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PlaySide™

Appendix 4E

For the year ended 30 June 2021

1. Company details

Name of entity:	PlaySide Studios Limited
ABN:	73 154 789 554
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

					\$'000
Revenues from ordinary activities	up	55.3%	to		10,883
Loss from ordinary activities after tax attributable to the owners of PlaySide Studios Limited	down	(3,099%)	to		(5,879)
Loss for the year attributable to the owners of PlaySide Studios Limited	down	(3,099%)	to		(5,879)

3. Dividend Information

PlaySide Studios Limited has not paid, and does not propose to pay dividends, for the year ended 30 June 2021 (2020: \$710,526).

4. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security (i)	<u>0.029</u>	<u>0.003</u>
(i) Net tangible asset backing per ordinary share includes right-of-use assets. Note: The prior period issued capital was adjusted from 180,000 shares to 260 million shares which reflects the Subdivision of Capital (1,444.44 securities per every 1 security held) prior to listing on the Australian Securities Exchange		

The commentary on the results for the period is contained in the PlaySide Studios review of operations and financial results in the Directors' Report contained within the attached PlaySide Studios 30 June 2021 Audited Accounts.

5. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to loss	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Digital Business Holdings Pty Ltd	26.66%	26.66%	17	-
Profit/(loss) from ordinary activities after income tax			<u>17</u>	<u>-</u>

PlaySide Studios acquired a 26.66% share in Digital Business Holdings Pty Ltd on 30 June 2020.


6. Audit qualification or review

The financial statements have been audited and an unmodified opinion has been issued.

7. Attachments

The Annual Report of PlaySide Studios Limited for the year ended 30 June 2021 is attached.

8. Signed

Signed  _____

Date: 27 August 2021

Cristiano Nicolli
Director
Melbourne, Australia

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PlaySide Studios Limited

ABN 73 154 789 554

**Financial Report for the Year ended
30 June 2021**

PlaySide Studios Limited
Corporate directory
30 June 2021

Directors	Cristiano Nicolli Gerry Sakkas Mark Goulopoulos Aaron Parias Hans ten Cate
Company secretary	Darren Briggs
Notice of annual general meeting	The details of the annual general meeting of PlaySide Studios Limited are as follows: BDO Audit Pty Ltd Collins Square I Tower Four, Level 18, 727 Collins Street, Melbourne VIC, 3008 Tuesday 26 th October 2021 at 2.30pm The meeting may be undertaken virtually, if necessary, due to COVID-19
Registered office	Level 1 75 Crockford Street, Port Melbourne VIC 3207
Principal place of business	Level 1 75 Crockford Street, Port Melbourne VIC 3207
Share register	Link Market Services Collins Square I Tower Four, 727 Collins Street, Melbourne VIC 3008 Phone: 1300 554 474
Auditor	BDO Audit Pty Ltd Collins Square I Tower Four, Level 18, 727 Collins Street, Melbourne VIC, 3008
Solicitors	Harris Carlson Lawyers Level 14, 350 Queen Street Melbourne VIC 3000
Bankers	National Australia Bank Limited 330 Collins Street Melbourne VIC 3000
Stock exchange listing	PlaySide Studios Limited shares are listed on the Australian Securities Exchange (ASX code: PLY)
Website	www.playsidestudios.com
Corporate Governance Statement	https://playside.investorportal.com.au/corporate-governance-and-directory/

PlaySide Studios Limited

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General information

The financial statements cover PlaySide Studios Limited as a consolidated entity consisting of PlaySide Studios Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is PlaySide Studios Limited's functional and presentation currency.

PlaySide Studios Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1
75 Crockford Street
Port Melbourne VIC 3207

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2021.

PlaySide Studios Limited
Directors' report
30 June 2021

The directors present their report, together with the financial statements, on the Consolidated entity (referred to hereafter as the 'Consolidated entity') consisting of PlaySide Studios Limited (referred to hereafter as "PlaySide", the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Director Details

The following persons were directors of PlaySide Studios Limited during the whole of the year and up to the date of this report, unless otherwise stated:

- Cristiano Nicolli – Independent Non-Executive Chairman (Appointed 31 October 2020)
- Hans ten Cate – Independent Non-Executive Director (Appointed 31 October 2020)
- Gerry Sakkas – Managing Director & Chief Executive Officer
- Aaron Pasiyas – Non-Executive Director
- Mark Goulopoulos – Non-Executive Director

Principal activities

During the financial year, the principal continuing activities of the consolidated entity consisted of:

- Development of mobile games on a Work-for-Hire basis for external IP Owners; and
- Development and monetisation of PlaySide original games.

Review of operations and financial results

A summary of the Company's statutory and underlying financial results from operations for the year ended 30 June 2021 and the prior corresponding year is set out below:

	Year ended 30 Jun 2021 \$'000	Year ended 30 Jun 2020 \$'000	Increase (Decrease) \$'000
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1. Statutory Results

Revenue - Sales	10,883	7,008	3,875
Revenue - Other	873	945	(72)
Revenue - Total	11,756	7,953	3,803
EBITDA	(5,406)	978	(6,384)
NPAT	(5,879)	196	(6,075)

2. Underlying Results

EBITDA	(4,561)	1,342	(5,903)
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Revenue Growth

Total Revenue grew 47.8% to \$11.756m in the period, up from \$7.953m in the prior corresponding period ("pcp").

This increase was primarily the result of an increase in Sales Revenue of \$3.88m (up 55% on pcp), being the net of the following movements:

- Increased PlaySide Original IP Revenue which at \$7.32m was \$5.88m up on pcp, which was driven by the success of the Animal Warfare mobile game, which earned \$5.47m;
- Work for Hire Revenue at \$3.57m was \$1.08m down on the pcp, which was a reasonable outcome given a number of overseas customers tightened spending on games development during this COVID-19 affected period.

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

These net increases were slightly offset by Work for Hire Revenue from non-game Apps, which reduced to zero (pcp: \$0.93m), consistent with the decision to exit this type of work as at the end of the June 2020 year.

In addition, Other Revenue at \$0.87m was \$0.1m down on pcp, mainly because of Government Grants revenue, which at \$0.65m was \$0.23m down on pcp, with research and development grant revenue at \$0.51m (pcp: \$0.75m).

• **EBITDA**

	Year ended 30 Jun 2021 \$'000	Year ended 30 Jun 2020 \$'000
Statutory Reported EBITDA	(5,406)	978
<u>Add back: Non-Recurring Expenses</u>		
Employee Share Option Expense	445	294
Listing Fees	400	-
Non-Recoverable Loan	-	70
Underlying EBITDA	(4,561)	1,342

Reported Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to a Loss of \$5.4m for the period, representing a significant fall in profitability on the pcp EBITDA of \$0.98m.

However, when the impact of non-recurring expenses during the year are removed, namely:

- Employee Share Option Expense (\$0.44m): cost associated with converting options issued over the last four years to employees into shares prior to listing on the ASX; and
- Listing Fees: total fees associated with the ASX listing were \$1.7m, of which an amount of \$0.40m was charged to profit as part of General & Administrative expenses, with the balance of \$1.3m, being directly attributable to the costs of raising new capital, charged to equity, the underlying EBITDA Loss is \$4.56m, compared to a positive EBITDA of \$1.34m in pcp (after similar once-offs are removed).

The underlying EBITDA loss of \$4.56m, a \$5.9m decline on pcp, was the net effect of:

- Total Revenue increase of \$3.88m or 55% to \$10.88m;
- Increased Employee Benefits expenses of \$1.98m (excl. Employee Share Option Expenses), primarily reflecting the significant increase in the number of employees, mainly in the areas of Operations (Programming, Design & Producers) and Corporate Admin (COO/CFO/HR/Accounting), as the business looks to broaden its Operational skill base and Infrastructure to underpin its current growth phase, inclusive of strong governance and risk management;
- Increased Selling Expenses of \$6.5m, mainly increased User Acquisition advertising incurred to drive Original IP revenue; and
- Increased General & Administrative Expenses (excl. Listing Fees) of \$1.42m, mainly in the areas of Legal, Insurance, Audit & Accounting Fees and Software License Fee.

- **Financial Position and Capital Investment**

The Company finished the year in a net cash position of \$11.24m, after commencing the financial period with net cash of \$0.52m.

This net \$10.61m increase in cash was a net direct result of the following movements:

- A \$3.05m pre-IPO convertible Notes issue;
- A net \$13.66m raised under the Initial Public Offering (IPO) of Company shares on listing on the ASX, reflecting the net of \$15.00m raised in cash less the \$1.34m capital costs associated with Listing;
- Net cash used in operating activities of \$3.83m, mainly reflecting the significant investment in user acquisition and corporate infrastructure required to enable the business to accelerate its growth ambitions over the next 1-2 years; and
- \$2.19m used in investing activities, mainly PlaySide Games related Intellectual Property (\$1.74m) and property plant and equipment \$0.40m.

The Company expects that as these investments start to monetise during FY2022, it will be able to remain in a relatively healthy Net Cash position throughout the year; notwithstanding, the Company will remain vigilant to any additional investment opportunities that present, which could offer the potential to provide excellent returns to shareholders in FY2022 and beyond.

- **Business Risk**

In executing its growth plans, the Company is subject to a number of Company specific, Industry specific and General risks, which the Board and its senior executives will continue to monitor and actively manage. Some of these key risks are outlined below:

Technology Systems and software failure

PlaySide is highly dependent on the effective operation of its technology systems and software given the nature of its operations.

