonding, our entire team convened in Austin, Texas to reconnect and strengthen our interpersonal relationships. The gathering underscored our commitment to cultivating a cohesive and dynamic work environment, aligning with our overall mission to excel as a unified team.

2023 also saw the beginning of Devolver's engagement of Spill, a dedicated mental health resource designed to provide our team members with accessible and confidential support when navigating personal and professional change. With Spill in place, we hope to proactively address the mental health needs of our workforce and to create a workplace culture that values open dialogue, support, and empathy.

We firmly believe that a strong ESG strategy encompasses the holistic wellbeing of our employees, and Spill serves as a testament to our dedication to creating a positive and supportive workplace environment.

In promotion of a healthy and balanced work culture, we also had a 'Go Slow Week' in 2023. This initiative aims to encourage our employees to recharge and prioritise their wellbeing by engaging in activities that promote relaxation, and mindfulness. By promoting a culture of rest and rejuvenation, we sought to underscore the importance of work-life balance and mental health.

Compliance training

In 2023, we enhanced our compliance training programs within Devolver to promote responsible business practices and ensure the wellbeing of our employees and stakeholders.

These training programs cover a range of crucial topics, including insider dealing, workplace harassment, and cyber security. By addressing these issues, we aim to foster a culture of integrity, respect, and security throughout our organisation.

We are dedicated to continuously enhancing our training initiatives to keep pace with evolving regulations and industry best practices. By ensuring that our employees are well-informed and equipped to uphold the highest standards of conduct, we can confidently and confidentially navigate the complex landscape of compliance and contribute to the long-term success of Devolver.

Diversity, equity and inclusion

As part of our commitment to upholding the principles of Diversity, Equity, and Inclusion ("DEI"), we are pleased to report that during the past year, we rolled out DEI training to our employees. The DEI training initiative was designed to provide our employees with the knowledge, tools, and skills necessary to create a more inclusive and equitable work environment. The curriculum covered a wide range of topics, including unconscious bias, cultural competency, inclusive leadership, and the business case for diversity. Through a combination of e-learning modules, and discussion forums, employees had the opportunity to engage in meaningful conversations and learning experiences aimed at raising awareness and understanding of DEI.

Devolver remains committed to improving the diversity of the Group. Through the efforts of the Diversity Steering Group, the Company has taken significant steps to enhance recruitment outreach strategies. Our commitment to improvement remains unwavering as we strive further to enhance these strategies with the explicit goal of attracting a more diverse pool of talented individuals.

ESG report continued

Our community

Charitable giving

We have continued to sponsor two pillar charities chosen by the Devolver team: War Child and Special Effect.

War Child: War Child works toward a world in which no child's life is torn apart by war. Armed conflict is a reality for millions of children today. War Child is committed to supporting these children to overcome their experiences and have a real chance at a better future.

Special Effect: Special Effect's primary aim is to enhance the quality of life of severely physically disabled people throughout the world through access to video games.

In 2023, Devolver donated US$40k to War Child and Special Effect in support of their important work. It is crucial for us to nurture ongoing relationships with these organizations so that we are reliable partners in their mission.

Sponsorships and Donations

Devolver also has a separate budget for both sponsorships and other dynamic giving, which we strive to use to achieve our priorities and advocate for people, organizations, and causes. Our support of individuals, events, and dedication to initiatives in local Devolver communities provides a platform for employees to champion causes that are important to them and help them feel supported, heard, and valued.

While a set committee of employees are responsible for this budget, all Devolver employees are highly encouraged to contribute ideas on the use of the funds by sharing research. This includes sharing why and how it aligns with Devolver's values, and why a certain cause is important to an individual, and more. All suggested charities and giving options are investigated by the committee to ensure they fit Devolver's ethics and are a suitable use of that funding.

Over its lifetime, Devolver has sponsored events, safe spaces at conventions, travel to industry events for underrepresented groups, mental health initiatives and natural disaster response.

In 2023, Devolver pledged US$70k to a variety of causes and initiatives such as Turkey-Syria earthquake relief, Maui Wildfires, Games Harassment Hotline and The Museum of Human Achievement in Austin.

Additionally, Devolver also sponsored events including the NYC Game Awards, The Gayming Awards, Glasgow Children's Hospital Charity and Indie Dev Day, with our sponsorship totalling US$36k.

$110k

TOTAL DONATED IN 2023 THROUGH CHARITABLE PARTNERSHIPS AND OTHER DONATIONS

ESG report continued

Our planet

This year, Devolver has continued our commitment by investing $32,750 to offset the environmental impact of our business activities with additional tree planting. Devolver has partnered with Tree-Nation to calculate the carbon footprint of Devolver as a Group and has implemented a tree-planting offset programme as part of a wider initiative to minimize our impact on the environment.

Our partnership with Tree-Nation has grown, with over 38,000 trees planted in Our Devolver Digital Forests, offsetting over 5,700 tonnes of CO_2. For full breakdown on where the trees have been planted visit https://tree-nation.com/profile/devolver-digital.

The launch of *Terra Nil* by Free Lives earlier this year shared a great environmental message with players, and in addition, streamers planted over 48,000 trees.

Every individual that is involved in the development and publishing of a game from a Devolver Group company has been included in the annual calculation of Devolver's target tonnes of CO_2 to off-set for the following year. Devolver has used the average European worker's CO_2 emissions for this calculation.

Activities for the Environmental Group, with members from Devolver as well as other Group companies, include helping developers to engage in environmental issues and helping employees of the Group to participate in and learn about environmental issues.

Neva

CFO report

Statutory financial results

The financial results included in this annual report cover the Group's combined activities for the 12 months ended 31 December 2023 and are prepared in accordance with applicable International Financial Reporting Standards.

"Devolver's 2023 revenue performance was in line with updated expectations set in the trading update"

Adjusted results

The following narrative refers to Adjusted results, as presented in the financial statements contained within this annual report. Adjusted results exclude any one-time exceptional items during the respective full-year periods.

Reduced revenues on fewer major releases

Devolver's 2023 revenue performance was in line with updated expectations set in the trading update dated August 3, 2023, falling 31% year-on-year to US$92.4m. 2023 was a quiet year for major title releases (3 out of 11 total releases) with *Terra Nil, Wizard With a Gun,* and *The Talos Principle 2* (2022: 5 major titles out of 12 total). In addition, significantly lower platform subscription/special deals were signed with the major platforms, at only 16% of revenue, a trend we expect to continue going forward. This compares to a high peak in 2022 of 23% of revenue.

With fewer major title releases, back catalogue revenues accounted for 83% of revenues in 2023, compared to 45% in 2022, a year which saw more front catalogue releases. Back catalogue performance was a positive element in 2023, rising 25% year-over-year, driven by a very strong performance from hits *Cult of The Lamb* and *Inscryption*. The Devolver Group has released 120 titles since 2009 and back catalogue revenues have grown annually by more than 15%* over the last five years since 2018.

Adjusted Gross Profit pre-impairment decreased 42% year-on-year to US$27m on the lower revenue base. Adjusted gross margins pre-impairment contracted to 29.2%, down from 34.4% in 2022, primarily due to the mix of revenues being weighted towards third-party IP in the back catalogue, and increases in amortisation expense from 2022 releases.

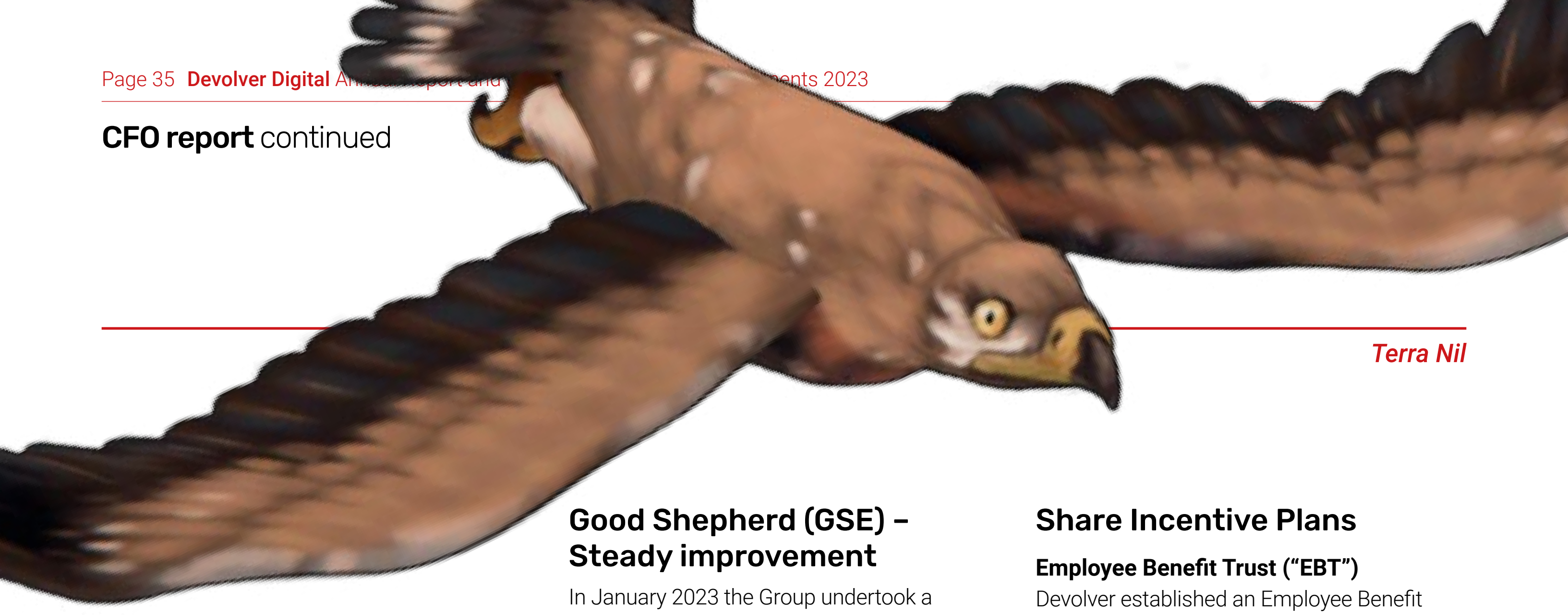
Adjusted EBITDA and EBITDA margins

2023 saw a sequential half-over-half improvement in EBITDA generation, with the first half Adjusted EBITDA loss of US$2.5m pre impairment of US$0.9m offset by a US$4.6m Adjusted EBITDA profit pre impairment in 2H, a sequential swing of US$7.5m, leading to an overall profitable Adjusted EBITDA pre impairment result for the full 12 months. Adjusted EBITDA margins, excluding impairments, were 1.8% for full year 2023, compared to 17.2% the previous year.

Devolver recorded a number of impairments for non-performing titles in 2023. In 1H 2023 a US$0.9m charge was taken, principally reflecting a few smaller titles that did not generate revenues sufficient to support the capitalised carrying cost of the development. In 2H 2023, we recorded a US$1.5m impairment for *Hellboy: Web of Wyrd*, a title published by our subsidiary Good Shepherd. This title was selected and developed by the previous Good Shepherd management team prior to our reset in January 2023.

* Fall Guys excluded

CFO report continued



Terra Nil

Adjusted EBITDA results are non-IFRS measures that are not intended to replace statutory results and 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. These results have been presented to provide users with additional information and analysis of the Group's performance, consistent with how the Directors monitor results.

Operating expenses

In an overall inflationary environment, total adjusted operating expenses pre-impairment increased 17% in 2023 versus the previous year. There was a 23% increase in payroll expense, reflecting the 29% increase in headcount from end 2022, including 56 staff added by the acquisition of System Era. This was partly offset by a 28% reduction in adjusted professional and third-party expenses due to bringing various roles in-house as well as overall cost control from suppliers, and reductions in D&O insurance expense.

Statutory net loss for 2023 was US$12.7m, a significant reduction from the loss in 2022 of US$91.5m.

