

## **Newco4 2 Limited**

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 13523221

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## Newco4 2 Limited

### Company Information

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<b>Directors</b>	A W Bigelow C J Keers J A Sinclair C Wierwille
<b>Registered number</b>	13523221
<b>Registered office</b>	154-158 High Street Shoreditch London United Kingdom E1 6HU
<b>Independent auditors</b>	BDO LLP 55 Baker Street London W1U 7EU

## **Newco4 2 Limited**

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## **Newco4 2 Limited**

### **Group Strategic Report for the Year Ended 31 December 2021**

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#### **Introduction**

The directors of Newco4 2 Limited (the "company") present their Strategic Report of the company and its subsidiaries ("the Group") for the year ended 31 December 2021. The company was incorporated on 21 July 2021.

On 19 November 2021, Newco4 2 Limited acquired Ustwo Limited via a share for share exchange.

As the above transaction was part of a Group restructuring, the directors considered that it is appropriate to apply merger accounting principles. Therefore the results of the Ustwo Group are set out as if the Group had always been in existence. The consolidated financial statements include the results of the company and its subsidiaries for the year ended 31 December 2021, with the comparative year ending 31 December 2020 including the results of Ustwo Limited and its subsidiaries.

The company's own financial statements are for the period of incorporation to 31 December 2021.

#### **Principal activities**

The Group consists of three divisions; Studios, Games and Adventure. The principal activity of the Studios is the design and development of digital products. There are 5 studios located in London, Malmö, New York, Lisbon and Tokyo, the latter two being branch offices of the London studio.

The principal activity of the Games division is the creation of mobile games which are sold through global platforms such as Apple's App Store, Google's Play store, and distributed under subscription services such as Apple Arcade. The principal activity of the Adventure division is to operate as a venture investment vehicle in early stage businesses.

#### **Business review**

Ustwo Group continues to have a very strong financial position and the board considers this position to be a key strategic advantage, with operating profit in the previous two years of £5,468,000 in 2021 and £131,000 in 2020.

The Ustwo Group comprises three divisions: Studios, Games and Adventure.

The Studios Group has offices in London, Malmö, and New York (with branch studios in Tokyo and Lisbon which are managed from London). During the year the directors made a strategic decision to close the Sydney studio in response to unfavourable market conditions in this geography. During the course of 2021 operations in this studio were gradually wound down with every effort made to minimise the impact to staff and clients. The Sydney entity was closed in 2022.

The Studios Group is highly regarded for the quality of its design services and focus on user experience. Revenue growth and EBITDA improvement continue to be the key drivers with the main KPIs being revenue / gross margin per client and Average Billing Rate (ABR).

In the Games Studio, the principal activity of the company is the creation of mobile games which are sold through global platforms such as Apple's App Store, Google's Play store, and distributed under subscription services such as Apple Arcade. In 2020, the company expanded its distribution channels to include PC and in 2021 launched its first title on console as well. Further development of two new games is well underway with release dates planned for 2022 and 2023.

Ustwo Adventure invests in early stage start-ups predominantly in the creative sector. During the reporting period, Ustwo Adventure exited from its largest investment position through a secondary sale which resulted in a significant gain for the Group.

## Newco4 2 Limited

### Group Strategic Report (continued) for the Year Ended 31 December 2021

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Group revenue has increased from £26,402,000 in FY20 to £36,121,000 in FY21 which is inline with the growth ambitions of the Group. The directors remain satisfied that the business has strong potential for future growth and performance in 2022 and beyond.

Operating profit has increased from £131,000 in FY20 to £5,468,000 in FY21 as outlined above.

#### Principal risks and uncertainties

##### *COVID-19 Related Risks:*

Across the Group all companies were able to adapt to remote working by using disaster recovery plans and remote working capabilities which were all well established and regularly tested long before the onset of the global pandemic. For the vast majority of business activities, remote working has not had an adverse impact on productivity. There have, however, been a few parts of the business which have felt the impact of the pandemic more acutely, most notably marketing and business development which have not been able to hold in-person events.

##### *Other Risks and Uncertainties:*

The main financial risks arising from the Group's activity are price risk, credit risk and the management of fixed costs (principally people and property related). These are monitored by the directors and were not considered to be significant at the Statement of Financial Position date. The directors monitor price risk and consider that there are no significant associated risks. The Group's policy in respect of credit risk is to receive appropriate credit checks on customers before sales are made and to monitor payments against contractual agreements.

Liquidity risk, foreign currency risk and interest rate risks are managed through our treasury function and are not considered to be significant at the Statement of Financial Position date. Liquidity and cash flow are forecasted on a rolling 12 month basis and the management team actively monitors this to ensure that the cash to cost base ratio of the business remains at a safe level. As an international business, we hold cash in many currencies all of which have low historical volatility. Where necessary, foreign currency hedge strategies are put in place to minimise business risk. The business is not subject to interest rate risk as the only debt finance is through the Employee Ownership Trust and this has a fixed interest arrangement. At 31 December 2021 the group was not subject to interest rate risk as there was no external debt held. Subsequent to the year end, an Employee Ownership Trust was established. The Employee Ownership Trust does provide debt finance to the group but this is a fixed interest arrangement.

Client concentration is a risk, which the directors address by ensuring that the Group works with a diverse selection of clients.

Attracting and retaining talent is a key risk for our business. We benchmark against our relevant markets to attract and retain talent and provide attractive working environments for our staff.