There is a risk that PlaySide's technology systems and software (including those provided by third party providers) may be adversely impacted by damaged or faulty equipment, human error, disruption, failure, service outages, data corruption or breaches which could occur as a result of computer viruses, malware, hacking or cyber-attacks, or other disruptions including natural disasters, power surges or outages or other similar events.

This may result in the loss, theft, corruption or unauthorised disclosure of confidential information and data, reputational damage, damage to or loss of customer relationships, and substantial costs may be incurred in identifying, investigating, mitigating, and remediating such an event which may or may not be recoverable or addressed by insurance.

PlaySide has put in place business continuity and disaster recovery procedures in the event of failure of, or disruption or damage to, PlaySide's network or technology systems. However, such procedures may not be sufficient to ensure that PlaySide is able to carry on its business in the ordinary course in the event of such a failure, disruption or damage.

Any major technology systems or software failure, disruption or damage, including failures relating to PlaySide's network, software, internet, remote servers it utilises or hardware, which causes material delay or interruption to PlaySide's operations and development activities, could have a material adverse effect on PlaySide's operating and financial performance and may also result in damage to PlaySide's relationships and reputation with customers and end-users.

Distribution of Games by third parties on virtual App Stores.

PlaySide relies on distributing its mobile games through virtual app stores, with the dominant app stores being the Google Play Store for Android and the Apple App Store for iOS.

PlaySide is subject to the distributors' standard terms and conditions, infrastructure and operating systems for application developers, which govern the promotion, distribution and operation of games on the relevant app store. PlaySide's business and operations could be materially disrupted or harmed if a distributor discontinues or limits the access to its

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

platform, modifies its terms of service or other policies, including the provisions on share of net sales. The distributors have broad discretion to unilaterally change its standard terms and conditions and any such changes may be unfavourable to PlaySide and could have a material adverse effect on PlaySide's operating and financial performance.

Recent Identifier for Advertisers (IDFA) changes to the iOS operating system implemented by Apple have also presented a challenge to PlaySide's operating and financial performance, particularly given the impact on advertising campaign targeting capabilities. The extent to which these IDFA changes are still being worked through, with senior Company executives working closely with other similarly affected businesses, to ensure the financial impacts are minimised. The Company anticipates that Google will introduce similar changes for its Android operating system which may have similar impacts.

Launch Delays and Cost Overruns

PlaySide develops games both internally using original IP and in collaborations and partnerships under its Brands and Licensing and Partnership divisions.

Delays in developing ongoing and future game projects from idea generation to production may result from a number of factors including determining the ideal game theme that resonates strongly in the market, hiring suitably skilled resources for new projects and resolving complex technical issues during the development cycle. Any delays experienced during the development cycle could impact on cash flow, proceeds, revenues and operating margins.

Performance of new title releases

There is a risk that new title releases are not received in a positive manner by the market or generate the anticipated level of player engagement. This can lead to losses in revenue, lower margins and reduced cash flow. In addition, capitalised development expenditures may need to be impaired. If a game's launch results in lower revenues than estimated, this may have a material adverse impact on the PlaySide's operating and financial performance.

Failure to effectively manage growth

PlaySide has experienced considerable growth in revenue, employee numbers and customer base since commencing operations. Based on PlaySide's projections, PlaySide expects further growth in the future which could place significant strain on current management, operational and financial resources as well as the infrastructure supporting PlaySide's technology and development activities. PlaySide's future success depends on its ability to effectively manage this growth. Failure to appropriately manage growth could be detrimental to PlaySide's development activities and could adversely affect PlaySide's operating and financial performance.

Ability to attract and retain qualified personnel

The nature of PlaySide's operations requires its employees in the technical and development teams to be highly skilled and experienced in their respective fields. Accordingly, PlaySide's performance largely depends on its ability to identify, attract and retain qualified personnel.

The departure of key personnel, or a shortage of qualified employees with the appropriate technical expertise, may significantly delay or prevent the achievement of development objectives or result in loss of know-how, which could adversely affect PlaySide's operations and its future ability to implement its growth strategies.

Competition for qualified employees in PlaySide's industry is intense. In addition, PlaySide's ability to attract and retain qualified personnel is affected by PlaySide's prospects and its capacity to maintain competitive remuneration packages and incentives.

There is a risk that PlaySide may not be able to attract and retain qualified personnel or be able to find effective replacements where departures occur in a timely or cost effective manner. Any inability to attract or retain qualified personnel may be detrimental to PlaySide's operations and financial performance.

Litigation and other proceedings

The Company is exposed to potential legal and other claims or disputes in the course of its business, including intellectual property infringement disputes, contractual disputes and employee disputes.

PlaySide Studios Limited
Directors' report (continued)
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Any costs involved in defending or settling legal and other claims or disputes that may arise could be costly and may impact adversely on the Company's operations and financial position or cause damage to its reputation.

The Company is not a party to any ongoing litigation matters as at year-end.

Foreign exchange risk

PlaySide's financial reports are prepared in Australian dollars. However, a proportion of PlaySide's revenue, expenditures and cash flows are generated in US dollars. In addition, PlaySide may in the future generate revenues, expenditures and cash flows in various other currencies other than Australian dollars.

Any adverse movements of these currencies against the Australian dollar, as well as volatility, could have an adverse effect on PlaySide's future financial performance and position and may result in lower than anticipated revenue, profit and earnings of PlaySide.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2021	2020
	\$ '000	\$ '000
Final dividend for the year ended 30 June 2021 of nil dollars (2020: 3.95 dollars) per ordinary share	-	711

All dividends paid in FY2020 were unfranked and were fully taxable in the hands of shareholders.

Significant changes in the state of affairs

The major change during the year was PlaySide Studios Limited, previously a private company, PlaySide Studios Pty Ltd, undertook a capital re-organisation and adopted a new constitution as it prepared to list on the Australian Securities Exchange (ASX).

The Company successfully listed on the ASX on the 17th December, 2020, after raising \$15 million (before costs) by way of an Initial Public Offering (IPO).

The Company has been providing Quarterly Activities and Cashflow Reports to the ASX since listing and has indicated that the use of funds since listing has been consistent with the Use of Funds outlined in the Prospectus.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to evolve and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions, vaccination rates and any economic stimulus that may be provided. The impact of the pandemic subsequent to the reporting date continues to be monitored, where the positives associated with consumers spending more time at home to play games has continued to some extent to be offset by a slowdown in Work-for-Hire opportunities emanating from some of the larger entertainment companies overseas, particularly in the USA.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

- **Likely developments and expected results of operations**

The Company has a significant number of Games under development as at 30 June 2021, the majority of which are expected to be launched and start earning revenue during FY2022. Along with the Casual Titles launched in FY2021 that are continuing to earn revenue, and existing and potential future Work for Hire opportunities, the Company is planning to continue to materially grow its operational revenue in FY2022 whilst also aiming to improve its underlying profitability.

- **Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

- **Information on directors**

Name:	Cristiano Nicolli
Title:	Non-Executive Chairman
Independent Director:	Yes
Date Appointed:	31 October, 2020
Qualifications:	Fellow of Australian Institute of Company Directors (FAICD); Bachelor of Management and Business Studies
Experience and expertise:	Mr Nicolli has an extensive career as an influential leader and highly successful businessman in the technology sector. From 2010 to 2016, Mr Nicolli was the Group Managing Director and CEO of ASX-listed IT services company UXC Limited. During his 13 years with UXC, Mr Nicolli was instrumental in leading the growth of UXC's IT-services business from \$60 million annual revenue to \$750 million (via both organic growth and acquisitions) and employing 3,000 staff. Under Mr Nicolli's leadership, UXC became widely recognised as the largest and one of the most respected ASX-listed IT companies in Australia. Mr Nicolli oversaw the acquisition of UXC by global IT firm CSC in late 2016 for in excess of \$400 million.
Other current directorships:	Non-Executive Director Vista Group International Limited, Empired Limited and Chairman of ReadCloud Limited.
Former directorships (last 3 years):	Other Levels Pty Ltd (ASX OLV)
Special responsibilities:	Chairman of NRC Vista Group and Empired Limited Member of Audit and Risk Committee for Vista Group, and Empired Limited

Name:	Gerry Sakkas
Title:	Managing Director and Chief Executive Officer
Independent Director:	No
Date Appointed:	14 December 2011
Qualifications:	Bachelor of Arts (Digital Arts and Games)
Experience and expertise:	Gerry is the CEO and co-founder of PlaySide and has spent over 13 years in the games industry. Gerry started his professional career at EA Games as a tester, and over the next 4 years made his way to lead designer of the Melbourne studio. Gerry's strong entrepreneurial drive saw him leave EA and co-found PlaySide in 2011. For the past 9 years Gerry has been responsible for leading and growing PlaySide to a team of 80+ staff, with his creative drive a key focus for growth.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

Name: **Mark Goulopoulos**
Title: Non-Executive Director
Independent Director: No
Date Appointed: 14 December 2011
Qualifications: Bachelor of Commerce; Graduate Diploma in Applied Finance and Investment; Master Practitioner of the Stockbrokers and Financial Advisers Association.
Experience and expertise: Mark is an experienced investment advisor and one of the co-founders of PlaySide. As Director of Corporate Strategy since PlaySide's inception, Mark has led and set corporate strategy for the business including the business model of utilising cash flow from fixed priced contracts to finance original IP development. Mark has over 20 years' experience in equities markets and investment banking. He has originated, led, and advised on numerous financing transactions for both ASX listed and pre-IPO businesses across various industries. Mark is a founding partner of Cumulus Wealth, a boutique wealth management firm founded in 2019. He was previously a Director of Wealth Management at Patersons Securities for over 10 years.
Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil

Name: **Aaron Pasis**
Title: Non-Executive Director
Independent Director: No
Date Appointed: 14 December 2011
Qualifications: Bachelor of Commerce; Bachelor of Business
Experience and expertise: Aaron is a professional investor in early stage companies, equities and property and is one of the co-founders of PlaySide, having worked for over 8 years as the Company's Finance Director and Company Secretary. In addition, Aaron has over 15 years' experience in both the financial markets and property industries. He has evaluated and invested in various opportunities across a range of ASX listed and pre-IPO companies and has had active involvement with Boards of companies where he has been a major shareholder. In addition to his equity investments Aaron has also driven a variety of commercial, retail, and residential property developments.
Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil

Name: **Hans ten Cate**
Title: Non-Executive Director
Independent Director: Yes
Date Appointed: 31 October 2020
Experience and expertise: Currently the Chief Business Officer of Tilt Five, a technologies firm focusing on Augmented Reality; Hans is a long-time game industry executive, and has produced and designed AAA games for PC, console and mobile platforms, led large teams developing online gaming technology and services, and negotiated business and technology partnerships for large publishers and start-ups. After a number of years managing online services for Sony PlayStation, Hans spent a decade at EA as an Executive Producer and later as Sr. Director of Business Development for EA Partners. Hans has experience in start-ups and grew the team at MaxPlay, a cloud-based game engine technology and was also pivotal in raising MaxPlay's \$20m Series A funding round with Silicon Valley investors. He is the former Chair of the Board of Directors of the International Game Developers Association (IGDA).

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

• **Board Skills and Experience Matrix**

To assist identifying areas of focus and maintaining an appropriate and diverse mix of skills, the Board has developed a 'Board Skills and Experience Matrix' ('Board Matrix') which is represented in the table below. The Company's Board Matrix sets out the mix of skills, experience and expertise that the Board currently has. The Board benefits from the combination of directors' individual skills, experience and expertise in the areas identified below:

Board Skills and Experience Matrix (out of 5 directors)	
<u>Legal, Governance & Compliance</u>	
Legal	1
Corporate Governance	2
Compliance	2
<u>Operations</u>	
Games Development	2
Sales and Marketing	2
Business Development	4
General Management Experience	4
CEO Experience	2
Strategy	4
<u>Finance & Risk</u>	
Accounting	3
Finance	3
OH&S / Risk Management	2
<u>People</u>	
Human Resources	4
Remuneration	3
<u>Technology</u>	
Technology	4
Digital	4

• **Company secretary**

Darren Briggs (BCom; ACIS) has held the role of Company Secretary since 24 September, 2020. He was previously the Company Secretary of the ASX Listed The Reject Shop Limited for ten years. Mr Briggs is a member of the Institute of Chartered Accountants Australia and the Governance Institute of Australia. Prior to 24 September 2020, the company secretary was Aaron Pasiias.

• **Meetings of Directors**

During the financial year, 13 meetings of directors were held.

The number of meetings attended by each director during the year was as follows:

Director	Directors' Meetings	
	Number eligible to attend	Number attended
Cristiano Nicolli	9	9
Gerry Sakkas	13	13
Mark Gouloupoulos	13	13
Aaron Parias	13	13
Hans ten Cate	9	9

Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not have a:

- Board nomination committee;
- Audit and risk committee; or
- Remuneration committee.

Pursuant to the Board Charter, the full Board carries out the duties that would ordinarily be assigned to the above Committees under the written terms of reference for those committees.

• **Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having both revenue growth and earnings growth as a core component of plan design; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

The Company's constitution provides that the total aggregate fixed sum to be paid to non-executive directors shall initially be no more than \$500,000 and may be varied by ordinary resolution at a general meeting.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary and superannuation, is reviewed annually by the Board based on individual performance, the overall performance of the Company and comparable market remunerations.

The short-term incentives ('STI') program, in the form of cash bonuses, is designed to align the targets of the Company with the performance hurdles of executives. STI payments are granted to executives based on the Company achieving annual revenue and earnings (EBITDA) targets. For some selected executives, individual key performance indicators ('KPI's') are set which must also be achieved. These additional KPI's include business development sales targets, profitable revenue generation and successful launch of key game titles. The Board retains the right to exercise its discretion on whether to award STI's or not.

The long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a vesting period of between two and three years based on a combination of long-term measures. These measures include achieving

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

revenue and earnings (EBITDA) targets. In addition, for some LTI benefits, a specified length of tenure is required from the executive. Furthermore, for a number of these LTI benefits, a 12-month escrow period will apply post the vesting date. The Board retains the right to exercise its discretion on whether to award LTI's or not.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined revenue and earnings targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last four years.

The Board is of the opinion that the continued improved results expected of the Company can be achieved in part due to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the financial year ended 30 June 2021, the Board did not seek any independent advice with regard to the appropriateness of the Company's remuneration practices or its executive's remuneration packages. The Board reserves the right to engage remuneration consultants periodically to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Details of remuneration

Amounts of remuneration

The key management personnel of the consolidated entity consisted of the following directors of PlaySide Studios Limited:

- Cristiano Nicolli - Non-Executive Chairman
- Mark Goulopoulos - Non-Executive Director
- Aaron Pasiadis - Non-Executive Director
- Hans ten Cate – Non-Executive Director
- Gerry Sakkas – Managing Director and Chief Executive Officer

And the following persons:

- Paul Fouracre – Chief Operating Officer
- Darren Briggs – Chief Financial Officer and Company Secretary

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

PlaySide Studios Limited
 Directors' report (continued)
 30 June 2021

2021	Note	Short-term benefits		Post-employment benefits	Share-based payments	Total
		Cash salary and fees	Cash bonus	Super-annuation	Equity-settled shares	
		\$	\$	\$	\$	\$
Non-Executive Directors:						
Cristiano Nicolli	(i)	46,667	-	4,433	-	51,100
Mark Goulopoulos		55,830	-	5,304	-	61,134
Aaron Parias	(ii)	64,830	-	6,159	-	70,989
Hans ten Cate	(iii)	36,500	-	-	-	36,500
Executive Director:						
Gerry Sakkas		293,732	49,275	27,904	161,499	532,410
Other Key Management Personnel:						
Paul Fouracre	(iv)	179,173	22,995	17,021	75,366	294,555
Darren Briggs	(iv)	134,379	17,246	12,766	56,525	220,916
Tejesh Munusamy	(v)	16,438	-	1,562	-	18,000
Danny Armstrong	(v)	13,808	-	1,312	9,438	24,558
Total		841,357	89,516	76,461	302,828	1,310,162

- (i) Mr Nicolli was appointed Chairman on the 31st October 2020
 (ii) Mr Parias was an Executive Director until the 31st October 2020, after which he became a Non-Executive Director
 (iii) Mr ten Cate was appointed a Non-Executive Director on the 31st October 2020
 (iv) Mr Fouracre and Mr Briggs commenced with the Company on the 10th August 2020
 (v) Mr Munusamy and Mr Armstrong ceased being KMP on the 10th August 2020

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

2020	Note	Short-term benefits		Post-employment benefits	Share-based payments	Total \$
		Cash salary and fees \$	Cash bonus \$	Super-annuation \$	Equity-settled shares \$	
Non-Executive Directors:						
Mark Gouloupoulos	(i)	60,000	-	5,700	-	65,700
Aaron Pias		84,000	-	7,980	-	91,980
Executive Director:						
Gerry Sakkas		250,000	-	23,750	-	273,750
Other Key Management Personnel:						
Tejesh Munusamy	(ii)	131,667	12,500	12,508		156,675
Danny Armstrong	(iii)	106,667	17,178	10,133	122,556	256,534
Total		632,334	29,678	60,071	122,556	844,639

- (i) Mr Pias was an Executive Director until the 31st October 2020, after which he became a Non-Executive Director
- (ii) Mr Munusamy was the Chief Operating Officer throughout FY2020 and was considered a KMP for that period. Mr Munusamy ceased to be a KMP on the 10th of August 2020.
- (iii) Mr Armstrong was the Studio General Manager throughout FY2020 and was considered a KMP for that period. Mr Armstrong ceased to a KMP on the 10th of August 2020.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
Non-Executive Directors:						
Cristiano Nicolli	100%	N/A	-	N/A	-	N/A
Mark Gouloupoulos	100%	100%	-	-	-	-
Aaron Pias	100%	100%	-	-	-	-
Hans ten Cate	100%	N/A	-	N/A	-	N/A
Executive Director:						
Gerry Sakkas	60.4%	100.0%	18.5%	-	21.1%	-
Other Key Management Personnel:						
Paul Fouracre	66.6%	N/A	15.6%	N/A	17.8%	N/A
Darren Briggs	66.6%	N/A	15.6%	N/A	17.8%	N/A

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Board. No discretionary cash bonuses were paid in the 2021 financial year.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2021	2020	2021	2020
Non-Executive Directors:				
Cristiano Nicolli	-	-	-	-
Mark Goulopoulos	-	-	-	-
Aaron Parias	-	-	-	-
Hans ten Cate	-	-	-	-
Executive Director:				
Gerry Sakkas	60.0%	-	40.0%	-
Other Key Management Personnel:				
Paul Fouracre	60.0%	N/A	40.0%	N/A
Darren Briggs	60.0%	N/A	40.0%	N/A

Cash bonuses forfeited were due to earnings targets for FY2021 not being achieved.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Gerry Sakkas
Title: Managing Director and Chief Executive Officer
Agreement commenced: 1st November, 2020
Term of agreement: Continuous until validly terminated in accordance with its terms
Details: Base salary for the year ending 30 June 2021 of \$300,000 plus superannuation, to be reviewed annually by the Board. Three-month termination notice period by either party. Cash bonus of up to 50% of fixed remuneration subject to Board approval and achievement of agreed key performance indicators of the executive and the Company, non-solicitation and non-compete clauses.

