CONSOLIDATED FINANCIAL STATEMENTS

of the BoomBit S.A. Group
for 2020

Gdansk 23 April 2021

/The document is a translation, the original version in Polish shall prevail/

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Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2020	2019
Revenue on sales of services	10	140,236	49,734
Cost of sale	11	(115,307)	(45,108)
Gross profit on sales		**24,929**	**4,626**
General administrative costs	11	(9,293)	(9,576)
Other operating revenue	12	349	154
Other operating costs	12	(6,320)	(6,176)
Operating profit/loss		**9,665**	**(10,972)**
Financial revenue	13	8,624	92
Financial costs	13	(62)	(236)
Net profit (loss) sharing in joint ventures		-	(66)
Profit/loss before tax		**18,227**	**(11,182)**
Income tax	14	(3,642)	1,304
Net profit/loss		**14,585**	**(9,878)**
Other comprehensive income			
Items that may be reclassified to profit/loss in the future:			
Exchange differences		318	496
Total comprehensive income		**14,903**	**(9,382)**
- attributable to shareholders of the parent		12,846	(9,386)
- attributable to minority interest		2,057	4
Net profit/loss			
- attributable to shareholders of the parent		12,528	(9,882)
- attributable to minority interest		2,057	4
Profit/loss per share attributable to shareholders of the parent during the period (expressed as PLN per share)			
- basic / diluted	15	1	(1)

Consolidated statement of financial position

	Note	31 December 2020	31 December 2019
Non-current assets			
Property, plant and equipment	17	1,506	1,581
Development costs	18	21,162	29,585
Goodwill	19	15,203	14,440
Shares	25	6,483	-
Other financial assets	20,25	2,126	393
Deferred income tax asset	14	1,172	1,471
Other receivables and prepayments	26	-	512
		47,652	47,982
Current assets			
Trade receivables	20	14,618	7,056
Income tax receivables		3	1,029
Other receivables and prepayments	20	6,195	2,887
Other financial assets	20,25	1,126	4,211
Cash and cash equivalents	21	20,748	3,530
		42,690	18,713
Assets held for sale		-	-
Total assets		**90,342**	**66,695**
Equity			
Equity attributable to shareholders of the parent			
Share capital	23	6,710	6,710
Capital from share premium	23	32,063	32,063
Exchange differences on translation of foreign operations		1,433	1,115
Other capitals	26	3,247	2,389
Retained earnings		21,311	8,761
		64,764	51,038
Equity attributable to minority interest		2,058	(17)
Total equity		**66,822**	**51,021**
Liabilities			
Long-term liabilities			
Deferred income tax liabilities	14	3,508	2,387
Other financial liabilities	24	176	78
		3,684	2,465
Short-term liabilities			
Other financial liabilities	24	103	38
Trade liabilities	24	15,650	9,442
Income tax liabilities		549	140
Other liabilities	24	3,503	3,589
Deferred income	24	31	-
		19,836	13,209
Total liabilities		**23,520**	**15,674**
Total equity and liabilities		**90,342**	**66,695**

Consolidated statement of changes in equity

		Attributable to shareholders of the parent							
	Note	Share capital	Capital from share premium	Exchange differences on translation	Other capitals	Retained earnings	**Total**	Equity attributable to minority interest	**Total equity**
As at 01 January 2020		**6,710**	**32,063**	**1,115**	**2,389**	**8,761**	**51,038**	**(17)**	**51,021**
Comprehensive income		-	-	**318**	**-**	**12,528**	**12,846**	**2,035**	**14,881**
Sale of shares	29	-	-	-	-	(1)	**(1)**	1	**-**
Liquidation of subsidiaries	29	-	-	-	-	(39)	**(39)**	39	**-**
Change from a subsidiary to a non-subsidiary	29	-	-	-	-	62	**62**	-	**62**
Share-based payments	26	-	-	-	858	-	**858**	-	**858**
As at 31 December 2020		**6,710**	**32,063**	**1,433**	**3,247**	**21,311**	**64,764**	**2,058**	**66,822**
As at 01 January 2019		**6,000**	**9,205**	**619**	**1,674**	**17,283**	**34,781**	**(21)**	**34,760**
Comprehensive income		**-**	**-**	**496**	**-**	**(9,883)**	**(9,387)**	**4**	**(9,383)**
Capital increase		710	24,050	-	-		**24,760**	-	**24,760**
Share issue costs		-	(1,469)	-	-	-	**(1,469)**	-	**(1,469)**
Company exemption from dividend obligations		-	-	-	-	1,680	**1,680**	-	**1,680**
Tax effect recognised in equity		-	277	-	-	(319)	**(42)**	-	**(42)**
Share-based payments		-	-	-	715	-	**715**	-	**715**
									-
As at 31 December 2019		**6,710**	**32,063**	**1,115**	**2,389**	**8,761**	**51,038**	**(17)**	**51,021**