#### Future development

The Group plans to continue in its current markets and services with growth ambitions which are informed by the local market conditions and client demands. The Group demerger, as detailed under 'subsequent events' in the Directors' Report, will see this holding company focus on the Studios business only. The other two parts of the business, namely Games and Adventure, have been demerged to operate under their own holding company structures.

## Newco4 2 Limited

### Group Strategic Report (continued) for the Year Ended 31 December 2021

#### Going concern

While the global pandemic has had a widespread macro-economic impact, our business has not been adversely affected. During periods of remote working our productivity was not impacted and we were able to continue to communicate effectively with our clients; most of whom were also working remotely. The volume of inbound and outbound opportunities has returned to pre COVID levels. We continue to see strong demand for our client service work and video games and we believe that the opportunities for digital transformation services will only increase as a result of the current situation as companies within our target customer segments look to enhance their digital offering.

In light of the unprecedented macro-economic upheaval caused by the pandemic, global conflict and high inflation; the directors have sought additional reassurance which has included, among other things:

- Revised P&L forecasting based on a more pessimistic revenue projection model;
- Cash flow forecast from the revised P&L including the identification of major cash risks within the business so as to provide a worst case cash projection; and
- Sensitivity analysis on both the P&L and cash forecasts.

The directors are comfortable that these projections indicate that the Group will be able to meet its commitments through to at least 31 December 2023, under various stress testing conditions.

The directors closely monitor the pipeline of future revenue under contract with clients, as well as potential revenue in the sales cycle. While there are signs of a more challenging business environment for the second half of the year, the directors remain confident that the business will be profitable.

The loan obligations associated with the Employee Ownership Trust, that were entered into subsequent to the year end, have flexible terms and this, together with the strong cash balance, is seen as a key strength which will enable the company to withstand significant stress beyond the current reasonable worst case scenario.

On the basis of this assessment, the directors consider that the Group has adequate resources to operate for the foreseeable future, and as such, have adopted the going concern basis in preparing these Group financial statements.

#### Statement of responsibilities in accordance with section 172 of the 2006 Companies Act

The directors can assert that during the reporting period they have acted in the best interests of the company to promote long term success and shareholder value, while balancing these needs with those of other stakeholders, notably:

- The employees of the company:

Ustwo has always embraced an open and collegial culture where decisions are communicated with employees and feedback is sought. This is done through various forums such as employee 'Fireside Meetings', whole studio weekly meetings and discipline specific gatherings where employees are encouraged to air their opinions and challenge management decisions. Employee engagement is measured every 6 months providing further opportunities for input and feedback. During 2022 we implemented an Employee Ownership Trust (EOT) structure and have included employee representatives on our board.

- The long term consequences of managements' decisions:

The directors make due consideration of the long-term consequence of all business decisions at each point in the decision making process. Annual strategy sessions are held over multiple days and are used to review and adjust the business strategy in response to changes in the market in which we operate. This is supported by a 5 year forward looking plan and is frequently referred to throughout the year. The board maintains a risk register and this is reviewed quarterly by the Risk & Audit subcommittee with a view to identifying risks in the business and mitigating these wherever possible.

## Newco4 2 Limited

### Group Strategic Report (continued) for the Year Ended 31 December 2021

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- Our relationships with customers and suppliers:

Ustwo has been in business for over 17 years and has always recognised the importance of establishing customer and supplier relationships which are mutually beneficial. We measure customer satisfaction for all customers bi-annually and we strive to maintain supplier relationships which reflect the mutual benefit of the arrangement and do not exert undue influence through size or position.

- The impact of the companies operations on the environment and the local community:

Ustwo is proud to be a B-Corp certified company and many of the stringent certification requirements are evaluated against our environmental impact and our commitments to continual improvement on this measure. We have a carbon offsetting scheme and we regularly measure our CO2 output and take active steps to reduce this. Ustwo takes an active role in all of the local communities in which we operate through schemes such as mentoring, volunteering and charitable donations.

- Maintaining high ethical standards of business:

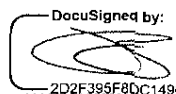
We strive to conduct our business to the most stringent ethical standards and to this end have a detailed set of guidelines in our employee handbook. Ustwo also has a whistleblower policy which ensures that suspected transgressions can be raised without fear of reprisal or persecution of any form. The senior management team completes an annual conflict of interests questionnaire and this is reviewed by the board.

- Fair and equitable treatment for all members of the company:

Fair treatment is an important value which is elaborated further in the manifesto as well as the employee handbook and is applied to all members of the company, be those; employees, freelancers, management, shareholders or other stakeholders. This is further underpinned by our B-Corp values and is supported by our grievance procedure.

While all of the points raised above are important and are held in high regard, we recognise the need for constant assessment, review and improvement in each of these categories. This is substantially supported through our B-Corp certification and the manner in which recertification can only be achieved through continual improvement. Further to this, our management team will review associated policies annually.

This report was approved by the board and signed on its behalf.

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**J A Sinclair**  
Director

Date: 23 September 2022 | 10:49:27 PM PDT

## Newco4 2 Limited

### Directors' Report for the Year Ended 31 December 2021

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

#### Principal activity

The principal activity of the Group is the design and development of digital products. There are four studios within the Group: in three of these ('the Studios Group') the company predominantly works on digital design and transformation projects for clients, and in one studio ('Games') we build our own games for sale directly to consumers and/or clients.

#### Results and dividends

The profit for the year, after taxation, amounted to £10,166,000 (2020 - loss £189,000).

The directors paid dividends of £1,951,000 (2020 - £Nil) during the year.