Name: Paul Fouracre
Title: Chief Operating Officer
Agreement commenced: 10th August, 2020
Term of agreement: Continuous until validly terminated in accordance with its terms
Details: Base salary for the year ending 30 June 2021 of \$200,000 plus superannuation, to be reviewed annually by the Board. Three-month termination notice period by either party. Cash bonus of up to 35% of fixed remuneration subject to Board approval and achievement of agreed key performance indicators of the executive and the Company, non-solicitation and non-compete clauses.

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

Name: Darren Briggs
Title: Chief Financial Officer & Company Secretary
Agreement commenced: 10th August, 2020
Term of agreement: Continuous until validly terminated in accordance with its terms
Details: Base salary for the year ending 30 June 2021 of \$150,000 plus superannuation, to be reviewed annually by the Board. Three-month termination notice period by either party. Cash bonus of up to 35% of fixed remuneration subject to Board approval and achievement of agreed key performance indicators of the executive and the Company, non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

There has been no shares issued to directors and other key management personnel as part of their compensation during the year-ended 30 June 2021.

Performance Rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of Rights Granted	Grant Date	Vesting and Exercisable Date	Expiry Date	% Rights Subject to Escrow	Escrow Expiry Date	Exercise Price	Fair value per Right at Grant Date
G. Sakkas	492,750	16-Nov-20	31-Aug-21	16-Nov-25	100%	17-Dec-22	Nil	\$ 0.20
	328,500	16-Nov-20	31-Aug-21	16-Nov-25	100%	17-Dec-22	Nil	\$ 0.20
	410,625	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	246,375	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	164,250	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	410,625	16-Nov-20	31-Aug-23	16-Nov-25	100%	31-Aug-24	Nil	\$ 0.20
P. Fouracre	229,950	16-Nov-20	31-Aug-21	16-Nov-25	50%	31-Aug-22	Nil	\$ 0.20
	153,300	16-Nov-20	31-Aug-21	16-Nov-25	50%	31-Aug-22	Nil	\$ 0.20
	191,625	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	114,975	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	76,650	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	191,625	16-Nov-20	31-Aug-23	16-Nov-25	100%	31-Aug-24	Nil	\$ 0.20
D. Briggs	172,463	16-Nov-20	31-Aug-21	16-Nov-25	50%	31-Aug-22	Nil	\$ 0.20
	114,975	16-Nov-20	31-Aug-21	16-Nov-25	50%	31-Aug-22	Nil	\$ 0.20
	143,719	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	86,231	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	57,488	16-Nov-20	31-Aug-22	16-Nov-25	100%	31-Aug-23	Nil	\$ 0.20
	143,719	16-Nov-20	31-Aug-23	16-Nov-25	100%	31-Aug-24	Nil	\$ 0.20

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

Performance rights granted carry no dividend or voting rights.

All performance rights were granted over unissued fully paid ordinary shares in the company. The number of performance rights issued in each tranche is determined by dividing a percentage (15%-50%) of the fixed remuneration of the executive by the fair value of the shares at the time rights are issued. Performance rights are exercisable on the vesting date and vest into shares based on a combination of the Company meeting the revenue and earnings targets as set by the Board and the executive meeting any service level requirements that are attached to the vesting conditions. There has not been any alteration to the terms or conditions of the grants since the grant date. In addition, on vesting there are additional escrow arrangements that applied to shares issued. There are no amounts paid or payable by the recipient in relation to the granting of such rights or on their potential exercise. There has not been any performance rights exercised or lapsed during the financial year.

Values of performance rights over ordinary shares granted to key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of rights granted during the year \$	Value of rights exercised during the year \$	Value of rights exercised during the year \$	Value of rights lapsed during the year \$	Remuneration consisting of grants for the year %
Gerry Sakkas	161,499	-	-	-	30%
Paul Fouracre	75,366	-	-	-	26%
Darren Briggs	56,525	-	-	-	26%

Additional information

The earnings of the consolidated entity for the four years to 30 June 2021 are summarised below:

	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000
Sales revenue	10,883	7,008	4,313	5,122
EBITDA*	(5,406)	978	480	2,608
EBIT*	(5,620)	810	291	2,441
Profit after income tax	(5,879)	196	(52)	1,581
*EBIT and EBITDA are non-IFRS measures				

Additional factors that are considered to affect total shareholder wealth are summarised below:

	2021	2020	2019	2018
Share price at financial year-end (\$)	0.26	N/A	N/A	N/A
Total dividends declared (cents per share)**	-	0.27	0.32	0.09
Basic earnings per share (cents per share)**	(1.83)	0.08	(0.02)	0.61

** Dividends per share and basic earnings per share for FY20, FY19 and FY18 have been calculated using 260 million shares; this reflects the 180,000 shares issued in those periods adjusted for the sub-division of capital (1,444.44 securities for every 1 security held) which occurred prior to listing on the Australian Securities Exchange.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity is set out below:

Name	Note	Balance at start of Year	Sell-Down Prior to ASX Listing	Received as part of Remuneration	Additions	Disposals	Balance at end of Year
Cristiano Nicolli		-	-	-	639,019	-	639,019
Mark Goulopoulos	(i)	82,333,334	(3,166,667)	-	-	-	79,166,667
Aaron Pasis	(i)	82,333,334	(3,166,667)	-	-	-	79,166,667
Hans ten Cate		-	-	-	-	-	-
Gerry Sakkas	(i)	82,333,334	(3,166,667)	-	-	-	79,166,667
Paul Fouracre		-	-	-	125,000	-	125,000
Darren Briggs		-	-	-	62,500	-	62,500
Total		247,000,002	(9,500,001)	-	826,519	-	238,326,520

(i) These opening balances have been adjusted to reflect the Subdivision of Capital (1444.44 securities per every security held) prior to the listing on the Australian Securities Exchange

Performance Rights

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity is set out below:

Name	Balance at the start of the year	Granted	Exercised	Lapsed / Expired	Balance at the end of the year
G. Sakkas	-	2,053,125	-	-	2,053,125
P. Fouracre	-	958,125	-	-	958,125
D. Briggs	-	718,595	-	-	718,595
Total	-	3,729,845	-	-	3,729,845

There were no performance rights that had vested or were exercisable as at 30 June, 2021 or at the date of this report.

Related party disclosures

During the prior financial year there were a number of related party transactions, as detailed in Note 30 and summarised as follows:

- Revenue earned during 2020 from Director related entities: \$335,000
- Other expenses paid during 2020 to director related entities: \$781,818
- Trade receivables from director related entities at 30 June 2020: \$368,500
- A loan to a Director-related entity of \$70,212 was written off during 2020

These transactions occurred when PlaySide was a private company, before it undertook the IPO and prior to its listing on the Australian Securities Exchange. There were no related party transactions during the current financial year.

This concludes the remuneration report, which has been audited.

- Performance Rights on Issue**

The table below contains a listing of all performance rights on issue as at the date of this report:

Grant Date	Expiry Date	Exercise Price	Number of Rights Granted
16-Nov-20	16-Nov-25	\$ 0.20	1,028,206
16-Nov-20	16-Nov-25	\$ 0.20	685,470
16-Nov-20	16-Nov-25	\$ 0.20	856,838
16-Nov-20	16-Nov-25	\$ 0.20	514,102
16-Nov-20	16-Nov-25	\$ 0.20	342,736
16-Nov-20	16-Nov-25	\$ 0.20	856,838
			4,284,190

- Shares issued on the exercise of options**

Prior to the company listing on the Australian Securities Exchange, certain employees exercised 13,000,000 options (issued under a now defunct employee share option plan) to convert into 13,000,000 fully paid ordinary shares with an exercise price of 1.3077 cents each. In lieu of paying the aggregate price of \$170,010, the employees opted to accept a reduced number of shares, being 12,149,950, by exercising the options using a cashless exercise facility.

- Indemnity and insurance of officers**

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

- Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

- Proceedings on behalf of the Company**

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

- Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 27 to the financial statements.

PlaySide Studios Limited
Directors' report (continued)
30 June 2021

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

• **Auditor's independence declaration**

A copy of the auditor's independence as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

• **Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors.



Cristiano Nicolli

Chairman

27 August 2021
Melbourne, Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF PLAYSIDE STUDIOS LIMITED

As lead auditor of PlaySide Studios Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PlaySide Studios Limited and the entities it controlled during the period.



