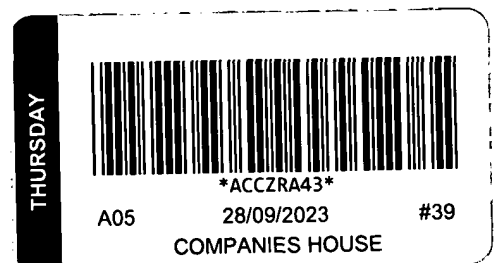


Company Registration No. 08070525 (England and Wales)

IMPROBABLE WORLDS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022



IMPROBABLE WORLDS LIMITED

COMPANY INFORMATION

Directors	H Narula C Dixon P Lipka J Robinson A Theysset
Secretary	M Shepherd
Company number	08070525
Registered office	10 Bishops Square London E1 6EG
Independent auditor	PWC LLP 1 Embankment Place London WC2N 6RH

IMPROBABLE WORLDS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022 for Improbable Worlds Limited (the "Company") and its subsidiaries (together the "Group").

Principal activities and business review

The principal activity of the Group has been the development and commercial exploitation of virtual world-building technology and services, creating the critical infrastructure to power the coming age of virtual worlds and the metaverse. *Improbable partners with iconic brands, developers, government and enterprises to pioneer new ways to connect, play, create and build value across interconnected virtual worlds.*

In 2022, the focus of the company was to continue growing its operating businesses, notably through increasing commercial capability, continuing to invest in its core technology and building new content experiences in the metaverse, video gaming and defence core activities. The company pushes technological boundaries in solving the barriers of density and presence traditionally met within games and real time experiences. The company continued to demonstrate its capabilities with live events such as the 'First Trip' to the Otherside, Yuga Labs' metaverse.

In 2022, the Group raised US\$150m in funding to establish and develop M² (MSquared). M² is an ecosystem of technologies, services, and standards powering a network of interconnected metaverses. By offering a foundation for novel experiences, asset sharing, and interaction across diverse metaversal experiences, M² fosters a vibrant community of businesses, builders, and users alike. The M² network combines Improbable's Morpheus technology with new services designed to support interoperability, commerce in digital assets and governance in Web3. It aims to bring together companies, existing communities and fans in sports, music, fashion and entertainment and enable them to interact in dense virtual spaces with unprecedented fidelity.

Revenue generated grew 2.6x in the year and was driven by early successes in the provision of technology, content development, and operating services to metaverse customers and continued strong growth in game services. To support the continued growth and development, Improbable continued to invest in technology and product development and business capture, while billable headcount also grew to support the services revenue generated. In alignment with the increasing focus on its metaverse strategy, the company divested two of its games studios - Inflexion Games and Midwinter Entertainment. Overhead costs declined as a result of the business consolidation.

At the end of 2022, Improbable remains well positioned to play a pivotal role in the next wave of creative experiences and massive live and interactive events in the metaverse and Web3 market. Also, Improbable's technology and service offering, leveraging complex synthetic environments, continues to transform a wide range of defence and national security functions.

Principal risks and uncertainties

There are inherent risks faced by companies who are developing innovative technologies and are in the scale-up phase of a company life cycle. The directors view the principal risk to be the ability of the Group to maintain or generate sufficient funds to continue developing and advancing Improbable's core technology and expanding its customer base. The directors are cognizant the Group is not yet demonstrating self-sustaining profitability and have as a result engaged in de-risking its content business by divesting activities not contributing directly to the company's strategic focus on the metaverse, as well as implementing efficiency improvements, strengthening its sustainable and growing services business, and securing further funding for the emerging metaverse activities. As a result of these activities, operating costs were substantially reduced through 2022.

Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. Funding rounds and continued revenue growth have mitigated this risk, but the Group manages liquidity risk through detailed review of expenditures and forecasts. The Group also monitors macroeconomic factors, as well the volatility in the metaverse and Web3 markets, and ensures the impact on liquidity risk is mitigated.

Interest rate risk

The Group is exposed to interest rate risk through its cash balances and this is mitigated through regular review with portfolio managers and providers.

IMPROBABLE WORLDS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The Group assesses creditworthiness on a case-by-case basis as relationships with customers arise and evolve.

Key performance indicators

As the Group's operating businesses have matured, the key performance indicators of the business have transitioned from absolute levels of expenditure to customer and partner focused metrics. We measure our success based on the levels of engagement, participation, retention, and success of the projects we contribute towards with our partners. The Directors believe these are appropriate measures of performance to track and analyse the operating businesses and will continue to identify new measures as the business evolves.

The Metaverse business has begun to grow its customer base, partnering with high profile brands in Web3, sports and CPG. The success of the business is measured through the customer acquisition and retention, user engagement, participation traffic and monetisation of these projects. The Games business partners with some of the biggest AAA studios in the world. The growth in billable headcount and utilisation of billable staff on customer projects are key indicators of the operating and financial performance of the Games business. In the Defence and Enterprise business, performance is measured by the conversion of pipeline opportunities, contract bookings, commercial traction and customer satisfaction.

Stakeholder engagement - Improbable's Section 172 statement

Our success depends on fostering successful relationships with stakeholders. We are conscious of our duty to promote our success with regard to our stakeholders under s172(1) of the Companies Act 2006.

Improbable's Customers

We work with partners across the Metaverse, Games and Defence industries to provide ground-breaking technology, technical services and content development for the creation and operation of virtual worlds and advanced multi-domain synthetic environments.

Improbable's Metaverse business pioneers new ways to connect, play, create and build value across interconnected virtual worlds. We provide technical development and operational services to our partners looking to create new metaversal experiences in this rapidly expanding field. We work with a range of Web3 native partners, as well as mainstream brands looking to engage with their customers and communities in the metaverse.

Our Games business provides better ways to make multiplayer games, and help multiplayer developers meet any challenge utilising our services and expertise to make and run successful games. We strive to continually improve understanding of our customers' needs and are achieving this through our work with many of the top publishers in the industry.

Improbable's Defence business enables transformative synthetic environments, bringing multi-domain mission planning and collective training together across the strategic, operational and tactical levels. We work with NATO member states and with a wide range of industry partners to develop synthetic environments that will transform military training, planning and decision support.

Employees

We strive to hire highly skilled individuals who are collaborative, curious and support diverse viewpoints. We're deeply proud of our core values, which are intrinsic to the way we behave every day. We take them seriously because we want our culture to thrive. Our People team has coordinated programs in 2022 around hiring best practices, actively encouraging career growth through internal mobility, employee wellbeing, diversity, inclusion & belonging (DIB), learning & development, and remuneration & benefits. We actively seek out feedback from all employees through various mechanisms and use the data to guide management responses and proactively shape future programs that will strengthen our employee experience, engagement and retention. Transparency is central to our culture and opportunities are provided for open discussions at all levels, including with management and senior executives.

Diversity, Inclusion and Belonging (DIB) is integral to Improbable's culture. We are determined to foster an environment of psychological safety where people can do their best work and feel they belong.

IMPROBABLE WORLDS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The approach runs through several areas, and most notably attraction & retention of talent, where practices are reviewed against evidenced-based approaches. Leadership & governance - a senior responsible is driving forward Improbable's DIB agenda and development of DIB strategy with the senior leadership team. Data & reporting, with formal reporting on diversity data each quarter. We measure and monitor data on hiring, remuneration, performance, attrition and engagement from a diversity perspective. We reached a 91% Gender and Ethnicity EEO disclosure rate and have plans for targeted actions for employees from underrepresented backgrounds. A significant increase was noted in the upper pay quartile where female representation increased by 3.2% from 8.0% in 2021 to 11.2% in 2022. In addition, mean and median gender pay gaps have decreased by 0.76% to 23.0% and by 4.43% to 24.1% respectively. In terms of Training, in 2022, every new joiner at Improbable received guidance on the role of culture and inclusion, alongside wider DIB training for all employees around bias, empathy, workplace dilemmas, values and LGBTQ+ inclusion.