Good Shepherd (GSE) – Steady improvement

In January 2023 the Group undertook a restructuring of GSE, with the appointment of a new General Manager, a significant reduction in overall team size, and a re-focusing of its business direction towards publishing licensed IP. GSE recently announced a partnership with Rebellion (*Sniper Elite*) to develop and publish video game adaptations based on stories from the beloved 2000 AD universe, the home of *Judge Dredd, Rogue Trooper, ABC Warrior* and more, as well as Rebellion's other comic IP, including *Roy of the Rovers* and *Battle Action*.

Acquisitions – System Era and Doinksoft

Acquisition of Doinksoft

In January 2023 Devolver acquired the IP, assets and development team of Doinksoft, a small development studio based in Oregon, United States. Doinksoft developed *Gato Roboto* and *Devolver Bootleg*, which were published by Devolver in 2019. Devolver published Doinksoft's latest title, *Gunbrella* in 2H 2023.

Acquisition of System Era

On 31 October 2023 Devolver acquired System Era Softworks for a total cash-free debt-free consideration of up to US$40m, satisfied by a US$22m initial consideration, made up of US$20m cash on closing and US$2m of shares and cash to be issued on the 12-month anniversary of closing, as well as US$10m deferred consideration, and up to US$8m potential earn out subject to ambitious financial targets, both payable in cash and shares. System Era published its first title *Astroneer* in 2016 and has recorded over 13m players since release.

The acquisition brings Devolver's combined first-party IP and franchises to more than 15, encompassing over 40 individual titles.

Share Incentive Plans

Employee Benefit Trust ("EBT")

Devolver established an Employee Benefit Trust ("EBT") in May 2022 to facilitate off-market and on-market stock option exercise by employees and contractors who were awarded 2017 Equity Incentive Plan stock options and settlement of shares vesting from awards made under the 2022 LTIP. The EBT is an independent Jersey-incorporated Trust enabling option exercise and share settlement off-market without impacting market liquidity. Share purchases by the EBT are funded by way of a loan from Devolver. The Company can request settlement of the loan at any time in future. The shares held by the EBT are disclosed as Treasury Shares within the Group's Capital Redemption Reserve.

During 2023 the EBT purchased c.19m shares at a cost of US$6.8m. The shares will be held in the EBT for future award to employees.

Options

During 2023, 0.1m shares were issued. At the end of 2023 there were 35.6M options still outstanding with a weighted average exercise price of US$0.47 per option.

CFO report continued

Long Term Incentive Plan (LTIP)
An LTIP plan was approved by Shareholders in 2022 to establish a reward structure for employees at all levels of the Group for performance, through the award of long-term incentive shares. The Remuneration Committee, made up entirely of Independent Non-Executive Directors, worked with independent consultants Alvarez and Marsal throughout the development of the LTIP. The first grants were made in December 2022 (the "2022 Award") accounting for the period 1 January 2022 to 31 December 2024.

In December 2023 the Remuneration Committee recommended 2023 awards granted under the 2022 LTIP plan, for the period 1 January 2023 to 31 December 2025 (the "2023 Award"). The 2023 Award amounted to 7.8m shares in aggregate (on the assumption that all vest), representing 1.75% of the issued and outstanding share capital at that time.

Total dilution from the outstanding 2017 Option Plan options (excluding options previously exercised within the EBT), the 2022 Award and the 2023 Award amount to 10.9% of the issued and outstanding share capital.

The 2023 Award is made up of Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs"). RSUs are subject to a three-year cliff vesting period for executives and two-year cliff vesting period for all other employees, and are subject to certain performance criteria for executives and senior employees. PSUs are subject to a three-year cliff vesting period and achievement of ambitious financial targets.

It should be noted that the co-founders of Devolver who are fully employed at the Company and eligible for the LTIP, including CEO (previously Executive Chair) Harry Miller, without exception, declined to receive any share awards under the 2023 LTIP.

Cash balances

Cash balances were US$42.7m at 31 December 2023 (2022: US$79.5m), following the US$6.8m purchase of shares in the market for the Employee Benefit Trust, and US$18.0m for the purchase of System Era net of acquired cash and fees. Devolver invested US$27.9m in capitalised game development costs during 2023, down from US$32.6m in 2022, reflecting a change in the mix in favour of lower-cost games versus higher-cost games during the period.

Post balance sheet events

In January 2024 Devolver announced changes in Board and leadership composition, including Harry Miller replacing Douglas Morin as CEO and Kate Marsh taking on the position of Non-Executive Chair.

Daniel Widdicombe

Chief Financial Officer

22 April 2024

The Plucky Squire

corporate governance

Non-Executive Chair's introduction 38
principles of the QCA code 39
board of directors 42
company policies 44
board committees 45
audit committee report 46
remuneration committee report 48
directors' remuneration report 51
nomination committee report 53
statement of directors' responsibilities 54

KarmaZoo

Non-Executive Chair'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 2023. The Board is collectively responsible for the success of the Group 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 Corporate Governance ("QCA") Code. Devolver supports the principles of the Code and the Directors believe it provides the Group with the appropriate framework to ensure that a strong level of oversight is maintained. This enables the Group to establish an effective governance culture as part of building a successful and sustainable business for all of its stakeholders. The Group complies with the ten principles of the Code, as detailed below.

Kate Marsh

Non-Executive Chair

(Harry Miller was Executive Chair until 31 January 2024)

22 April 2024

principles of the QCA code*

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

The Group's business model and strategy is set out in the front section of the annual report. The Directors believe that the Group's model and strategy will strengthen the Group's financial 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 in the "Risk Factors" section of the annual report. 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

The Group 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 Group's Annual Report will be available on the Group's website in April 2024 and the Notice of Annual Meeting ("AM") will be sent to all shareholders in May 2024 and will confirm the date of the Annual Meeting. All documents will be available to download from the Group's website.

The Group's AM will be an opportunity for shareholders to meet with the Non-Executive Chair, 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 meeting. The results of any voting at the AM will be announced through the Regulatory Information Service and posted on the Group's website.

The Board is keen to ensure that the voting decisions of shareholders are reviewed and monitored and the Group intends to engage with and listen to 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 Group's website.

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

The Group takes its corporate social responsibilities very seriously and is focused on maintaining effective working relationships across a wide range of stakeholders including shareholders, staff, customers and gaming platforms and developers that it partners with as part of its business strategy.

The Executive Directors 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 2023 donated US$110k to charity. More information on our corporate social responsibility can be found in the "ESG" section of the annual report .

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

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

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

The Board comprises the following persons:

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

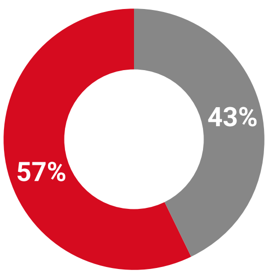
The biographies of the Directors are set out in the "Board of Directors" section of the annual report. The Non-Executive Chair, Kate Marsh (previously Senior Independent Director), and Non-Executive Directors Jeffrey Lyndon Ko, Janet Astall and Jo Goodson are considered to be independent and were selected with the objective of bringing experience and independent judgement to the Board.

* The Group listed on 4 November 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.

principles of the QCA code continued

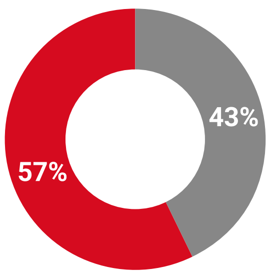
The CEO, Harry Miller (previously Executive Chair), is well-supported by experienced Independent Directors and the Non-Executive Chair with clearly defined roles and responsibilities. The Board as a whole is collectively responsible for the success of the Group, and the proposed structure provides leadership 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, 2023

The division of responsibilities between the CEO, COO, CFO and the Non-Executive Chair will be agreed by the Board. Kate Marsh, the Non-Executive Chair (previously Senior Independent Non-Executive), 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 in the "Board Committees" section of the annual report. 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 has continued this cadence of monthly meetings.

			Board attendance 2023												
Name	**Position**	**Current Committee Membership**	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Class
Harry Miller	Chief Executive Officer *(Executive Chair until 31 January 2024)*	Nomination	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	I
Douglas Morin	Chief Executive Officer *until 31 January 2024*		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	II
Daniel Widdicombe	Chief Financial Officer		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	III
Kate Marsh	Non-Executive Chair *(Senior Independent Director until 31 January 2024)*	Nomination Chair, Remuneration, Audit *(Remuneration Chair until 31 January 2024)*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	I
Jo Goodson	Non-Executive Director	Remuneration (Chair), Nomination	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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 2023 Annual Meeting, Directors belonging to Class II offered themselves up for re-election and were successfully re-elected. At the 2024 Annual Meeting, Directors belonging to Class III and Graeme Struthers as COO (who filled the vacancy of Class II Director Douglas Morin) 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.

Committee attendance

REMUNERATION COMMITTEE 2023

Name	6 April	12 May	22 June	28 June	13 Dec
Kate Marsh (Chair)*	✓	✓	✓	✓	✓
Jeff Lyndon Ko	✓	✓	✓	✓	✓
Jo Goodson*	✓	✓	✓	✓	✓

* In January 2024, Kate Marsh stepped down as Chair and Jo Goodson stepped up as Chair.

AUDIT & RISK COMMITTEE 2023

Name	20 Mar	27 Mar	11 Sep	18 Sep	30 Nov
Janet Astall (Chair)	✓	✓	✓	✓	✓
Kate Marsh	✓	✓	✓	✓	✓
Jeff Lyndon Ko	✓	✓	✓	✓	✓

NOMINATION COMMITTEE 2023

Name	28 April	20 May	20 Oct
Kate Marsh*	✓	✓	✓
Harry Miller	✓	✓	✓
Janet Astall	✓	✓	✓
Jo Goodson (Chair)*	✓	✓	✓

* In January 2024, Jo Goodson stepped down from this committee and Kate Marsh joined as Chair.

principles of the QCA code continued

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 in the "Board of Directors" section of the annual report.

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 Group'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 Group's General Counsel and Board continue to attend several refresher training sessions with the Group's NOMAD and solicitors regarding the AIM Rules, the Disclosure Guidance and Transparency Rules and MAR. In 2023, the Group's General Counsel and Board received updated training on the AIM Rules, QCA guidelines and Delaware law.

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 Group 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.

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 Group'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 Non-Executive Chair 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 in the "Board Committees" section of the annual report. 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 Group 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 is contained in the Group's Annual Report and Accounts provide details to all stakeholders of how the Group is governed.

The Board is of the view that the Annual Report, 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 Group's Annual Meeting as a mechanism to engage directly with shareholders, to give information and receive feedback about the Group and its progress.

The Group'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.

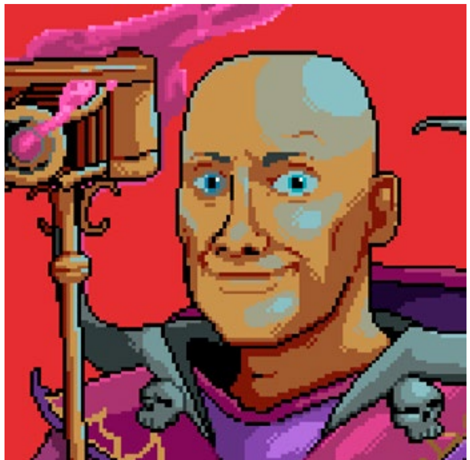
board of directors

HARRY MILLER

Chief Executive Officer (Nomination)

(Executive Chair until 31 January 2024)

Harry is a video games industry veteran, with over 30 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 CEO role, having previously served as Executive Chair and President. Harry has a MIM from Thunderbird School of Global Management.



GRAEME STRUTHERS

Chief Operations Officer

Graeme is a co-founder of Devolver who joined the Board in January 2024, having been appointed Chief Operating Officer in 2022 to oversee a strengthening of the leadership team and operational structures following the IPO in 2021. Before Devolver, Graeme worked across a number of games companies, including Virgin Interactive and Electronic Arts.

DANIEL WIDDICOMBE

Chief Financial Officer

Daniel joined Devolver as CFO in 2021, bringing with him over 30 years of finance experience. A fluent Mandarin speaker, Daniel 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. Daniel has held a number of non-executive roles including Chair of the Audit & Risk Committee of Corgi International, another NASDAQ-listed business, and Middle Earth Limited. On returning to London, Daniel spent over 10 years at China Construction Bank as Head of Investment Banking, leaving in 2020, joining Devolver in May 2021.

board of directors continued

KATE MARSH

Non-Executive Chair (Nomination Chair, Audit, Remuneration)

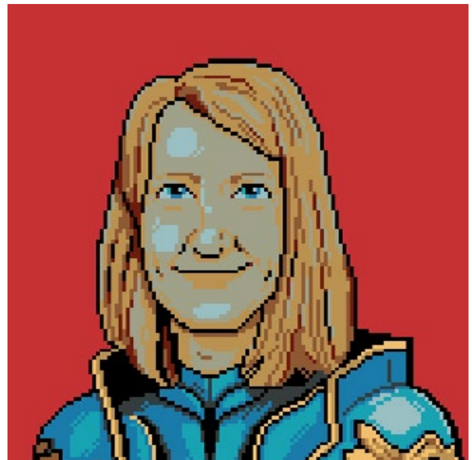
(Senior Independent Non-Executive Director and Remuneration Chair until 31 January 2024)

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 Amazon, MGM Studios, Sky, GroupM, Sony Pictures and the BBC. At the end of 2023, Kate stepped down from her role leading Amazon-owned, MGM+ International (MGM's International SVOD business outside of the US) to concentrate on a portfolio career. Along with serving on the Devolver Board, Kate is a Non-Executive Director at UK FTSE 250 company, Games Workshop Group Plc, where she is Chair of the Remuneration Committee and sits on the Nomination and Audit & Risk Committees. She has served at board-level for Sony Pictures Entertainment companies in Europe, Plato Media Ltd, the home of Hopster, along with Mediahuis Ireland Ltd (previously INM Plc), the home of the Irish Independent and Belfast Telegraph.

JO GOODSON Independent Non-Executive Director (Remuneration Chair, Nomination)

(Nomination Chair until 31 January 2024)

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 and invested in companies in the internet, gaming and software space, including Mediatonic Games, Playmob, MediaGold and Indigo Pearl. She was also a Non-Executive Director and shareholder of Six to Start which was acquired by OliveX, a subsidiary of Animoca Brands, in March 2021. Jo is currently a Non-Executive Director and Chair of the Remuneration Committee for Facilities by ADF, an AIM listed business.



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 a Finance Director at Three and has previously held similar roles at BT, British Gas and O2. Janet was a Non-Executive Director of a Telefonica group business and has recently become a Member of the Board of Trustees and Chair of the Audit Committee at Raspberry Pi Foundation. 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 Group 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 Group 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 Group expects any and all business carried out on the Group'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.

Sludge Life 2

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 Group seeks to emphasise its commitment to sustainability, employee welfare and development, diversity, equal opportunities, reducing waste and supporting charitable initiatives. The Group 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 Group has established Audit & Risk, Remuneration and Nomination committees.

Terra Nil

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 has responsibility for providing effective governance over the Group's financial activities. It determines and examines matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Group's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Group.

REMUNERATION COMMITTEE

The Remuneration Committee comprises:

- **Kate Marsh*** – Chair
- **Jeff Lyndon Ko**
- **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.

* In January 2024, Kate Marsh stepped down as Chair and Jo Goodson stepped up as Chair.

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.

* In January 2024, Jo Goodson stepped down from this committee and Kate Marsh stepped up as Chair.

audit 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.

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 provide effective governance over the Group's financial activities by assisting the Board in the following matters:

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

Significant reporting issues and judgements

As part of the Committee's review of the 2023 full year results announcement and the 2023 Annual Report, the following key accounting policies and estimates were reviewed to ensure appropriate judgements have been made by management:

- Revenue Recognition, the application of IFRS 15;
- Accounting for new business acquisitions during the year;
- Accounting for any remaining contingent consideration on prior business acquisitions;
- Capitalised development costs and their useful economic life;
- The testing of goodwill and intangible assets for impairment;
- Accounting for share-based payments;
- Accounting for transactions with the Employee Benefit Trust;
- Taxation; and
- Going concern.

For further detail on these, please see the notes in the relevant sections of the financial statements. The Committee also reviewed and discussed the findings of the audit with the external auditor.

Activities during 2023

The Committee met 5 times during the year and the Group's external auditors, Grant Thornton LLP, were in attendance for the majority of these meetings. At the committee's request, the Chief Financial Officer and key members of the finance team were also present. During the year, the Committee reviewed the:

- 2022 Trading Update, the 2022 full year results announcements and the 2022 Annual Report;
- 2023 interim results;
- External auditor's findings from the 2022 audit;
- Auditor's fees, their independence and effectiveness;
- 2023 full year audit plan, scope, timetable and audit engagement letter;
- Risk policy and risk register, including principal and emerging risks;
- Financial processes and systems in place at both the Group and subsidiary level;
- Improvements to internal controls; and
- Implementation of key policies including whistleblowing and anti-bribery and corruption.

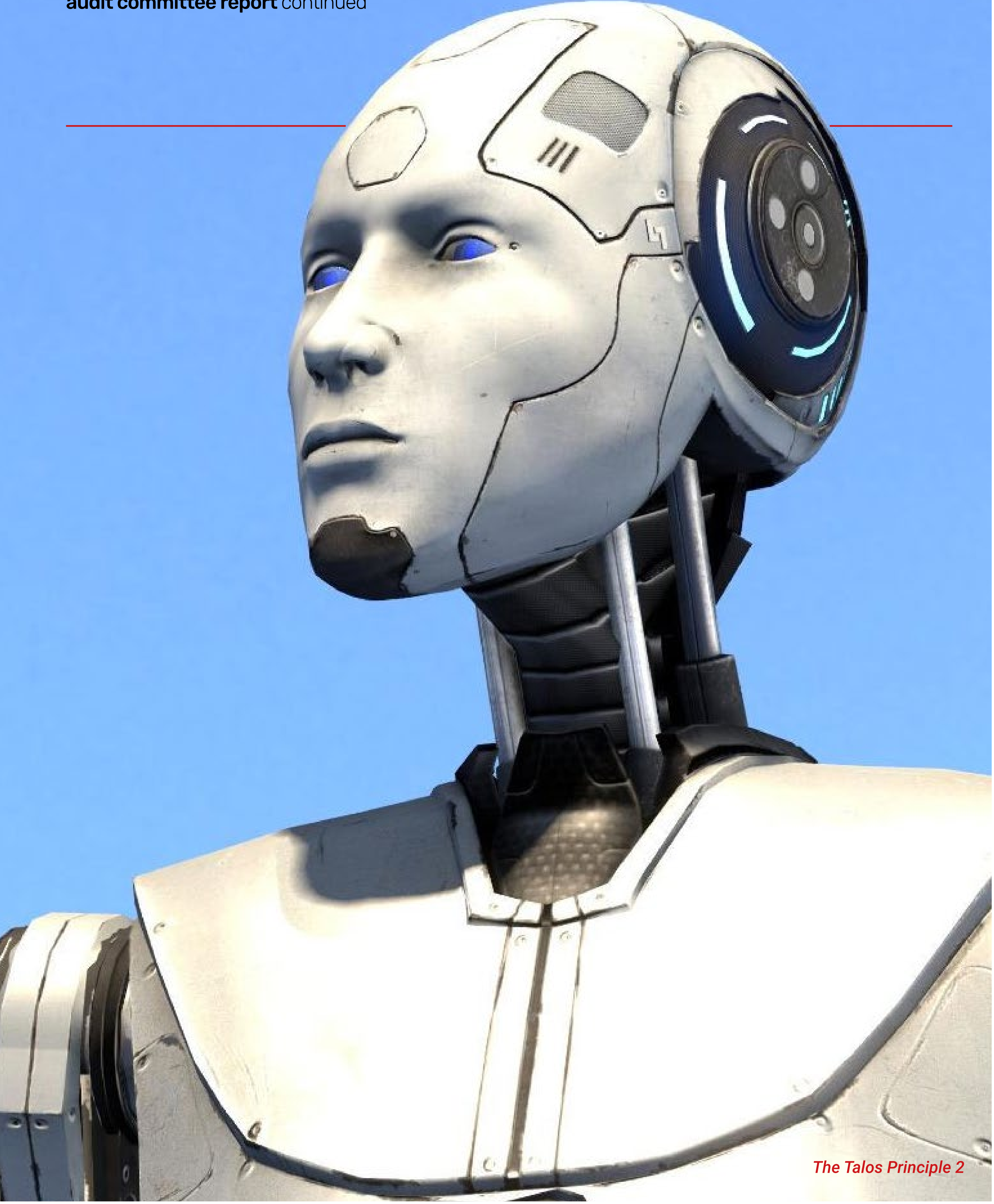
The Audit and Risk Committee also reviewed the acquisition of the System Era business during the year and will ensure that appropriate governance and controls are in place over this new subsidiary as it is integrated into the Group.

Janet Astall

Audit & Risk Committee Chair

22 April 2024

audit committee report continued



The Talos Principle 2

remuneration committee report

Role and responsibilities

The Terms of Reference ("TOR") for the Remuneration Committee (the "Committee") remain the same as created on the Company's Admission to the AIM on November 4, 2021.

2023 has been the first full year of implementation of the approved Remuneration Policy following an independent benchmarking review and the Policy adoption by the Board and Shareholders in 2022.
In 2023 the Committee met 5 times to carry out its duties and key responsibilities in alignment with those TORs as follows:

- To review and make recommendations in respect of Executive Directors' remuneration and benefits packages, including share incentive awards and terms of appointment;
- To review and determine whether awards were to be made under the Group-wide LTIP, and;
- To ensure the Remuneration Policy promotes alignment with long-term shareholder interests and attracts, incentivises and rewards the key talented individuals that are at the core of the business.

Activities during 2023

During the year, the Committee focused on the core tasks of

- Reviewing Executive Director compensation;
- Reviewing and recommending for Board approval share grants under the new Shareholder approved group-wide Long Term Incentive Plan (LTIP); and
- Having oversight of the company-wide bonus scheme.

The Committee considered all tasks, keeping alignment with the long-term aims of the Group and Shareholders. Throughout, the Committee continues to be supported by its independent compensation advisor Alvarez & Marsal as required.

Executive Director & Senior Management Compensation

2023 was the first full year of implementation of the Remuneration Policy that was approved by the Board and Shareholders in 2022.

The Executive compensation structure is both recognisable and straightforward, consisting of base salary, benefits, a performance-related annual bonus and both performance and non-performance-based LTIP share awards which vest after three years.

The Committee reviews base salaries on an annual basis, with reference to market levels in comparably sized, peer-group public companies. Any resulting increases are normally effective from May 1 each year, unless by reason of exception. After review, in 2023, the Committee did not recommend any salary increases for Executive Directors - base compensation remaining flat to the end 2022 level. Note: the general staff pay round, taking note of inflationary pressures, provided for annual increases averaging 5% across the Group. In addition, Executive Chairman Harry Miller elected to receive a salary reduction from US$400,000 per annum to US$350,000 per annum during 2023.

In addition to base salary, Executive Directors receive a pension contribution of 3.0% to 4.3% of salary. Other benefits are in line with general Company policy.

Annual Bonus

Annual bonus payments are based on performance against challenging targets which are aligned to the Group's objectives and are designed to deliver shareholder value. Targets are based on the Group's revenue and EBITDA with varying degrees of award and for 2023 were set as follows against 2023 Budget target:

Budget Metric	12.5% of max	25% of max	50% of max	100% of max
Bonus payable for the following levels of performance:				
Revenue (50% weighting)	90% of target	95% of target	100% of Target	110% of target
EBITDA (50% weighting)	90% of target	95% of target	100% of Target	110% of target

Budget targets set for 2023 were not met. Therefore, no cash bonus payments were awarded to Executive Directors or Senior Management in 2023 in relation to 2023 performance.

remuneration committee report continued

Group-wide LTIP (Long Term Incentive Plan)

The Long Term Incentive Plan, which was approved by Shareholders at the close of 2022, is administered by the Committee and awards are subject to Board approval. All employees, directors and consultants of the Group are eligible to receive stock awards under the plan. Grant levels are determined by the Committee each year and awarded subject to full Board approval under the terms of the Shareholder-approved Circular of December 2022. Subject to Board approval, there is flexibility for the Committee to use discretion to override a formula-driven outcome and adjust the LTIP outturn.

With consideration to key-staff retention, reduced share price, shareholder value, and market conditions, the Committee concluded that the quantum of shares for award under the LTIP in 2023 (the "2023 Award") should be guided by the 2022 Award to guard against over-compensation at a depressed share price, but that such grant should still be calibrated to best incentivise the Group as a whole in a pivot year.

In total c. 7.5m shares were awarded across the Group for the 2023 Award, as Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs"). Details of the 2023 Award made to Executive Directors and to all other staff, respectively, are set out below. For individuals in the Executive Director and senior management cohorts, the number of share units awarded were not increased from the 2022 Award. As in 2022, Harry Miller (Executive Chair in 2023) declined to receive any LTIP grant award for 2023. In addition to the above, discretionary grants totalling c700k shares were issued to employees during 2023.

		2023 Award - Number of Shares		
Executive Directors	**Position in 2023**	**RSUs**	**PSUs**	**Total**
Harry Miller	Exec Chair	-	-	-
Douglas Morin	CEO	154,454	308,908	463,362
Daniel Widdicombe	CFO	119,684	239,368	359,052
Total		**274,138**	**548,276**	**822,414**

The following awards have been made to other management and employees of the Group:

	2023 Award - Number of Shares		
Category	**RSUs**	**PSUs**	**Total**
Other management and senior employees	2,124,680	3,324,891	5,449,571
Other employees and contractors	1,185,534	-	1,185,534
Total	**3,282,569**	**3,324,891**	**6,635,105**

All of the 2023 awards had an effective grant date of 1 January 2023. Subject to achievement of relevant performance conditions, the RSUs vest after three years on 31 December 2025 for the Executive Director and senior management cohorts and 2 years for all other employees, and the PSUs vest after three years on 31 December 2025 for all employees who receive PSUs.

The vesting of the RSUs for the Executive Directors and Other management and senior employees is based partly or wholly on an underpin achievement of 60% of the EBITDA target; there is no underpin for RSUs issued to Other employees and contractors.

The vesting of the PSUs is based on revenue and EBITDA targets, per the below weighting and target achievement thresholds:

Metric	Weighting	0% Vesting (Below threshold)	12.5% Vesting	50% Vesting (Target)	100% Vesting (Maximum)
Revenue	50%	<90% of target	90% of target	Target	110%+ of target
EBITDA	50%	<90% of target	90% of target	Target	110%+ of target

Due to the Company's volatile share price performance and the drop across the market sector, a Total Shareholder Return ("TSR") metric was not introduced in 2023 but will be kept under review by the Committee.

Full detail of the shareholder-approved LTIP can be found in the Shareholder Circular distributed on 28 November 2022 on the Group's website: https://investors.devolverdigital.com. Details of the 2022 and 2023 Awards are on the same website.

Cult of the Lamb

remuneration committee report continued

Employee Benefit Trust ("EBT")

A Jersey-incorporated Employee Benefit Trust ("EBT") continues to operate independently, for the benefit of Devolver employees and contractors, to facilitate off-market and on-market stock option exercise by employees and contractors who were awarded 2017 Stock Option plan stock options, and to satisfy certain LTIP or other share grants. Share purchases by the EBT are funded by way of a loan from Devolver. The Company can request settlement of the loan at any time in future. The shares held by the EBT are disclosed as Treasury Shares within the Group's Capital Redemption Reserve. There was one significant change in holding within the EBT in 2023. The Company provided the Trust with a loan of US$6.8m to purchase a block of shares and the EBT now holds 20.2m shares, equivalent to 4.5% of total 444.8m shares outstanding.

Non-Executive Director Remuneration

To attract and retain high-calibre Non-Executive Directors, fee levels are set appropriately for the role and responsibility of each Non-Executive Director position with reference to comparable and peer-like public companies. Non-Executive Directors are paid a base fee plus an additional fee for other additional responsibilities e.g. chairing a committee. Fees are paid in cash. Non-Executive Director remuneration is reviewed annually and determined by the Chair and the Executive. Non-Executive members of the Board did not receive an increase in fees in 2023 with fees remaining flat to 2022. Full details of 2023 remuneration can be found in the below tables.

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Governance processes

Going forward, the 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 (including updated 2023 code guidance) as far as is appropriate considering Devolver's management structure and the company's size and listing.

The Committee will continue to consider pay and employment conditions across the Group when reviewing Executive Director and Senior Management compensation and will seek major shareholders' views in advance of making significant changes to Remuneration Policy where appropriate. The Chair of the Committee will attend the Annual General Meeting to hear the views of shareholders on the Remuneration Policy and to answer any related questions.

Priorities for 2024

The Committee will continue to set and monitor the remuneration of Executive Directors– including salary, annual bonus and any LTIP compensation. The Committee will also have oversight of any group annual bonus and approval of forward share award plans in line with the Approved 2022 Shareholder Circular with the aim of attracting, incentivising and retaining key talent across the Group and aligning with the long-term objectives of the Group and its shareholders. The Committee will continue to assess the effectiveness of the Remuneration Policy taking into account the need to retain and incentivise key staff and align with Shareholder value.

Jo Goodson

Remuneration Committee Chair

(Kate Marsh was Chair until 31 January 2024)

22 April 2024

directors' remuneration report

Directors' remuneration policy

The Remuneration Committee (the Committee) sets the overall policy on remuneration and other terms of employment of Directors subject to Board approval.

The Non-Executive Directors do not have any personal interest in the matters to be decided by the Committee, or any potential conflicts of interest or day-to-day involvement in the operations of the Group. The Executive Directors may be asked to attend meetings when appropriate to provide advice, however, no Director is present for committee discussions concerning their own remuneration.

Remuneration for the Executive Directors includes base salary and where applicable, annual bonus and share awards. Remuneration for the Non-Executive Directors comprises an annual fee.

The Directors' compensation plans are a result of the review by the Committee in line with the Remuneration Policy, approved by the Board and supported at the 2023 AGM held on Friday June 9, as described in the Remuneration Committee Report. Details of the Directors' compensation are included in the sections below.

Basic salary and benefits

	Basic salary / fee '000	
	2023	2022
Executive Directors		
Harry Miller, CEO *(Executive Chair until 31 January 2024)*	$350.0	$266.7
Douglas Morin, CEO *(Stepped down in January 2024)*	$430.0	$415.0
Daniel Widdicombe, CFO	£350.0	£350.0
Non-Executive Directors		
Kate Marsh (Non-Executive Chair) *(Senior Independent Director until 31 January 2024)*	£80.0*	£80.0*
Joanne Goodson	£55.0*	£55.0*
Janet Astall	£55.0*	£55.0*
Jeffrey Lyndon Ko	£50.0	£50.0

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

Harry Miller, Chair, elected to take a reduced salary from May through December 2022, and a lesser reduction from April through December 2023.

Base salaries for each Executive Director are reviewed annually by the 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. Non-Executive Director fees are set in line with the principles set out in the bylaws and benchmarked.

Annual bonus

The Group's bonus arrangements are as described in the Remuneration Committee Report and are subject to annual review. No Director bonuses were awarded in 2023.

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 US$45.7k (2022: US$38.4k) were paid to Executive Directors. The contributions are included in the table of Directors' emoluments on the following page.

Taxable benefits

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

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.

Group 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 Group'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.

directors' remuneration report continued

Share based compensation

As at 2023 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;
- 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.

Number of shares	Share option scheme	Grant date	Vesting period	Opening amount at 1 January 2023	Granted during the year	Lapsed/ exercised during the year	Closing amount at 31 Dec 2023
Executive Directors							
Harry Miller, Exec Chair	-	-	-	-	-	-	-
Douglas Morin, CEO	2017 Equity Incentive Plan	Sep 2020	3 yr monthly	2,100,000	-	-	2,100,000
		Mar 2021	3 yr monthly	192,500	-	-	192,500
		Sep 2021	3 yr monthly	1,750,000	-	-	1,750,000
Daniel Widdicombe, CFO	2017 Equity Incentive Plan	Sep 2021	4/36 immediate, 805,000 at IPO, balance 3 year monthly vesting	3,220,000	-	-	3,220,000

Details of the options to purchase shares in the Company granted to the Executive Directors are set out below. Specific details of awards to Executive Directors in 2022 and 2023 can be found on the Group's website at https://investors.devolverdigital.com/investor-centre/regulatory-news/ in the press release for 6 December 2023.

Directors' emoluments

The figures below represent emoluments earned by Directors during the year ended 31 December 2023. Benefits incorporate all benefits assessable to tax arising from employment by the Group.

Both the Cash bonus and Share based compensation awarded to the CEO and CFO in 2022 were in recognition of their contribution to the successful listing of the Company in 2021.

	Salary or fees and benefits US$'000		Cash Bonus US$'000		Share-based Compensation US$'000		Pension contributions US$'000		Total US$'000	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Executive Directors										
Harry Miller, Exec Chair	385.8	299.4	-	-	-	-	13.2	10.7	399.0	310.0
Douglas Morin, CEO	460.3	411.9	-	-	-	279.2	13.2	12.2	473.5	703.2
Daniel Widdicombe, CFO	447.4	426.0	-	248.5	-	289.1	19.3	15.5	466.7	979.0
Non-Executive Directors										
Kate Marsh	99.5	97.2	-	-	-	-	-	-	99.5	97.2
Joanne Goodson	68.4	66.9	-	-	-	-	-	-	68.4	66.9
Janet Astall	68.4	66.9	-	-	-	-	-	-	68.4	66.9
Jeffrey Lyndon Ko	62.2	60.9	-	-	-	-	-	-	62.2	60.9

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 core responsibilities of the Committee is 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.

At the Group's Annual Meeting held on 9 June 2023, and in accordance with the Company's Bylaws and Certificate of Incorporation, both Douglas Morin and Jo Goodson were reappointed as Executive Director and Non-Executive Director of the Company, respectively. In January 2024, Douglas Morin stepped down as Executive Director and Graeme Struthers was appointed Executive Director.

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 2023, the Board comprised 43% (three) female and 57% (four) male Board members.

In 2023 a diversity and inclusions steering committee was established to review and make recommendations on diversity and inclusion within Devolver. Further details are included in the ESG section of this report.

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 *https://www.devolverdigital.com/*

The Cosmic Wheel Sisterhood

statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated 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 consolidated financial statements, the Directors are required to prepare them 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 Annual Report unless they are satisfied that it gives a true and fair view of the state of affairs of the Group and of the profit or loss of the Group 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 Group's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that correctly explain the transactions of the Group, enable the financial position of the Group 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 Group 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 Group'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.