David Garvey
Director

BDO Audit Pty Ltd

Melbourne, 27 August 2021

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PlaySide Studios Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 \$ '000	Consolidated 2020 \$ '000
Revenue	4	10,883	7,008
Share of profits of associates accounted for using the equity method	12	17	-
Other income	5	856	945
Expenses			
Employee benefits expense	6	(6,903)	(4,926)
General and administrative expenses	6	(2,597)	(784)
Selling expenses	6	(7,638)	(1,177)
Depreciation and amortisation expense	6	(238)	(186)
Unrecoverable loans written off		-	(70)
Finance costs	6	(32)	(31)
(Loss)/Profit before income tax expense		(5,652)	779
Income tax expense	7	(227)	(583)
(Loss)/Profit after income tax expense for the year attributable to the owners of PlaySide Studios Limited		(5,879)	196
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of PlaySide Studios Limited		(5,879)	196
		Cents	Cents
Basic earnings per share	36	(1.83)	0.08
Diluted earnings per share	36	(1.83)	0.07

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

PlaySide Studios Limited
Consolidated statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 \$ '000	2020 \$ '000
Assets			
Current assets			
Cash and cash equivalents	8	11,235	520
Trade and other receivables	9	1,536	712
Other financial assets	10	84	32
Other current assets	11	129	245
Total current assets		12,984	1,509
Non-current assets			
Investments accounted for using the equity method	12	17	-
Property, plant and equipment	13	648	347
Right-of-use assets	14	1,404	649
Intangibles	15	2,137	70
Deferred tax	16	473	104
Total non-current assets		4,679	1,170
Total assets		17,663	2,679
Liabilities			
Current liabilities			
Trade and other payables	17	2,685	587
Lease liabilities	18	226	102
Employee benefits	19	726	376
Total current liabilities		3,637	1,065
Non-current liabilities			
Lease liabilities	18	1,234	642
Employee benefits	19	96	167
Total non-current liabilities		1,330	809
Total liabilities		4,967	1,874
Net assets		12,696	805
Equity			
Issued capital	20	17,995	-
Reserves	21	337	562
(Accumulated losses)/Retained profits	22	(5,636)	243
Total equity		12,696	805

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

PlaySide Studios Limited
Consolidated statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital \$ '000	Reserves \$ '000	Retained profits \$ '000	Total equity \$ '000
Balance at 1 July 2019	-	268	758	1,026
Profit after income tax	-	-	196	196
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	196	196
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 23)	-	-	(711)	(711)
<i>Other transactions:</i>				
Share-based payments (note 21)	-	294	-	294
Balance at 30 June 2020	-	562	243	805

Consolidated	Issued capital \$ '000	Reserves \$ '000	Retained profits \$ '000	Total equity \$ '000
Balance at 1 July 2020	-	562	243	805
Loss after income tax	-	-	(5,879)	(5,879)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	(5,879)	(5,879)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued on conversion of convertible notes	3,050	-	-	3,050
Shares issues in Initial Public Offering	15,000	-	-	15,000
IPO listing costs	(1,340)	-	-	(1,340)
Tax credit associated with IPO listing costs	279	-	-	279
<i>Other transactions:</i>				
Share-based payments (note 21)	-	-	-	-
- Expense incurred during the year	-	781	-	781
- Transfer to Issued Capital on Exercise of Employee Share Options	1,006	(1,006)	-	-
Balance at 30 June 2021	17,995	337	(5,636)	12,696

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

PlaySide Studios Limited
Consolidated statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 \$ '000	2020 \$ '000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,611	7,341
Payments to suppliers and employees (inclusive of GST)		(14,923)	(6,971)
Other income received		-	50
Government grants received		1,395	874
Interest received		24	18
Interest paid on lease liabilities		(32)	(31)
Income taxes paid		(904)	(965)
Net cash (used in) / provided by operating activities		<u>(3,829)</u>	<u>316</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(402)	(24)
Proceeds for return of term deposits		-	250
Term deposits converted to cash and cash equivalents		-	500
Payments for security deposits		(52)	-
Payments for intellectual property		(1,739)	-
Net cash (used in) / provided by investing activities		<u>(2,193)</u>	<u>726</u>
Cash flows from financing activities			
Payment of loans by related parties		-	213
Proceeds from issues of equity securities (excluding convertible debt securities)	20	15,000	-
Proceeds from issue of convertible debt securities	20	3,050	-
Transaction costs related to issues of equity securities or convertible debt securities (net of tax)	20	(1,340)	-
Repayment of lease liabilities		(76)	(95)
Dividends paid	23	-	(711)
Net cash provided by / (used in) financing activities		<u>16,634</u>	<u>(593)</u>
Net increase in cash and cash equivalents		10,612	449
Cash and cash equivalents at the beginning of the financial year		520	182
Effects of exchange rate changes on cash and cash equivalents		103	(111)
Cash and cash equivalents at the end of the financial year		<u>11,235</u>	<u>520</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the consolidated entity. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Going concern

The financial statements have been prepared on a going concern basis, which assumes the Group will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report is authorised for issue.

For the year ended 30 June 2021, the Group incurred an operating loss after tax of \$5,879,000 (2020: profit of \$196,000) and had cash outflows from operating activities of \$3,829,000 (2020: cash inflows of \$316,000), and total net cash inflows of \$10,612,000 (2020: cash inflows of \$449,000). The Group had cash and cash equivalents of \$11,235,000 at 30 June 2021 (2020: \$520,000).

The Group has prepared a cash flow forecast supported by detailed assumptions and scenario planning based on the PlaySide games expected to be launched over the next 12 months. The Directors are confident in the forecast that has been prepared which indicates that the Group will be able to fund its ongoing operations for a period of 12 months from the date the financial report was authorised for issue.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PlaySide Studios Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. PlaySide Studios Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is PlaySide Studios Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control.

Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

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Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated entity has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. These allowances are considered representative across all customers based on recent sales experience, historical collection rates and forward-looking information that is available. The amount of the loss allowance is recognised in profit or loss. Where a debt is known to be uncollectable, it is considered a bad debt and is written off.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers - General principles

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised, using the input method where the goods or services are transferred over time.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue from contracts - Work for hire Games

Revenue is brought into account on a percentage completion basis as performance obligations identified in the sales contract are performed. Revenue invoiced for incomplete performance obligations is recognised as a liability in deferred revenue.

Revenue from contracts - Original IP Games

Revenue is generated from Game titles published by the Company on the 'Apple App Store' and 'Google Play Store'. This revenue is derived by in game advertising, in app purchases and subscriptions fees.

Other income

Government grants

Grant revenue is recognised in profit or loss when the Company satisfies the performance obligations stated within the funding agreements.

if conditions are attached to the grant which must be satisfied before the Company is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those conditions are satisfied.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	10%
Furniture & fixtures	10%
Computer equipment	20%-50%

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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right of use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Games under development

Games under development costs mainly relate to employee benefit related expenditure that has been directly incurred in developing a game prior to its launch and the point which it commences to earn revenue for the Company. These Games are generally expected to have a finite life and hence will be measured subsequent to launch at cost less amortisation and any impairment. The net costs will then be amortised over the useful life of the games. The initial amortisation period involves a degree of judgement but will not generally be greater than 2-3 years and will be re-assessed each balance date based on the performance of the game, in particular its progressive number of downloads and the impact this has on the Games revenue projections and useful life post balance date. There will likely be instances where the initial amortization period needs to be reduced where the game performance does not match initial management expectations.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of PlaySide Studios Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Games under development

Games under development costs mainly relate to employee benefit related expenditure that has been directly incurred in developing a game prior to its launch and the point which it commences to earn revenue for the Company. These Games are generally expected to have a finite life and hence will be measured subsequent to launch at cost less amortisation and any impairment. The initial amortisation period involves a degree of judgement but will not generally be greater than 2-3 years and will be re-assessed each balance date based on the performance of the game, in particular its progressive number of downloads and the impact this has on the Games revenue projections and useful life post balance date. There will likely be instances where the initial amortization period needs to be reduced where the game performance does not match initial management expectations.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 19, the liability for employee benefits expected to be wholly settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Revenue recognition over time

The value of work performed using the percentage of completion method is used to determine revenue recognition on contracts where revenue is recognised over time. This measurement is an accounting judgment as management uses judgement to estimate costs incurred to date as a percentage of total estimated costs.

Note 3. Segment Information

PlaySide Studios Limited operates within the one reportable segment (development and monetization of mobile, PC and console video games).

The Company generated \$10.883m (2020: \$7.008m) in Operating Revenue from this segment and is not reliant on any one single customer or contract.

Note 4. Revenue

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Revenue from contracts with customers</i>		
Work for hire - Apps*	-	928
Work for hire	3,565	4,636
Original intellectual property	7,318	1,444
Total Revenue	<u>10,883</u>	<u>7,008</u>

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*This revenue stream related to arrangements whereby the Company has developed and maintained mobile applications for a number of businesses. These business arrangements were terminated as at 30 June 2020, as they were not part of PlaySide's strategic direction and did not contribute to revenue after the June 2020 financial year.