Investors

We greatly value strong relationships with our investors. We uphold our commitments with frequent dialogue and regularly scheduled meetings, covering a wide range of strategic, operational, financial and ethical topics. We value the output received from this communication and endeavour to incorporate this into business operations.

Partners

Improbable aims to partner with industry leaders able to improve the service we are able to offer to our customers. We foster strong partnerships to provide cost and efficiency benefits to developers, as well as increased reliability through having the right computing resources to meet the demands of unpredictable traffic, and the ability to automatically scale up infrastructure, which reduces risk.

Communities we do business with

With a global presence, we recognise the importance of respecting the communities we do business in. Realising new communities, societies and vocations through virtual and physical worlds is what drives our people and gives them purpose. We place great emphasis on fostering a presence that is at one with the surrounding environment - we have central office facilities serviced by public transport, we have implemented energy saving initiatives such as low-energy lighting and food wastage recycling, and we support schemes such as Cycle To Work.

Business conduct

We are committed to acting fairly and upholding the highest standards of business conduct. We maintain the standards required to be a partner to customers including government departments and militaries, as well as partners from private industry.

We approach our operations with the utmost integrity and ethical behaviour. Business decisions are balanced with risk and compliance with consideration given to the environment we operate in and the effect those decisions may have.

We are an equal opportunities employer, and have a clear and detailed anti-discrimination policy. We are determined to ensure that no applicant or employee receives less favourable treatment on the grounds of gender, age, disability, religion, belief, sexual orientation, marital status, or race, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable.

We partner closely across our business to ensure there is a clear point of contact for our employees to confidentially report complaints to our People team. We also have an anonymous feedback tool which employees can use to raise concerns of any kind.

Statement of energy and carbon reporting

Introduction and background

We understand our role in limiting climate change and are committed to complying with new government legislation implemented by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 regulations") on Streamlined Energy and Carbon Reporting (SECR).

In order to fulfil the requirements set by the Streamlined Energy and Carbon Reporting legislation, we will disclose energy and carbon information in our annual reports for the year ending 31 December 2022.

IMPROBABLE WORLDS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The energy and carbon reporting report covers a 12-month period, January to December 2022 and includes:

- UK energy use (to include as a minimum energy classified within Scope 1 and Scope 2)
- Associated greenhouse gas emissions
- At least one intensity ratio
- Previous year's figures for energy use and GHG emissions
- Energy efficiency actions undertaken during the reporting period

Our methodology

The scope of the report accounts for 100% of the greenhouse gas (GHG) emissions from operations over which we have control and includes both our London (Headquarter) and Nottingham sites.

Electricity consumption at the London site is obtained from the meter readings provided by the Landlord and we are billed accordingly for our directly attributable usage. The space heating is provided from the Landlord's centralized plant room and associated gas usage is billed via the service charge. As we have no visibility of the energy consumption for the space heating within our premises this has been estimated.

The energy consumption was also estimated at the Nottingham site where it is paid as part of the service charge.

The energy estimations have been undertaken based on the CIBSE Guide F energy consumption benchmarks and Energy Consumption in the Office Guide 19 (ECON 19) which are well recognized industry benchmarks.

We have not estimated our metered electricity consumption or made assumptions for missing data as all data is supported by factual meter readings.

We have no car users and encourage all employees to use public transport and promote walking/cycling to the office. The report will cover scope 1 and 2 emissions only as scope 3 emissions are not material to our operations.

Carbon dioxide equivalent emissions detailed in the report were calculated using the government published conversion factor for 2022.

Our Strategy

We are actively looking to reduce company energy consumption and associated greenhouse gas emissions. The company is proactively minimising its environmental impact by striving to become more energy conscious by reducing carbon emissions and being committed to their energy efficiency actions.

The energy efficiency was a high priority for the company during the specification process of moving into the new London office in 2018. The office fit-out has been designed to maximise the energy savings by:

- Installation of energy efficient LED lighting fittings
- Passive Infrared occupancy sensors with the entire demise
- Purchasing the energy from 100% renewable sources
- Utilising power management features to power down all IT equipment after 15 minutes if not used
- Encouraging employees to take advantage of the Cycle to Work scheme

Energy Consumption & Greenhouse Gas Emissions

Table 1: Total energy consumption and associated greenhouse gas emissions from Scope 1 and Scope 2 for SECR Year 4 (January to December 2022) reporting period

Energy Type:	Scope:	Energy Use (kWh)	% Split kWh	Emissions (tCO2e/yr.)	% Split (CO2e)
Combustion of Gas	(Scope 1)	873,331	51.04%	159.1	49.55%
Transport	(Scope 1)	-	0.00%	-	0.00%
Electricity	(Scope 2)	837,788	48.96%	162.0	50.45%
Total	(Scope 1 & 2)	1,711,119	100.00%	321.1	100.00%

IMPROBABLE WORLDS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The UK Government Greenhouse Gas Conversion factors for company reporting 2021 have been used to convert energy consumption to carbon dioxide equivalent emissions. The conversion factors used are summarised below:

Table 2 – Energy and Carbon Conversion Factors

Activity	Fuel	Unit	Year	kg CO2e per kWh
Electricity generated	Electricity: UK	kWh	2022	0.19338
Gaseous Fuels	Natural Gas	kWh	2022	0.18219

Intensity ratio

Intensity ratios compare emissions data with an appropriate business metric or financial indicator. This allows a comparison of energy efficiency performance over time and with other similar types of organisation.

Table 3: Intensity Ratio - Energy consumption and associated greenhouse gas emissions per £100,000 of annual turnover

Total Energy Consumption (kWh)	Total greenhouse gases emissions (tCO2e)	The annual group turnover (£)	Intensity Ratio (kWh / £100,000 turnover)	Intensity Ratio (tCO2e / £100,000 turnover)
1,711,119	321.1	77,855,000	2,197.83	0.41

Table 4: Intensity Ratio - Energy consumption and associated greenhouse gas emissions per total m2 of the occupied office area

Total Energy Consumption (kWh)	Total greenhouse gases emissions (tCO2e)	Total occupied office floor area (m2)	Intensity Ratio (kWh / m2)	Intensity Ratio (tCO2e / m2)
1,711,119	321.1	5,462	313.28	0.06

Energy trend

The energy performance trend will be reported for a period of 5 years. As this is the fourth year of reporting, the tables and graphs below show energy and GHG emissions for 2019, 2020, 2021 and 2022. The information will be used for compiling energy and GHG reduction targets and analysing our consumption and emissions efforts.