#### Directors

The directors who served during the year were:

Catherine Keers (appointed 21 July 2021)  
Matthew Miller (appointed 4 March 2022, resigned 4 April 2022)  
Carsten Wierwille (appointed 4 April 2022)  
John Sinclair (appointed 4 March 2022)  
Abigail Bigelow (appointed 4 April 2022)

#### Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Newco4 2 Limited**

### **Directors' Report (continued) for the Year Ended 31 December 2021**

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#### **Political contributions**

The Group made political donations of £Nil during the year (2020 - £Nil).

#### **Research and development**

In the UK a large proportion of the core work qualifies for Research & Development tax relief, as we are regularly dealing with and solving matters of technological uncertainty. All research and development expenditure has been expensed to the statement of comprehensive income in the year.

#### **Third party indemnity provisions**

Qualifying third party indemnity provision for the benefit of the directors was in force during the financial year and at the date of approval of the financial statements.

#### **Matters covered in the Group Strategic Report**

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the strategic report on page 1-4.

#### **Subsequent events**

Subsequent to 31 December 2021 the Ustwo Group has undergone a restructuring exercise to demerge the three principal parts of the business. This resulted in two of the group's subsidiaries, Ustwo Games Limited and Ustwo Adventure Limited, leaving the existing group. A new ultimate parent company, Ustwo Studio Holding Limited, was also incorporated as is now the ultimate parent company of the Ustwo Studio group.

Further to this, during the first half of 2022, the Ustwo Studio Group has implemented an Employee Ownership Trust (EOT) which has resulted in the ultimate controlling interest in the Ustwo Studios group moving from the founders to the EOT.

#### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

#### **Auditors**

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

## Newco4 2 Limited

### Directors' Report (continued) for the Year Ended 31 December 2021

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This report was approved by the board and signed on its behalf.

DocuSigned by:



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**J A Sinclair**

Director

Date: 23 September 2022 | 10:49:27 PM PDT

United Kingdom

## **Newco4 2 Limited**

### **Independent Auditors' Report to the Members of Newco4 2 Limited**

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#### **Opinion on the financial statements**

In our opinion:

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

We have audited the financial statements of Newco4 2 Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated and the company statement of financial position, the consolidated and the company statements of changes in equity, the consolidated statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion on the financial statements**

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

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

#### **Conclusions relating to going concern**

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

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

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

## Newco4 2 Limited

### Independent Auditors' Report to the Members of Newco4 2 Limited (continued)

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#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Group Strategic Report and the Directors' Report other than the financial statements and our Auditor's Report thereon. 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 the audit:

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

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

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

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

#### Responsibilities of Directors

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

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

## Newco4 2 Limited

### Independent Auditors' Report to the Members of Newco4 2 Limited (continued)

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#### 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.

#### Extent to which the audit was capable of detecting irregularities, including fraud

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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006 and relevant tax compliance legislation;
- We understood how the Group is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and discussion with management;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the group has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls;
- With regards to the fraud risk in management override, our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates which are subject to management's judgement and estimation, and could be subject to potential bias; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

## Newco4 2 Limited

### Independent Auditors' Report to the Members of Newco4 2 Limited (continued)

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#### Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
Andrew Viner  
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**Andrew Viner** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, UK

Date: 28 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Newco4 2 Limited

### Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	36,121	26,402
Cost of sales		(19,830)	(17,350)
<b>Gross profit</b>		<b>16,291</b>	<b>9,052</b>
Administrative expenses		(11,853)	(10,078)
Other operating income	5	1,030	1,157
<b>Operating profit</b>	6	<b>5,468</b>	<b>131</b>
Profit on disposal of investments		6,766	198
Interest receivable	10	-	3
Interest payable	11	(15)	(25)
<b>Profit before taxation</b>		<b>12,219</b>	<b>307</b>
Taxation	12	(2,053)	(496)
<b>Profit/(loss) for the financial year</b>		<b>10,166</b>	<b>(189)</b>
Foreign exchange differences on translation of foreign operations		17	208
<b>Other comprehensive income for the year</b>		<b>17</b>	<b>208</b>
<b>Total comprehensive income for the year</b>		<b>10,183</b>	<b>19</b>

All amounts relate to continuing operations.

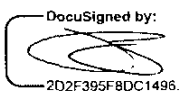
The notes on pages 19 to 45 form part of these financial statements.

**Newco4 2 Limited**  
Registered number:13523221

**Consolidated Statement of Financial Position**  
as at 31 December 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible fixed assets	15	138	238
Investments	16	1,333	1,097
		<u>1,471</u>	<u>1,335</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	17	60	323
Debtors: amounts falling due within one year	17	6,283	5,701
Cash at bank and in hand		23,565	12,555
		<u>29,908</u>	<u>18,579</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	(12,141)	(8,119)
		<u>17,767</u>	<u>10,460</u>
<b>Net current assets</b>		<u>19,238</u>	<u>11,795</u>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	19	(868)	(1,657)
		<u>18,370</u>	<u>10,138</u>
<b>Capital and reserves</b>			
Share capital	22	-	-
Capital redemption reserve	23	-	-
Other reserves	23	79	79
Profit and loss account	23	18,291	10,059
		<u>18,370</u>	<u>10,138</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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23 September 2022 | 10:49:27 PM PDT

**J A Sinclair**  
Director

The notes on pages 19 to 45 form part of these financial statements.