Note 5. Other Income

	Consolidated	
	2021	2020
	\$ '000	\$ '000
Net foreign exchange gain	87	2
Government grants	645	874
Interest revenue	24	18
Other	100	51
Total other income	856	945

Note 6. Expenses

	Consolidated	
	2021	2020
	\$ '000	\$ '000

Profit before income tax includes the following specific expenses:

Depreciation:

Leasehold improvements	33	33
Fixtures and fittings	17	10
Buildings right-of-use assets	136	109
Computer equipment	51	34
Total depreciation	237	186

Amortisation:

Computer software	1	-
Total depreciation and amortisation	238	186

Selling expenses

User acquisition advertising costs	7,634	1,094
Other selling expenses	4	83
Total selling expenses	7,638	1,177

General and administration expenses

Consultant's fees	933	36
Accounting fees	312	116
IPO listing costs expensed	400	-
Software purchases	617	173
Other general and administrative expenses	335	459
Total general and administrative expenses	2,597	784

Finance costs

Interest and finance charges paid/payable on lease liabilities	32	31
Finance cost expensed	32	31

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<i>Net foreign exchange gain/(loss)</i>		
Net foreign exchange gain/(loss)	103	(111)
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	548	298
Share-based payments expense	781	294
Employee benefits expense excluding superannuation	5,574	4,334
Total employee benefits	<u>6,903</u>	<u>4,926</u>

Note 7. Income tax

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Income tax expense</i>		
Current tax	296	594
Deferred tax - origination and reversal of temporary differences	(90)	(31)
Restatement of Deferred Tax Balances from 27.5% to 26%	6	-
Adjustment recognised for prior periods	15	20
Aggregate income tax expense	<u>227</u>	<u>583</u>
<i>Deferred tax included in income tax expense comprises:</i>		
Increase in deferred tax assets (note 16)	(90)	(31)
Deferred tax - origination and reversal of temporary differences	<u>(90)</u>	<u>(31)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	(5,652)	779
Tax at the statutory rate of 26% (2020: 27.5%)	(1,470)	214
Tax effect amounts that are not deductible/(taxable) in calculating taxable income:		
Share-based payments	203	81
Adjustment for R&D incentive benefit recorded as income	186	268
Tax Loss not recognised as a deferred tax asset	1,347	-
Restatement of Deferred Tax Balances from 27.5% to 26%	6	-
Other adjustments	10	-
Deferred income tax related to items charged directly to equity	(70)	-
Under/(over) provision for tax	15	20
Income tax expense	<u>227</u>	<u>583</u>
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 16)	(279)	-
Deferred tax liabilities	-	-
	<u>(279)</u>	<u>-</u>

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Note 8. Cash and cash equivalents

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Current assets</i>		
Cash on hand	5	1
Cash at bank	3,330	19
Cash on deposit	7,900	500
	<u>11,235</u>	<u>520</u>

Note 9. Trade and other receivables

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Current assets</i>		
Trade receivables	1,558	708
Less: Allowance for expected credit losses	(53)	-
	<u>1,505</u>	<u>708</u>
GST receivable	31	4
	<u>1,536</u>	<u>712</u>

Allowance for expected credit losses

The consolidated entity has recognised an expense of \$53,360 in the profit or loss in respect of the expected credit losses for the year ended 30 June 2021 (30 June 2020: \$Nil).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021	2020	2021	2020	2021	2020
Consolidated	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue	-	-	1,101	567	-	-
0 to 3 months overdue	15%	-	356	105	53	-
3 to 6 months overdue	-	-	95	36	-	-
Over 6 months overdue	-	-	6	-	-	-
	<u>3%</u>	<u>0%</u>	<u>1,558</u>	<u>708</u>	<u>53</u>	<u>-</u>

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Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2021	2020
	\$'000	\$'000
Opening balance	-	-
Additional provisions recognised	53	-
Receivables written off during the year as uncollectable	-	-
Unused amounts reversed	-	-
Closing balance	<u>53</u>	<u>-</u>

Note 10. Other financial assets

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Current assets</i>		
Bonds and deposits	<u>84</u>	<u>32</u>
	<u>84</u>	<u>32</u>

Note 11. Other current assets

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Current assets</i>		
Work in progress	26	76
Income tax refund due	-	162
Prepayments	<u>103</u>	<u>7</u>
	<u>129</u>	<u>245</u>

Note 12. Investments

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Share of profits of associates accounted for using the equity method</i>		
Share of profits of associate – Digital Holdings Pty. Ltd.	<u>17</u>	<u>-</u>
	<u>17</u>	<u>-</u>
<i>Non-current assets</i>		
Digital Holdings Pty. Ltd. - Investment	<u>17</u>	<u>-</u>
	<u>17</u>	<u>-</u>

Refer to Note 33 for further information on investment in associates

Note 13. Property, plant and equipment

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Non-current assets</i>		
Leasehold improvements – at cost	341	332
Less: Accumulated depreciation	(135)	(102)
	206	230
Furniture and fixtures – at cost	309	117
Less: Accumulated depreciation	(47)	(30)
	262	87
Computer equipment – at cost	351	150
Less: Accumulated depreciation	(171)	(120)
	180	30
	648	347

Reconciliations to the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Improve- ments \$ '000	Furniture and fixtures \$ '000	Computer equipment \$ '000	Total \$ '000
Balance at 1 July 2019	263	73	64	400
Additions	-	24	-	24
Depreciation expense	(33)	(10)	(34)	(77)
Balance at 30 June 2020	230	87	30	347
Additions	9	192	201	402
Depreciation expense	(33)	(17)	(51)	(101)
Balance at 30 June 2021	206	262	180	648

Note 14. Right of use assets

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Non-current assets</i>		
Land and buildings – right-of-use	1,872	974
Less: Accumulated depreciation	(468)	(325)
	1,404	649
<i>Land and buildings – right-of-use</i>		
Opening balance	649	758
Additions	891	-
Depreciation	(136)	(109)
Closing balance	1,404	649

During the financial period the existing lease over the Company premises at Level 1, 75 Crockford Street, Port Melbourne was renegotiated. A new 5 year lease was signed to commence from 1st April, 2021, and included the Ground Floor of the building. The movements in the ROU Asset represents the retiring of the prior lease and the taking to account of the new lease. The new lease includes nil lease options.

Note 15. Intangibles

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Non-current assets</i>		
Patents and trademarks – indefinite useful life	1	1
Software – finite life	4	69
Games under development – finite life	2,132	-
	2,137	70

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Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Patents and trademarks \$'000	Software \$'000	Games under development \$'000	Total \$'000
Balance at 1 July 2019	1	-	-	1
Additions	-	69	-	69
Balance at 30 June 2020	1	69	-	70
Additions – internally generated			1,472	1,472
Additions – licences purchased		5	660	665
Amortisation	-	(1)	-	(1)
Disposals	-	(69)	-	(69)
Balance at 30 June 2021	<u>1</u>	<u>4</u>	<u>2,132</u>	<u>2,137</u>

Note 16. Deferred tax asset

	Consolidated	
	2021 \$ '000	2020 \$ '000
<i>Non-current assets</i>		
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
<i>Amounts recognised in profit or loss:</i>		
Allowance for expected credit losses	14	-
Property, plant and equipment	(168)	(95)
Employee benefits	257	173
Leases	14	26
Accrued expenses	10	-
Unrealised FX gains	(15)	-
DTA re Black hole expenses	361	-
Deferred tax asset	<u>473</u>	<u>104</u>
<i>Movements:</i>		
Opening balance	104	73
Credited to profit or loss (note 7)	90	31
Credited to equity (note 7)	279	-
Closing balance	<u>473</u>	<u>104</u>

Note 17. Trade and other payables

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Current liabilities</i>		
Trade payables	1,431	182
Other payables	1,254	405
	<u>2,685</u>	<u>587</u>

Refer to note 24 for further information on financial instruments.

Note 18. Lease liabilities

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Current liabilities</i>		
Lease liability	<u>226</u>	<u>102</u>
<i>Non-current liabilities</i>		
Lease liability	<u>1,234</u>	<u>642</u>

Refer to note 24 for further information on financial instruments.

Note 19. Employee benefits

	Consolidated	
	2021	2020
	\$ '000	\$ '000
<i>Current liabilities</i>		
Employee benefits	<u>726</u>	<u>376</u>
<i>Non-current liabilities</i>		
Employee benefits	<u>96</u>	<u>167</u>

Amounts not expected to be settled within the next 12 months.

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 20. Issued Capital

	2021	Consolidated		2020
	Shares	2020 Shares	2021 \$ '000	2020 \$ '000
Shares issued and fully paid for:	366,528,176	180,000	17,716	0.18
Beginning of the year	180,000	180,000	0.18	0.18
Subdivision of Capital (1,444.44 securities issued per every 1 security held)	259,820,002	-	-	-
PlaySide Studios Limited Employee Share Option Plan under a cashless exercise	12,149,950	-	-	-
Transfer of Employee Share Expense from SBPR on Conversion of Options	-	-	1,006	-
Pre-IPO Raise - Conversion of Convertible Notes: Converted at 16cps	12,306,250	-	1,969	-
Pre-IPO Raise - Conversion of Convertible Notes: Converted at 15.286cps	7,071,999	-	1,081	-
Initial Public Offering at 20cps	75,000,000	-	15,000	-
Total Contributed equity at the end of the reporting period, pre listing costs.	366,528,201	180,000	19,056	0.18
IPO Listing Costs	-	-	(1,340)	-
Tax credit associated with IPO listing costs	-	-	279	-
Total Contributed equity at the end of the reporting period	366,528,201	180,000	17,995	0.18

The Company in late September 2020 issued \$3,050,000 in Convertible Notes as part of a pre-IPO capital raise. On 8th December 2020, these convertible notes were converted into ordinary shares of the Company, as follows:

- 12,306,250 shares at a conversion price of 16 cents per share, not subject to Escrow; and
- 7,071,999 shares at a conversion price of 15.286 cents per share, subject to 12 months Escrow.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

The consolidated entity does not at present have any external financing arrangements as it is in a net cash position as at 30 June 2021.

