Company Registration No. 10276324 (England and Wales)

GRAM GAMES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

GRAM GAMES LIMITED

COMPANY INFORMATION

Directors	O Baylan	
	P Collins	(Appointed 31 May 2022)
	A Wood	(Appointed 31 May 2022)
	J Belcher	(Appointed 31 May 2022)
Company number	10276324	
Registered office	The Aircraft Factory 100 Cambridge Grove London W6 0LE	
Auditor	Alliotts LLP Friary Court 13-21 High Street Guildford Surrey GU1 3DL	

GRAM GAMES LIMITED

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GRAM GAMES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair Review of the Business

In 2021 the Company continued to focus its efforts on growing the two major live titles – Merge Dragons! and Merge Magic! – through new features and events for players to engage with, as well as improvements to existing features and returning popular events. Employee headcount increased through the year as the Company looked towards enhancing their capabilities to scale their games, both live and in development.

The directors assess each game's performance based on the revenue as it is incurred (bookings), amongst other metrics. Bookings exceeded player acquisition cost throughout the year, and leaves the company in a strong position financially for 2022.

Future developments

The directors' focus for the coming year is to continue to grow bookings through the live operations of Merge Dragons!. In addition the Company continues to develop, test, and refine new titles for future release. Employee headcount is expected to continue to increase in 2022.

Description of Principal Risks and Uncertainties

The directors evaluate the risks and uncertainties that may affect the Company's performance on a regular basis.

The principal risks and uncertainties that have been identified are:

- Failure to ensure costs stay in line with projected revenues
- Keeping within planned development timeframes for new products coming to market
- Ensuring all new content added to released products is of the highest quality
- Hiring and retention of qualified employees

The Company aims to mitigate these risks as follows:

- Regular monitoring of Lifetime Value models built into internal data analysis tools to ensure long term profitability
- Continual investment in internal data infrastructure to provide accurate and timely information to User Acquisition and Game Design teams
- Monthly updates of revenue and cost projections with the latest available information to provide clear guidance on the state of the Company's live games
- Maintaining robust greenlighting and quality assurance processes to ensure high quality releases
- Regularly review and update Company benefits and compensation packages to stay competitive in the recruitment market

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the following:

Credit Risk

Credit risk arises from cash and cash equivalents with banks and other financial institutions as well as credit exposure to customers. The Company only works with financial institutions with a high rating. The Company selects revenue partners through a very rigorous process and strives to only work with highly reputable companies. As a result, the directors do not consider credit risk to be significant with respect to debtors and do not expect any material losses from non-performance of trade debtors.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company closely monitors cash generating operations and has continued to build its cash reserves and working capital. The cash at bank held at 31 December 2021 is immediately available. The directors consider that the total cash assets held by the Company are sufficient to cover any financial liabilities that arise.

Foreign Exchange Risk

The Company uses the US Dollar as it's functional and presentational currencies. The directors regularly monitor foreign currency cash balances and control these to limit exchange rate exposure, particularly against Pound Sterling as the Company is based in the United Kingdom and has operational costs in GBP. The Company had no foreign exchange hedging facilities in place at 31 December 2021 (2020: $nil).

COVID-19 global pandemic

Throughout 2021 and continuing into 2022, the world was impacted by the COVID-19 viral pandemic. In March 2020 the Company required all staff to work from home and closed the studio as a precautionary measure, with the primary aim being to limit the risk to its employees. As of this report's date, the pandemic measures implemented by the UK government continue, albeit with restrictions gradually lifting nationwide. All of the Company's staff continue to work from home, and the Company is fortunate to have not seen any significant interruption to its usual business. Studio operations are expected to open up again in 2022.

Key Performance Indicators

The directors consider turnover and operating profit to be the most significant KPIs for the Company. Other KPIs monitored closely by the Company are bookings revenue, the Lifetime Value estimate of users and the cost per acquired user. These are tracked daily on game, country and platform level on the Company's internal analytics tools to aid the accuracy of forecasts and support business decisions. The directors regularly forecast the business' long term performance in conjunction with the various teams of the business. Such regular forecasting allows the directors to consider the impact of proposed changes to the live games, regardless of its size.

The performance for the year ended 31 December 2021 was as follows:

- Turnover - $296,142,000
- Operating profit - $77,641,000

Statement by the directors in accordance with S172(1) Companies Act 2006

Employees

The directors value the Company's culture, particularly its transparency; teams are given the independence to create and produce ideas as they see fit, as the directors defer to them as experts in their fields of work. The Company holds weekly meetings for all staff members, with the purpose of allowing each team to share news on the games and the work they have been doing. Monthly briefings led by the CEO provide updates on the Company's performance and direction, celebrate staff achievements, and provide an opportunity for staff to ask questions of management. The Company hosts various social events each year for all staff; the directors encourage teams to partake in their own social events too; and staff anniversaries and birthdays are celebrated.