Consolidated cash flow statement

	Note	12 months ended 31 December 2020	2019
Profit/loss before tax		**18,227**	**(11,182)**
Adjustments:		**5,431**	**14,149**
Profit (loss) sharing in joint ventures		-	66
Depreciation and amortisation	17,18	12,619	6,626
Foreign exchange profit (loss)		(255)	(482)
Interest		46	141
Development cost revaluation allowance	7,18	3,662	6,031
Change in the balance of receivables	27	(10,886)	(3,904)
Change in liabilities, except for loans and borrowings	27	6,099	4,810
Settlement of share-based payment costs	26	558	558
Share-based payments	26	858	715
Fair value measurement of shares	25	(6,483)	-
Income tax (paid) / refunded		(787)	(412)
Net cash flows from operating activity		**23,658**	**2,967**
Investment activity			
Sale of property, plant and equipment and intangible assets	17	149	-
Proceeds from repayment of loans granted	25	1,616	140
Interest received		22	4
Sale of shares	13,29	2,146	-
Acquisition of a company	29	(3)	-
Cash from acquisition of companies	29	29	-
Acquisition of property, plant and equipment and intangible assets	17	(218)	(257)
Development costs	18	(9,976)	(19,422)
Loans granted	25	(424)	(3,979)
Acquisition of shares		-	(60)
Net cash flows from investment activity		**(6,659)**	**(23,574)**
Financial activity			
Capital increase		-	24,700
Expenses connected with capital increase		-	(1,522)
Proceeds from loans and borrowings		30	2,690
Proceeds from factoring		-	1,170
Repayment of loans and borrowings		-	(2,690)
Repayment of factoring liabilities		-	(2,720)
Repayment of lease liabilities		(75)	(2)
Interest		(6)	(212)
Net cash flows from financial activity		**(51)**	**21,414**
Total net cash flows		**16,948**	**807**
Net foreign exchange differences on cash and cash equivalents		270	129
Cash opening balance		3,530	2,594
Cash closing balance, including:	21	**20,748**	**3,530**

1 General

The BoomBit S.A. Group ("Group") consists of the company BoomBit S.A. ("Company," "parent"), which is the parent of the Group and its subsidiaries (see Note 2). The Group's consolidated financial statements cover the 12 months ended 31 December 2020 and they contain comparative data for the 12 months ended 31 December 2020 and data as at 31 December 2019.

Business name:	BoomBit
Legal form:	Joint stock company under Polish law
Registered office:	Gdansk, ul. Zacna 2
Country of registration:	Poland
Primary object of business:	Publishing of computer games
Registration entity, KRS number (number in Polish register of companies) and registration date:	Gdańsk-Północ District Court in Gdańsk, 7th Commercial Division of the National Court Register; KRS number 0000740933, registered on 23 July 2018
REGON (Polish statistical business number) and date assigned:	REGON 221062100; assigned on 14 August 2010

The duration of the parent and the Group companies is perpetual.

Spółka Aidem Media Sp. z o.o. was created in 2010 by Karolina Szablewska-Olejarz, who took up 100% of the shares in the Company. The Company's Articles of Association were drawn up as a notary deed in a Notary Office in Gdańsk before notary public Adam Wasak on 8 July 2010, as recorded in Roll of Deeds A No. 2938/2010. On 23 July 2018, the limited liability company Aidem Media sp. z o.o. was re-registered as a joint-stock company BoomBit S.A. The Company's Articles of Association were drawn up as a notary deed in a Notary Office in Gdańsk before notary public Izabela Fal on 9 July 2018, as recorded in Roll of Deeds A No. 6319/2018. In May 2019, the Company's shares were listed in the regulated market of the Warsaw Stock Exchange.

On 31 December 2019, on 31 December 2020 and on the date of these financial statements, the Board of Directors consisted of:

- Marcin Olejarz – CEO,
- Anibal Jose Da Cunha Saraiva Soares – Vice-President,
- Marek Pertkiewicz – Director.

In the period covered by these consolidated financial statements, the Supervisory Board consisted of:

- Karolina Szablewska-Olejarz – Chairwoman of the Supervisory Board,
- Grażyna Gołębiowska – Deputy Chairwoman of the Supervisory Board,
- Wojciech Napiórkowski – Supervisory Board Member,
- Szymon Okoń – Supervisory Board Member,
- Jacek Markowski – Supervisory Board Member.

Ms. Grażyna Gołębiowska resigned as the Deputy Chairwoman of the Supervisory Board on 30 June 2020. On the same day, the Company's shareholder ATM Grupa S.A., acting in line with § 13(3)(2) of the Company's Articles of Association, appointed Mr. Marcin Chmielewski a Supervisory Board Member with effect from 01 July 2020.

On 31 December 2020 and on the date of these financial statements, the Supervisory Board consisted of:

- Karolina Szablewska-Olejarz – Chairwoman of the Supervisory Board,
- Marcin Chmielewski – Supervisory Board Member,

- Wojciech Napiórkowski – Supervisory Board Member,
- Szymon Okoń – