Company Registration No.: 07648078

KWALEE LTD

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2022

CEO Review

Kwalee ended its financial year on the 30 June 2022 strongly. I'm proud to announce that revenues have increased by 15% from £32.2m to £37.1m in the year, despite challenging market conditions.

Hypercasual

Kwalee's strategy to develop innovative, highly engaging Hypercasual games continues to deliver significant commercial success, with our internal studio launching even more chart topping games over the course of the year.

Mobile Publishing

With the lifting of global travel restrictions, our Mobile Publishing team has been able to meet exciting new developers in person again. I'm delighted that Kwalee was named 'Best Publisher' at the 2022 Mobile Game Awards, especially as it was judged by a panel of independent games industry experts.

Casual Games

We've strengthened our Casual Games team which complements our existing Hypercasual and Hybrid Casual teams, both in terms of game development and marketing/ user acquisition. More 'in game' revenue opportunities and a longer player retention life cycle makes this an extremely exciting vertical for Kwalee.

Kwalee made its first acquisition in January 2022, buying the Tictales casual games studio in France, Tictales specialises in narrative driven games and has released 14 games since its launch in 2015.

PC and Console Publishing

Kwalee's PC and Console publishing team has also grown in scope and scale through the year as we added more specialists to our industry leading team. We expect to make more announcements in 2023 and we look forward to delivering our first revenues from this popular games vertical.

Innovation

In May 2022 we opened our new Technology Hub in Almada, Portugal. Our astute use of technology and innovation and the way we deploy new tech across the business are the mainstays of our differentiation as a business.

Recruitment

We have continued to invest in our studios in the UK, India and China and our teams worldwide by adding to our talent pool across all disciplines and levels. Our UK headcount has increased from 107 to 131, whilst our India team has increased from 49 to 128. The Group now employs 259 people in the UK, Portugal, India and China.

In order to reflect the changing meaning of the word 'workplace' worldwide, we've adopted a hybrid model which enables our employees to adopt a blend of office based and remote working.

Outlook

Our entire reason to exist as a business is to develop, launch and market an ever growing library of hit games. As a result of the Group's investment in its creative capabilities, Kwalee will continue to refine and improve our ability to launch such hits more frequently across a wider range of verticals and scale them globally. Looking to the future, we will continue to invest in our teams in India, China and the UK to grow the business worldwide in the fast growing space of digital gaming entertainment.

Financial Review

Key performance indicators	Year ended 30 June 2022	Year ended 30 June 2021	Movement
Total revenue	£37.1m	£32.2m	£4.9m
Gross Profit	£11.0m	£9.6m	£1.4m
Gross Profit margin %	29.6%	29.9%	(0.3%)
Adjusted EBITDA	£2.1m	£2.6m	(£0.5m)
Profit before taxation	£0.3m	£0.4m	(£0.1m)
Cash	£3.3m	£5.4m	(£2.1m)

Revenue has increased by 15% to £37.1m for the year ended 30 June 2022 (2021: £32.2m). The increase in turnover is due to the launch of new games and the Group's back catalogue performing well during the year.

Gross profit increased £1.4m or 14% to £11.0m for the year ended 30 June 2022 (2021: £9.6m), with gross margins remaining relatively flat at 29.6% (2021: 29.9%).

During the year our average headcount, a key driver behind Kwalee's capability to publish more games, increased from 120 to 259. This contributed significantly to administrative expenses growing 15% to £10.2m for the year ended 30 June 2022 (2021: £8.9m).

Adjusted EBITDA decreased by 19% to £2.1m (2021: £2.6m) and includes add backs for foreign exchange gains of £0.2m (2021: £0.6m loss) and one-off exceptional costs of £0.2m relating to legal and professional fees (2021: £0.1m restructuring costs). The Adjusted EBITDA margin decreased to 5.8% (2021: 8.1%). Further detail of Adjusted EBITDA can be found within note 6 in these financial statements.

The tax credit for the year was £0.4m (2021: £0.3m credit) which includes the utilisation of Video Games Tax Relief (VGTR) totalling £0.3m (2021: £0.2m) and R&D credit totalling £0.1m (2021: £0.2m).

Profit after tax for the year was £0.7m (2021: £0.7m).

Statement of Financial Position

The Group continues to invest in people and the technology to support them and therefore property, plant and equipment have increased by £0.1m or 26% to £0.7m (2021: £0.6m).

During the year the Group purchased and developed £1.8m of Intangible assets as it continues to invest in its tools and technology. The acquisition of Tictales SAS resulted in a total of £1.9m being capitalised as goodwill and £0.3m as acquired IP. These additions are offset by £0.8m of amortisation and impairment charged during the year, resulting in an increase of £3.1m to £4.4m (2021: £1.3m).

Cash and cash equivalents for the year ended 30 June 2022 decreased by £2.1m to £3.3m (2021: £5.4m) predominately due to the acquisition of Tictales SAS.

Kwalee has historically been funded by loans from the Company's founders. The total owed to the Directors as at 30 June 2022 amounted to £2.9m (2021: £3.1m).

Our Strategy

Kwalee's strategy is simple - we make the best games for the most popular mobile, PC and console platforms and market them effectively to optimise revenue.

We have a clear mission to entertain the world by developing the very best games and have set out an ambitious strategy to deliver sustainable growth.

Launch More Mobile Games

Kwalee continues to build on its reputation as a leading global mobile game developer and publisher. In addition, the Group has made further significant investments in its technology platform and development tools in order to create, develop and publish games efficiently and profitably.

Launch More PC and Console Games

Our PC and Console team have already signed up numerous games and Kwalee aims to become the number one Indie games publisher in the world.

Improve and Diversify

Our technology platform can semi-automate marketing and testing spend and we have the capacity to use machine learning, analytics and business intelligence tools to make the most effective decisions faster.

Invest in Growth

The Group continues to seek opportunities to grow its development capability and constantly reviews and appraises high performance studios worldwide, so partnership opportunities can be identified and executed as fast and efficiently as possible.

Our Value

The mobile and PC and console gaming markets are significant, both in terms of reach and monetary value and continue to grow. Kwalee is well placed to create and publish new and innovative hyper-casual, hybrid-casual, casual games, and PC console games.

Principal Risks and Uncertainties

Risks and Uncertainties	Response
Launch of successful new games	
Kwalee is reliant on consistently launching a comparatively small number of successful new games, the life of each game being between one to three years. The inability to consistently launch successful new games would significantly reduce revenues.	Kwalee invests heavily in development internally to produce games and also publishes games developed by third parties. It spends significantly on user acquisition through focussed advertising and has a proven track record of successfully monetising its portfolio of games.
Recruitment and retention of key personnel	
The achievement of Kwalee's business plan is dependent upon the availability of key skills and experience across its workforce. The inability to retain, attract and recruit key personnel could adversely impact Kwalee's strategic ambitions.	Kwalee has appropriate remuneration and other incentive packages in place and with its highly collaborative and creative working environment, Kwalee is an attractive place for talented individuals to build their careers. Kwalee has recently obtained an employer sponsorship visa licence to help speed up recruiting of roles from overseas which are on the skills shortage list. It has setup studios in India and China thereby increasing its direct access to strong talent pools in those countries. In addition, and the Group also offers remote working for various roles to help attract suitably skilled candidates worldwide.
Foreign exchange risk	
Kwalee's overheads are largely denominated in sterling, whereas its revenues and cost of sales are mainly denominated in US dollars. Kwalee's performance would be adversely affected by unfavourable movements in foreign exchange rates.	Kwalee's principal expenditure – user acquisition costs – are also mainly denominated in US dollars, so there is a natural hedge as both revenues and user acquisition costs are both denominated in US dollars. The overheads are a relatively small element of the total costs of the business. Whilst to date, Kwalee has not entered into foreign exchange contracts, its foreign exchange exposure will continue to be reviewed and relevant action taken if considered appropriate in the future.
Technology failure, data loss and cyber security	
Prolonged loss of critical systems could inhibit the ability to operate effectively leading to lost revenue and increased costs.	Data recovery is secured by data being hosted on cloud platforms, all provided by leading suppliers such as Google and Amazon. IT and security provisions are regularly reviewed, and investment made, to ensure that they comply with best practice. There has been minimal impact to service through the COVID-19 pandemic.