Note 21. Reserves

	Consolidated	
	2021	2020
	\$ '000	\$ '000
Share-based payments reserve	337	562
<i>Share-based payments reserve</i>		
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.		
<i>Movements in reserves</i>		
Movements in each class of reserve during the current and previous financial year are set out below:		
Share-based payments reserve		
Opening balance	562	268
Expense incurred during the year	781	294
Transfer to Issued Capital on Exercise of Employee Share Options	(1,006)	-
Closing balance	337	562

Note 22. Retained profits

	Consolidated	
	2021 \$ '000	2020 \$ '000
Retained profits at the beginning of the financial year	243	758
(Loss)/profit after income tax expense for the year	(5,879)	196
Dividends paid (note 23)	-	(711)
	<u>(5,636)</u>	<u>243</u>

Note 23. Dividends

	Consolidated	
	2021 \$ '000	2020 \$ '000

Dividends Paid during the financial year were as follows:

Final dividend for the year ended 30 June 2021 of nil dollars (2020: 3.95 dollars) per ordinary share

-	<u>711</u>
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Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

	Consolidated	
	2021 \$ '000	2020 \$ '000

Franking credits:

Franking credits available for subsequent financial years based on a tax rate of 26% (2020: 27.5%)

-	-
---	---

The company has a debit franking account balance of \$0.54m as at end June 2021 (FY20: \$0.47m). This accumulated debit balance has been built up due to the amounts received under the Research and Development Incentive Scheme being greater than the level of Company Tax paid. There is no franking deficit tax payable on this debit balance as at 30 June 2021.

Note 24. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and ageing analysis.

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Risk management has historically been carried out by the Board of Directors and the Senior Management Team, with the Finance Director in particular responsible for managing foreign currency and credit risk with support of the Senior Management Team. The Senior Management Team also report its financial results to the Board of Directors on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Consolidated			
	Assets		Liabilities	
	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000
US Dollars	2,046	209	1,707	86
GB Pounds	-	-	37	-
Euro	-	-	22	-
Total in AUD	<u>2,046</u>	<u>209</u>	<u>1,766</u>	<u>86</u>

The consolidated entity had net assets denominated in foreign currencies of \$279,341 (assets of \$2,045,829 less liabilities of \$1,766,488) as at 30 June 2021 (2020: \$122,668 net assets (assets of \$208,991 less liabilities of \$86,323)).

Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2020: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$27,934 higher/\$13,969 lower (2020: \$12,267 higher/\$6,133 lower) and equity would have been \$27,934 higher/\$13,969 lower (2020: \$12,267 higher/\$6,133 lower).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last six months each year and the spot rate at each reporting date. The actual foreign exchange profit for the year ended 30 June 2021 was \$103,319 (2020: loss of \$111,409).

Price risk

Price risk can impact a Company's revenue where the price of a Company's goods or services can be materially influenced by the actions of competitors operating in the same market.

The consolidated entity has not observed any changes in the behaviour of its competitors that would result in any exposure to any significant price risk.

Interest rate risk

Interest rate risk arises when a Company has debt that is subject to a variable or floating rate of interest.

The consolidated entity is not exposed to any significant interest rate risk on the basis it has no borrowings and has been in a net cash position throughout FY2021 and FY2020.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any loss allowance for those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than six months.

Liquidity risk

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The consolidated entity does not have any borrowing facilities in place at the reporting date. This does not present a financing risk as the Company has sufficient cash reserves in place to fund the business for the foreseeable future.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

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	Consolidated - 2021					Remaining contractual maturities \$ '000
	Weighted average interest rate %	1 year or less \$ '000	Between 1 and 2 years \$ '000	Between 2 and 5 years \$ '000	Over 5 years \$ '000	
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,431	-	-	-	1,431
Other payables	-	1,254	-	-	-	1,254
<i>Interest-bearing - fixed</i>						
Lease liability	4.00%	226	270	936	28	1,460
Total non-derivatives		2,911	270	936	28	4,145

	Consolidated - 2020					Remaining contractual maturities \$ '000
	Weighted average interest rate %	1 year or less \$ '000	Between 1 and 2 years \$ '000	Between 2 and 5 years \$ '000	Over 5 years \$ '000	
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	182	-	-	-	182
Other payables	-	405	-	-	-	405
<i>Interest-bearing - fixed</i>						
Lease liability	4.00%	102	111	384	147	744
Total non-derivatives		689	111	384	147	1,331

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 25. Fair value measurement

Fair value hierarchy

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 26. Key management personnel disclosures

Non-Executive Directors

Cristiano Nicolli Chairman (Appointed 31 October 2020)
Hans ten Cate (Appointed 31 October 2020)
Aaron Pasias
Mark Goulopoulos

All of the above persons were directors of PlaySide Studios Limited for the entire year-ended 30 June 2021, unless otherwise stated.

Other Key Management Personnel

The following persons had authority and responsibility for planning, directing, and controlling the activities of the Group directly or indirectly during the year-ended 30 June 2021:

Gerry Sakkas Chief Executive Officer and Managing Director
Paul Fouracre Chief Operating Officer (commenced on 10th August 2020)
Darren Briggs Chief Financial Officer and Company Secretary (commenced on 10th August 2020)
Tejesh Munusamy Chief Operating Officer until 10th August 2020 (ceased as KMP on that date)
Danny Armstrong General Manager – Studio until 10th August 2020 (ceased as KMP on that date).

All of the above persons were employed by PlaySide Studios Limited and were key management personnel for the entire period ended 30 June 2021 unless otherwise stated.

	Consolidated 2021 \$	2020 \$
Short-term employee benefits	930,873	662,012
Post-employment benefits	76,461	60,071
Share-based payments	302,828	122,556
	<u>1,310,162</u>	<u>844,639</u>

Refer to remuneration report for further information.

Note 27. Remuneration of auditors

	Consolidated 2021 \$	2020 \$
<i>Audit services -</i>		
Audit or review of the financial statements	80,000	13,334
Audit of the prior year financial statements*	37,222	-
	117,222	13,334
<i>Other services -</i>		
IPO advisory services**	64,000	2,500
	64,000	2,500
	181,222	15,834

*Audit services relate to the financial statements for the years ended 30 June 2018 to 30 June 2020, undertaken as part of the listing process in 2021 before the Consolidated entity was listed on the Australian Stock Exchange.

**IPO advisory services include the preparation of an independent accountant's report and attendance at due diligence committee meetings, as well as preparation of financial statements, prior to listing on the ASX.

No other services have been provided since the Consolidated entity has listed on the ASX.

Note 28. Contingent assets and liabilities

The Consolidated entity has no contingent asset or liabilities as at 30 June 2021 or 30 June 2020.

Note 29. Commitments

The Consolidated entity had capital commitments for property, plant and equipment as at 30 June 2021 of \$304,126 (30 June 2020: \$nil).

Note 30. Related party transactions

Parent entity

PlaySide Studios Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Associates

Interests in associates are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 26.

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Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Sale of goods and services:		
Revenue earned from director related entities	-	335,000
Payment for other expenses:		
Other expenses paid to director related entities	-	781,818

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021	2020
	\$	\$
Current receivables:		
Trade receivables from director related entities	-	368,500

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2021	2020
	\$	\$
Current receivables:		
Loan to director related entities	-	-

No director related entity loans were written off and recorded as an expense during the year ended 30 June 2021 (2020: \$70,212).

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$ '000	\$ '000
(Loss)/profit after income tax	(5,879)	196
Total comprehensive income	(5,879)	196

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Statement of financial position

	Parent	
	2021 \$ '000	2020 \$ '000
Total current assets	12,984	1,509
Total assets	17,663	2,679
Total current liabilities	3,637	1,065
Total liabilities	4,967	1,874
Equity		
Issued capital	17,995	-
Share-based payments reserve	337	562
Retained profits	(5,636)	243
Total equity	12,696	805

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had capital commitments for property, plant and equipment as at 30 June 2021 of \$304,126 (30 June 2020: \$nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in the financial statements, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Tap2Jump Pty Ltd	Australia	100.00%	100.00%

Note 33. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Digital Business Holdings Pty Ltd	Australia	26.66%	26.66%

The shareholding in Digital Business Holdings Pty Ltd is accounted for using the equity method of accounting and the current shareholding is 26.66%. The consolidated entity is considered to have significant influence due to its voting rights. For the reporting period, the company recorded an increase in the value of the investment of \$0.017 million (2020: nil) attributable to its share of profits.