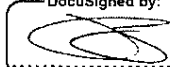
**Newco4 2 Limited**  
Registered number:13523221

**Company Statement of Financial Position  
as at 31 December 2021**

	Note	2021 £000
<b>Fixed assets</b>		
Investments	16	-
		-
<b>Net assets</b>		-
<b>Capital and reserves</b>		
Share capital	22	-
		-

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The company made neither a profit or loss in the financial period.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:  
  
 .....  
**J A Sinclair**  
 Director

Date: 23 September 2022 | 10:49:27 PM PDT

The notes on pages 19 to 45 form part of these financial statements.

## Newco4 2 Limited

### Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £000	Capital redemption reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2020</b>	-	-	79	10,223	10,302
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(189)	(189)
Currency translation differences	-	-	-	208	208
<b>Total comprehensive income for the year</b>	-	-	-	19	19
<b>Contributions by and distributions to owners</b>					
Purchase of own shares	-	-	-	(183)	(183)
<b>Total transactions with owners</b>	-	-	-	(183)	(183)
<b>At 1 January 2021</b>	-	-	79	10,059	10,138
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	10,166	10,166
Currency translation differences	-	-	-	17	17
<b>Total comprehensive income for the year</b>	-	-	-	10,183	10,183
<b>Contributions by and distributions to owners</b>					
Dividends paid to shareholders	-	-	-	(1,951)	(1,951)
<b>Total transactions with owners</b>	-	-	-	(1,951)	(1,951)
<b>At 31 December 2021</b>	-	-	79	18,291	18,370

The notes on pages 19 to 45 form part of these financial statements.

**Newco4 2 Limited**

**Company Statement of Changes in Equity  
for the Year Ended 31 December 2021**

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	Share capital £000	Total equity £000
<b>Contributions by and distributions to owners</b>		
Shares issued during the year	-	-
	<u>          </u>	<u>          </u>

The notes on pages 19 to 45 form part of these financial statements.

## Newco4 2 Limited

### Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	2021 £000	2020 £000
<b>Cash flows from operating activities</b>		
Profit/(Loss) for the financial year	10,166	(189)
<b>Non-cash adjustments:</b>		
Depreciation of tangible assets	178	286
Profit on disposal of tangible assets	(8)	(5)
Interest payable and similar expenses	15	25
Interest receivable and similar income	-	(3)
Taxation charge	2,053	496
Foreign exchange	10	256
Impairment of investment	140	5
Impairment on convertible loan notes	23	-
Profit on disposal of shares in other investments	(6,766)	(198)
Forgiveness of US government loans	(524)	-
<b>Working capital adjustments:</b>		
Increase in debtors	(665)	(382)
Increase in creditors	1,999	1,081
<b>Cash generated from operations</b>	<b>6,621</b>	<b>1,372</b>
Tax paid	(241)	(842)
<b>Net cash flow from operating activities</b>	<b>6,380</b>	<b>530</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(83)	(69)
Proceeds from sale of tangible fixed assets	12	10
Purchase of investments (see note 16)	(154)	(161)
Interest received	-	3
Proceeds from sale of other investments	6,876	301
Purchase of convertible loan notes	-	(250)
<b>Net cash generated from/(used in) activities</b>	<b>6,651</b>	<b>(166)</b>

## Newco4 2 Limited

### Consolidated Statement of Cash Flows (continued) for the Year Ended 31 December 2021

	2021 £000	2020 £000
<b>Cash flows from financing activities</b>		
US government loans received	549	524
Dividends paid	(1,951)	-
Interest paid	(15)	(25)
Purchase of own shares	-	(183)
<b>Net cash used in financing activities</b>	<u>(1,417)</u>	<u>316</u>
<b>Net increase in cash and cash equivalents</b>	<u>11,614</u>	<u>680</u>
Cash and cash equivalents at beginning of year	11,945	11,312
Foreign exchange gains and losses	3	(47)
<b>Cash and cash equivalents at the end of year</b>	<u><u>23,562</u></u>	<u><u>11,945</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	23,565	12,555
Bank overdrafts	(3)	(610)
	<u><u>23,562</u></u>	<u><u>11,945</u></u>

The notes on pages 19 to 45 form part of these financial statements.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

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#### 1. General information

*Newco4 2 Limited is a private limited company, limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the Group's operations and its principal activities are set out in the Directors' Report.*

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the Group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

##### Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the 'number' of shares outstanding at the beginning and end of the year has been presented as the reconciliation for the company and the parent company would be identical;
- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the company as a whole.

The following principal accounting policies have been applied:

## **Newco4 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

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#### **2. Accounting policies (continued)**

##### **2.2 Basis of consolidation**

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The company has also elected to apply merger accounting on account of the criteria in FRS102 paragraph 19.27 being met insofar as (i) the use of merger accounting is not prohibited by company law (ii) on acquisition the ultimate equity holders remained the same, and the rights of each equity holder, relative to the others, was unchanged and (iii) no non-controlling interest in the net assets of the Group was altered. In applying merger accounting, the carrying values of the assets and liabilities of the parties to the combination have not been adjusted to fair value on consolidation. Any difference between the consideration and the book value of the net assets acquired is shown as a movement on other reserves.

In applying merger accounting, the results and cash flows of all the combining entities should be brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred, adjusted so as to achieve uniformity of accounting policies. The comparative information should be restated by including the total comprehensive income for all the combining entities for the previous reporting period and their statement of financial position for the previous reporting date, adjusted as necessary to achieve uniformity of accounting policies. As this is the first reporting period of the company, the consolidated results are presented for the year to 31 December 2021 with the comparative information reflecting the combined results for the year ended 31 December 2020 and their statement of financial position at that date.

No comparative information is provided for the company in its statement of financial position as this is its first period of account since incorporation.