Harry Miller

Chief Executive Officer

(Douglas Morin was CEO until January 2024)

22 April 2024

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financial statements

report of independent certified public accountants 56
consolidated statement of profit or loss 58
consolidated statement of comprehensive income 59
consolidated statement of financial position 60
consolidated statement of changes in equity 61
consolidated statement of cash flows 62
notes to the consolidated financial statements 63

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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, 2023 and 2022, 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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

report of independent certified public accountants continued

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 scepticism 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 significant 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 statements, 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

22 April 2024

consolidated statement of profit or loss

	Note	**Year ended 31 December 2023 $'000**	Year ended 31 December 2022 $'000
Revenue	5	**92,356**	**134,565**
Cost of sales		(67,838)	(112,062)
Gross profit		**24,518**	**22,503**
Administrative expenses	8	(38,537)	(121,082)
Other income / (expenses)	6	1,011	(549)
Operating loss		**(13,008)**	**(99,128)**
Finance costs	9	(58)	
Finance income	9	1,361	364
Loss before taxation		**(11,705)**	**(98,764)**
Income tax (expense) / benefit	10	(1,019)	7,264
Loss for the year		**(12,724)**	**(91,500)**
Loss for the year is attributable to:			
Equity holders of the parent		(12,742)	(91,475)
Non-controlling interests		18	(25)
		(12,724)	**(91,500)**
Basic and diluted loss per share ($)	11	(0.029)	(0.206)
Non-IFRS measures			
Adjusted EBITDA* before performance-related impairments	12	1,677	23,210
Adjusted EBITDA*	12	(458)	13,914

* Adjusted EBITDA is a non-IFRS measure and is defined as earnings before interest, tax, depreciation, amortisation (but does not exclude amortisation of capitalised software development costs), share-based payment expenses, foreign exchange gains or losses, and one-time non-recurring items and non-trading items. In prior periods, the Group distinguished between Adjusted EBITDA and Normalised Adjusted EBITDA. This distinction has been removed in the current year reporting for a simpler, clearer presentation in line with industry peers, and therefore the Adjusted EBITDA for the year ended 31 December 2022 as previously reported is no longer presented, and the Adjusted Normalised EBITDA previously reported is presented as Adjusted EBITDA.

consolidated statement of comprehensive income

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Loss for the year	**(12,724)**	**(91,500)**
Other comprehensive income / (loss): Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations:	1,673	(477)
Total comprehensive loss for the year	**(11,051)**	**(91,977)**
Total comprehensive loss is attributable to:		
Equity holders of the parent	(11,069)	(91,952)
Non-controlling interests	18	(25)
Total comprehensive loss for the year	**(11,051)**	**(91,977)**

consolidated statement of financial position

	Note	**As at 31 December 2023 $'000**	As at 31 December 2022 $'000
ASSETS			
Non-current assets			
Intangible assets			
– goodwill	14	31,963	19,153
– other intangible assets	14	95,936	65,918
Property, plant and equipment	16	266	174
Right of use asset	17	953	-
Employee loans		320	463
Deferred tax assets	22	8,100	10,088
Total non-current assets		**137,538**	**95,796**
Current assets			
Trade and other receivables	18	13,778	16,813
Cash and cash equivalents	19	42,651	79,493
Employee loans		487	532
Prepaid income tax		2,354	2,185
Total current assets		**59,270**	**99,023**
Total assets		**196,808**	**194,819**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	45	45
Share premium		146,106	146,044
Retained earnings		47,092	54,618
Translation reserve		(594)	(2,267)
Capital redemption reserve		(34,531)	(27,707)
Equity attributable to owners of the parent		**158,118**	**170,733**
Non-controlling interest		(84)	(102)
Total equity		**158,034**	**170,631**
Non-current liabilities			
Trade and other payables	20	10,361	3,043
Deferred tax liabilities	22	259	1,045
Lease liability	17	873	-
Deferred revenue		*1,309*	-
Total non-current liabilities		**12,802**	**4,088**
Current liabilities			
Trade and other payables	20	24,457	17,747
Lease liability	17	155	-
Deferred revenue		634	2,091
Current tax payable		726	262
Total current liabilities		**25,972**	**20,100**
Total liabilities		**38,774**	**24,188**
TOTAL EQUITY AND LIABILITIES		**196,808**	**194,819**

The Group revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. See Note 2 for additional information.

The financial statements on pages 58 to 88 were approved by the Board for issue on 22 April 2024.

Harry Miller **Chief Executive Officer**

Daniel Widdicombe **Chief Financial Officer**

consolidated statement of changes in equity

	Equity attributable to equity holders of the parent							
	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Translation reserve $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interest $'000	Total equity $'000
Balance at 31 December 2021	44	121,588	–	(986)	124,543	245,189	(77)	245,112
Loss for the period		–	–	–	(91,475)	(91,475)	(25)	(91,500)
Currency translation differences	–	–	–	(1,281)	–	(1,281)	–	(1,281)
Other movements	–	383	–	–	(1)	382	–	382
Transactions with owners in their capacity as owners:								
Issue of shares	–	165	–	–	–	165	–	165
Exercise of share options	1	630	–	–	–	631	–	631
Reclassification of treasury shares b/f	–	25,837	(25,837)	–	–	–	–	–
Treasury share repurchase transactions	–	–	(2,500)	–	–	(2,500)	–	(2,500)
Share-based payments	–	–	–	–	19,622	19,622	–	19,622
Transfers	–	(2,559)	630	–	1,929	–	–	–
Total transactions with owners	**0**	**24,073**	**(27,707)**	**–**	**21,551**	**17,918**	**–**	**17,918**
Balance at 31 December 2022	**45**	**146,044**	**(27,707)**	**(2,267)**	**54,618**	**170,733**	**(102)**	**170,631**
Loss for the period	–	–	–	–	(12,742)	(12,742)	18	(12,724)
Currency translation differences	–	–	–	1,673	–	1,673	–	1,673
Transactions with owners in their capacity as owners:								
Treasury share repurchase transactions	–	–	(6,824)	–	–	(6,824)	–	(6,824)
Exercise of share options	0	62	–	–	(312)	(250)	–	(250)
Share-based payments	–	–	–	–	5,528	5,528	–	5,528
Total transactions with owners	**0**	**62**	**(6,824)**	**–**	**5,216**	**(1,546)**	**–**	**(1,546)**
Balance at 31 December 2023	**45**	**146,106**	**(34,531)**	**(594)**	**47,092**	**158,118**	**(84)**	**158,034**

The Group revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. See Note 2 for additional information.

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.

Capital redemption reserve
Consideration paid for Treasury shares held by the Group, less amounts transferred to satisfy share option exercises or stock award vesting. In the prior year, the balance on Treasury shares which had been reported within Share premium was reclassified to the Capital redemption reserve.

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 2023 $'000**	Year ended 31 December 2022 $'000
Cash inflow from operating activities			
Cash inflow from operations	25	12,319	31,217
Taxation paid		(778)	(2,076)
Taxation received		2,416	14
Net cash inflow from operating activities		**13,957**	**29,155**
Cash flows from investing activities			
Purchase of intangible assets	14	(27,883)	(32,641)
Purchase of tangible assets	16	(51)	(66)
Acquisitions of businesses, net of cash acquired		(18,033)	-
Net cash (outflow) from investing activities		**(45,967)**	**(32,707)**
Cash flows from financing activities			
Share capital issuance		62	795
Share repurchase transactions		(6,824)	(2,514)
Interest received		1,338	362
Interest paid		(58)	(2)
Repayment of lease liabilities		(22)	-
Net cash (outflow) from financing activities		**(5,504)**	**(1,359)**
Cash and cash equivalents			
Net (decrease) in the year		(37,514)	(4,911)
Foreign exchange movements		672	(1,835)
At 1 January		79,493	86,239
At 31 December	19	**42,651**	**79,493**

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 26.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This Annual Report presents the financial results and position of the Group for the two years ended 31 December 2023 and is prepared for the purposes of regulatory disclosure requirements on the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange.

The Annual Report has been prepared in accordance with the requirements of AIM Rules for Companies and 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 Group. All balance sheet accounts of the Group's foreign subsidiaries, where applicable, are translated from their presentational 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 these financial statements 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 the financial results and position of the Company, all of its subsidiaries and any other entity over which the Group is deemed to have control under IFRS 10.

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. Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Prior year immaterial correction

The Group has revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. Due to the identification of an additional tax liability for prior periods relating to state income taxes, the reported financials for the year ended 31 December 2022 have been adjusted for a US$1.6 million increase in the non-current Trade and other payables and a US$1.6 million decrease in opening Retained earnings.

Going concern

After reviewing the Group's forecasts and projections and taking into account current net cash balances, 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 amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

There are no new or amended standards not yet adopted that are expected to have a material impact on the Group's financial reporting.

notes to the consolidated financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition

IFRS 15 Revenue from Contracts with Customers has been applied for all periods presented within the 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 Group 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 PCs, game consoles, mobile phones, tablets and virtual reality headsets. The Group's product and service offerings include, but are not limited to, the following:

- licensing games to third parties to distribute and host games; and
- games delivered via physical disc or via product keys at the time of sale.

Revenue includes income from the release of games, including early access versions, paid downloadable content, licensing fees and the sale of associated physical merchandise.

The Group utilises third-party licensees to distribute and host games in accordance with license agreements, for which the licensees typically pay sales-based royalties. The Group recognises revenue from any sales-based royalties as the related sales occur by the licensee.

For digital full games sold to customers, the Group 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 or games available to a third party platform for their customers to download for an agreed period of time for a fixed fee, often referred to as bundled revenue or subscription deal revenue, and with minimal future performance obligations required by the Group. The fixed fee can be received in advance, received when the third party platform makes the game available to its customers, received following the game becoming available to customers or some combination thereof. In any case, the revenue is recognised when the third party platform has the ability to make the game available to its customers.

In cases where a fee covers multiple games and is not contractually allocated to individual games, allocation of the fee to games will be based on multiple factors including whether the game is new to the market, new to the platform and or new to the subscription service, whether there is any exclusivity associated with the subscription deal and if so, the length of the exclusivity period, prior sales of the game (where the game has been released) or of similar games or previous games in a franchise (if applicable), size or cost of the game, any other subscription deals the game has been included in and independent agreement of individual fees with the games' developers.

The Group sells physical games (which may effectively be a product key) and merchandise directly to customers and also via third party retailers. Revenue from direct physical game sales and merchandise is recognised when the physical games and or merchandise is delivered. The Group recognises revenue from any physical game sales-based royalties as the related sales occur by the third party.

Where there is a minimum guarantee contract in place for digital or physical game sales, or merchandise, this minimum guarantee revenue is recognised when control of the license of software or merchandise IP is transferred.

Certain of the Group'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 Group 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.

Payment Terms

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

Principal vs Agent considerations

The Group 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 Group is acting as the principal in the sale to the end customer which determines whether revenue should be reported gross or net of fees retained by the third-party storefront. Key indicators that the Group 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.

notes to the consolidated financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 Group 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 Group reports revenue related to these arrangements net of the fees retained by the storefront.

Acting as Principal with game developer partners

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

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 the Consolidated Statement of Profit or Loss, except those arising on the translation of foreign subsidiaries, which are taken to the Consolidated Statement of Other Comprehensive Income.

Research and development expenditure

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

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

- It is technically feasible to develop the product to be used or sold;
- There is an intention to complete and use or sell the product;
- The Group is able to use or sell the product;
- Use or sale of the product is forecast to generate future economic benefits;
- Adequate resources are available to complete the development; and
- 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, subcontracted development and production costs, and the direct payroll costs of internal development teams. If the costs are after the initial release of a game ("post-release costs"), they are capitalised where they relate to a distinct revenue generating asset, such as release of the game on additional platforms, or paid downloadable content. Capitalised development costs (Software development costs) are 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.

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

Finance income and costs

Finance costs comprise interest charged on liabilities. Interest income and interest payable are recognised in the Consolidated Statement of Profit or Loss 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. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation (but does not exclude amortisation of capitalised software development costs), share-based payment expenses, foreign exchange gains or losses, and one-time, non-recurring items and non-trading items.

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.

notes to the consolidated financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment

Property, plant and equipment are initially recognised at cost, 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.

Right of use assets

Right of use assets are capitalised based on the present value of the minimum lease payments discounted using the interest rate implicit in the lease. They are depreciated on a straight-line basis over the shorter of the useful economic life of the asset or the lease term.

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 it is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intangible assets other than goodwill

The Group has two 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 when events and circumstances indicate an impairment.

Software development costs

The Group incurs pre-release and post-release software development costs on games developed by third-party game studios and its in-house studios. For third-party studios, in return for the funding and publishing services provided by the Group, the Groups retains a revenue share, with the remaining revenue being paid to the developers and any other relevant parties.

Development costs incurred for external developers, payroll costs for internal development teams, and associated subcontracted development and production costs are capitalised when incurred. Amortisation commences when the game is released and available for sale, or for post-release costs, when the relevant distinct revenue generating asset or significant product enhancements become available to the end customer. 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.

In prior periods, post-release costs were amortised on a 4% reducing balance per month basis. Given the Group's strategic move toward greater post-release content, the Group has now changed the accounting estimate for post-release cost amortisation to align to the pre-release cost amortisation profile of 60% in the first year and 20% in each of the subsequent two years. In FY23, this change in estimate has resulted in an additional $0.5 million of software development amortisation being recognised.

Impairment of property, plant and equipment, right of use 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 ("CGU") to which the asset belongs and then applies that impairment systematically to the assets that make up that CGU, including goodwill.

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

notes to the consolidated financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 trade and other payables and contingent consideration. 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 are initially recognised at cost and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the statement of 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, within the Capital Redemption Reserve. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Business combinations

The cost of a business combination is the fair value at acquisition date of the assets, liabilities and equity instruments assumed.

Deferred and contingent consideration arising from business combinations, in the form of cash or shares, is recognised at fair value at the acquisition date as part of the consideration transferred. The liability is remeasured at each reporting date and movements in the fair value are recognised immediately in profit or loss. Deferred shares are classified as liabilities due to their representation of a variable number of shares for a fixed value. This classification is based on the obligation being tied to a predetermined monetary value rather than a specific share count, thus reflecting the economic substance of the arrangement.

The excess of the cost of a business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Costs directly attributable to the business combination are expensed to profit or loss as incurred.

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. Indicators that the receivable may be impaired include: financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation default, delinquency in payments and the unavailability of credit insurance at commercial rates.

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 Profit or Loss.

Trade receivables

To measure the expected credit losses, trade and other receivables are grouped based on type of customer, shared credit risk characteristics, the days past due and existing economic conditions, as applicable. For other financial assets held 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 employees' 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.

notes to the consolidated financial statements continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 (including share awards and share options) of the Company. The fair value of the awards or options is recognised as an expense in profit or loss. The total amount to be expensed is determined by reference to the fair value of the equity instruments 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. 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 awards and share options which vest in instalments over the vesting period, each instalment is treated as a separate share award or share option grant, each with a different vesting period.

At the end of each reporting period, the Group revises its estimates of the number of share awards and share 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 or Loss, with a corresponding adjustment to equity.

Employee Benefit Trust

Devolver established an Employee Benefit Trust (EBT) in May 2022 to facilitate stock option exercise in relation to the 2017 Stock Option plan stock options and stock units vesting under the 2022 Long Term Incentive Plan (LTIP). The EBT is a Jersey-incorporated Trust enabling option exercise and share settlement off-market without impacting market liquidity. Share purchases by the EBT are funded by way of a loan from Devolver which can request settlement of the loan at any time in future. The shares held by the EBT are consolidated within Devolver's capital redemption reserve balance. Gains or losses on shares transferred out of the EBT are recognised in Retained Earnings.

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 or loss 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 taxable 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.

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

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

notes to the consolidated financial statements continued

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 software development costs

Management has to make judgements as to whether development costs have met the criteria for capitalisation or whether they should be expensed in the year. Development costs are capitalised only after reliable measurement, technical feasibility and commercial viability can be demonstrated in relation to the game or game asset that is being developed.

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 to ten years. Other intangible assets, except for goodwill, are considered to have a finite useful economic life. Estimated useful lives are reviewed at each reporting date.

Software development costs are amortised upon release of the game, or for post-release costs, when the relevant distinct revenue generating asset or significant product enhancements become available to the end customer, being amortised over a three-year period, split as 60% in the first year and 20% in each of the subsequent two years. The Group updated their amortisation basis estimate in 2023 as detailed in Note 2.

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). In the event of impairment, an estimate of the asset's recoverable amount is made.

After assessing the carrying value of each intangible asset, which is shown net of any impairment charge posted, the Directors are confident that the forecast cash generation is in excess of the carrying value 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 includes significant assumptions regarding its commercial performance, particularly for unreleased games. Should the assumptions prove to diverge significantly from the actual outcome, there may be a risk of material adjustment in the financial year following the release of that product.

The sensitivities of any impairments to key assumptions and estimates are disclosed in Note 15.

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. For the Group's contingent consideration based on a cohort of share option grants being exercised, an estimate of the number of options exercised is applied within the fair value calculation. Contingent consideration for the System Era acquisition relates to potential earnout between $nil and $8.0 million based on the achievement of periodic ambitious financial performance targets for Astroneer's EBITDA contribution in the financial years ending 31st December 2023 to 31st December 2027, with estimated achievement of these targets determining the fair value. This is based on the Group's forecasts, incorporating management approved budgets where applicable, and high-level medium term revenue and cost projections, based around assumptions regarding Astroneer's commercial performance. Further details on contingent consideration estimates can be found in Note 21.

Share Based Payments

Grants under the Group's incentive schemes are considered to be equity-settled, as the awards are settled in the Group's equity instruments (shares). In some cases the Group chooses to net settle the awards for the tax obligations that arise; this does not affect the classification.

Estimating the fair value of equity-settled employee shares requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a Black-Scholes model for the Equity Incentive Plan and Restricted Share Awards ('RSAs').

For the Long Term Incentive Plan ('LTIP'), the Group has used the listed share price at the grant date to measure the fair value of shares granted.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 23.

notes to the consolidated financial statements continued

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 and assets are not fully directly attributable to any separate segment.

Non-current assets are located in the following locations:

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
US	89,944	52,032
EU	32,293	27,799
UK	15,301	15,965
Total	**137,538**	**95,796**

5. REVENUE

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
An analysis of the Group's revenue is as follows:		
Revenue analysed by class of business		
Game publishing	92,356	134,565
Revenue analysed by timing of revenue		
Transferred at a point in time	**92,356**	**134,565**

In respect of sales-based royalties receivable, 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.

The Group does not provide any information on the geographical breakdown of revenues, as game publishing revenue is earned via third-party distribution platforms which hold the sales data of end consumers.

Management expects that contract liabilities recognised in respect of partially unsatisfied performance obligations for bundled revenue / subscription fee deals with platforms will be recognised as revenue within 24 months, split between $0.6 million in the next 12 months and $1.3 million in the 12 months following.

For the year ended 31 December 2023, revenue recognised includes $2.1 million (2022: $4.5 million) that was included in the deferred revenue balance at the beginning of the period.

6. OTHER INCOME / (EXPENSES)

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Fair value loss on revaluation of contingent consideration	-	(763)
Net income / (cost) from royalty purchase agreements	1,100	209
Sublease rental (expense) / income	(89)	5
Total other income / (expense)	**1,011**	**(549)**

Fair value loss on revaluation of contingent consideration and Net income from royalty purchase agreements have been restated for the year ended 31 December 2022 to correct signage and quantum. Total other income / (expense) remains as previously reported.

notes to the consolidated financial statements continued

7. EMPLOYEES

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
An analysis of the Group's staff costs is as follows:		
Employee benefit expense	14,990	12,274
Social security costs	1,868	1,464
Pension expense	641	451
Equity-settled share-based payments	5,528	19,621
Total employee benefit expense	**23,027**	**33,810**

8. OPERATING LOSS

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
The operating loss is arrived at after charging / (crediting):		
Royalty expense	42,151	61,448
Software development costs	4,278	4,520
Amortisation of capitalised software development costs	11,634	14,788
Impairment of capitalised software development costs	2,455	22,158
Amortisation of capitalised purchased intellectual property	3,918	5,293
Impairment of capitalised purchased intellectual property	-	22,307
Impairment of goodwill	-	47,667
Depreciation of property, plant and equipment	150	164
Depreciation of right of use asset	36	-
Employee costs	17,499	14,189
Share-based payment charge	5,528	19,621
Professional fees	4,873	6,322
Marketing expenses	7,320	9,148
Net foreign exchange losses	9	673
Travel, insurance and other	6,524	4,846
Total administrative expenses and cost of sales	**106,375**	**233,144**

Details of other income / (expense) included in the operating loss for the year are set out in Note 6.

9. FINANCE INCOME / (EXPENSE)

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Bank interest receivable	1,338	364
Employee loan interest	23	-
Total finance income	**1,361**	**364**

Bank interest payable	(30)	-
Lease interest payable	(28)	-
Total finance expense	**(58)**	**-**

notes to the consolidated financial statements continued

10. INCOME TAX

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Corporation tax:		
Current year	2,307	8,057
Adjustments in respect of prior year	500	874
Deferred tax:		
Origination and reversal of timing differences	(2,606)	(13,943)
Reduction in tax rate	(12)	136
Recognition of tax losses	-	(815)
Adjustments in respect of prior years	830	(1,573)
Total income tax expense / (benefit)	**1,019**	**(7,264)**

Factors affecting tax charge for the year

The tax assessed for the year is higher (year ended 31 December 2022: higher) than the effective rate of corporation tax as explained below:

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Loss before taxation	**(11,705)**	**(98,764)**
Tax at the US corporation tax rate of 21%	(2,458)	(20,705)
Adjusted for the effects of:		
Expenses not deductible for tax purposes	2,521	10,839
Effect of rates other than federal, including overseas tax rates	(98)	1,331
Adjustments in respect of prior periods	1,330	1,234
Other	(277)	37
Total income tax expense / (benefit)	**1,018**	**(7,264)**

Estimates and assumptions, including uncertainty over income tax treatments.

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Group's belief that its tax return positions are supportable, the Group believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Group records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The Group believes that its accruals for tax liabilities are materially adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. No material uncertain tax positions exist as at 31 December 2023. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

notes to the consolidated financial statements continued

11. 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 2023 $'000	Year ended 31 December 2022 $'000
Loss for the year attributable to the owners of the company	(12,742)	(91,475)
Weighted average number of shares	444,825,531	443,090,183
Dilutive effect of share options	-	-
Weighted average number of diluted shares	444,825,531	443,090,183
Basic and diluted loss per share ($)	**(0.029)**	**(0.206)**

12. ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Operating loss	(13,008)	(99,128)
Share-based payment expense	5,528	19,621
Amortisation of purchased intellectual property	3,918	5,292
Depreciation of property, plant and equipment	150	164
Depreciation of ROU asset	36	-
Loss on foreign exchange differences	9	673
Exceptional income from IP disposal & sale of publishing rights	-	(214)
Non-recurring, one-time expenses	2,589	1,616
Revaluation of contingent consideration	-	763
Impairment of intellectual property and goodwill	-	69,973
Impairment of capitalised software development costs	2,455	22,822
Costs accrued for cancelled titles	-	1,007
IPO-related employer social security	-	621
Adjusted EBITDA excluding performance-related impairments	**1,677**	**23,210**
Released title capitalised development cost impairments	(2,135)	(9,296)
Adjusted EBITDA	**(458)**	**13,914**

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.

In prior periods, the Group distinguished between Adjusted EBITDA and Normalised Adjusted EBITDA. This distinction has been removed in the current year reporting and therefore the Adjusted EBITDA for the year ended 31 December 2022 as previously reported is no longer presented, and the Adjusted Normalised EBITDA previously reported is presented as Adjusted EBITDA in the above table.

notes to the consolidated financial statements continued

12. ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT continued

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Gross profit	24,518	22,503
Gross profit margin	26.5%	16.7%
Performance-related impairments	2,455	22,822
Costs accrued for cancelled titles	-	1,007
Adjusted Gross profit (excluding performance related impairments)	**26,973**	**46,332**
Adjusted Gross profit margin (excluding performance related impairments)	29.2%	34.4%

Adjusted Gross Profit adds back the impairment of Software development costs in relation to under-performing released games and cancelled unreleased games, charged to cost of sales in the Consolidated Statement of Profit or Loss.

13. ACQUISITIONS

The following acquisitions occurred during the year ended 31 December 2023. If the acquisitions had occurred on 1 January 2023, the full year pro forma contribution to revenue would have been $6.2 million and the full year pro forma contribution to profit after tax would have been $2.0 million.

Doinksoft

On 10 January 2023, the Group acquired the IP, assets and development team of Doinksoft, LLC, a small development studio based in Oregon, United States.

The goodwill of $0.3 million represents the expected synergies from the ability to access intangible assets such as acquired workforce and growth opportunities.

Consideration comprised $0.6 million cash.

Acquisition related costs of less than $0.1 million have been recognised in profit or loss.

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

	$'000
Intangible assets (IP)	307
Total	**307**
Goodwill	293
	600

	$'000
Consideration:	
Cash	600
Total	**600**

System Era Softworks ("SES")

On 31 October 2023, the Group acquired 100% of the share capital of System Era Softworks Inc, a company registered in the United States of America, and 100% of the share capital of System Era Softworks Canada Inc, a company registered in Canada. The System Era Softworks companies (together "System Era") are video games developers specialising in Expandable Games and strategically the acquisition enables the Group to expand its core product offering into this area.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The audited consolidated financial statements include the results of System Era for the period from the acquisition date.

notes to the consolidated financial statements continued

13. ACQUISITIONS
System Era Softworks ("SES") continued

In calculating goodwill arising from the acquisition, the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group recognized a number of separately identifiable intangible assets as part of the acquisition.

The goodwill of $12.5 million represents the expected synergies from the ability to access intangible assets such as acquired workforce and growth opportunities.

Consideration for the acquisition comprises an initial $23.6 million cash with further deferred cash and share consideration to a current fair value of $35.0 million. The consideration allocation is set out in the table below. Consideration relating to the earnout of up to $8.0 million based on achievement of ambitious financial targets has a current fair value of $nil, since the financial targets are not currently forecast to be achieved; further details can be found in Note 3. Acquisition related costs of $1.5 million have been recognised in the profit and loss account.

The acquired business contributed revenues of $1.0 million and profit after tax of $0.1 million for the two month period from acquisition until the end of the financial year.

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

	$'000
Intangible assets (IP)	19,834
Property, plant and equipment	191
Right of use asset	989
Trade and other receivables	452
Tax asset	702
Cash	6,493
Lease liability	(1,050)
Trade and other payables	(2,115)
Tax payable	(8)
Deferred tax liability	(2,989)
Total	**22,499**
Goodwill	12,517
	35,016

	$'000
Consideration:	
Initial cash	23,589
Deferred cash	5,695
Deferred shares	5,732
Total	**35,016**

At the date of the acquisition, the carrying amount of trade and other receivables was $0.5m, all of which was expected to be collectible in the short-term. As such, there was no difference between the carrying amount and fair value of trade and other receivables at the date of acquisition.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right of use assets were measured at an amount equal to the lease liabilities.

notes to the consolidated financial statements continued

14. INTANGIBLE ASSETS

	Purchased intellectual property $'000	Royalty rights $'000	Software development costs $'000	Subtotal other intangible assets $'000	Goodwill $'000	Total $'000
Cost:						
As at 31 December 2021	59,817	2	61,396	121,215	66,820	188,035
Additions	–	–	32,641	32,641	–	32,641
Disposals	–	(2)	–	(2)	–	(2)
As at 31 December 2022	**59,817**	**-**	**94,037**	**153,854**	**66,820**	**220,674**
Additions	–	–	27,883	27,883	–	27,883
Additions – business combinations	20,142	–	–	20,142	12,810	32,952
As at 31 December 2023	**79,959**	**–**	**121,920**	**201,879**	**79,630**	**281,509**
Amortisation and impairment:						
As at 31 December 2021	6,435	2	16,955	23,392	-	23,392
Amortisation charge for the period	5,293	–	14,788	20,081	–	20,081
Impairment charge for the period	22,307		22,158	44,465	47,667	92,132
Disposals	–	(2)	–	(2)	–	(2)
As at 31 December 2022	**34,035**	**–**	**53,901**	**87,936**	**47,667**	**135,603**
Amortisation charge for the period	3,918	–	11,634	15,552	–	15,552
Impairment charge for the period	–	–	2,455	2,455	–	2,455
As at 31 December 2023	**37,953**	**–**	**67,990**	**105,943**	**47,667**	**153,610**
Carrying amount:						
As at 31 December 2021	**53,382**	**–**	**44.441**	**97,823**	**66,820**	**164,643**
As at 31 December 2022	**25,782**	**–**	**40,136**	**65,918**	**19,153**	**85,071**
As at 31 December 2023	**42,006**	**–**	**53,930**	**95,936**	**31,963**	**127,899**

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 amounts paid to external developers, subcontracted development and production costs such as quality assurance, localisation and porting, and the direct payroll costs of the internal development teams. Amortisation of software development costs commences upon release of the game , or for post-release costs, when the relevant revenue generating asset or significant product enhancements ,and is recognised within cost of sales in the Consolidated Statement of Profit and Loss. Included within software development costs is $31.9 million (31 December 2022: $27.3 million) relating to intangible assets under construction for which amortisation has not yet commenced.

notes to the consolidated financial statements continued

15. IMPAIRMENTS

The Group tests intangible assets for impairments at the end of each reporting period, considering both qualitative and quantitative factors, if there is any indication of impairment, or annually (irrespective of whether there is an indication of impairment) for goodwill, where the asset has an indefinite useful life or where the asset is not yet available for use.

The Group estimates the asset's or CGU's recoverable amount as the higher of the fair value less costs of disposal and value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For the purposes of impairment testing, goodwill and intangibles (software development costs and purchased intellectual property) have been allocated to the Group's CGUs as below:

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Goodwill		
Game development & publishing (US)	12,517	-
Game development (EU)	4,600	4,600
Game development (UK)	1,223	1,223
Game development (US)	13,330	13,330
Game publishing (US)	293	-
	31,963	**19,153**
Software development costs		
Game publishing (US)	35,207	28,690
Game development & publishing (UK)	2,070	1,095
Game publishing (EU)	8,076	5,096
Game development & publishing (US)	1,011	-
Game development (EU)	5,630	3,682
Game development (UK)	1,936	1,573
	53,930	**40,136**
Purchased intellectual property		
Game publishing (US)	307	-
Game development & publishing (UK)	9,629	11,371
Game publishing (EU)	658	780
Game development & publishing (US)	19,660	-
Game development (EU)	8,991	10,332
Game development (UK)	423	536
Game development (US)	2,338	2,763
	42,006	**25,782**

In assessing value in use, the Group prepares cash flow forecasts for each asset or CGU reflecting management's estimations of future performance and these are based, where applicable, on historical performance. Key assumptions on which these forecasts are based include future title release cadence, title revenue generation and decay curves, costs associated with the title releases, operation of the CGUs as applicable and long term growth rates. The cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the cost of capital, market risk premiums and the risk premiums specific to the asset or CGU.

At the end of 2023 the Group recorded an impairment of $2.5m (2022: $22.2m) against software development costs, $nil (2022: $22.3m) against purchased intellectual property and $nil (2022: $47.7m) against goodwill.

notes to the consolidated financial statements continued

15. IMPAIRMENTS continued

Impairment to goodwill

The Group recorded an impairment of $nil (2022: $47.7m) against the carrying value of goodwill at 31 December 2023.

Future cash flows of the CGUs were estimated and discounted to derive a cash-free, debt-free valuation. Cash flows are based on the management approved budget for the next financial year, studio development roadmaps and medium-term title release cycle assumptions, and a growth rate of 2.0% applied to determine the terminal value. The valuations were compared against the book value of assets and liabilities at the reporting date to determine the implied goodwill. Pre-tax discount rates applied ranged from 22% to 27%. The discount rate calculation is based on the specific circumstances of the Group and its CGUs and is derived from its weighted average cost of capital ("WACC").

There were no instances where the value in use recoverable amount of the CGU's goodwill was not sufficient to support the carrying value. Therefore, there was no impairment of goodwill in 2023.

If a 1% increase in discount rates were applied to this principal assumption across all rates used within the range, the impairment would remain $nil. Similarly, a 1% decrease in forecasted revenues or profit margin applied to this principal assumption would also result in no change to impairment remaining as $nil.

Impairment to software development costs

The Group assessed software development costs for indicators of impairment, considering both qualitative and quantitative factors. For the titles exhibiting indicators of impairment, the Group recorded an impairment loss of $2.5m (2022: $22.2m) against the carrying value of software development costs at 31 December 2023.

The majority of this impairment related to a title published in 2023 by Good Shepherd Entertainment, as well as a few smaller titles whose revenue profiles have differed materially from the Group's portfolio amortisation policy. As a result of lower than expected sales and future projections, these titles were impaired to their recoverable amounts, being value in use. The pre-tax discount rate applied to this title was 39.6%. The discount rate calculation is based on the specific circumstances of the Group and its CGUs and is derived from its WACC.

In the event of a 1% increase in the discount rate or a 1% decrease in forecast revenues applied to the principal assumptions, the resulting impairment increase would amount to less than $0.1 million.

Impairment to purchased intellectual property ("PIP")

The Group recorded an impairment of $nil (2022: $22.3m) against the carrying value of PIP at 31 December 2023.

PIP assets relate to both historic back catalogue portfolios and specific titles in development at the time of acquisition of subsidiaries and they were assessed for any indicators of impairment. None were identified and therefore, there was no impairment of PIP in 2023.

notes to the consolidated financial statements continued

16. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment $'000	Total $'000
Cost:		
As at 31 December 2021	416	416
Additions	66	66
As at 31 December 2022	**482**	**482**
Additions	51	51
Business acquisitions	191	191
As at 31 December 2023	**724**	**724**
Depreciation and impairment:		
As at 31 December 2021	190	190
Charge for the period	118	118
As at 31 December 2022	**308**	**308**
Charge for the period	150	150
As at 31 December 2023	**458**	**458**
Carrying amount:		
As at 31 December 2021	**226**	**226**
As at 31 December 2022	**174**	**174**
As at 31 December 2023	**266**	**266**

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

17. RIGHT OF USE ASSET

	Office leases $'000	Total $'000
Cost:		
As at 31 December 2022	-	-
Business acquisitions	989	989
As at 31 December 2023	**989**	**989**
Depreciation and impairment:		
As at 31 December 2022	-	-
Charge for the period	36	36
As at 31 December 2023	**36**	**36**
Carrying amount:		
As at 31 December 2022	-	-
As at 31 December 2023	**953**	**953**
Liability:		
As at 31 December 2022	-	-
Business acquisitions	1,050	1,050
Interest	28	28
Repayments	(50)	(50)
As at 31 December 2023	**1,028**	**1,028**

notes to the consolidated financial statements continued

17. RIGHT OF USE ASSET continued

	Office leases $'000	Total $'000
Due in less than one year	155	155
Due in greater than one year	873	873
	1,028	**1,028**

The Group has one office lease acquired during the year. The lease term runs to June 2028. The depreciation expense recognised in profit and loss is shown in Note 8 and the interest expense is shown in Note 9. There are no variable lease payments and the total cash outflow for leases for the two month period post acquisition amounted to less than $0.1 million.

The minimum contractual lease payments (comprising principal and interest) that are outstanding are as follows:

	$'000
Due in less than one year	316
Due in more than one year and less than five years	1,080
	1,396

18. TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Trade receivables	695	2,773
Accrued income	11,867	12,629
Prepaid and other current assets	1,119	1,211
Loans and deposits	62	190
VAT recoverable	35	10
Total trade and other receivables	**13,778**	**16,813**

Accrued income predominantly relates to platform and subscription deal revenue, where performance obligations have been satisfied but payment is yet to be received.

All of the trade receivables were non-interest bearing, and are receivable under normal commercial terms. The Group considers that the carrying value of trade and other receivables approximates to be 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.

19. CASH AND CASH EQUIVALENTS

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Cash at bank and in hand	**42,651**	**79,493**

notes to the consolidated financial statements continued

20. TRADE AND OTHER PAYABLES

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Amounts due within one year:		
Trade payables	7,145	10,988
Accruals	9,082	5,727
Contingent consideration	-	400
Deferred consideration	2,500	-
Taxation and social security	5,730	632
Total trade and other payables	**24,457**	**17,747**
Amounts due in greater than one year:		
Contingent consideration	1,434	1,402
Deferred consideration	8,927	-
Taxation	-	1,641
Total trade and other payables	**10,361**	**3,043**

The Group revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. See Note 2 for additional information.

Accruals predominantly relate to royalties owed to developers based on current sales, where payment is yet to be made.

21. FINANCIAL RISK MANAGEMENT

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

(a) Risk management policies

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

(b) Financial assets and liabilities

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

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Financial assets at amortised cost:		
Trade and other receivables	12,659	15,602
Cash and cash equivalents	42,651	79,493
Total	55,310	95,095
Financial liabilities at amortised cost:		
Trade and other payables	21,957	18,988
Deferred consideration	11,427	-
Total	**33,384**	**18,988**
Financial liabilities at fair value through profit or loss:		
Contingent consideration	1,434	1,802

The Group revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. See Note 2 for additional information.

notes to the consolidated financial statements continued

21. FINANCIAL RISK MANAGEMENT continued

Fair values of financial assets and liabilities

The Group measures financial instruments at fair value and they 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 summarises the quantitative information about the Group's Level 3 fair value measurements:

Contingent consideration outstanding as of 31 December 2023 is made up of two components; firstly, based on the exercise price of a cohort of share option grants which, when exercised, become payable as cash to the sellers of one of the Group's acquired subsidiaries. Accordingly, the fair value of the contingent consideration is based on the exercise price of these share options. Fluctuation in the valuation of the contingent consideration, outside of the consideration crystallising, is due to the exercise prices being denominated in GBP and translated into the Group's reporting currency, and any changes in the estimate of the number of options that will be exercised. Secondly, the fair value of contingent consideration relating to the System Era earnout of up to $8.0 million is based on the estimated achievement of ambitious financial targets. This estimate is derived from commercial assumptions regarding the performance of System Era's title, Astroneer, through the Group's forecasts, which incorporate management-approved budgets where applicable, as well as high-level medium-term revenue and cost projections.

(c) Credit risk

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

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Current trade and other receivables	12,659	15,602
Cash and cash equivalents	42,651	79,493
Total	**55,310**	**95,095**

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 minimal historical write offs.

Trade receivables from the Group's three largest customers at 31 December 2023 totalled approximately $7.8 m (31 December 2022: three largest customers – $10.1m).

The credit risk on liquid funds is limited because the material portion of cash is held with counterparties that are banks with high credit-ratings assigned by international or United States credit rating agencies. The Group diversifies risk by utilising multiple banking providers.

(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.

notes to the consolidated financial statements continued

21. FINANCIAL RISK MANAGEMENT continued

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

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
Within one year:		
Trade payables	7,145	10,988
Contingent consideration	-	400
Deferred consideration	2,500	
Accruals and other payables	14,812	6,359
Lease liabilities*	316	-
	24,773	17,747
More than one year:		
Taxation payable	-	1,641
Lease liabilities*	1,080	
Contingent consideration	1,434	1,402
Deferred consideration	8,927	-
	11,441	3,043
Total	**36,214**	**20,790**

The Group revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. See Note 2 for additional information.

* Lease liabilities include principal and interest amounts that are contractually payable.

(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. At 31 December 2023, the Group had no external outstanding debt instruments incurring floating interest charges and therefore this risk is not considered significant. Employee loans earn interest income at a fixed rate. The right of use asset represents a short-term office lease with a remaining term of less than five years and an implicit fixed interest rate of 7.3%.

(f) Currency risk

A portion of the Group's activities take place outside of the United States. The Group therefore faces currency exposure on transactions undertaken by and foreign currency assets / liabilities held by the parent company and subsidiaries in foreign currencies and also upon consolidation, following the translation of the local currency results and the net assets or liabilities of these subsidiaries. The principal foreign currencies are British Pounds Sterling and Euro. The risk is not considered to be significant, given the relative contribution of these subsidiaries to the Group, the natural hedging of assets and liabilities in the subsidiaries, and the stability of the relevant currency pairs, however management continues to monitor this position.

(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 2023 $'000	As at 31 December 2022 $'000
Net cash	42,651	79,493
Total equity	158,034	170,631
Total	**200,685**	**250,124**

The Group revised the reported financials for the year ended 31 December 2022 to reflect an immaterial correction to the tax liability. See Note 2 for additional information.

notes to the consolidated financial statements continued

22. DEFERRED TAX

	Year ended 31 December 2023 $'000 Goodwill	Year ended 31 December 2023 $'000 Goodwill	**Year ended 31 December 2023 $'000 P&L**	Year ended 31 December 2022 $'000 P&L	**As at 31 December 2023 $'000 Balance Sheet**	As at 31 December 2022 $'000 Balance Sheet
Deferred tax liability / (asset):						
Short term timing differences	-	-	(842)	(20)	(862)	(20)
Development costs, IP and intangibles	2,989	-	(660)	(10,149)	1,752	(577)
Potential future share option exercises	-	-	(580)	(2,774)	(5,575)	(4,995)
Tax losses available for offsetting against future liabilities	-	-	870	(3,268)	(2,581)	(3,451)
Adjustments in respect of prior years and other	-	-	(576)	(798)	(576)	-
Net deferred tax charge / (benefit) // (asset) / liability	**2,989**	**-**	**(1,788)**	**(17,009)**	**(7,842)**	**(9,043)**

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Deferred tax (asset)	(8,101)	(10,088)
Deferred tax liability	259	1,045
Net deferred tax (asset) / liability	**(7,842)**	**(9,043)**

The net movement is explained as follows:

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Opening deferred tax (asset) / liability	(9,043)	7,152
Charge / (credit) to profit or loss	(1,788)	(16,195)
Arising on business combinations	2,989	-
Closing deferred tax (asset) / liability	**(7,842)**	**(9,043)**

The Group revised the reported deferred tax liability / (asset) categories for the year ended 31 December 2022 to conform with current period presentation.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, as the earnings are continually reinvested by the Group and as there is no intention for these entities to pay dividends, no tax is expected to be payable on them in the foreseeable future.

notes to the consolidated financial statements continued

23. SHARE-BASED PAYMENTS

The Group operates three share-based plans, the 2017 Equity Incentive Plan ("the Plan"), Restricted Stock Awards ("RSAs") and the 2022 Long Term Incentive Plan ("LTIP"), detailed as follows:

The Share-based expense charge during the year ended 31 December 2023 was $5.5m (2022: $19.6m)

Equity Incentive Plan

At 31 December 2023, the Plan has no further authorisation to grant shares of common stock (31 December 2022: nil). 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 2022	37,028,480	0.421	23,911,792	0.369	7.9
Granted during the period	-	N/A			
Exercised during the period	(103,291)	0.338			
Forfeited during the period	(1,373,167)	0.631			
At 31 December 2023	35,552,022	0.465	34,291,939	0.457	6.9

Options granted 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 (years)	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 awarded RSAs as part of business combinations. Awarded shares were made in the Company's share capital. The fair value of the RSAs was estimated by using a Black-Scholes valuation model on the date of grant, based on certain assumptions. The RSAs vested in monthly instalments over the service period. Each instalment was treated as a separate share option grant because each instalment had a different vesting period. This plan was equity-settled. A reconciliation of RSAs is as follows:

	As at 31 December 2023	As at 31 December 2022
Opening RSAs outstanding	1,202,682	2,405,363
RSAs granted	-	-
RSAs vested	(1,202,682)	(1,202,681)
Closing RSAs outstanding	-	1,202,682
Weighted average remaining contractual life in years	**0.0**	**1.0**

notes to the consolidated financial statements continued

23. SHARE-BASED PAYMENTS continued

Long Term Incentive Plan

In 2022 the Group implemented a long term incentive plan ("LTIP") following shareholder approval. The Remuneration Committee, made up entirely of Independent Non-Executive Directors, worked with independent consultants Alvarez & Marsal throughout the development of the LTIP.

A 2023 grant was made to team members of the Group with approval from the Remuneration Committee. The grant included Performance Stock Units ("PSUs"), the award of which are, amongst other things, subject to achieving ambitious financial targets, and Restricted Stock Units ("RSUs"), the award of which are, amongst other things, subject to certain performance criteria for management and senior employees. Vesting periods for the awards were three years for PSUs , and for RSUs three years for management and two years for all other employees. In addition to the above, a discretionary grant of shares was issued to a small cohort of employees in recognition of their contributions during 2022.

The fair value of the stock units and awards granted is the market price on the grant date. An assumption of 98% vesting has been applied to the RSU and PSU grants awarded to management and senior employees. An assumption of 90% vesting has been applied to the RSU grants awarded to all other employees.

A reconciliation of the LTIP grants is as follows:

At 31 December 2022	6,176,412	0.772
Granted	7,825,683	0.281
Vested	(1,245.828)	0.640
Forfeited	(96,202)	0.773
At 31 December 2023	**12,660,065**	**0.481**

Of the 1.2m shares vesting, 0.1 million new shares were issued, 0.7m were settled through transfer from the EBT, and the remainder were not issued as a result of net settlement.

24. SHARE CAPITAL

Authorised

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
2,975,000,000 (2022: 2,975,000,000) shares of $0.0001 each	**298**	**298**

Issued and fully paid

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
444,832,441 (2022: 444,729,150) shares of $0.0001 each	**45**	**45**

Treasury shares

	As at 31 December 2023 $'000	As at 31 December 2022 $'000
54,858,809 (2022: 36,590,742) shares of $0.0001 each	**5**	**4**

During the year ended 31 December 2023, the Group issued 103,291 Shares of $0.0001 each for consideration totalling $0.1m. Share premium of $0.1m has been recognised in respect of these share issues.

The Group entered into share repurchase transactions to purchase (via the Employee Benefit Trust) these 103,291 Shares of $0.0001 each. These have been taken into the Capital Redemption Reserve in equity. In order to satisfy share option exercises, 202,735 shares were taken out of the Capital Redemption Reserve.

In addition, 684,879 shares were transferred out of the EBT to satisfy share option exercises and stock unit vesting, and during the year the EBT purchased 18,853,502 shares in on-market transactions for consideration totalling $6.8 million.

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.

notes to the consolidated financial statements continued

25. CASH GENERATED FROM OPERATIONS

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Loss for the year before tax	(11,705)	(98,764)
Adjustments for:		
Depreciation, amortisation and impairment of tangible and intangible assets	18,193	112,376
Finance income	(1,361)	(362)
Finance costs	58	-
Share-based payment charge	5,528	19,621
Foreign exchange movements	9	673
Movements in working capital:		
Receivables	3,692	(2,844)
Payables	(2,095)	517
Cash generated from operations	**12,319**	**31,217**

26. SUBSIDIARIES

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held
ABEST d.o.o.	Video game development	Croatia	100%
Gambitious B.V.	Video game publishing	Netherlands	100%
GS Capital B.V.	Video game publishing	Netherlands	95%
GSE USA, LLC	Support services	USA	100%
Artificer Games SP. z.o.o.	Video game development	Poland	85%
Nerial Limited	Video game development	UK	100%
Firefly Studios Limited	Video game development and publishing	UK	100%
Firefly Holdings Limited	Video game development and publishing	UK	100%
Firefly Studios Inc	Video game development and publishing	USA	100%
Dodge Roll LLC	IP Licensing	USA	100%
Devolver Digital Games Limited	Support services	UK	100%
Devolver Digital France SAS	Support services	France	100%
Devolver Digital Merger Sub Inc	Dormant	USA	100%
Devolver Digital Canada Limited	Support services	Canada	100%
System Era Softworks Inc	Video game development and publishing	USA	100%
System Era Softworks Canada Inc	Support services	Canada	100%

No subsidiary undertakings have been excluded from the consolidation.

notes to the consolidated financial statements continued

27. RELATED PARTY TRANSACTIONS

Interests in subsidiaries are set out in Note 26.

In 2023, the directors and the COO of the Group are considered to be the key management personnel of the group (2022: Directors only). An analysis of key management personnel compensation is set out below:

	Year ended 31 December 2023 $'000	Year ended 31 December 2022 $'000
Key management personnel compensation		
Salary, benefits and cash bonus	1,664	2,466
Pension	62	62
Share / option-based compensation	-	568
Aggregate compensation	**1,726**	**3,096**

Transactions with related parties

One of the Group's previous executive officers had two family members employed by the Group. These family members received total compensation of $nil (2022: $71,640) for the portion of the prior year that the executive officer was in office. 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.

28. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

other information

company and shareholder information 90
glossary 91

The Plucky Squire

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.

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Brian Chadwick

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Shareholder enquiries
Any enquiries concerning your shareholding should be addressed to the Group'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 Group. Details of any share dealing facilities that the Group endorses will be included in Group 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 Group'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

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

Depositary Interests
UK-registered securities which represent rights to underlying foreign securities

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

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 Group'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 or Team members
full-time and part-time employees and independent contractors together

Steam
a video game digital distribution service

Team members
see Staff

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

Treasury Shares
shares in issue as at 31 December 2023 which are held by the Group (either the Company or Employee Benefit Trust ("EBT") in treasury

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

Design and production: CBG: together
cbgtogether.com

Cult of the Lamb

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