	2021 \$ '000	2020 \$ '000
<i>Summarised financial information</i>		
<i>Summarised statement of financial position</i>		
Current assets	220	104
Non-current assets	-	-
Total assets	<u>220</u>	<u>104</u>
Current liabilities	22	(11)
Non-current liabilities	259	232
Total liabilities	<u>281</u>	<u>221</u>
Net liabilities	<u>(61)</u>	<u>(117)</u>
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	370	214
Expenses	(305)	(186)
Other income	19	19
Profit before income tax	84	47
Other comprehensive income	-	-
Total comprehensive income	<u>84</u>	<u>47</u>
PlaySide share of profits of associates accounted for using the equity method	<u>17</u>	-

Note 34. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2021	2020
	\$'000	\$'000
(Loss)/profit after income tax expense for the year	(5,879)	196
Adjustments for:		
Depreciation and amortisation	238	186
Share-based payments	781	294
Foreign exchange differences	(103)	111
Write off of unrecoverable loans	-	70
Share of associate profit capitalised	(17)	-
Other non-cash items	(30)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(824)	(420)
(Increase)/Decrease in income tax refund due	162	(162)
Increase in deferred tax assets	(90)	(31)
Increase in prepayments	(96)	(3)
Decrease in other operating assets	50	50
Increase in trade and other payables	1,700	147
Decrease in provision for income tax	-	(189)
Increase in employee benefits	279	67
Net cash (used in)/provided by operating activities	<u>(3,829)</u>	<u>316</u>

Note 35. Share-based payments

Performance Rights Plan (PRP)

The PRP is the basis of PlaySide Studios Limited's long-term reward scheme for selected senior employees and was implemented as part of the Company's listing on the Australian Stock Exchange in December 2020.

In summary, eligible employees identified by the Board may be granted performance rights, which is an entitlement to a share subject to the satisfaction of exercise conditions on terms determined by the Board.

The details of the grants made and outstanding during the year-ended 30 June 2021 is detailed in the table below:

Grant date	Expiry date	Date Exercisable	Fair Value At Grant Date	Balance at Start of Period	Granted During Period	Exercised During Period	Lapsed, forfeited or cancelled During Period	Balance at End of Period
16-Nov-20	16-Nov-25	31-Aug-21	\$ 0.20	-	1,028,206	-	-	1,028,206
16-Nov-20	16-Nov-25	31-Aug-21	\$ 0.20	-	685,470	-	-	685,470
16-Nov-20	16-Nov-25	31-Aug-22	\$ 0.20	-	856,838	-	-	856,838
16-Nov-20	16-Nov-25	31-Aug-22	\$ 0.20	-	514,102	-	-	514,102
16-Nov-20	16-Nov-25	31-Aug-22	\$ 0.20	-	342,736	-	-	342,736
16-Nov-20	16-Nov-25	31-Aug-23	\$ 0.20	-	856,838	-	-	856,838
Total				-	4,284,190	-	-	4,284,190

Performance rights do not carry voting or dividend entitlements.

There were no performance rights that had vested or were exercisable as at 30 June 2021 or at the date of this report.

Employee Share Option Plan (ESOP)

PlaySide Studios was still a private company back in FY2017 when it established an Employee Share Option Plan that was designed to encourage certain key employees to remain with the Company both leading into and after its listing on the Australian Stock Exchange (ASX).

After 1,800 options were issued to Employees early in FY2021, there were a total of 9,000 options on issue, with each option having an exercise price of \$18.89. As part of preparing to list on the ASX, the Company undertook a sub-division of capital (1,444.44 securities per every security held), which saw ESOP option holders with the opportunity to convert their options to 13,000,000 shares. Ultimately, in September 2020, the employees undertook a cashless exercise of their options, which saw 850,050 shares forfeited and the options converted into 12,149,950 issued shares which were part of the initial capital listed on the ASX.

After this option conversion, the ESOP was cancelled and will never be used again.

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Set out in the tables below are the options granted under the plan over the last two financial years:

			2021				
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/04/2017	03/04/2022	\$18.89	2,700	-	2,700	-	-
01/10/2017	01/10/2022	\$18.89	2,700	-	2,700	-	-
02/12/2019	02/12/2024	\$18.89	1,800	-	1,800	-	-
1/07/2020	1/07/2025	\$18.89	-	900	900	-	-
25/09/2020	25/09/2025	\$18.89	-	900	900	-	-
			7,200	1,800	9,000	-	-

			2020				
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/04/2017	03/04/2022	\$18.89	2,700	-	-	-	2,700
01/10/2017	01/10/2022	\$18.89	2,700	-	-	-	2,700
02/12/2019	02/12/2024	\$18.89	-	1,800	-	-	1,800
			5,400	1,800	-	-	7,200

Note 36. Earnings per share

	Consolidated	
	2021	2020
	\$ '000	\$ '000
(Loss)/profit after income tax attributable to the owners of PlaySide Studios Limited	<u>(5,879)</u>	<u>196</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	321,461,997	260,000,002
Adjustments for calculation of diluted earnings per share:		
Adjustment for Employee Options & Performance Rights	<u>-</u>	<u>9,306,011</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>321,461,997</u>	<u>269,306,013</u>
	Cents	Cents
Basic earnings per share	(1.83)	0.08
Diluted earnings per share*	(1.83)	0.07

* On the basis of the consolidated entity's losses, the outstanding performance rights as at 30 June 2021 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

Note 37. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to evolve and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions, vaccination rates and any economic stimulus that may be provided. The impact of the pandemic subsequent to the reporting date continues to be monitored, where the positives associated with consumers spending more time at home to play games has continued to some extent to be offset by a slowdown in Work-for-Hire opportunities emanating from some of the larger entertainment companies overseas, particularly in the USA.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

PlaySide Studios Limited
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Cristiano Nicolli
Director

27 August 2021
Melbourne, Australia

INDEPENDENT AUDITOR'S REPORT

To the members of PlaySide Studios Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of PlaySide Studios Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalisation of game development costs as an intangible asset

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year, the Group has capitalised \$2.132 million of development costs in relation to various game development projects. These capitalised costs include direct third party licence acquisition costs and other internal direct costs including salary expenditure.</p> <p>AASB 138 <i>Intangible Assets</i> requires development costs to be capitalised only under specific circumstances which are detailed in paragraph 57 of AASB 138.</p> <p>Judgement is therefore required to establish whether the capitalisation of costs under AASB 138 is appropriate, the point at which capitalisation has commenced is appropriate, the nature of costs to be capitalised, and the point at which amortisation of capitalised costs should commence.</p> <p>There is a risk that the costs capitalised do not meet the criteria for capitalisation in accordance with Australian Accounting Standards. We therefore identified the capitalisation of game development costs as an intangible asset is a significant risk.</p> <p><i>The accounting policy is disclosed in Note 1, and details of Intangibles is disclosed in Note 15.</i></p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Performing a walkthrough of management’s process for evaluating and monitoring game development, to gain an understanding of the projects the Group is working on and the nature of costs incurred. • Reviewing management’s assessment of how the capitalisation criteria have been achieved. • For a sample of projects, we performed testing as to whether the costs relate to a technologically feasible project, assessing the future economic benefit to be generated by the product and associated cash flows and the useful economic life assigned. • For salary costs capitalised, we have validated a sample of amounts back to internal timesheet and payroll records. • For non-salary costs capitalised, we have agreed to supporting documentation and specifically challenged whether each of the cost types meet the definition of “directly attributable” as per AASB 138 “Intangible Assets”. • We consulted with our BDO IFRS experts regarding the appropriateness of the Group’s capitalisation policy. • Assessing disclosures included within the financial statements to agree that they are in line with the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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 to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 23 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of PlaySide Studios Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'David Garvey', is written over a faint, light blue BDO logo watermark.

David Garvey
Director

Melbourne, 27 August 2021

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PlaySide Studios Limited
Shareholder information
30 June 2021

The shareholder information set out below was applicable as at 13 August 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	30	0
1,001 to 5,000	1,522	1.07
5,001 to 10,000	539	1.17
10,001 to 100,000	996	8.82
100,001 and over	196	88.94
Total	3,283	100
Holding less than a marketable parcel	152	0.04

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Atlantis MG Pty Ltd as trustee for the MG Family Trust	79,166,667	21.60
Yondro Pty Ltd as trustee for the Pasiak Family Trust	79,166,667	21.60
Gerry Sakkas	79,166,667	21.60
Tejesh Munusamy	12,500,001	3.41
National Nominees Limited	10,439,107	2.85
Sandhurst Trustees Ltd as trustee for <Cyan C3g Fund A/C>	3,312,500	0.90
J P Morgan Nominees Australia as trustee for Pty Limited	3,281,100	0.90
Retzos Executive Pty Ltd as trustee for <Retzos Executive S/Fund A/C>	3,000,000	0.82
Daniel Armstrong	2,429,986	0.66
Citicorp Nominees Pty Limited	2,313,479	0.63
Edward Booth	1,214,995	0.33
Erin Halpenny	1,214,995	0.33
Rhyl Mayes	1,214,995	0.33
Nicholas Merrett	1,214,995	0.33
Kristel Villegas	1,214,995	0.33
Adam Bax	1,200,000	0.33
Shayden Nominees Pty Ltd	1,048,750	0.29
Sarwell Pty Ltd as trustee for <Arm Construct Emp S/F A/C>	1,000,000	0.27
Makool Pty Ltd as trustee for <The Makool Family A/C>	950,000	0.26
Senm (Super) Pty Ltd as trustee for <Caszur Executive S/F A/C>	900,000	0.25
	285,949,899	78.02

Unquoted equity securities

	Number on issue	Number of holders
PlaySide Studios Limited Performance Rights Plan	4,284,190	5

Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
Atlantis MG Pty Ltd as trustee for the MG Family Trust	79,166,667	21.60
Yondro Pty Ltd as trustee for the Pasiak Family Trust	79,166,667	21.60
Gerry Sakkas	79,166,667	21.60

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.