##### **2.3 Merger relief**

On 19 November 2021, Newco4 2 Limited issued shares to acquire the equity shares of Ustwo Limited through share for share exchange. The company has applied the merger relief provisions of s612 of the Companies Act 2006 on account of acquiring at least 90% of each class of the issued share capital of Ustwo Limited.

An amount corresponding to the premiums on shares issued by the company is by virtue of merger relief under s612 of the Companies Act 2006, not included in the company's share premium account. The company has also elected, under s615 of the Companies Act 2006, to disregard any premium on the shares issued in determining the consideration for the acquisition (fixed asset investment) included in the company's balance sheet.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

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#### 2. Accounting policies (continued)

##### 2.4 Going concern

While the global pandemic has had a widespread macro-economic impact, our business has not been adversely affected. During periods of remote working our productivity was not impacted and we were able to continue to communicate effectively with our clients; most of whom were also working remotely. The volume of inbound and outbound opportunities has returned to pre COVID-19 levels. We continue to see strong demand for our client service work and video games and we believe that the opportunities for digital transformation services will only increase as a result of the current situation as companies within our target customer segments look to enhance their digital offering.

In light of the unprecedented macro-economic upheaval caused by the pandemic, global conflict and high inflation; the directors have sought additional reassurance which has included, among other things:

- Revised P&L forecasting based on a more pessimistic revenue projection model.
- Cash flow forecast from the revised P&L including the identification of major cash risks within the business so as to provide a worst case cash projection.
- Sensitivity analysis on both the P&L and cash forecasts

The directors are comfortable that these projections indicate that the Group will be able to meet its commitments through to at least 31 December 2023, under various stress testing conditions.

The directors closely monitor the pipeline of future revenue under contract with clients, as well as potential revenue in the sales cycle. While there are signs of a more challenging business environment for the second half of the year, the directors remain confident that the business will be profitable.

The loan obligations associated with the Employee Ownership Trust, that were entered into subsequent to the year end, have flexible terms and this, together with the strong cash balance, is seen as a key strength which will enable the company to withstand significant stress beyond the current reasonable worst case scenario.

On the basis of this assessment, the directors consider that the Group has adequate resources to operate for the foreseeable future, and as such, have adopted the going concern basis in preparing these Group financial statements.



## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

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#### 2. Accounting policies (continued)

##### 2.5 Turnover

Turnover for the Group is derived from two main revenue streams. Studio Group's revenue comes from the sales of design and development services and Games Studio's revenue is from sales of mobile games and related merchandises.

Studio Group revenue:

Turnover is recognised in the period that design and development services are provided after making adjustments for accrued and deferred income for projects that cross over the year end. Revenue is measured as the fair value of consideration received or receivable, excluding discounts, rebates, value added tax and any other sales taxes. Revenue is recognised on the following basis:

- Retainer fees are spread over the period of the contract, in accordance to the agreed fee for each period which approximates to when the work is performed.
- Time and material fees are recognised in the period when the work is carried out for the time worked at the agreed rates in accordance with the project contracts.
- Fixed costs fees are recognised over the period of the contract on the basis of project completion for each accounting period, and where there are projects which fall over the year end, a percentage costs of completion against the overall expected costs of the project is applied to reflect the revenue earned.

Games Studio revenue:

Turnover is measured at the fair value of the consideration received or receivable.

Turnover relating to net sales of mobile games and royalties from associated merchandise sold through global online platforms is recognised in the period that the mobile game or merchandise is sold.

Where contracts provide for a minimum guaranteed level of sales over a given time period or where contracts cover a period of exclusivity, turnover is typically recognised evenly over the contract period subject to contractual terms.

Where contracts relate to the development of mobile games, turnover is recognised on completion of the agreed contractual milestones in the development cycle.

##### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2. Accounting policies (continued)

##### 2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- over life of lease
Motor vehicles	- 50% on cost
Fixtures and fittings	- 50%, 33%, 20% and 14% on cost
Office equipment	- 50%, 33% and 20% on cost
Computer equipment	- 50% and 33% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

##### 2.7 Operating leases

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### 2.8 Other operating income

Other operating income represents net invoiced sales of shared office facility services, less value added tax and other local taxes.

Other operating income is recognised in the year that shared office facility services are provided.

Government grants are further detailed in note 2.14.

##### 2.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of asset's, or cash generating unit's, fair value less costs to sell and to value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the traction of the impaired asset.

## **Newco4 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

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#### **2. Accounting policies (continued)**

##### **2.10 Debtors**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### **2.11 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

##### **2.12 Financial instruments**

The Group and company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties, investments in ordinary shares and convertible loan note receivables.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the consolidated statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Investments in convertible loan note receivables are accounted for as non-basic financial instruments and are measured at fair value with changes recognised in the income statement. Where fair value cannot be reliably measured, the last date the loan note was reliably measurable is treated as cost and the instrument is measured at this cost less impairment until a reliable measure of fair value becomes available. Whilst being held at cost less impairment, any interest accrued is accounted for as interest receivable in the income statements and any foreign exchange movements are included within administrative expenses within the income statement. When the fair value can be reliably measured, the movements arising due to interest and foreign exchange are included within the fair value movement.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

## **Newco4 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

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#### **2. Accounting policies (continued)**

##### **2.12 Financial instruments (continued)**

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group and company would receive for the asset if it were to be sold at the reporting date.

##### **2.13 Creditors**

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### **2.14 Government grants**

The Group and company recognises an unconditional government grant related to the Coronavirus Job Retention Scheme as other income when the grant becomes receivable. Such grants are recognised in the profit and loss account in line with when the expense would have been incurred.