Table 5: Energy Use – 5-year trend

Energy Type:	Scope:	SECR Year 1 2019-20 (baseline year) (kWh)	SECR Year 2 2020-21 (kWh)	SECR Year 3 2021-22 (kWh)	SECR Year 4 2022-23 (kWh)	SECR Year 5 2023-24 (kWh)
Combustion of Gas	(Scope 1)	968,911	666,708	763,654	873,331	-
Transport	(Scope 1)	-	-	-	-	-
Electricity	(Scope 2)	1,549,583	589,606	637,998	837,788	-
Total	(Scope 1 & 2)	2,518,494	1,256,314	1,401,652	1,711,119	-

IMPROBABLE WORLDS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Table 6: GHG emissions – 5-year trend

Energy Type:	Scope:	SECR Year 1 2019-20 (tCO2e/yr.)	SECR Year 2 2020-21 (tCO2e/yr.)	SECR Year 3 2021-22 (tCO2e/yr.)	SECR Year 4 2022-23 (tCO2e/yr.)	SECR Year 5 2023-24 (tCO2e/yr.)
Combustion of Gas	(Scope 1)	178.1	122.6	139.6	159.1	-
Transport	(Scope 1)	-	-	-	-	-
Electricity	(Scope 2)	396.1	137.5	135.5	162.0	-
Total	(Scope 1 & 2)	574.2	260.1	275.1	321.1	-

On behalf of the board

Herman Narula

H Narula
Director

Date: 20 September 2023

IMPROBABLE WORLDS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

Directors

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

H Narula
C Dixon
P Lipka
J Robinson
A Theysset

Results and dividends

The results for the year are set out on page 13.

No ordinary or preference dividends were paid. The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions were in force during the financial year and remain so at the date of approval of the financial statements.

Research and development

The company carried out research and development in the year. All costs associated with research and development activities are charged to the statement of comprehensive income in the year in which they occur. Research and development of £31,553,046 (2021: £39,551,171) was undertaken in the year ended 31 December 2022.

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 group continues and that the appropriate training is arranged. It is the policy of the group 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's policy is to consult and discuss with employees matters likely to affect employees' interests through site-specific and companywide meetings.

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's performance.

There is a company option scheme that all employees take part in as a means of further encouraging the involvement of employees in the company's performance.

Independent auditors

In accordance with the company's articles, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditors of the group will be put at a General Meeting.

IMPROBABLE WORLDS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Financial Statements and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the review of the business, principal risks and uncertainties, financial risk management, future developments and key performance indicators.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company auditors are unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Engagement with others

Please see the S172 statement included within the strategic report statement for information summarising how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

On behalf of the board



H Narula
Director

Date: 20 September 2023

IMPROBABLE WORLDS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPROBABLE WORLDS LIMITED

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, Improbable Worlds Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2022; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

As at 31 December 2022, the group holds intangible assets in the consolidated and company statements of financial position, to the value of £20.1m, comprising cryptocurrency and certain non-fungible tokens (NFTs). Further, in the Consolidated statement of comprehensive income, the group has recognised related Revenue of £31.9m, amortisation charges relating to the intangible assets of £1.2m and impairment charges of £10.6m. At 31 December 2022, the group and parent company had only a contractual right to receive the intangible assets. Since the assets were held at a third party at the year-end, and we were not able to receive a SOC-1 Type II controls report required to achieve evidence over the operating effectiveness of controls, we were unable to obtain sufficient appropriate audit evidence to support the recognition of revenue, the amortisation expense and the impairment charge in the Statement of comprehensive income or to corroborate the existence of these intangible assets as at 31 December 2022. Furthermore, we were unable to verify the ownership of these intangible assets. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 and the 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPROBABLE WORLDS LIMITED (CONTINUED)

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax regulations and Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journals to misstate revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions made by management in determining their judgements and accounting estimates, including valuation of share based payments, impairment of intangible assets, impairment of the onerous contract provision;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPROBABLE WORLDS LIMITED (CONTINUED)

- Identifying and testing unusual journals posted to revenue and cash, and journals containing unusual words; and
- Reviewing the financial statement disclosures and agreeing to underlying supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to intangible assets, revenue, amortisation and impairment, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

Under the Companies Act 2006 we are also required to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Brian Henderson (Senior Statutory Auditor)
For and on behalf of PWC LLP, Statutory Auditor
Chartered Accountants

20 September 2023

IMPROBABLE WORLDS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021 as restated
	Notes	£	£
Turnover	4	77,855,058	30,121,331
Cost of sales		(26,459,182)	(22,682,900)
Gross profit		51,395,876	7,438,431
Administrative expenses excluding exceptional items		(116,227,472)	(125,234,049)
Remuneration expenses relating to acquisitions		(616,390)	(14,208,338)
Depreciation, amortisation and impairment		(15,325,423)	(32,064,843)
Restructuring costs		(4,166,193)	(2,589,709)
Administrative expenses		(136,335,478)	(174,096,939)
Other operating income		3,330,390	16,497,611
Operating loss	5	(81,609,212)	(150,160,897)
Interest receivable and similar income	10	16,195,190	35,070
Interest payable and similar expenses	11	-	(1,059,533)
Gain on sale of businesses		45,250,514	-
Other gains	12	-	52,124
Loss before taxation		(20,163,508)	(151,133,236)
Tax on loss	13	131,483	1,250,425
Loss for the financial year		(20,032,025)	(149,882,811)
Other comprehensive income			
Currency translation differences		694,647	(425,853)
Total comprehensive income for the year		(19,337,378)	(150,308,664)
Loss for the financial year is attributable to:			
- Owners of the parent company		(19,093,971)	(149,882,811)
- Non-controlling interests		(938,054)	-
		(20,032,025)	(149,882,811)
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		(18,399,324)	(150,308,664)
- Non-controlling interests		(938,054)	-
		(19,337,378)	(150,308,664)

IMPROBABLE WORLDS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

		2022		2021 as restated	
	Notes	£	£	£	£
Fixed assets					
Goodwill	15	-	-	-	-
Negative goodwill	15	(1,348,250)		(1,547,991)	
Other intangible assets	15	25,634,722		6,076,148	
Total intangible assets		24,286,472		4,528,157	
Tangible assets	16	6,873,932		8,204,824	
Investments	17	17,350		17,307	
		31,177,754		12,750,288	
Current assets					
Debtors	20	30,130,929		24,918,065	
Cash at bank and in hand		140,024,807		56,451,193	
		170,155,736		81,369,258	
Creditors: amounts falling due within one year	21	(15,185,668)		(16,535,133)	
Net current assets		154,970,068		64,834,125	
Total assets less current liabilities		186,147,822		77,584,413	
Provisions for liabilities	22	(15,105,070)		(9,528,206)	
Net assets		171,042,752		68,056,207	
Capital and reserves					
Called up share capital	25	3,174		3,151	
Share premium account		479,844,943		479,838,293	
Share consideration held on trust		-		(97,518)	
Share based payment reserve		41,288,896		33,649,533	
Profit and loss reserves		(463,736,576)		(445,337,252)	
Equity attributable to owners of the parent		57,400,437		68,056,207	
Non-controlling interests		113,642,315		-	
Total equity		171,042,752		68,056,207	

IMPROBABLE WORLDS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

The financial statements were approved by the board of directors and authorised for issue on 20 September 2023 and are signed on its behalf by:

Herman Narula

H Narula

Director

IMPROBABLE WORLDS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

		2022		2021 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	15	20,424,202		36,095	
Tangible assets	16	4,465,408		5,066,432	
Investments	17	13,677,137		12,594,337	
		<u>38,566,747</u>		<u>17,696,864</u>	
Current assets					
Debtors	20	48,557,177		71,374,933	
Cash at bank and in hand		18,297,830		48,271,015	
		<u>66,855,007</u>		<u>119,645,948</u>	
Creditors: amounts falling due within one year	21	<u>(13,860,125)</u>		<u>(13,883,500)</u>	
Net current assets		<u>52,994,882</u>		<u>105,762,448</u>	
Total assets less current liabilities		<u>91,561,629</u>		<u>123,459,312</u>	
Provisions for liabilities	22	<u>(12,668,927)</u>		<u>(7,551,856)</u>	
Net assets		<u><u>78,892,702</u></u>		<u><u>115,907,456</u></u>	
Capital and reserves					
Called up share capital	25	3,174		3,151	
Share premium account		479,844,943		479,838,293	
Share consideration held on trust		-		(97,518)	
Share based payment reserve		41,272,288		33,632,925	
Profit and loss reserves		(442,227,703)		(397,469,395)	
Total equity		<u><u>78,892,702</u></u>		<u><u>115,907,456</u></u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group financial statements. The company's loss for the year was £44,758,308 (2021 as restated - £160,596,684 loss).

The financial statements were approved by the board of directors and authorised for issue on 20 September 2023 and are signed on its behalf by:

Herman Narula

H Narula
Director

IMPROBABLE WORLDS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Share consideration held on trust £	Share based payment reserve £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
As restated for the period ended 31 December 2021:									
Balance at 1 January 2021		3,146	479,825,810	(1,499,850)	18,030,081	(290,821,974)	205,537,213	-	205,537,213
Effect of prior period adjustment		-	-	-	4,206,614	(4,206,614)	-	-	-
As restated		3,146	479,825,810	(1,499,850)	22,236,695	(295,028,588)	205,537,213	-	205,537,213
Year ended 31 December 2021:									
Loss for the year		-	-	-	-	(149,882,811)	(149,882,811)	-	(149,882,811)
Other comprehensive income net of taxation:									
Currency translation differences		-	-	-	-	(425,853)	(425,853)	-	(425,853)
Total comprehensive income for the year		-	-	-	-	(150,308,664)	(150,308,664)	-	(150,308,664)
Issue of share capital	25	5	12,483	-	-	-	12,488	-	12,488
Credit to equity for equity settled share-based payments		-	-	-	11,412,838	-	11,412,838	-	11,412,838
Share consideration recognised as remuneration		-	-	1,402,332	-	-	1,402,332	-	1,402,332
Balance at 31 December 2021 as restated		3,151	479,838,293	(97,518)	33,649,533	(445,337,252)	68,056,207	-	68,056,207

IMPROBABLE WORLDS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Share consideration held on trust £	Share based payment reserve £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
Balance at 31 December 2021 as restated		3,151	479,838,293	(97,518)	33,649,533	(445,337,252)	68,056,207	-	68,056,207
Year ended 31 December 2022:									
Loss for the year		-	-	-	-	(19,093,971)	(19,093,971)	(938,054)	(20,032,025)
Other comprehensive income net of taxation:									
Currency translation differences		-	-	-	-	694,647	694,647	-	694,647
Total comprehensive income for the year		-	-	-	-	(18,399,324)	(18,399,324)	(938,054)	(19,337,378)
Issue of share capital	25	23	6,650	-	-	-	6,673	-	6,673
Issue of share capital by subsidiary		-	-	-	-	-	-	114,580,369	114,580,369
Credit to equity for equity settled share-based payments		-	-	-	7,639,363	-	7,639,363	-	7,639,363
Share consideration recognised as remuneration		-	-	97,518	-	-	97,518	-	97,518
Balance at 31 December 2022		3,174	479,844,943	-	41,288,896	(463,736,576)	57,400,437	113,642,315	171,042,752

IMPROBABLE WORLDS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Share consideration held on trust £	Share based payment reserve £	Profit and loss reserves £	Total £
As restated for the period ended 31 December 2021:							
Balance at 1 January 2021		3,146	479,825,810	(1,499,850)	18,013,105	(232,444,711)	263,897,500
Effect of prior period adjustment		-	-	-	4,206,614	(4,206,614)	-
As restated		3,146	479,825,810	(1,499,850)	22,219,719	(236,651,325)	263,897,500
Year ended 31 December 2021:							
Loss for the year		-	-	-	-	(160,596,684)	(160,596,684)
Other comprehensive income net of taxation:							
Currency translation differences		-	-	-	-	(221,386)	(221,386)
Total comprehensive income for the year		-	-	-	-	(160,818,070)	(160,818,070)
Issue of share capital	25	5	12,483	-	-	-	12,488
Credit to equity for equity settled share-based payments		-	-	-	11,413,206	-	11,413,206
Share consideration recognised as remuneration		-	-	1,402,332	-	-	1,402,332
Balance at 31 December 2021 as restated		3,151	479,838,293	(97,518)	33,632,925	(397,469,395)	115,907,456
Year ended 31 December 2022:							
Loss and total comprehensive income for the year		-	-	-	-	(44,758,308)	(44,758,308)
Issue of share capital	25	23	6,650	-	-	-	6,673
Credit to equity for equity settled share-based payments		-	-	-	7,639,363	-	7,639,363
Share consideration recognised as remuneration		-	-	97,518	-	-	97,518
Balance at 31 December 2022		3,174	479,844,943	-	41,272,288	(442,227,703)	78,892,702

IMPROBABLE WORLDS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash absorbed by operations	27	(77,001,921)		(12,953,854)	
Income taxes refunded		2,154,069		10,255,322	
Net cash outflow from operating activities		(74,847,852)		(2,698,532)	
Investing activities					
Proceeds of disposal of business (net of cash disposed)		45,966,691		-	
Purchase of intangible assets		-		(77,175)	
Proceeds on disposal of intangibles		55,149		356,269	
Purchase of tangible fixed assets		(3,075,600)		(4,246,403)	
Proceeds on disposal of tangible fixed assets		207,237		118,277	
Interest income and foreign exchange gain		-		35,070	
Net cash generated from/(used in) investing activities		43,153,477		(3,813,962)	
Financing activities					
Proceeds from issue of shares		6,673		12,488	
Shares purchased by non-controlling interest		114,580,369		-	
Net cash generated from financing activities		114,587,042		12,488	
Net increase/(decrease) in cash and cash equivalents		82,892,667		(6,500,006)	
Cash and cash equivalents at beginning of year		56,451,193		64,468,940	
Effect of foreign exchange rates		680,947		(1,517,741)	
Cash and cash equivalents at end of year		140,024,807		56,451,193	

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Improbable Worlds Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in the United Kingdom. The registered office and principal place of business is 10 Bishops Square, London, E1 6EG.

The "group" consists of Improbable Worlds Limited and its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Strategic Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain investments and financial instruments at fair value. The principal accounting policies adopted are set out below.

Reduced Disclosure Framework

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for financial instruments not measured at fair value, amount of any impairment loss, risks arising from financial instruments, and transferred financial assets not derecognised, loan defaults or breaches, and descriptions of hedging relationships;
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Improbable Worlds Limited and its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Going concern

The group made a loss of £20,032,025 (2021 as restated: £154,089,425) and had net current assets of £154,970,068 (2021: £64,834,125).

The COVID-19 pandemic has continued to impact economies around the world. However, we do not have any current concerns about Improbable Worlds Limited being able to deliver its services. We believe that the technology-focused nature of our business will allow our services to be delivered without interruption in the current circumstances. We will continue to monitor the situation and take appropriate measures where necessary to ensure the safety of our workers, partners and customers.

The Directors have reviewed the cash flow forecast prepared incorporating the events subsequent to year end and are comfortable with the assumptions underpinning the forecast. Based on the cash flow forecasts performed and funding available to the group and company, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is generated from the supply of services to customers including developers in the video games and entertainment industries, as well as defence and academic institutions. Specifically, the group provided co-development and technical services, projects demonstrating the capabilities of Improbable's technology, and proofs of concept to support potential longer term engagements and partnerships.

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Turnover during the year has been received in the form of cash and non-cash assets such as cryptocurrencies.

Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given year. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

Other operating income

Other operating income relates to sale proceeds from the disposal of assets and businesses. It also includes gains recognised on research and development (R&D) tax relief and deferred revenue. R&D tax credits are claimed on qualifying expenses contributing to projects which make an advancement in science and technology.