On behalf of:

David Darling CBE
Chief Executive Officer

Date: 19 Dec 2022

KWALEE LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The Directors present their annual report and the audited financial statements for the year ended 30 June 2022. The registered address of the Company is Southam Road, Radford Semele, Leamington Spa, CV31 1FQ.

Business review and future developments
A review of the business, its performance, including principal risks and uncertainties and the Group and company's future developments is included within the strategic report.

Results and dividends
The profit for the year after taxation was £0.7m (2021: £0.7m). The Directors have not recommended the payment of a dividend (2021: nil).

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

David Darling
James Darling
Jason Falcus
Tom Aherne
Nigel Payne
David Baynes
Simon Bennett

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and to prepare Company financial statements in accordance with UK Accounting Standards and applicable law - UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 101: Reduced Disclosure Framework ("FRS 101").

The Group financial statements are required by law and UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company, and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial risk management
See principal risks and uncertainties as set out on page 4 and our financial risk management policies and processes as set out in note 23.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The Group and company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group or company's performance.

Going concern
The Board has reviewed and approved forecasts provided by Management which demonstrate that the Group will generate profits and positive cash flow for the next twelve months.

The Group has sufficient cash reserves to meet its obligations as they fall due for a period of at least 12 months from date of signing of the financial statements. The Directors have enquired and satisfied themselves that the Group has adequate resources to continue to operate for the foreseeable future and that the Group should continue to adopt the going concern basis for preparing the financial statements.

The Group has outstanding Directors' loans of £2.9m (2021: £3.1m) The loans are repayable on demand. The Directors will only draw down the loans in the unlikely event that the Group cannot meet its financial liabilities as they fall due.

Statement of disclosure of information to Auditors
In so far as each of the Directors is aware, the Directors confirm that:

- There is no relevant audit information of which the company's auditors are unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

PKF Smith Cooper Audit Limited were appointed as auditor to the Group for the year ended 30 June 2022 and have indicated their willingness to be reappointed for another term.

19 Dec 2022

The Group financial statements on pages 11 to 52 were approved by the Board of Directors on .... and signed on its behalf by:

David Darling

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KWALEE LTD

Opinion

We have audited the financial statements of Kwalee Ltd (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out on pages 11 to 52. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards, and as regards the parent company financial statements, as applied with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 June 2022 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards; and the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and;
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

• the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

We identified that the principal risk of fraud or non-compliance with laws and regulations related to:

- Management bias in respect of accounting estimates and judgments made;
- Management override of control;
- Posting of unusual journals or transactions.

We focused on those areas that could give rise to a material misstatement in the Company financial statements. Our procedures included, but were not limited to:

- Enquiry of management and those charged with governance around actual and potential litigation and claims, including instances of non-compliance with laws and regulations and fraud.
- Reviewing minutes of meetings of those charged with governance where available.
- Reviewing legal expenditure in the year to identify instances of non-compliance with laws and regulations and fraud.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias, including the capitalisation and valuation of intangible fixed assets.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KWALEE LTD (CONTINUED)

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

PKF Smith Cooper Audit Limited

James Delve (Senior Statutory Auditor)
for and on behalf of

PKF Smith Cooper Audit Limited
Statutory Auditors
Prospect House
1 Prospect Place
Pride Park
Derby
DE24 8HG

Date: 20/12/22

KWALEE LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £000s	2021 £000s
Revenue	5	37,064	32,159
Cost of sales		(26,102)	(22,532)
Gross profit		10,962	9,627
Administrative expenses		(10,249)	(8,903)
Other income		1	-
Exceptional costs	6	(163)	(103)
Profit from operations	6	551	621
Impairment of intangible assets		(39)	(58)
Gain on sale of property, plant and equipment		3	-
Loss on sale of intangible assets		(1)	-
Finance costs	8	(175)	(133)
Profit before tax		339	430
Income tax	9	371	275
Profit for the year		710	705
Other comprehensive income			
Exchange differences on translating foreign operations		62	(9)
Total comprehensive income for the year		772	696

All amounts relate to continuing operations. Profit and total comprehensive income for the year is all attributable to the owners of the parent company.

The notes of pages 19 to 52 form part of these financial statements.

KWALEE LTD

Company Registration No. 07648078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022 £000s	2021 £000s
Non-current assets			
Property, plant and equipment	10	721	572
Right-of-use assets	11	1,487	1,047
Goodwill and other intangible assets	12	4,411	1,311
Total non-current assets		6,619	2,930
Current assets			
Trade and other receivables	15	3,940	2,112
Corporation tax receivable		678	704
Cash and cash equivalents	16	3,340	5,411
Total current assets		7,958	8,227
Total assets		14,577	11,157
Current liabilities			
Directors' loans	17	2,854	3,121
Trade and other payables	18	3,704	1,582
Borrowings	19	50	-
Contract liabilities	20	10	10
Lease liabilities	21	714	309
Total current liabilities		7,332	5,022
Non-current liabilities			
Borrowings	19	200	-
Lease liabilities	21	837	768
Deferred tax	22	59	-
Total non-current liabilities		1,096	768
Total liabilities		8,428	5,790
Net assets		6,149	5,367
Equity attributable to equity holders of the Group			
Share capital	25	1	1
Share premium	25	503	503
Share option reserve	25	60	50
Foreign exchange reserve	25	53	(9)
Retained earnings	25	5,532	4,822
Total equity		6,149	5,367

The financial statements on pages 11 to 52 were approved by the board of Directors and authorised for issue on 19 Dec 2022.................. and are signed on its behalf by:

David Darling CBE
Chief Executive Officer

Tom Anerne
Chief Financial Officer

KWALEE LTD

Company Registration No. 07648078

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022 £000s	2021 £000s
Non-current assets			
Property, plant and equipment	**10**	360	380
Right-of-use assets	**11**	1,015	673
Intangible assets	**12**	2,241	1,311
Investments	**13**	2,996	293
Total non-current assets		6,612	2,657
Current assets			
Trade and other receivables	**15**	3,714	2,219
Corporation tax receivable		678	704
Cash and cash equivalents	**16**	2,891	5,318
Total current assets		7,283	8,241
Total assets		13,895	10,898
Current liabilities			
Directors' loans	**17**	2,854	3,121
Trade and other payables	**18**	3,942	1,722
Contract liabilities	**20**	10	10
Lease liabilities	**21**	350	162
Total current liabilities		7,156	5,015
Non-current liabilities			
Lease liabilities	**21**	703	524
Total non-current liabilities		703	524
Total liabilities		7,859	5,539
Net assets		6,036	5,359

KWALEE LTD

Company Registration No. 07648078

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2022

	Notes	2022 £000s	2021 £000s
Equity attributable to equity holders of the Company			
Share capital	**25**	1	1
Share premium	**25**	503	503
Share option reserve	**25**	60	50
Retained earnings	**25**	5,472	4,805
Total equity		6,036	5,359

The company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own Statement of Comprehensive Income. The company's profit for the year was £667k (30 June 2021: £688k).

The financial statements on pages 11 to 52 were approved by the board of Directors and authorised for issue on ...19 Dec 2022............... and are signed on its behalf by:

David Darling CBE
Chief Executive Officer

Tom Aherne
Chief Financial Officer

KWALEE LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Share capital £000s	Share premium £000s	Share option reserve £000s	Foreign exchange reserve £000s	Retained earnings £000s	Total £000s
Balance as at 1 July 2020		1	500	25	-	4,117	4,643
Profit for the period		-	-	-	-	705	705
Other comprehensive income		-	-	-	(9)	-	(9)
Total comprehensive income for the year		-	-	-	(9)	705	696
Contributions by and distribution to owners:							
Issue of share capital	**24**	-	3	-	-	-	3
Share based payment compensation	**23**	-	-	25	-	-	25
		-	3	25	-	-	28
Balance as at 30 June 2021		1	503	50	(9)	4,822	5,367
Profit for the period		-	-	-	-	710	710
Other comprehensive income		-	-	-	62	-	62
Total comprehensive income for the year		-	-	-	62	710	772
Contributions by and distribution to owners:							
Share based payment compensation	**23**	-	-	10	-	-	10
		-	-	10	-	-	10
Balance as at 30 June 2022		1	503	60	53	5,532	6,149

KWALEE LTD

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Share capital £000s	Share premium £000s	Share option reserve £000s	Retained earnings £000s	Total £000s
Balance as at 1 July 2020		1	500	25	4,117	4,643
Profit for the period		-	-	-	688	688
Total comprehensive income for the year		-	-	-	688	688
Contributions by and distribution to owners:						
Issue of share capital	**24**	-	3	-	-	3
Share based payment compensation	**23**	-	-	25	-	25
Balance as at 30 June 2021		1	503	50	4,805	5,359
Profit for the period		-	-	-	667	667
Total comprehensive income for the year		-	-	-	667	667
Contributions by and distribution to owners:						
Share based payment compensation	**23**	-	-	10	-	10
		-	-	10	-	10
Balance as at 30 June 2022		1	503	60	5,472	6,036

KWALEE LTD

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	£000s	£000s
Operating activities		
Profit before tax	339	430
Interest expense	175	133
Depreciation of property, plant and equipment	337	219
Depreciation of right of use asset	514	241
Amortisation of intangible assets	807	850
Impairment of intangible assets	39	58
Gain on disposal of property, plant and equipment	(3)	-
Loss on disposal of intangible assets	1	-
(Gain)/loss on foreign exchange	(126)	605
Share based payment expense	10	25
Net cash receipts from operating activities	2,093	2,561
Change in working capital		
(Increase)/decrease in trade and other receivables	(1,757)	1,028
Increase/(decrease) in trade and other payables	1,951	(841)
Cash generated from operating activities	2,287	2,748
Income tax received/(paid)	533	(332)
Net cash generated from operating activities	2,820	2,416
Investing activities		
Proceeds on disposal of tangible assets	4	-
Purchase of property, plant and equipment	(485)	(491)
Purchase of intangible assets	(1,774)	(818)
Purchase of subsidiaries (net of cash acquired)	(1,883)	-
Net cash used in investing activities	(4,138)	(1,309)
Financing activities		
Proceeds on issue of ordinary shares	-	3
Interest paid	(170)	(133)
Payment of lease liabilities	(480)	(213)
Borrowings repayments	(12)	-
Other loan repayments	(272)	(502)
Net cash used in financing activities	(934)	(845)
Net (decrease)/increase in cash and cash equivalents	(2,252)	262
Cash and cash equivalents at beginning of period	5,411	5,763
Effect of foreign exchange rates	181	(614)
Cash and cash equivalents at end of period	3,340	5,411

KWALEE LTD

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated analysis of changes in net debt - current year

	1 July 2021	Cashflow	Acquisitions	Other non-cash changes	New lease liabilities	Exchange rate movements	30 June 2022
	£000s	£000s	£000s		£000s	£000s	£000s
Cash at bank balances	5,411	(2,252)	-	-	-	181	3,340
Borrowings	-	12	(262)	-	-	-	(250)
Directors' loan	(3,121)	272	-	(5)	-	-	(2,854)
Lease liabilities	(1,077)	480	-	-	(954)	-	(1,551)
Total net debt	1,213	(1,488)	(262)	(5)	(954)	181	(1,315)

Consolidated analysis of changes in net debt - prior year

	1 July 2020	Cashflow	Acquisitions	Other non-cash changes	New lease liabilities	Exchange rate movements	30 June 2021
	£000s	£000s	£000s		£000s	£000s	£000s
Cash at bank balances	5,763	262	-	-	-	(614)	5,411
Borrowings	-	-	-	-	-	-	-
Directors' loan	(3,623)	502	-	-	-	-	(3,121)
Lease liabilities	(175)	213	-	-	(1,115)	-	(1,077)
Total net debt	1,965	977	-	-	(1,115)	(614)	1,213

The notes on pages 19 to 52 form part of these financial statements.

1. Corporate information

Kwalee Ltd ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office address of Kwalee Ltd is Southam Road, Radford Semele, Leamington Spa, CV31 1FQ.

The Group consists of Kwalee Ltd and all of its subsidiaries.

The company's and the Group's principal activities and nature of operations continues to be the development and publishing of video games for the mobile gaming sector.

2. Basis of preparation and statement of compliance

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

Basis of preparation
These consolidated financial statements have been prepared on a going concern basis and in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The financial information is presented in Sterling, the presentation and functional currency for the Group and all values are rounded to the nearest thousand pounds (£000s), except when otherwise indicated.

The preparation of these financial statements requires the Directors to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are reported in note 4.

Reduced disclosures
The figures presented in relation to the Company's individual financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

In accordance with FRS 101 the following exemptions from the requirements of IFRS have been applied in the preparation of the company financial statements and, where relevant, equivalent disclosures have been made in the consolidated financial statements of the parent company:

- Presentation of a Company Cash Flow Statement and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Inclusion of an explicit and unreserved statement of compliance with IFRS;
- Disclosure of company key management compensation;
- Disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments;
- Disclosure of the effect of financial instruments on the Statement of Comprehensive Income;
- Related party disclosures in respect of two or more wholly owned members of the Group; and
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

The financial statements of the Company are consolidated within these financial statements.

2. Basis of preparation and statement of compliance (continued)

Basis of consolidation

The Group accounts consolidate the financial statements of the company and its subsidiary undertakings over which it has control. The company is considered to have control over its subsidiaries where it has existing rights over them that give the company the ability to direct their activities, rights to variable returns from its involvement with them and the ability to use its power over them to affect the amount of the Group's returns. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The assets and liabilities of foreign operations are translated into sterling using exchange rates at the reporting date. The components of shareholders' equity are stated at historical value. Average exchange rates for the period are used to translate income and expense items of foreign operations. However, if exchange rates fluctuate significantly, the exchange rates at the dates of the transactions are used. All resulting exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve, a separate component of equity.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a deferred consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Going Concern basis

The Group has produced forecasts and projections to the year ended 20 June 2024, taking into account reasonable and possible changes in trading performance, stress testing and analysing future cashflows. The majority shareholder has provided a letter of support confirming that their Director loan accounts which are repayable on demand will not be called in unless the Group has sufficient cash to be able to make repayments. The majority shareholder also confirmed their willingness to provide further funding to the Group should this be required.

As a result, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of the signing of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements

3. Principal accounting policies

(a) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which have not been applied in this financial information, are not expected to have any significant effect on the Group's future financial information:

- Amendments to IFRS 3, IAS 16, IAS 37 and Annual improvements 2018-2020 (effective 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (deferred until not earlier than 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)

(b) Adoption of new standards and interpretations

In the current period, the following amendments have been adopted which were effective for periods commencing on or after 1 July 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (effective 1 January 2021)
- Amendment to IFRS 16 Leases Covid-19 - Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021)

The amendments effective in the year have not had any material impact on the Group.

Revenue
Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Group activities.

The Group develops and publishes games predominately in the hyper-casual gaming market. The Group generates revenue from providing digital marketing services on these games.

The Group recognises revenue when it satisfies a determined performance obligation by transferring a promised service to a customer.

A service is deemed to have transferred to the customer when they obtain control of that asset. When (or as) a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that has been allocated to that performance obligation.

The Group considers the terms of the contract and its operational processes to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

Contract liabilities are the entity's obligation to transfer services to a customer for which the entity has received consideration, or an amount of consideration is due, from the customer. The Group has identified advances received as contract assets.

3. Principal accounting policies (continued)

Revenue from the main revenue streams:

Digital advertising
The Group generates revenues by providing inventory within its games for advertising. Revenue recognition is based on delivery of the advertisement product into the game which is recognised net in the month of purchase ("at a point in time").

In-app purchases
In-app purchases (IAPs) such as VIP access, in-game services and subscriptions are provided to players and earnt net from each gaming platform (the deduction is taken at source by the gaming platform). Depending on the transaction revenue is recorded at point in time or over time. The majority of IAPs are recognised at point in time and subscription revenues recognised over time.

Cost of sales
Cost of sales consists primarily of marketing costs. All expenses are recognised on an accruals basis and in line with the underlying revenue. Marketing costs are incurred via a number of agreements with ad networks.

Third party publishing
The Group publishes games developed by third parties, for which revenue is recognised at point of sale, in accordance with the contractual agreement with the third party. A deduction is made to cost of sales for royalties due to the third party developer with revenues recognised in line with digital advertising treatment.

Expenditure
Expenditure is recognised in respect of goods and services received, when supplied, in accordance with contractual terms. Provision is made when an obligation exists for a future liability relating to a past event and where the amount of the obligation can be reliably estimated.

Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill is attributable to the people, systems and knowledge that have been created within the trading business, and with the trading relationships which exist between the business and exchanges. Goodwill is carried at cost less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units (or Groups of cash-generating units) that are expected to benefit from the synergies of the combination. A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a prorate basis based on the carrying amount of each asset in the unit. Any impairment loss is recognised as an expense in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Principal accounting policies (continued)

Acquired intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a 33% reducing balance basis over their useful economic lives. Externally acquired intangible assets relate to intellectual property (IP) acquired from third party game developers. The Group seeks to publish these externally generated games through its normal channels.

On acquisition of IP, an asset is created to reflect contractual payments made. Once management determine the IP qualifies as an intangible asset (as per the conditions set out below) the contract asset is recorded as an intangible asset and treated accordingly.

A third party acquired intangible asset is recognised only if the following conditions are met when:

- an identifiable asset arises from contractual right through licensed intellectual property
- there is a probable expectation that the asset will generate future economic benefit

Trademarks and contractual assets that are externally acquired are initially recognised at cost and subsequently amortised on a straight line basis over 10 years and between one and three years respectively.

Internally generated intangible assets
Expenditure incurred on development activities including the Group's internally generated development tools. An internally generated intangible asset is recognised only if all of the following conditions are met:

- completion of the intangible asset is technically feasible and available to sell as completed
- the Group intends to complete the intangible asset and has the ability to use or license it as indicated above, thus generating probable future economic benefits;
- the expenditure attributable to the intangible asset during its development, mainly salary and third party developer costs, can be measured reliably; and
- the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. Until completion, the assets are subject to annual impairment testing. Amortisation commences upon completion of the asset.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain the level of performance of an intangible asset, is expensed as incurred.

The intangibles recognised by the Group, their useful economic lives and methods used to determine the cost of intangibles are as follows:

Development tools	-	Straight line over 1-3 years
Trademarks	-	Straight line over 10 years
External acquired IP	-	Reducing balance over 3-4 years
Publishing assets	-	Straight line over 1-3 years

3. Principal accounting policies (continued)

Property, plant and equipment
Property, plant and equipment are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. It is provided at the following rates:

Leasehold costs	-	Straight line over 5 years
Fixtures and fittings	-	Straight line over 3 years
Computer equipment	-	Straight line over 3 years

The gain or loss on the disposal of property plant and equipment is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to other comprehensive income.

Leases

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

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

Leasehold property	-	On a straight-line basis over the lease term

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below.

An estimate of costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the Group incurs the obligation for these costs.

The costs are incurred at the start of the lease or over the lease term. The provision is measured at the best estimate of the expenditure required to settle the obligation.

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

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

3. Principal accounting policies (continued)

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

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

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Termination penalties are included in the lease payments if the lease term has been adjusted because the Group reasonably expects to exercise an option to terminate the lease.

The exercise price of an option to purchase the leased asset is included in the lease liability when the Group is reasonably certain to exercise that option.

Subsequent measurement of the lease liability
The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

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

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

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

3. Principal accounting policies (continued)

Lease modifications

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

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

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

Rent concessions meeting the requirements of the Covid-19 related rent concessions amendment to IFRS 16 are accounted for as if they were not lease modifications in accordance with the practical expedient.

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

Impairment of other non-financial assets

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest Group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units (CGUs).

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition

The Group initially recognises trade receivables, trade payables, deposits, loans and borrowings on the date on which they are originated. All other instruments are recognised on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument.

All financial assets are recognised initially at fair value plus or minus, in the case of assets not at fair value through the statement of comprehensive income, transaction costs that are attributable to the acquisition of the financial asset or liability.

3. Principal accounting policies (continued)

Financial assets
The Group's financial assets are measured at amortised cost.

A financial asset is measured at amortised cost when assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for expected credit loss (ECL's) are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. In profit or loss, the amount of ECL is recognised as an Impairment loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Investments in subsidiaries
Investments in subsidiaries are held at cost less accumulated impairment losses. The Group assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Impairment losses are recognised in profit or loss.

Financial liabilities
Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, loans and borrowings, accrued liabilities and other financial liabilities, which are classified as measured at amortised cost.

Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other revenues and finance costs. For substantial and non-substantial modifications the Group derecognises a financial liability from the statement of financial position when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability. For specific contracts the Group has a contractual right to offset trade payables against trade receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All balances mature within three months.

Foreign currencies
Transactions in foreign currencies are translated into the Group entity's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

3. Principal accounting policies (continued)

Share based payments

Certain key employees receive part of their remuneration in the form of share-based payments, whereby employee render services as consideration for equity instruments (equity settled transactions).

The cost of equity settled transactions is determined by the fair value at the date of the grant. The fair value is measured using an approximate valuation model, which the Group has selected Black-Scholes.

The cost of the grant is recognised each year, for the vesting period, in line with the employee service provided until estimated exercised date. The cost is included as an employee benefit expense with a corresponding increase in equity (share option reserve). The cumulative expense is recognised for equity settled transactions at each reporting date up to the estimated exercise date and the Group's best estimate of the number of equity instruments that will ultimately vest.

The expense/(credit) recognised in the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

Market performance conditions are reflected within the grant date fair value. Non market performance with an attached service requirement are accounted for by the number of options estimated to vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Employee benefits

Employee benefits expense includes short-term employee benefits, benefits paid upon termination and post-employment benefits. Short-term employee benefits include salaries and benefits, annual holidays and bonuses. Benefits paid upon termination refer to benefits arising from termination of employment, not during performance of work. Post-employment benefits comprise benefits paid after employment, such as healthcare.

Research and development expenditure

Expenditure on development is recognised as an expense in the period in which it is incurred, except where all of the following conditions are satisfied, in which case the expenditure is capitalised:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits through its useful economic life. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

3. Principal accounting policies (continued)

Taxation

Current tax
Tax is payable based on taxable profits for the year. Current tax is expected tax payable on taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, including any adjustment to tax payable with respect to previous years.

Deferred tax
Deferred tax is provided on temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected realisation or settlement of the carrying amount of assets and liabilities, using the tax rate enacted or substantially enacted at the balance sheet date. A deferred tax asset in respect of tax losses is recognised only to the extent that it is provable that future taxable profits will be available against which the asset can be utilised.

Video games tax relief (VGTR)
VGTR tax credits are included withing current tax. Tax credits are recognised when they will be recoverable, and the Group has obtained the required certification for its games that qualify for VGTR.

Research and development credits (R&D)
R&D credits are included within current tax. R&D credits are recognised when they will be recoverable and the Group is able to reliably identify costs that qualify as development costs and that are directly attributable to projects that will derive economic benefit.

Government grants
Government grants are recognised in profit or loss on a systematic basis over the periods in which the expenses are recognised for the related costs for which the grants are intended to compensate.

During the year £nil (2021: £1,507) was received in respect of the Coronavirus Job Retention Scheme.

4. Critical accounting policies, estimates and judgements

The preparation of the financial information under IFRS requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Reference is made in this note to accounting policies which cover areas that the Group consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These policies, together with references to the related notes which include the judgements made, can be found below:

Estimates

Capitalisation of intangible assets
Management makes a number of estimates when capitalising internal time and third party costs that are spent on development tools and is subsequently capitalised. Management has a robust process for recording time and cost spent on projects and reviewing the benefit of each project.

Management capitalises costs of acquiring third party IP and contractual assets and makes an estimate of the economic benefit that the IP and asset will deliver over its estimated useful life.

4. Critical accounting policies, estimates and judgements (continued)

VGTR
In recognising tax credits in the form of Video Games Tax Relief ('VGTR'), management estimate the tax credit to be accrued at the end of the year. Management seek external advice when completing detailed calculations and all submissions are supported by a robust process and detailed evidence provided to HMRC.

R&D
Management makes a number of estimates when determining projects that qualify for R&D credits and in allocating cost to the identified projects. Management have a clear policy for identifying projects that meet the required criteria and robust processes for recording time and cost spend on projects.

Impairment of intangibles
Management periodically review each capitalised project, contractual assets and IP, and make a judgement as to where the intangible asset continues to or will deliver an economic benefit to the Group. When it is uncertain that any benefit will flow to the Group the asset is impaired.

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require estimates in respect of the allocation of goodwill to cash-generating units, the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and the future earnings growth. These calculations use cash flow projections based on financial budgets approved by management as a result the calculations involve the use of estimates.

Judgements

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

Operating segments
The Group identifies reportable operating segments based on internal management reporting that is regularly reviewed by the chief operating decision makers. The chief operating decision makers are the Board.

The Group considers that it provides a single product range (hyper-casual games) into an international marketplace and so there is considered to be only one segment.

Management information is reported as a single operating segment being the design and production of computer software irrespective of platform or route to market. Resources are managed on the basis of the Group as a whole.

Functional currency
The Group has identified £ sterling as its functional currency, based on the main operating costs and salaries are paid in £ sterling and due to the Board and Management who review and analyse performance based on reporting denominated in £ sterling. The Group's revenues and direct costs are mainly in US dollar.

5. Revenue

The Group has disaggregated revenue in the following categories to depict the nature, amount and timing revenue and cashflows:

	2022	2021
	£000s	£000s
Advertising	35,686	31,096
In app purchases and subscriptions	1,378	1,063
	37,064	**32,159**

The Group does not analyse revenue by Geography with the chief decision makers reviewing revenue on a game basis. Revenue derived from the UK ad networks for the year ended 30 June 2022 was £5k (2021: £53k).

The Group does not provide any information on the geographical location of sales as the majority of revenue is through third party distribution platforms which are responsible for the sales data of consumers.

6. Profit from operations

The operating profit is stated after charging/(crediting):

	2022	2021
	£000s	£000s
Depreciation of property, plant and equipment	337	219
Depreciation of right of use asset	514	241
Amortisation of intangibles assets	807	850
Impairment of intangibles assets	39	58
Foreign exchange (gain)/loss	(241)	605
Exceptional costs	163	103
Auditors' remuneration:		
- Audit fees	48	74

During the year, £160k of exceptional costs related to the acquisition of Tictales SAS, £3k of exceptional costs related to other legal fees. In the prior year, exceptional costs related to restructuring fees incurred which are deemed one off in nature.

During the year £nil (2021: £2k) was received in respect of the Coronavirus Job Retention Scheme.

6. Profit from operations (continued)

Adjusted EBITDA

The Group uses Adjusted EBITDA as a key performance measure. A reconciliation of profit for the year to Adjusted EBITDA is provided below:

	2022	2021
	£000s	£000s
Profit for the year	710	705
Finance costs	175	133
Taxation credit	(371)	(275)
Depreciation of property, plant and equipment	337	219
Depreciation of right of use asset	514	241
Amortisation of intangibles assets	807	850
Impairment of intangibles assets	39	58
Foreign exchange (gain)/loss	(241)	605
Exceptional items	163	103
Adjusted EBITDA	**2,133**	**2,639**

7. Staff costs

	Group		Company	
	2022	2021	2022	2021
	£000s	£000s	£000s	£000s
Wages and salaries	4,564	2,838	3,996	2,586
Staff bonus	192	312	172	311
Social security costs	422	317	382	312
Pension costs	102	66	94	66
Share based payment	10	25	-	25
Total expensed in profit or loss	5,290	3,558	4,644	3,300
Staff costs capitalised during the year	451	243	451	243
	5,741	3,801	5,095	3,543

7. Staff costs (continued)

The average number of employees during the year was as follows:

	Group		Company	
	2022 No.	2021 No.	2022 No.	2021 No.
Directors	7	7	7	7
Staff - operations	209	97	84	77
Staff – admin	43	16	14	13
	259	120	105	97

Directors' remuneration

Directors' remuneration is set out below:

	2022 £000s	2021 £000s
Remuneration	234	235
Pension costs	2	3
	236	238

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021: 2).

Remuneration disclosed above include the following amounts paid to the highest paid Director:

	2022 £000s	2021 £000s
Remuneration	100	105
Pension costs	2	2
	102	107

Key management personnel

The key management personnel of the Group are the Directors.