Staff remuneration and benefits are constantly monitored to ensure that the Company is offering fair compensation for the efforts of its employees. Staff training is important to the directors, as investment here leads to development of the teams as a whole.

Customers

The Company aims to create and maintain a welcoming community for players of its games. The live games are regularly updated with new content, including themed events, to keep players engaged. Customer support is available in all the games, should a player encounter an issue. The Company also maintains social media pages for current and potential players to interact with.

Suppliers

Suppliers are always paid within their credit terms so that the Company can maintain good working relationships with the people and businesses they work with. The Company is particularly selective of its marketing partners as they can have a key impact on the success of the published games; prospective partners are scrutinised thoroughly to review how they match the Company's values.

On behalf of the board

O Baylan
Director

24 August 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities
The principal activity of the company is that of developing and publishing free-to-play video games for mobile platforms. The main sources of revenue are in-app purchases made by players and advertisements shown in game.

Results and dividends
The results for the year are set out on page 9.

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

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

O Baylan	
P Phillips	(Resigned 31 May 2022)
M Bromberg	(Resigned 5 November 2021)
J Parsons	(Resigned 4 February 2022)
A Rawlings	(Resigned 31 May 2022)
P Collins	(Appointed 31 May 2022)
A Wood	(Appointed 31 May 2022)
J Belcher	(Appointed 31 May 2022)

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

Energy and carbon report
As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
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's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

O Baylan
Director

24 August 2022

GRAM GAMES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GRAM GAMES LIMITED

Opinion

We have audited the financial statements of Gram Games Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilit es and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations, and
- understanding the design of the company's remuneration policies.

Audit response to risks identified

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions; and
- reviewed data from third party advertising platforms to seek to identify any misstatement of revenue.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Cairns BSc FCA (Senior Statutory Auditor)
For and on behalf of Alliotts LLP

24 August 2022

Chartered Accountants
Statutory Auditor

Friary Court
13-21 High Street
Guildford
Surrey
GU1 3DL

GRAM GAMES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 $'000	2020 $'000
Turnover	**3**	296,142	389,906
Cost of sales		(179,281)	(248,393)
Gross profit		116,861	141,513
Administrative expenses		(39,220)	(33,517)
Operating profit	**4**	77,641	107,996
Interest receivable and similar income	**8**	6,942	2,130
Interest payable and similar expenses	**9**	(219)	-
Profit before taxation		84,364	110,126
Tax on profit	**10**	(16,218)	(18,083)
Profit for the financial year		68,146	92,043

The profit and loss account has been prepared on the basis that all operations are continuing operations.

GRAM GAMES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Fixed assets					
Intangible assets	**11**		1,114		2,645
Tangible assets	**12**		147		411
			1,261		3,056
Current assets					
Debtors falling due after more than one year	**13**	185,607		186,101	
Debtors falling due within one year	**13**	22,420		27,368	
Cash at bank and in hand		59,511		20,096	
		267,538		233,565	
Creditors: amounts falling due within one year	**14**	(87,289)		(134,501)	
Net current assets			180,249		99,064
Net assets			181,510		102,120
Capital and reserves					
Called up share capital	**17**		3,681		3,681
Profit and loss reserves			177,829		98,439
Total equity			181,510		102,120

The financial statements were approved by the board of directors and authorised for issue on 24 August 2022 and are signed on its behalf by:

O Baylan
Director

Company Registration No. 10276324

GRAM GAMES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital	Profit and loss reserves	Total
		$'000	$'000	$'000
Balance at 1 January 2020		3,681	(6,848)	(3,167)
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	92,043	92,043
Credit to equity for equity settled share-based payments		-	13,244	13,244
Balance at 31 December 2020		3,681	98,439	102,120
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	68,146	68,146
Credit to equity for equity settled share-based payments		-	11,244	11,244
Balance at 31 December 2021		3,681	177,829	181,510

1 Accounting policies

Company information
Gram Games Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Aircraft Factory, 100 Cambridge Grove, London, W6 0LE. The principal place of business is The Aircraft Factory, 100 Cambridge Grove, Hammersmith W6 0LE.

1.1 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 have been prepared in US Dollars, which is also the functional currency of the company. US Dollars are considered to be the currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest $'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This 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:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- 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 each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- 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.

The financial statements of the company are consolidated in the financial statements of Zynga, Inc. These consolidated financial statements are available from its registered office, 699 8th Street, San Francisco, California, 94103.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the 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.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income. For in app purchases deferred revenue is released over the estimated useful life of the user.

1 Accounting policies **(Continued)**

Turnover from Advertising is recognised at the point at which the user is exposed to the advertisements when playing the games. This is measured based on the number of users and impressions.

Turnover from In-App Purchases is recognised over the estimated expected lifetime of the user. This was considered to be 9 months until the end of June 2019 when further user acquisition analysis was conducted and it was concluded that the estimated expected lifetime of the user had decreased to 8 months, effective from 1 July 2019.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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.

Intangible assets comprise rights for games acquired. Such assets' useful lives cannot be reliably estimated, therefore they have been written off over 5 years. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

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

Patents & licences	5 years straight-line

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Assets under $3,000 are not capitalised and are written off straight to the Income Statement.

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

Leasehold improvements	Shorter of lease term or 5 years straight-line
Fixtures and fittings	5 years straight-line for assets purchased pre May 2018, 2 years straight-line thereafter
Computers	3 years 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.

1.6 Impairment of fixed assets

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

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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets 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. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company 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 in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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 debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, 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.

1 Accounting policies **(Continued)**

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.

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 company 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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the 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 company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 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.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies **(Continued)**

The company participates in a share-based payment arrangement granted to its employees and employees of its subsidiaries. The company has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group recognised in its consolidated accounts. The directors consider the number of unvested options granted to the company's employees compared to the total unvested options granted under the group plan to be a reasonable basis for allocating the expense.

The expense in relation to options over the 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.

1.13 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 leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than dollars are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company'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 period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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

Recognition of Intangibles

Intangible assets are only to be recognised when they are identifiable, owned and future economic benefits are probable. Determination of future economic benefits requires judgements to be made, including forecasting consumer demand.

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.

Amortisation of Intangibles

Determining the rate of amortisation to use for the rights of a game requires an estimation of the useful economic life of the game itself. This can be difficult to do reliably, as many factors may influence the lifespan of a game.

Estimate life of user

Per the accounting policy, the income received off in app purchases is deferred over the expected lifetime of the user. Determining the estimated economic life of the average user requires a degree of estimation uncertainty.

3 Turnover and other revenue

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

	2021	2020
	$'000	$'000
Turnover analysed by class of business		
Advertising	12,671	15,834
Computer games sales	283,471	374,072
	296,142	389,906

	2021	2020
	$'000	$'000
Turnover analysed by geographical market		
EU	282,666	379,734
USA	13,291	8,742
Other	185	1,430
	296,142	389,906

	2021	2020
	$'000	$'000
Other significant revenue		
Interest income	6,942	2,130

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2021 $'000	2020 $'000
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(80)	(4,251)
Depreciation of owned tangible fixed assets	382	262
Amortisation of intangible assets	1,531	1,531
Operating lease charges	410	409

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2021 $'000	2020 $'000
For audit services		
Audit of the financial statements of the company	68	62
For other services		
Taxation compliance services	9	8

6 Employees

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

	2021 Number	2020 Number
Administration and finance	6	5
Business development	3	3
Design and development	47	40
Operations	4	3
Total	60	51

Their aggregate remuneration comprised:

	2021 $'000	2020 $'000
Wages and salaries	22,175	21,780
Social security costs	2,920	3,300
Pension costs	239	207
	25,334	25,287

During the year, Restricted Stock Units (RSU's) were awarded to staff members from the Ultimate Parent company Zynga Inc, It was agreed that the associated payroll costs would be borne by Zynga Inc, except for the social security costs which were covered by Gram Games Limited. During the year, the gross RSU's awarded by Zynga Inc to Gram Games staff was $11,244,265 (2020: $13,243,849).

7 Directors' remuneration

	2021	2020
	$'000	$'000
Remuneration for qualifying services	4,724	5,971
Company pension contributions to defined contribution schemes	15	14
	4,739	5,985

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

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

	2021	2020
	$'000	$'000
Remuneration for qualifying services	4,724	3,212
Company pension contributions to defined contribution schemes	15	14

As discussed in Note 6, the significant variance in the Directors' Remuneration is a result of Restricted Stock Units (RSU's) which were awarded in the prior year.