Gains on sale of businesses

Gains on sale of businesses relates to sale proceeds from the disposal of assets and businesses.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

The negative goodwill arising on The Multiplayer Group Ltd acquisition is recognised over the year that the underlying assets of the subsidiary are realised.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 pro-rata on the basis of the carrying amount of each asset in the unit.

When the fair value of the consideration for an acquired undertaking is less than the fair value of the separable net assets, the difference is treated as negative goodwill which, up to the value of the non-monetary assets acquired, is recognised in the profit and loss account in the year in which those non-monetary assets are realised.

Any negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised in profit or loss in the years expected to be benefited.

Intangible fixed assets - digital assets

The company accounts for its digital assets, which are comprised of ApeCoin and NFT's (Non-Fungible Tokens) as intangible assets in accordance with FRS 102. As at the end of the year, the company has the right to receive its digital assets which are held in custody by a third party. The company's digital assets are initially recognised at cost. Subsequently, they are measured at cost, net of any impairment losses incurred since acquisition.

The company determines the fair value of its digital assets in accordance with FRS 102 based on quoted prices on active cryptocurrency exchanges. The company performs an analysis at each reporting year end to identify whether events or changes in circumstances, principally decreases in quoted prices on active exchanges, indicate the possibility of impairment.

Impairment losses are recognised in the company's statement of comprehensive income in the year in which the impairment occurs. The impaired digital assets are written down to their fair value at the time of impairment and this new cost basis will not be adjusted upward for any subsequent increase in fair value. Gains (if any) are not recognised until realised upon sale, at which point they would be presented net of any impairment losses in the company's statement of comprehensive income.

Amortisation will be recognised over the course of the useful life. FRS 102 requires a non-indefinite useful life to be applied to digital assets and The useful life of digital assets has been determined to be 10 years.

Intangible fixed assets other than goodwill and digital assets

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

The cost of internally generated intangible fixed assets are only recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Amortisation will be recognised so as to write off the cost of over their useful lives.

Software - Midwinter Inc	25% straight line when the game is commercially released
Software - Improbable Germany GmbH	11% straight line
Other intangibles	33.3% straight line
Digital assets	10% straight line
Order book	50% straight line
Customer relationships	10% straight line for The Multiplayer Group Ltd & 9% straight line for Improbable Germany GmbH
Brand	20% straight line for The Multiplayer Group Ltd & 11% straight line for Improbable Germany GmbH

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	over life of lease
Fixtures and fittings	15% straight line
Computer equipment	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate financial statements of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Other unlisted investments are stated at cost less provision for any impairment.

Impairment of fixed assets

At each reporting year end date, the group reviews the carrying amounts of its intangible and tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Other financial assets

Other financial assets, including trade investments and certain other debtors, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different years from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future year except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the year it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

The company issues equity-settled share options to certain employees, advisors and directors within the group. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The company grants options throughout the year and determines the fair value by engaging an independent third party expert on an ad hoc basis to maintain an up to date fair value for options granted. The equity-settled share-based payment expense is recognised in line with the vesting profiles of the options granted, adjusted for the group's estimate of the number of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign exchange

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

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

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

The assets and liabilities of foreign subsidiaries 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 year 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.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised where the revision affects only that year, or in the year of the revision and future years where the revision affects both current and future years.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Other debtors

Management has assessed the recoverability of other debtors in respect of funding provided to third parties to finance projects. This assessment has included consideration of the success of the projects.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Provisions

For some provisions raised, the group relies on management's best estimates of future cash outflows.

Share based payments

The charge recognised in relation to share-based payments made under the Group's unapproved option scheme is recognised based upon the grant date fair value of share options. The grant date fair value of is estimated using an option pricing model which requires the use of assumptions, including the expected share price volatility, the risk free rate of return, and the estimated life of each award.

Impairment of intangible assets and goodwill

Annually, the group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, then the recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less costs to sell. This requires the estimation of future cash flows and also a selection of discount rates in order to calculate the net present value of those cash flows.

3 Prior period adjustment

During the year the directors identified that previous assumptions of vesting conditions used within the share based payment calculation were materially inaccurate. A prior year adjustment has been made to both the consolidated and company financial statements to correct this. This increased the shared based payment charge for the opening reserves at 1 January 2021 by £4,206,614 and for the year to 31 December 2021 by £1,218,892. This decreased the profit and loss reserves at 1 January 2021 by £4,206,614 and increased the share based payment reserves by the same amount. For the year ended 31 December 2021, this decreased the profit and loss reserves at by £1,218,892 and increased the share-based payment reserves by the same amount.

The total adjustment resulted in the deficit on profit and loss reserves and the share based payment reserve all increasing by £5,425,506.

4 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2022 £	2021 £
Turnover analysed by class of business		
Sales of services	77,855,058	30,121,331
	<u> </u>	<u> </u>
	2022 £	2021 £
Other revenue		
Interest income and foreign exchange gain	-	35,070
	<u> </u>	<u> </u>

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Turnover and other revenue (Continued)

	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	12,571,037	13,290,892
United States of America	57,313,508	12,410,044
Rest of World	7,970,513	4,420,395
	<u>77,855,058</u>	<u>30,121,331</u>

5 Operating loss

	2022 £	2021 restated £
Operating loss for the year is stated after (crediting)/charging:		
Exchange (gains)/losses	(76,296)	15,942
Research and development costs	31,553,046	39,551,171
Depreciation of owned tangible fixed assets	2,856,865	3,071,394
Loss on disposal of tangible fixed assets	1,374,000	92,320
Amortisation of intangible assets	1,790,436	7,979,226
Impairment of intangible assets	10,678,122	21,014,223
Share-based payments	7,639,363	11,412,838
Operating lease charges	<u>10,763,982</u>	<u>4,656,133</u>

The amortisation of intangible assets is included within administration expenses.

Remuneration expenses relating to acquisitions of £616,390 (2021: £14,208,338) were incurred during the year.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Auditors remuneration

	2022 £	2021 £
Fees payable to the company's auditors and their associates:		
For audit services		
Audit of the financial statements of the group and company	240,000	175,000
For other services		
All other non-audit services	30,495	74,781

7 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Sales and product	250	246	147	107
Software engineering	558	458	319	241
Operations	185	145	147	97
Total	993	849	613	445

Their aggregate remuneration comprised:

	Group 2022 £	2021 as restated £	Company 2022 £	2021 as restated £
Wages and salaries	85,457,821	89,672,701	54,338,908	52,098,835
Social security costs	9,563,117	8,483,359	6,632,994	5,378,597
Pension costs	1,546,900	1,262,242	893,099	777,345
	96,567,838	99,418,302	61,865,001	58,254,777

Included in the wages and salaries disclosed above, deferred consideration on cash and shares of £616,390 (2021: £9,180,499) and earn out payments of £Nil (2021: £5,027,839) which arose on the acquisition of the subsidiaries, treated as remuneration.

The group also incurred share based payment expenses in the year in relation to remuneration of employees of £7,639,363 (2021 as restated: £11,412,838).

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	1,224,207	681,848
Company pension contributions to defined contribution schemes	3,508	2,743
	<u>1,227,715</u>	<u>684,591</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	450,082	354,240
Company pension contributions to defined contribution schemes	-	1,420
	<u>-</u>	<u>1,420</u>

The highest paid director did not exercise share options in 2022 (2021: no share options exercised).

The number of directors to whom retirement benefits are accruing under defined contribution scheme was 2 (2021: 2).

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Share-based payment transactions

The company issues equity settled share options to certain employees, advisors and directors within the group. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The company grants options throughout the year and determines the fair value by engaging an independent third party expert on an ad hoc basis to maintain an up to date fair value for options granted. The equity-settled share-based payment expense is recognised in line with the vesting profiles of the options granted, adjusted for the group's estimate of the number of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The company operates 3 share option schemes, the EMI scheme, Advisor scheme and Unapproved Scheme. The EMI scheme and Advisor scheme are issued on substantially similar terms and disclosures are aggregated accordingly. Where options are issued to employees, the vesting of the options is subject to continued employment within the group.

The EMI and Advisor schemes operate with a vesting profile extending up to 4 years from the date of grant. The options are granted with an exercise price equalling the nominal value of the shares and expire ten years after the date of grant. The EMI and Advisor schemes are closed to new participants. Management considered the most appropriate method of valuation for these schemes at the point of grant was a maintainable earnings method. This basis of valuation is consistent with the market valuations agreed with HMRC on the actual market value of options at the point of grant.

The Unapproved scheme operates with a vesting profile over a period of 4 years, with 25% of the options vesting on the first anniversary of the grant date and the remaining vesting equally on a monthly basis up to the 4th anniversary of the grant date. The exercise price of the options are varied based on the tax residence of the option holder and expire ten years after the date of grant. Management consider the most appropriate method of valuation for the Unapproved scheme to be an option pricing model and the company engage an independent third party valuer to perform valuations on an ad hoc basis to ensure the assessment of fair value remains appropriate. The option pricing model adopts the Black-Scholes option pricing methodology and is selected as it accounts for the liquidation preferences of the company's preference shareholders.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution and presented as an increase in the company's investment in that subsidiary with a corresponding credit to equity.

Group	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
EMI Scheme & Investor/Advisor Scheme				
Outstanding at 1 January 2022	1,957,380	2,006,447	-	-
Forfeited	(73,787)	(500)	-	-
Exercised	(156,959)	(48,567)	-	-
	<u>1,726,634</u>	<u>1,957,380</u>	<u>-</u>	<u>-</u>
Outstanding at 31 December 2022	1,726,634	1,957,380	-	-
	<u>1,726,634</u>	<u>1,954,877</u>	<u>-</u>	<u>-</u>

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Share-based payment transactions (Continued)

Group	Number of share options		Weighted average exercise price	
Unapproved Option Scheme				
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 January 2022	3,198,838	2,651,796	4.42	5.09
Granted	435,280	809,616	0.91	4.53
Forfeited	(215,480)	(258,848)	6.51	3.46
Exercised	(96,519)	(3,061)	0.20	1.60
Expired	-	(665)	-	12.32
Outstanding at 31 December 2022	3,322,119	3,198,838	3.95	4.42
Exercisable at 31 December 2022	2,508,937	1,944,097	4.42	4.42
	Group 2022 £	2021 as restated £	Company 2022 £	2021 as restated £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	7,639,363	11,412,838	5,811,417	9,020,712

10 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Other interest income	-	35,070
Foreign exchange gains	16,195,190	-
Total income	16,195,190	35,070

11 Interest payable and similar expenses

	2022 £	2021 £
Other finance costs:		
Foreign exchange losses	-	1,059,533

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Other gains and losses

	2022 £	2021 £
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	-	52,124

13 Taxation

	2022 £	2021 £
Current tax		
Adjustments in respect of prior periods	(218,019)	320,049
Foreign current tax on profits for the current year	20,397	311,624
Adjustments in foreign tax in respect of prior periods	92,092	-
Total current tax	(105,530)	631,673
Deferred tax		
Origination and reversal of timing differences	(64,706)	(1,900,270)
Changes in tax rates	38,753	18,750
Other adjustments	-	(578)
Total deferred tax	(25,953)	(1,882,098)
Total tax credit	(131,483)	(1,250,425)

	2022 £	2021 as restated £
Loss before taxation	(20,163,508)	(151,133,236)

Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(3,831,067)	(28,715,315)
Tax effect of expenses that are not deductible in determining taxable profit	3,498,756	8,275,848
Tax effect of income not taxable in determining taxable profit	(7,589,139)	(5,723)
Unrecognised deferred tax assets	6,938,110	31,534,124
Adjustments in respect of prior years	(125,927)	320,049
Effect of change in corporation tax rate	(6,228)	(345,163)
Research and development tax credit	-	(60,810)
Other permanent differences	(1,149,987)	(276,945)
Deferred tax adjustments in respect of prior years	-	(578)
Fixed asset differences	2,139,021	(120,086)
Foreign tax credits	-	325,603
Remeasurement of deferred tax for change in tax rate	(5,022)	(12,181,429)
Taxation credit	(131,483)	(1,250,425)

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Taxation (Continued)

The group has estimated losses and deductions of £226,713,840 (2021: £211,680,682) available for carry forward against future trading profits. Deferred tax assets in relation to losses and other deductions at the end of the year of £56,548,617 (2021: £40,219,330) have not been provided for due to uncertainty over the timing of the use of the losses.

During the year, as a result of the change in the UK main corporation tax rate from 19% to 25% that was substantively enacted on 1 April 2023, the relevant deferred tax balances have been remeasured on this basis.

14 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2022 £	2021 £
In respect of:			
Goodwill	15	-	14,544,360
Intangible assets	15	10,678,122	6,469,863
		<u>10,678,122</u>	<u>6,469,863</u>
Recognised in:			
Administrative expenses		10,678,122	21,014,223
		<u>10,678,122</u>	<u>21,014,223</u>

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

15 Intangible fixed assets

Group	Goodwill	Negative goodwill	Software	Other intangibles	Digital assets	Order book	Customer relationships	Brand	Total
	£	£	£	£	£	£	£	£	£
Cost									
At 1 January 2022	27,329,069	(1,997,408)	6,662,872	174,290	-	1,427,000	8,701,141	446,859	42,743,823
Additions	-	-	404,858	5,217	31,889,399	-	-	-	32,299,474
Disposals	-	-	-	(79,740)	-	-	-	-	(79,740)
Exchange adjustments	886,890	-	(8,901)	(11,227)	-	-	-	-	866,762
At 31 December 2022	28,215,959	(1,997,408)	7,058,829	88,540	31,889,399	1,427,000	8,701,141	446,859	75,830,319
Amortisation and impairment									
At 1 January 2022	27,329,069	(449,417)	6,562,831	54,872	-	1,427,000	2,969,853	321,458	38,215,666
Amortisation charged for the year	-	(199,741)	40,486	7,232	1,192,759	-	704,100	45,600	1,790,436
Impairment losses charged	-	-	-	41,312	10,636,810	-	-	-	10,678,122
Disposals	-	-	-	(24,591)	-	-	-	-	(24,591)
Exchange adjustments	886,890	-	(8,901)	6,225	-	-	-	-	884,214
At 31 December 2022	28,215,959	(649,158)	6,594,416	85,050	11,829,569	1,427,000	3,673,953	367,058	51,543,847
Carrying amount									
At 31 December 2022	-	(1,348,250)	464,413	3,490	20,059,830	-	5,027,188	79,801	24,286,472
At 31 December 2021	-	(1,547,991)	100,041	119,418	-	-	5,731,288	125,401	4,528,157

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Intangible fixed assets (continued)

Company	Software	Other intangibles	Digital assets	Total
	£	£	£	£
Cost				
At 1 January 2022	-	36,095	-	36,095
Additions	404,858	5,217	31,889,399	32,299,474
At 31 December 2022	404,858	41,312	31,889,399	32,335,569
Amortisation and impairment				
Amortisation charged for the year	40,486	-	1,192,759	1,233,245
Impairment losses	-	41,312	10,636,810	10,678,122
At 31 December 2022	40,486	41,312	11,829,569	11,911,367
Carrying amount				
At 31 December 2022	364,372	-	20,059,830	20,424,202
At 31 December 2021	-	36,095	-	36,095

More information on impairment movements in the year is given in note 14.

16 Tangible fixed assets

Group	Leasehold land and buildings	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2022	5,689,507	690,700	9,877,203	16,257,410
Additions	304,325	15,723	2,755,552	3,075,600
Disposals	(1,955,235)	(124,162)	(1,279,124)	(3,358,521)
Exchange adjustments	53,328	8,978	64,629	126,935
At 31 December 2022	4,091,925	591,239	11,418,260	16,101,424
Depreciation and impairment				
At 1 January 2022	3,006,691	359,884	4,686,011	8,052,586
Depreciation charged in the year	628,449	88,768	2,139,648	2,856,865
Eliminated in respect of disposals	(1,031,385)	(51,304)	(695,053)	(1,777,742)
Exchange adjustments	1,837	866	93,080	95,783
At 31 December 2022	2,605,592	398,214	6,223,686	9,227,492
Carrying amount				
At 31 December 2022	1,486,333	193,025	5,194,574	6,873,932
At 31 December 2021	2,682,816	330,816	5,191,192	8,204,824

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Tangible fixed assets (Continued)

Company	Leasehold land and buildings	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2022	3,636,461	424,924	6,875,616	10,937,001
Additions	214,211	-	1,422,411	1,636,622
Disposals	-	-	(23,414)	(23,414)
At 31 December 2022	3,850,672	424,924	8,274,613	12,550,209
Depreciation and impairment				
At 1 January 2022	2,010,168	284,982	3,575,419	5,870,569
Depreciation charged in the year	529,052	49,012	1,647,319	2,225,383
Eliminated in respect of disposals	-	-	(11,151)	(11,151)
At 31 December 2022	2,539,220	333,994	5,211,587	8,084,801
Carrying amount				
At 31 December 2022	1,311,452	90,930	3,063,026	4,465,408
At 31 December 2021	1,626,293	139,942	3,300,197	5,066,432

17 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	18	-	-	13,659,787	12,577,030
Unlisted investments		17,350	17,307	17,350	17,307
		17,350	17,307	13,677,137	12,594,337

The unlisted investments are held at fair value and there has been no movement in the fair value of the investments.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Fixed asset investments (Continued)

Movements in fixed asset investments Group

	Investments other than loans £
Cost or valuation	
At 1 January 2022	17,307
Capital contribution	43
At 31 December 2022	17,350
Impairment	
At 1 January 2022 and 31 December 2022	-
Carrying amount	
At 31 December 2022	17,350
At 31 December 2021	17,307

Movements in fixed asset investments Company

	Shares in group undertakings £	Other investments other than loans £	Total £
Cost or valuation			
At 1 January 2022	50,251,550	17,307	50,268,857
Additions	19,661,040	-	19,661,040
Capital contribution	1,835,779	43	1,835,822
Disposals	(20,414,062)	-	(20,414,062)
At 31 December 2022	51,334,307	17,350	51,351,657
Impairment			
At 1 January 2022 and 31 December 2022	37,674,520	-	37,674,520
Carrying amount			
At 31 December 2022	13,659,787	17,350	13,677,137
At 31 December 2021	12,577,030	17,307	12,594,337

Included in capital contributions are shares in group undertakings of £1,827,952 (2021: £2,392,494) relating to share options granted to employees of subsidiary undertakings.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Guangzhou Improbable Information Technology Company Ltd	1	Operating subsidiary	Ordinary	100.00	-
Improbable Inc	2	Operating subsidiary	Common stock	100.00	-
Improbable LLC	2	Operating subsidiary	Common stock	-	100.00
Improbable SG PTE Ltd	3	Operating subsidiary	Ordinary	100.00	-
Improbable Worlds Nominees Limited	4	Dormant	Ordinary	100.00	-
Improbable Hong Kong Limited	5	Operating subsidiary	Ordinary	100.00	-
Improbable (Shanghai) Information Technology Co. Ltd	5	Operating subsidiary	Ordinary	-	100.00
Midwinter Inc (formerly Midwinter Entertainment, Inc)	6	Operating subsidiary	Ordinary	100.00	-
The Multiplayer Group Ltd	4	Operating subsidiary	Ordinary	100.00	-
The Multiplayer Group (Spain), S.L.	7	Operating subsidiary	Ordinary	-	100.00
The Multiplayer Group (Canada) Inc	8	Operating subsidiary	Ordinary	-	100.00
Improbable Canada Limited	8	Operating subsidiary	Ordinary	100.00	-
Improbable Germany GmbH (formerly zeuz GmbH)	9	Operating subsidiary	Ordinary	100.00	-
Improbable MV Limited	4	Operating subsidiary	Ordinary	81.53	-

Registered office addresses (all UK unless otherwise indicated):

- 1 Office 5429, Level 54, Guangzhou International Finance Centre, 5 Zhujiang West Road, Guangzhou 510623, China
- 2 Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801
- 3 51B Circular Road, Singapore, 049406
- 4 10 Bishops Square, London, E1 6EG
- 5 Room 2070 F 20, HKRI Center Tower 1, 288 Shimen 1st Road, Jing'an District, Shanghai 200041 PRC
- 6 1001 4th Ave STE 3200, Seattle, WA 98154
- 7 Num. 9 Calle Colegiata, 28012 Madrid
- 8 2500-10220 103, AVE NW, Edmonton, Alberta, Canada, T5J0K4
- 9 Linprunstr. 16, 80335 Munich

Improbable MV Limited was incorporated on 18 January 2022.

Improbable Worlds Nominees Limited is a dormant subsidiary and is therefore exempt from preparing individual financial statements and filing individual financial statements with the registrar by virtue of s394A and s448A of Companies Act 2006.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Disposals

On 18 February 2022 the group disposed of its 100% holding in Improbable Canada Inc for consideration of £40,066,923. Included in these financial statements are losses of £1,275,605 arising from the group's interests in Improbable Canada Inc up to the date of its disposal.

Net assets disposed of	£
Net assets	1,206,792
Gain on disposal	38,860,131
Total consideration	40,066,923
The consideration was satisfied by:	£
Cash	40,066,923

20 Debtors

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	10,436,206	3,077,364	6,468,991	1,252,673
Corporation tax recoverable	4,402,428	2,712,818	4,168,529	2,568,057
Amounts owed by group undertakings	-	-	23,802,542	50,082,628
Other debtors	5,960,524	5,721,539	6,461,241	5,333,717
Prepayments and accrued income	5,557,789	9,577,404	4,125,323	8,593,967
	26,356,947	21,089,125	45,026,626	67,831,042
Amounts falling due after more than one year:				
Other debtors	3,773,982	3,828,940	3,530,551	3,543,891
Total debtors	30,130,929	24,918,065	48,557,177	71,374,933

Included in other debtors due after one year is an amount of £422,380 (2021: £357,309), with an interest rate of 6% due for repayment by 2027.