8. Finance costs

	2022 £000s	2021 £000s
Loan interest	74	69
Interest expense on lease liabilities	101	64
	175	133

9. Income tax

	2022 £000s	2021 £000s
Current tax		
UK corporation tax on profits for the current period	(407)	(293)
Adjustment in respect of prior periods	16	-
Total UK current tax	(391)	(293)
Foreign current tax on profits for the current period	25	18
Total current tax	(366)	(275)
Deferred tax		
Origination and reversal of timing differences	(5)	-
Total deferred tax	(5)	-
Total income tax credit	(371)	(275)

9. Income tax (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profit for the year as follows:

	2022 £000s	2021 £000s
Profit before tax	339	430
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	64	82
Expenses not deductible for tax purposes	47	26
Income not taxable for tax purposes	-	-
Fixed asset differences	(13)	-
Other tax adjustments, reliefs and transfers	(83)	(56)
Amounts in respect of prior periods	16	-
R&D expenditure	(179)	(157)
Surrender of tax losses for R&D tax credit refund	21	-
Change of tax rate – Deferred tax	(12)	(89)
Video game tax relief	(280)	(194)
Deferred tax not recognised	48	113
Total tax credit	(371)	(275)

Tax losses

At the statement of financial position date, the Group had an unrecognised deferred tax asset in respect of tax losses carried forward. The company's tax losses are approximately £2.9m (2021: £2.8m) and, on the basis of a tax rate of 25% (2021: 25%), the unrecognised deferred tax asset relating to tax losses carried forward is £0.7m (2021: £0.7m).

In the March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge.

10. Property, plant and equipment

GROUP	Leasehold improvements £000s	Computer equipment £000s	Fixtures and fittings £000s	Total £000s
COST				
At 1 July 2020	11	438	56	505
Additions	-	461	30	491
Disposals	-	(1)	(2)	(3)
At 30 June 2021	11	898	84	993
Additions	7	374	104	485
Business combinations	-	2	-	2
Disposals	-	(16)	-	(16)
At 30 June 2022	18	1,258	188	1,464
DEPRECIATION				
At 1 July 2020	3	185	17	205
Charge for year	2	208	9	219
Disposals	-	(1)	(2)	(3)
At 30 June 2021	5	392	24	421
Charge for year	3	314	20	337
Disposals	-	(15)	-	(15)
At 30 June 2022	8	691	44	743
NET BOOK VALUE				
At 30 June 2021	6	506	60	572
At 30 June 2022	10	567	144	721

KWALEE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

10. Property, plant and equipment (continued)

COMPANY	Leasehold improvements £000s	Computer equipment £000s	Fixtures and fittings £000s	Total £000s
COST				
At 1 July 2020	11	438	56	505
Additions	-	261	12	273
Disposals	-	(1)	(2)	(3)
At 30 June 2021	11	698	66	775
Additions	7	159	49	215
Disposals	-	(16)	-	(16)
At 30 June 2022	18	841	115	974
DEPRECIATION				
At 1 July 2020	3	185	17	205
Charge for year	2	184	7	193
Disposals	-	(1)	(2)	(3)
At 30 June 2021	5	368	22	395
Charge for year	3	216	13	232
Disposals	-	(15)	-	(15)
At 30 June 2022	8	569	35	612
NET BOOK VALUE				
At 30 June 2021	6	330	44	380
At 30 June 2022	10	271	79	360

Depreciation charge for the current and prior year is recognised within administrative expenses.

11. Right of use assets

	GROUP Leasehold property £000s	COMPANY Leasehold property £000s
COST		
At 1 July 2020	371	371
Modification of lease terms	668	668
Additions	447	-
At 30 June 2021	1,486	1,039
Additions	954	595
At 30 June 2022	2,440	1,634
DEPRECIATION		
At 1 July 2020	198	198
Depreciation	241	168
At 30 June 2021	439	366
Depreciation	514	253
At 30 June 2022	953	619
NET BOOK VALUE		
At 30 June 2021	1,047	673
At 30 June 2022	1,487	1,015

Depreciation charge for the current and prior year is recognised within administrative expenses.

The Group leases properties for use in its operations, of which the lease terms range from 2 - 5 years.

During the prior year the Group and Company extended one of the leases resulting in a modification increasing the right-of-use asset for leasehold property by £668k.

The Group has entered into leases for computer equipment and servers which are considered low value under IFRS 16. Therefore, lease payments totalling £23,721 (2021: £1,440) have been expensed during the period.

12. Goodwill and other intangible assets

GROUP	Goodwill £000s	Development tools £000s	Trademarks £000s	Acquired IP £000s	Contractual asset £000s	Total £000s
COST						
At 1 July 2020	-	2,013	15	384	100	2,512
Additions	-	695	3	101	19	818
At 30 June 2021	-	2,708	18	485	119	3,330
Additions	-	721	11	1,042	-	1,774
Business combinations	1,891	-	-	275	-	2,166
Disposal	-	-	-	(88)	(119)	(207)
Foreign exchange	-	-	-	7	-	7
At 30 June 2022	1,891	3,429	29	1,721	-	7,070
AMORTISATION & IMPAIRMENT						
At 1 July 2020	-	1,023	12	68	8	1,111
Charge for year	-	626	3	114	107	850
Impairment	-	39	-	19	-	58
At 30 June 2021	-	1,688	15	201	115	2,019
Charge for year	-	670	2	132	3	807
Impairment	-	-	-	39	-	39
Disposal	-	-	-	(88)	(118)	(206)
At 30 June 2022	-	2,358	17	284	-	2,659
NET BOOK VALUE						
At 30 June 2021	-	1,020	3	284	4	1,311
At 30 June 2022	1,891	1,071	12	1,437	-	4,411

Amortisation charge for the current and prior year is recognised within administrative expenses.

During the year to 30 June 2022 advances paid to developers for the acquisition of IP was impaired totaling £39,000 (2021: £19,000) and development tools was impaired by £nil (2021: £39,000).

12. Goodwill and other intangible assets (continued)

COMPANY	Development tools £000s	Trademarks £000s	Acquired IP £000s	Contractual asset £000s	Total £000s
COST					
At 1 July 2020	2,013	15	384	100	2,512
Additions	695	3	101	19	818
At 30 June 2021	2,708	18	485	119	3,330
Additions	721	11	1,008	-	1,740
Disposal	-	-	(76)	(119)	(195)
At 30 June 2022	3,429	29	1,417	-	4,875
AMORTISATION & IMPAIRMENT					
At 1 July 2020	1,023	12	68	8	1,111
Charge for year	626	3	114	107	850
Impairment	39	-	19	-	58
At 30 June 2021	1,688	15	201	115	2,019
Charge for year	670	2	95	3	770
Impairment	-	-	39	-	39
Disposal	-	-	(76)	(118)	(194)
At 30 June 2022	2,358	17	259	-	2,634
NET BOOK VALUE					
At 30 June 2021	1,020	3	284	4	1,311
At 30 June 2022	1,071	12	1,158	-	2,241

Amortisation charge for the current and prior year is recognised within administrative expenses.

During the year to 30 June 2022 advances paid to developers for the acquisition of IP was impaired totaling £39,000 (2021: £19,000) and development tools was impaired by £nil (2021: £39,000).

13. Investments

Company	Total £000s
1 July 2020	-
Additions	293
30 June 2021	293
Additions	2,703
30 June 2022	2,996
NET BOOK VALUE	
At 30 June 2021	293
At 30 June 2022	2,996

Fixed asset investments relate to the company's wholly owned subsidiary companies.

On 19th January 2022, the Group purchased 100% of the share capital of Tictales SAS, a private French company (see note 14 for more details).

During the year, the Group incorporated a new wholly owned subsidiary, Kwalee Unipessoal Lda.

To the Group, Kwalee Unipessoal Lda contributed revenue of £nil and a loss of £11,209. To the Group, Tictales SAS contributed £275,442 to revenue and a loss of £63,029.

The additions during the prior year represent the incorporation of two new wholly owned subsidiaries, Kwalee India Private Limited on 22 August 2020 and Beijing Kwalee Software Technology Ltd on 4 February 2021. Kwalee India Private Limited contributed revenue of £nil and a loss of £478,794 to the to the Group. Beijing Kwalee Software Technology Ltd contributed revenue of £nil and a loss of £15,498 to the to the Group.

The principal activity of all subsidiaries is that of the development and publishing of video games for the mobile gaming sector.

The registered office addresses of the subsidiary undertakings are as follows:

Subsidiary	Address	Country of incorporation	Class of shares held (direct)
Kwalee India Private Limited	376, 2nd Floor, Trinity Square, 14th B Cross, 5th Main, Sector-6, Hsr Layout, 560102 Bengaluru, India	India	Ordinary shares 100%
Beijing Kwalee Software Technology Ltd	102, Floor 1 Building 2, Xiaoghan, No. 25, Huayuan North Road, Haidian District, Beijing, China	China	Ordinary shares 100%
Tictales SAS	6 Impasse Jules Massenet, 77390 Guignes, France	France	Ordinary shares 100%
Kwalee Unipessoal Lda	Rua Torcato José Clavine No. 3, 1.º Andar- Esq. 2800-710 Almada	Portugal	Ordinary shares 100%

14. Acquisitions

On 19th January 2022, the company acquired 100% of the ordinary share capital of Tictales SAS.

	Book value £000s	Fair value adjustment £000s	Fair value at date of acquisition £000s
Intangible assets	206	69	275
Property, plant and equipment	2	-	2
Trade receivables	14	-	14
Prepayments and accrued income	45	-	45
Corporation tax recoverable	77	-	77
Other receivables	12	-	12
Cash and cash equivalents	164	-	164
Total assets	520	69	589
Trade payables	41	-	41
Other payables	8	-	8
Accruals and deferred income	34	-	34
Borrowings	262	-	262
Deferred tax liabilities	-	64	64
Total liabilities	345	64	409
Net assets acquired	175	5	180
Goodwill			1,891
Total consideration			2,071
Satisfied by:			
- Cash			1,983
- Deferred consideration			88
			2,071

The goodwill is attributable to the workforce and future profitability of the acquired business. It will not be deductible for tax purposes.

Contribution by the acquired business for the reporting period included in the Group statement of comprehensive income since acquisition:

Revenue	275
Loss after tax	(63)

15. Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£000s	£000s	£000s	£000s
Trade receivables	3,232	1,726	3,201	1,726
Other receivables	235	108	44	48
Amounts owed by Group undertakings	-	-	249	259
Prepayments and deposits	473	278	220	186
	3,940	2,112	3,714	2,219

All trade and other receivables are due within one year.

Trade and other receivables have not been discounted and their historic cost value is deemed to be their fair value. The credit quality of our debtors is good due a significant amount of the debt being owed to the Group by global blue chip companies, and as such there are no impaired assets within trade and other receivables.

	Current (> 30 days) £000s	31 – 60 days £000s	61 – 90 days £000s	> 90 days £000s	Total £000s
2022 Trade receivables	3,213	4	14	1	**3,232**
2021 Trade receivables	1,273	450	-	3	**1,726**

16. Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	£000s	£000s	£000s	£000s
Cash in bank	3,340	5,411	2,891	5,318

Cash and cash equivalents consists of short term deposits held in US dollar and cash and cash equivalents held in £ sterling, US dollar (USD), Euro (EUR) and Indian Rupee (INR) Chinese Yuan (CNY).

	Group		Company	
	2022	2021	2022	2021
	£000s	£000s	£000s	£000s
£ Sterling	832	2,469	832	2,469
US Dollar	1,888	2,395	1,888	2,395
Euro	338	409	114	409
Chinese Yuan	132	38	-	38
Indian Rupee	93	100	-	7
Canadian Dollar	56	-	56	-
Japanese Yen	1	-	1	-
	3,340	5,411	2,891	5,318

17. Directors' loans

Group & Company	Total £000s
1 July 2020	3,623
Interest paid	(69)
Interest accrued	69
Amounts repaid	(502)
30 June 2021	3,121
Interest paid	(67)
Interest accrued	72
Amounts repaid	(272)
30 June 2022	2,854

The Group total shareholder loans were £2.9m (2021: £3.1m) payable to David Darling and James Darling, both Directors of the Group. Interest is charged on these loans at 2.75% for the year (2021: 2.75%).

The loans are repayable on demand, each loan is secured by a debenture which has a fixed and floating charge over the assets of the Group. The Directors will not seek repayment of the Directors' loans to the extent that the Group cannot meet its financial liabilities as they fall due.

18. Trade and other payables

	Group		Company	
	2022 £000s	2021 £000s	2022 £000s	2021 £000s
Current				
Trade and other payables	2,178	476	2,493	457
Amounts owed to Group undertakings	-	-	36	181
Accruals	1,438	1,106	1,325	1,084
Deferred consideration	88	-	88	-
	3,704	1,582	3,942	1,722

Book values approximate to fair values at 30 June 2022 and 30 June 2021.

19. Borrowings

	Group		Company	
	2022 £000s	2021 £000s	2022 £000s	2021 £000s
Non-current – Bank loans	200	-	-	-
Current - Bank loans	50	-	-	-
	250	-	-	-

The bank loan is repayable in instalments and accrues interest at 1.29% per annum.

19. Borrowings (continued)

Reconciliation of liabilities arising from financing activities

Group	1 July 2021 £000s	Acquisitions £000s	Cashflows £000s	30 June 2022 £000s
Bank loans	-	250	-	250
	-	250	-	250

20. Contract liability

Deferred third party publishing revenue:

Group & Company	Total £000s
Deferred revenue as at 1 July 2020	10
Revenue recognised	(10)
Revenue deferred	10
Deferred income 30 June 2021	10
Revenue recognised	-
Revenue deferred	-
Deferred revenue 30 June 2022	10

21. Lease liabilities

	Group £000s	Company £000s
At 1 July 2020	175	175
Additions	447	-
Modification of lease terms	668	668
Interest expense	64	39
Lease payments	(277)	(196)
At 30 June 2021	1,077	686
Additions	954	595
Interest expense	101	64
Lease payments	(581)	(292)
At 30 June 2022	1,551	1,053

During the prior year the Group and Company extended one of the leases resulting in a modification increasing the lease liability by £668,000.

21. Lease liabilities (continued)

The maturity of the Group and company's lease liabilities is set out below based on the period between 30 June and the contractual maturity date:

	Group		Company	
	2022	2021	2022	2021
	£000s	£000s	£000s	£000s
Due within one year	714	309	350	162
Between two and five years	837	768	703	524
	1,551	1,077	1,053	686

The weighted average incremental borrowing rate applied to lease liabilities was 5%.

22. Deferred tax

Provision has been made for deferred taxation as follows:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Deferred tax liabilities	59	-	-	-

The deferred tax liabilities recognised are:

	Group		Company	
Deferred tax liabilities	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Other timing differences	59	-	-	-

Deferred tax reconciliation	Group	Company
	£'000	£'000
At 1 July 2020 and 30 June 2021	-	-
On Acquisition (note 14)	64	-
Credit to the income statement	(5)	-
30 June 2022	59	-

23. Financial instruments – Risk Management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

All funding requirements and financial risks are managed based on policies and procedures adopted by the Board. The Group does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

The Group is exposed to the following financial risks:
- foreign exchange risk;
- credit risk; and
- liquidity risk.

The Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:
- trade and other receivables;
- cash and cash equivalents;
- trade and other payables; and
- Directors' loans.

To the extent financial instruments are not carried at fair value in the statement of financial position, book value approximates to fair value at 30 June 2022 and 30 June 2021.