8 Interest receivable and similar income

	2021	2020
	$'000	$'000
Interest income		
Interest on bank deposits	2	533
Interest receivable from group companies	6,940	1,597
Total income	6,942	2,130

9 Interest payable and similar expenses

	2021	2020
	$'000	$'000
Interest on bank overdrafts and loans	145	-
Other interest	74	-
	219	-

10 Taxation

	2021	2020
	$'000	$'000
Current tax		
UK corporation tax on profits for the current period	16,218	18,611
Adjustments in respect of prior periods	-	(528)
Total current tax	16,218	18,083

10 Taxation **(Continued)**

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 $'000	2020 $'000
Profit before taxation	84,364	110,126
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	16,029	20,924
Tax effect of expenses that are not deductible in determining taxable profit	2,151	2,516
Tax effect of income not taxable in determining taxable profit	(1,609)	(1,924)
Adjustments in respect of prior years	-	(526)
Foreign exchange differences	(355)	-
Fixed asset differences	23	18
Deferred tax not recognised	54	(3,647)
Remeasurement of deferred tax for changes in tax rates	(15)	(430)
Current tax exchange difference arising on movement between opening and closing spot rates	(60)	1,152
Taxation charge for the year	16,218	18,083

11 Intangible fixed assets

	Patents & licences $'000
Cost	
At 1 January 2021 and 31 December 2021	7,653
Amortisation and impairment	
At 1 January 2021	5,008
Amortisation charged for the year	1,531
At 31 December 2021	6,539
Carrying amount	
At 31 December 2021	1,114
At 31 December 2020	2,645

12 Tangible fixed assets

	Leasehold improvements $'000	Fixtures and fittings $'000	Computers $'000	Total $'000
Cost				
At 1 January 2021	714	208	302	1,224
Additions	-	-	118	118
At 31 December 2021	714	208	420	1,342
Depreciation and impairment				
At 1 January 2021	425	159	229	813
Depreciation charged in the year	283	39	60	382
At 31 December 2021	708	198	289	1,195
Carrying amount				
At 31 December 2021	6	10	131	147
At 31 December 2020	289	49	73	411

13 Debtors

Amounts falling due within one year:	2021 $'000	2020 $'000
Trade debtors	7,939	11,353
Corporation tax recoverable	20	528
Amounts owed by group undertakings	3,854	2,910
Other debtors	2,793	3,740
Prepayments and accrued income	7,814	8,837
	22,420	27,368

Amounts falling due after more than one year:	2021 $'000	2020 $'000
Amounts owed by group undertakings	185,000	185,000
Other debtors	607	1,101
	185,607	186,101
Total debtors	208,027	213,469

14 Creditors: amounts falling due within one year

	Notes	2021 $'000	2020 $'000
Trade creditors		14,600	10,026
Amounts owed to group undertakings		612	244
Corporation tax		2,894	18,611
Other taxation and social security		75	104
Deferred income	15	68,627	105,175
Other creditors		113	88
Accruals and deferred income		368	253
		87,289	134,501

15 Deferred income

	2021 $'000	2020 $'000
Other deferred income	68,627	105,175

Deferred income comprises turnover from In-App Purchases which is recognised over the estimated expected lifetime of the user. This was considered to be 9 months until the end of June 2019 when further user acquisition analysis was conducted and it was concluded that the estimated expected lifetime of the user had decreased to 8 months, effective from 1 July 2019.

16 Retirement benefit schemes

Defined contribution schemes	2021 $'000	2020 $'000
Charge to profit or loss in respect of defined contribution schemes	239	207

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 Share capital

	2021 $'000	2020 $'000
Ordinary share capital		
Issued and fully paid		
3,000,000 ordinary shares of £1 each	3,681	3,681

18 Operating lease commitments

Lessee

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

	2021 $'000	2020 $'000
Within one year	416	419
Between two and five years	1,651	124
In over five years	120	-
	2,187	543

19 Related party transactions

Amounts due to related parties	2021 $'000	2020 $'000
Entities with control, joint control or significant influence over the company	301	244

Amounts due from related parties	2021 $'000	2020 $'000
Entities with control, joint control or significant influence over the company	188,854	187,910

A loan of $185,000,000 was advanced to a group company during the previous year. The loan term is seven years and a market rate of interest is charged. The amount is included above in amounts due from related parties.

The company has taken advantage of the exemption to disclose transactions with group companies as it is a wholly-owned subsidiary.

20 Ultimate controlling party

The immediate parent company is Gram Games Teknoloji AS, a company incorporated in Turkey.

The ultimate controlling party of the company is Zynga Inc, a company incorporated in the USA. Zynga Inc prepares consolidated accounts and its registered office is 699 8th Street, San Francisco, California, 94103.

On 23rd May 2022 the parent company Zynga Inc. was acquired by Take-Two Interactive Software, Inc. and therefore the ultimate controlling party as at the date of signing the financial statements is Take-Two Interactive Software, Inc., its registered office is 110 West 44th Street, New York, New York, 10036.