Loans waived under the Paycheck Protection Program (PPP) in the US are recognised in other operating income in the profit and loss account when confirmation of the loan waiver has been obtained from the US Small Business Administration.

##### **2.15 Foreign currency translation**

###### **Functional and presentation currency**

The company's functional and presentational currency is GBP.

###### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

## **Newco4 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

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#### **2. Accounting policies (continued)**

##### **2.16 Interest income**

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

##### **2.17 Finance costs**

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **2.18 Pensions**

###### **Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

##### **2.19 Research and development expenditure**

Expenditure on research activities is recognised in the consolidated statement of comprehensive income as an expense as incurred.

In certain circumstances expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the consolidated statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

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#### 2. Accounting policies (continued)

##### 2.20 Share based payments

The group's share based payment transactions are intended to retain and motivate some of the group's key personnel. The payment that is created from the transaction will be cash settled and the fair value of the payment will be based on the detail of the transaction's contractual agreement. The fair value and the likelihood of payment will be reassessed annually with any changes in fair value recognised in the statement of comprehensive income and a liability recorded for the expected future cash payment. The expense and corresponding liability will be recognised when the payment is considered probable.

The expense is transferred to the employing subsidiary with a capital contribution being created for an equal value. In the company that holds the liability, the benefit transferred is recognised as an increase in the investment in the subsidiary of the company obtaining the benefit. This increase is then assessed for impairment in accordance with the company's accounting policy.

##### 2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

## **Newco4 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

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#### **2. Accounting policies (continued)**

##### **2.22 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased, except for goodwill where impairment losses previously recognised are not reversed.

##### **2.23 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

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#### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the Group and company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.
- Determining the amount of revenue to recognise in respect of project work ongoing at the year end. Factors taken into account in assessing the percentage completion of a project include hours worked versus budget, project phases, milestones completed or deliverables issued to the client.

Other key sources of estimations uncertainty

- Tangible fixed assets (see note 15)

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Investments (see note 16)

Judgements are required in assessing the recoverable value of the company's investments. Where indications of impairment exist the company reviews the carrying value of its investments for impairment based on their recoverable value being the higher of the investments value in use and fair value less costs to sell.

- Intercompany balances (see note 17)

Judgements are required setting the level of provisions recognised against the carrying value of amounts due from group undertakings on the company balance sheet, after taking into account ageing of balances, historic payment profile and other relevant information in relation to expected future cash flows from group undertakings.



## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 4. Turnover

The whole of the turnover is attributable to the primary principal activity of the Group being to design and develop digital products for clients.

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	22,864	15,636
Europe	5,197	4,253
Rest of the world	8,060	6,513
	36,121	26,402

The geographical analysis has been prepared on the basis of the point of origin of the sale as in the directors' view that is the most appropriate way of categorising the geographical market.

#### 5. Other operating income

	2021 £000	2020 £000
Rental income	470	923
UK government grants receivable	36	234
Forgiveness of US government loans	524	-
	1,030	1,157

The Group has received grants under the Government's furlough scheme which has been created for the purpose of supporting businesses during the pandemic. The grants are given for specified staff over a specified period of time during which they are not permitted to work for the company. The grants are recognised on a time basis consistent with the period of furlough experienced by staff. The grant is not repayable providing the conditions of grant have been met; the Group believes it has met all the required conditions.

During the year, amounts were received from the US government for COVID-19 support. These amounts were initially received in the form of debt, and subsequently forgiven in full.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 6. Operating profit

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

	2021 £000	2020 £000
Depreciation charge	178	286
Exchange differences	29	148
Other operating lease rentals	2,108	2,284
Impairment of investments	(140)	5
Profit on the disposal of tangible fixed assets	(8)	(5)
	<u>          </u>	<u>          </u>

#### 7. Auditors' remuneration

	2021 £000	2020 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	127	111
	<u>          </u>	<u>          </u>

#### Fees payable to the Group's auditor and its associates in respect of:

Taxation compliance services	36	26
Other accounting services	24	15
	<u>          </u>	<u>          </u>

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £000	Group 2020 £000
Wages and salaries	14,306	12,454
Social security costs	1,910	1,599
Cost of defined contribution scheme	1,255	1,440
	<u>17,471</u>	<u>15,493</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Management and administration	41	47
Design and development	132	148
	<u>173</u>	<u>195</u>

The company has no employees other than the directors, who did not receive any remuneration (2020 - £Nil).

#### 9. Directors' remuneration

	2021 £000	2020 £000
Directors emoluments	279	212
Company contributions to defined contribution pension schemes	11	17
	<u>290</u>	<u>229</u>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £92,995 (2020 - £85,542).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,514 (2020 - £10,454).

**Newco4 2 Limited****Notes to the Financial Statements  
for the Year Ended 31 December 2021****10. Interest receivable and similar income**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Bank interest receivable	-	3

**11. Interest payable and similar expenses**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	13	22
Other interest payable	2	3
	<b>15</b>	<b>25</b>

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 12. Taxation

	2021 £000	2020 £000
<b>Corporation tax</b>		
Current tax on profits for the year	2,111	464
Adjustments in respect of previous periods	(63)	16
	<u>2,048</u>	<u>480</u>
Double taxation relief	(5)	-
	<u>2,043</u>	<u>480</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	14	33
Foreign tax in respect of prior periods	-	(5)
	<u>14</u>	<u>28</u>
<b>Total current tax</b>	<u>2,057</u>	<u>508</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	11	(13)
Adjustments in respect of prior periods	-	5
Effect of tax rate change on opening balance	(15)	(4)
<b>Total deferred tax</b>	<u>(4)</u>	<u>(12)</u>
<b>Taxation on profit on ordinary activities</b>	<u>2,053</u>	<u>496</u>

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 12. Taxation (continued)

##### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	12,219	307
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,322	58
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	344	23
Fixed asset differences	2	7
Adjustments to tax charge in respect of prior periods	(63)	11
Remeasurement of deferred tax for changes in tax rates	(13)	(4)
Adjustments to tax charge in respect of prior periods (deferred tax)	1	1
Utilisation of brought forward tax losses not previously recognised	(662)	-
Carried forward tax losses not recognised	125	359
Foreign tax	-	14
Income not deductible for tax purposes	(1,286)	-
Capital gains/(losses)	1,283	-
Group relief surrendered	-	27
<b>Total tax charge for the year</b>	<b>2,053</b>	<b>496</b>

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 13. Dividends

	2021 £000	2020 £000
Dividends	1,951	-

Ustwo Limited declared and paid to shareholders the following dividends during the year.

On 26 January 2021 £166,667 of dividends were declared.

On 28 January 2021 £340,000 of dividends were declared.

On 22 October 2021 £1,444,453 of dividends were declared.

On 19 November 2021 Newco4 2 limited acquired Ustwo Limited via a share for share exchange, with merger accounting being used to prepare these group financial statements. The dividends previously declared by Ustwo Limited and paid to the shareholders are therefore included within these consolidated financial statements.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 14. Analysis of net debt

	At 1 January 2021 £000	Cash flows £000	Other non- cash changes £000	At 31 December 2021 £000
Cash at bank and in hand	12,555	11,010	-	23,565
Bank overdrafts	(610)	607	-	(3)
Debt due within 1 year	(527)	(549)	527	(549)
	<u>11,418</u>	<u>11,068</u>	<u>527</u>	<u>23,013</u>

#### 15. Tangible fixed assets

##### Group

	Leasehold improvements £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Computer equipment £000	Total £000
<b>Cost</b>						
At 1 January 2021	686	68	662	215	932	2,563
Additions	-	-	-	-	83	83
Disposals	(376)	-	(299)	(136)	(308)	(1,119)
Exchange adjustments	(2)	-	(4)	-	(5)	(11)
At 31 December 2021	<u>308</u>	<u>68</u>	<u>359</u>	<u>79</u>	<u>702</u>	<u>1,516</u>
<b>Depreciation</b>						
At 1 January 2021	605	68	594	210	848	2,325
Charge for the year	49	-	50	3	76	178
Disposals	(376)	-	(298)	(136)	(305)	(1,115)
Exchange adjustments	(2)	-	(4)	-	(4)	(10)
At 31 December 2021	<u>276</u>	<u>68</u>	<u>342</u>	<u>77</u>	<u>615</u>	<u>1,378</u>
<b>Net book value</b>						
At 31 December 2021	<u>32</u>	<u>-</u>	<u>17</u>	<u>2</u>	<u>87</u>	<u>138</u>
At 31 December 2020	<u>81</u>	<u>-</u>	<u>68</u>	<u>5</u>	<u>84</u>	<u>238</u>



## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 16. Investments

##### Group

	Other investments £000
<b>Cost or valuation</b>	
At 1 January 2021	1,201
Additions	481
Disposals	(110)
Exchange differences	1
At 31 December 2021	<u>1,573</u>
<b>Impairment</b>	
At 1 January 2021	104
Charge for the period	140
Exchange differences	(4)
At 31 December 2021	<u>240</u>
<b>Net book value</b>	
At 31 December 2021	<u><u>1,333</u></u>
At 31 December 2020	<u><u>1,097</u></u>

All amounts included in 'other investments' above are for interest in ordinary shareholdings of less than 20%.

During the year £327,000 of convertible loan note receivables were converted into other equity investments.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 16. Investments (continued)

##### Company

##### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
Ustwo Adventure Ltd	England & Wales	Ordinary	100%
Ustwo Studios Limited	England & Wales	Ordinary	100%
Ustwo London Ltd*	England & Wales	Ordinary	100%
Ustwo Lisbon Ltd*	Portugal	Ordinary	100%
Ustwo Games Ltd	England & Wales	Ordinary	100%
Ustwo Studio Inc.*	USA	Ordinary	100%
Ustwo Studio AB*	Sweden	Ordinary	100%
Ustwo Studio Pty Ltd*	Australia	Ordinary	100%

\* held indirectly.

The registered office of Ustwo Adventures Ltd, Ustwo Studios Limited, Ustwo London Ltd and Ustwo Games Ltd is the same as the company.

The registered office of Ustwo Studio Inc. is 26 Broadway, 16th Floor, New York, NY 10004, USA.

The registered office of Ustwo Studio AB is Kärleksgatan 2A, 211 45 Malmö, Sweden.

The registered office of Ustwo Studio Pty Ltd is Kellaway Cridland Pty Ltd, Level 18, 9-13 Hunter Street, Sydney NSW 2000, Australia.

The registered office of Ustwo Lisbon Ltd is The registered office of Ustwo Adventures is Av Da Liberdade 110 6º, 1250-146, Santo Antonio Lisboa, Lisboa.

Ustwo Adventure Limited and Ustwo Studios Limited have been granted an exemption from an audit of their individual accounts under section 479A of the Companies Act 2006 following a guarantee given by the parent entity Newco4 2 Limited.

During the year Ustwo Studios (Pty) Limited ceased trading.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 17. Debtors

	Group 2021 £000	Group 2020 £000	Company 2021 £000
<b>Due after more than one year</b>			
Convertible loan notes receivable	60	323	-
	<u>60</u>	<u>323</u>	<u>-</u>
	Group 2021 £000	Group 2020 £000	Company 2021 £000
<b>Due within one year</b>			
Trade debtors	4,463	3,514	-
Convertible loan notes receivables	63	150	-
Other debtors	1,008	1,275	-
Prepayments and accrued income	695	712	-
Deferred taxation	54	50	-
	<u>6,283</u>	<u>5,701</u>	<u>-</u>

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 18. Creditors: Amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000
Bank overdrafts	3	610	-
Other loans	549	527	-
Trade creditors	1,307	1,337	-
Corporation tax	2,119	303	-
Other taxation and social security	932	1,243	-
Other creditors	532	785	-
Accruals and deferred income	6,699	3,314	-
	<u>12,141</u>	<u>8,119</u>	<u>-</u>

Ustwo Studio Inc received two forgivable loans in the amounts of \$720,667 on 20 May 2020 and \$743,918 on 28 January 2021 under the Paycheck Protection Program ("PPP") in the year ended 31 December 2020 and 2021. These loans are disclosed with other loans above.

The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the selected period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

Ustwo Studio Inc believes it met the criteria for forgiveness as of 31 December 2021 and is in the process of applying for forgiveness. This forgiveness is subject to final approval by the U.S. Small Business Administration. The first PPP loan in the amount of \$720,667 was granted forgiveness on 28 January 2021 and was recognised as other operating income.

#### 19. Creditors: Amounts falling due after more than one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000
Accruals and deferred income	868	1,657	-
	<u>868</u>	<u>1,657</u>	<u>-</u>

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 20. Financial instruments

	Group 2021 £000	Group 2020 £000
<b>Financial assets</b>		
Financial assets measured at amortised cost	29,412	17,418
Financial assets measured at fair value through profit or loss	123	473
	<u>29,535</u>	<u>17,891</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(6,313)	(3,408)

Financial assets measured at amortised cost comprise cash at bank and in hand, trade and other debtors and accrued income.

Financial assets measured at fair value through profit or loss comprise convertible loan notes receivables.

Financial liabilities measured at amortised cost comprise trade and other creditors and accrued expenses.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 21. Deferred taxation

##### Group

	2021 £000	2020 £000
At beginning of year	50	38
Credited to profit or loss	4	12
<b>At end of year</b>	<b>54</b>	<b>50</b>

	Group 2021 £000	Group 2020 £000
Accelerated capital allowances	54	47
Short term timing differences	-	3
	<b>54</b>	<b>50</b>

#### 22. Share capital

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
20,888 Ordinary shares of £0.01 each	-	-

All ordinary shares in issue at 31 December 2021 have full voting, dividend and capital distribution rights.

#### 23. Reserves

##### Capital redemption reserve

Amounts transferred from share capital on redemption of issued shares.

##### Other reserves

Other reserves represents undistributed reserves.

##### Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

## Newco4 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £1,255,000 (2020 - £1,440,000). £3,000 (2020 - £Nil) was outstanding at the end of the year.

#### 25. Share based payments

On 12 April 2021, one of the group entities, Ustwo Games Limited, issued 999 B1 Ordinary shares to a number of employees at a nominal value of £0.01 per share. The B1 shares have no voting rights, no rights to dividends nor are they entitled to a share of profits from trading. The B1 shareholders are entitled to a share of profits on winding up or a share of proceeds on sale above a set hurdle amount.

This transaction is accounted for as a cash settled share based payment as the group has an obligation to transfer cash at a future date in exchange for services provided by the applicable employees. The expected payment to satisfy this obligation is fair valued at each reporting date and the increase or decrease in the liability is recognised in the statement of comprehensive income.

The payment to the B1 shareholders is dependent upon a future sale or winding up event of Ustwo Games Limited. As at 31 December 2021 this event was not considered probable and therefore no liability has been recognised as at 31 December 2021. At such time that the directors considered that the event is probable, they will reassess the fair value of the liability and account for it as set out above.

#### 26. Commitments under operating leases

At 31 December 2021 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £000	Group 2020 £000
Not later than 1 year	456	1,411
Later than 1 year and not later than 5 years	1,105	1,145
	<u>1,561</u>	<u>2,556</u>

#### 27. Transactions with directors

During the year the Group paid £1,951,121 dividends (2020 - £Nil) to the directors.

#### 28. Related party transactions

The Group has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain Group companies on the grounds that the entities party to the transactions are wholly owned members within the same Group.

Total compensation of key management personnel (including the directors) in the year amounted to £320,628 (2020 - £252,276).

## **Newco4 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

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#### **29. Controlling party**

There is no ultimate controlling party.

#### **30. Post balance sheet events**

Subsequent to 31 December 2021 the Ustwo group has undergone a restructuring exercise to demerge the three principal parts of the business. This resulted in two of the group's subsidiaries, Ustwo Games Limited and Ustwo Adventure Limited, leaving the existing group. A new ultimate parent company, Ustwo Studio Holding Limited, was also incorporated as is now the ultimate parent company of the Ustwo Studio group.

Further to this, during the first half of 2022, the Ustwo Studio Group has implemented an Employee Ownership Trust (EOT) which has resulted in the ultimate controlling interest in the Ustwo Studios group moving from the founders to the EOT.