Amounts owed by group undertakings are unsecured, have no fixed date of repayment, are repayable on demand and incur quarterly interest charges at a rate ranging between 3.88% and 7.63% determined by market rates for the jurisdiction of each operating subsidiary.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

21 Creditors: amounts falling due within one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Trade creditors		3,062,370	3,247,593	2,632,378	2,440,186
Other taxation and social security		7,783,224	2,178,001	7,173,295	1,744,109
Deferred income		-	197,298	-	-
Other creditors		301,805	607,721	442,415	351,114
Accruals		4,038,269	10,304,520	3,612,037	9,348,091
		<u>15,185,668</u>	<u>16,535,133</u>	<u>13,860,125</u>	<u>13,883,500</u>

22 Provisions for liabilities

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Onerous lease provision		-	1,476,292	-	1,044,451
Onerous contract provision		10,668,927	6,507,405	10,668,927	6,507,405
Restructuring provisions		2,917,586	-	2,000,000	-
		<u>13,586,513</u>	<u>7,983,697</u>	<u>12,668,927</u>	<u>7,551,856</u>
Deferred tax liabilities	23	1,518,557	1,544,509	-	-
		<u>15,105,070</u>	<u>9,528,206</u>	<u>12,668,927</u>	<u>7,551,856</u>

Movements on provisions apart from deferred tax liabilities:

	Onerous lease provision £	Onerous contract provision £	Restructuring provisions £	Total £
Group				
At 1 January 2022	1,476,292	6,507,405	-	7,983,697
Additional provisions in the year	-	3,350,034	2,495,745	5,845,779
Reversal of provision	(1,476,292)	-	-	(1,476,292)
Exchange difference	-	811,488	421,841	1,233,329
	<u>-</u>	<u>10,668,927</u>	<u>2,917,586</u>	<u>13,586,513</u>

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Provisions for liabilities (Continued)

Company	Onerous lease provision £	Onerous contract provision £	Restructuring provisions £	Total £
At 1 January 2022	1,044,451	6,507,405	-	7,551,856
Additional provisions in the year	-	3,350,034	2,000,000	5,350,034
Reversal of provision	(1,044,451)	-	-	(1,044,451)
Exchange difference	-	811,488	-	811,488
At 31 December 2022	-	10,668,927	2,000,000	12,668,927

A provision of £10,668,927 (31 December 2021: £6,507,405) was recognised in relation to a contract Improbable Worlds Limited entered into in July 2020. The contract required a minimum spend over a 3 year period and if there is a shortfall at the end of each year, Improbable Worlds Limited would be invoiced for the difference between the minimum commitment and the usage fees paid during the year. As the contract is for services used in the business and the additional spend is deemed to be onerous the provision represents the Company's liability in respect of this true up payment forecast. In October 2021 the contract was renegotiated to amend the terms to require a minimum spend over a 5 year period. The amount provided represents management's best estimate of the future cash outflows.

A provision of £2,917,586 (December 2021: £1,476,292) was recognised in relation to a corporate reorganisation of Improbable's businesses, including costs associated with office closures and payments to employees. The amount provided represents management's best estimate of future outflows.

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

Group	Liabilities 2022 £	Liabilities 2021 £
Fair value of intangible assets	1,094,627	1,282,051
Fixed asset timing differences	961,238	262,458
Short term timing differences	(14,357)	-
Losses and other deductions	(522,951)	-
	<u>1,518,557</u>	<u>1,544,509</u>

The company has no deferred tax assets or liabilities.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

23 Deferred taxation (Continued)

	Group 2022 £	Company 2022 £
Movements in the year:		
Liability at 1 January 2022	1,544,509	-
Credit to profit or loss	(25,952)	-
Liability at 31 December 2022	<u>1,518,557</u>	<u>-</u>

24 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>1,546,900</u>	<u>1,262,242</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At the reporting date there was a pension creditor of £318,134 (2021: £358,884) included in other creditors.

25 Share capital

	Group and Company			
	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
A Ordinary shares of £0.0001 each	8,827,790	8,827,790	883	883
B Ordinary shares of £0.0001 each	1,147,103	921,166	115	92
	<u>9,974,893</u>	<u>9,748,956</u>	<u>998</u>	<u>975</u>
Preference share capital				
Issued and fully paid				
A Preference shares of £0.0001 each	5,443,650	5,443,650	544	544
B Preference shares of £0.0001 each	16,320,520	16,320,520	1,632	1,632
	<u>21,764,170</u>	<u>21,764,170</u>	<u>2,176</u>	<u>2,176</u>
Preference shares classified as equity			<u>2,176</u>	<u>2,176</u>
Total equity share capital			<u>3,174</u>	<u>3,151</u>

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

25 Share capital (Continued)

The share capital of the company is divided into A Ordinary Shares, B Ordinary Shares, A1 Preference Shares, A2 Preference Shares, A3 Preference Shares, A4 Preference Shares, A5 Preference Shares, B1 Preference Shares, B2 Preference Shares and B3 Preference Shares. All classes of preference share have the same basic rights to votes, income, and capital, the only difference being the order of preference to income and capital. They have no mandatory right to dividends and are non-redeemable.

Income rights and capital rights to each share class are disclosed in the Company's Articles of Association.

During the financial year the company issued 225,937 B ordinary shares with a nominal value of £0.0001 for consideration of £6,674.

26 Reserves

Share premium account

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

Profit and loss account

Cumulative profit and loss net of distributions to owners and other adjustments.

Share consideration

Share consideration held on trust.

Share based payment reserve

The cumulative share-based payment expense.

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

27 Cash absorbed by group operations

	2022	2021 as restated
	£	£
Loss for the year after tax	(20,032,025)	(149,882,811)
Adjustments for:		
Taxation credited	(131,483)	(1,250,425)
R&D expenditure credit	(3,737,123)	(3,275,719)
Finance costs	-	1,059,533
Interest income and foreign exchange gain	-	(35,070)
Loss on disposal of tangible fixed assets	281,487	92,320
Amortisation and impairment of intangible assets	12,468,558	28,993,449
Depreciation and impairment of tangible fixed assets	2,856,865	3,071,394
Other gains	(38,860,131)	(52,124)
Gain on disposal of business	(6,390,383)	-
Share consideration recognised as remuneration	97,518	1,402,332
Equity settled share based payment expense	7,639,363	11,412,838
Capital contribution to fixed asset investments	(43)	-
Increase/(decrease) in provisions	5,602,816	(3,030,365)
Digital assets additions	(31,889,399)	-
Movements in working capital:		
Decrease in current asset investments	-	108,189,773
(Increase)/decrease in debtors	(4,168,155)	3,636,582
Decrease in creditors	(937,084)	(1,491,205)
Increase/(decrease) in deferred income	197,298	(11,794,356)
Cash absorbed by operations	(77,001,921)	(12,953,854)

28 Analysis of changes in net funds - group

	1 January 2022	Cash flows	Exchange rate movements	31 December 2022
	£	£	£	£
Cash at bank and in hand	56,451,193	82,892,667	680,947	140,024,807

IMPROBABLE WORLDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

29 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Within one year	3,230,640	3,827,363	3,097,970	3,097,670
Between one and five years	8,754,830	12,794,266	8,513,051	11,611,020
In over five years	-	260,193	-	-
	<u>11,985,470</u>	<u>16,881,822</u>	<u>11,611,021</u>	<u>14,708,690</u>

30 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, is as follows.

	2022 £	2021 £
Aggregate compensation	<u>4,553,643</u>	<u>5,172,512</u>

Other information

During the year, Improbable Worlds Limited provided technical services to Improbable MV Limited, a subsidiary, totalling £15,662,206 (2021: £Nil). At the year end the balance owed to Improbable Worlds Limited in this respect was £1,350,864 (2021: £Nil).

31 Controlling party

As at the year end, the group was under the control of Herman Narula, a director and shareholder on account of the rights conveyed by his sole ownership of the A Ordinary Shares of the company.