Financial instruments by category

Financial assets	**2022 £000s**	**2021 £000s**
Measured at amortised cost:		
Trade and other receivables	3,467	1,834
Cash and cash equivalents	3,340	5,411
Total financial assets	6,807	7,245

Financial liabilities	**2022 £000s**	**2021 £000s**
Measured at amortised cost:		
Trade and other payables	2,178	476
Lease liabilities	1,551	1,077
Directors' loans	2,854	3,121
Borrowings	250	-
	6,833	4,674
Measured at fair value through profit and loss:		
Deferred consideration	88	-
Total financial liabilities	6,921	4,674

23. Financial instruments – Risk Management (continued)

General objectives, policies and processes

Foreign exchange risk

The Group enters into transactions denominated in currency other that it's functional currency. The Group has large revenues and costs denominated in USD and EUR due to and from ad networks and platforms. The Group is able to settle costs in foreign currency with receipts in that same currency. The Board monitor currency reserves and the continuing effectiveness of the Group's policies. The Group's exposure to other currencies is immaterial.

The Group does not enter into any hedging arrangements to manage its exposure to foreign currency.

Outlined below is the potential impact of change in USD and EUR exchange rate on cash, trade receivable and trade payable positions.

	Sterling change against USD rate %	Effect on profit £000s	Sterling change against EUR rate %	Effect on profit £000s
30 June 2022	5% strengthening	(370)	5% strengthening	(7)
	-5% weakening	370	-5% weakening	7
30 June 2021	5% strengthening	(204)	5% strengthening	(20)
	-5% weakening	204	-5% weakening	20

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from sales to ad networks and platforms.

The Group is exposed to credit risk in respect of these balances such that, if one or more of the customers encounter's financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms. The Group's "customers" (largely ad networks) are mainly large international organisations and have a strong performance of paying within contractual terms. The Group also has a significant spend and agreed credit terms with the same organisations. The Group's credit risk processes are considered in its ECL assessment.

23. Financial instruments – Risk Management (continued)

Cash in bank and short-term deposits

Material cash balances held in the following bank accounts:

	2022			2021		
	Rating	Cash in bank £000s	Short term deposits £000s	Rating	Cash in bank £000s	Short term deposits £000s
Lloyds Bank Plc	A+	1,909	-	A+	2,753	-

The Board monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from any non-performance of counterparties. The carrying amount represents the maximum exposure to credit loss.

The Board are unaware of any factors affecting the recoverability of outstanding balances at the historic year ends 2022 and 2021 and consequently no further provisions have been made for bad and doubtful debts.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. Ultimate responsibility for liquidity risk management rests with the Board. The Board manages liquidity risk by regularly reviewing the Group's cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections prepared by management.

The table below shows the maturity breakdown of the Group's financial liabilities based on undiscounted contractual payments:

30 June 2022

	Current £000s	1 - 5 years £000s	> 5 years £000s	Total £000s
Director loans	2,854	-	-	2,854
Trade and other payables	2,178	-	-	2,178
Lease liability	728	996	-	1,724
Borrowings	50	200	-	250
	5,810	1,196	-	7,006

30 June 2021

	Current £000s	1 - 5 years £000s	> 5 years £000s	Total £000s
Director loans	3,121	-	-	3,121
Trade and other payables	476	-	-	476
Lease liability	363	1,033	-	1,396
	3,960	1,033	-	4,993

Directors' loans are due on demand, however the Directors have stated their intention to not draw down the loans to the extent the Group cannot meet its liabilities due.

23. Financial instruments – Risk Management (continued)

Capital management

The Group is not subject to either internally or externally imposed capital requirements. The Group's objective when managing capital is to provide sufficient resources to allow the continued investment in developing and publishing new games that is required in the hyper-casual mobile gaming market in which the Group operates and to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Group manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses. No changes were made in the objectives, policies and processes during the current or previous year.

24. Share option schemes

The Group has share option schemes whereby options may be granted to employees to subscribe for Ordinary Shares in Kwalee Ltd.

During the period Kwalee Ltd operated three EMI schemes, 2019 EMI Share Option Plan, 2020 EMI Share Option Plan and 2021 EMI Share Option Plan, all schemes are HMRC approved.

During the year ended 30 June 2021 1,395 options were granted to key employees as part of the 2021 EMI Share option Plan. The 2021 EMI Share Option Plan vests over a period of 2 to 6 years and dependent on the option holder remaining being in employment of the Group.

Details of the number of share options and their weighted averaged exercise price is provided below:

Group & Company	**2022**		**2021**	
	Number	**WAEP - £**	**Number**	**WAEP - £**
Outstanding at beginning of year	4,179	141.34	2,784	146.15
Granted during the year	-	-	1,395	131.67
Exercised during the year	-	-	-	-
Forfeited during the year	(145)	131.67	-	-
Outstanding at end of the year	4,034	146.76	4,179	141.34
Exercisable at end of the year	2,784	146.15	2,784	146.15

The share-based payment compensation charge in the profit and loss during the year was £10k (2021: £25).

Under the rules of the 2019, 2020 and 2021 share option plan the options are only exercisable on the performance of a non-market condition and being in employment at time of exercise. The cost of the 2020 and 2021 schemes has already been recognised in the income statement and held in share-based payment reserve.

The weighted average remaining contractual life of options outstanding at the year-end was 2.81 years (2021: 3.81 years)

24. Share option schemes (continued)

Fair value assumptions of share-based payment

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimated fair value is measured using the Black-Scholes model.

The key assumptions used in determining the fair value of options granted is summarised below:

Group & Company	2021 SOP Grant	2020 SOP Grant	2019 SOP Grant
Share price at grant (£)	131.67	292.97	72.74
Exercise price (£)	131.67	292.97	72.74
Expected time to expiry (years)	2 - 6	0.83	1.75
Risk-free interest rate (%)	0.05 - 0.43%	1.03%	1.24%
Expected volatility of share price (%)	40%	40%	40%
Fair value of options granted (pence)	29.076 – 50.076	4.309	1.565

Expected volatility was determined using a weighted median volatility of comparator sector companies.

25. Called up share capital

Group & Company	2022 Number of shares	2022 £000s	2021 Number of shares	2021 £000s
Ordinary share capital issued and fully paid				
Ordinary shares of 1p each	128,625	1	128,625	1

During the prior year 25 ordinary shares of 1p each were issued for consideration totalling £3,291.

Ordinary shares have full rights in the company with respect to voting, dividends and distributions.

Reserves

Retained earnings
Cumulative profit and loss net of distributions to owners.

Share premium
Consideration received for shares issued above their nominal value net of transaction costs.

Share option reserve
The cumulative share-based payment expense.

Foreign exchange reserve
Foreign exchange gains and losses on the retranslation of the results and net assets of the Group's foreign subsidiaries.

26. Related party transactions

The Group has Director loans with David Darling and James Darling. The amounts outstanding at the year-end date were:

Group & Company	**2022 £000s**	**2021 £000s**
James Darling	419	458
David Darling	2,435	2,663
Total	2,854	3,121

During the year, interest payments of £57,000 (2021: £60,000) and capital repayments of £232,000 (2021: £427,000) were made to David Darling and £10,000 (2021: £9,000) interest payments and capital repayments of £40,000 (2021: £75,000) were made to James Darling.

During the prior year 25 ordinary shares of 1p each were issued to a family member of a Director for consideration totalling £3,291.

27. Ultimate controlling party

The ultimate controlling party is considered to be David Darling who is a Director and majority shareholder.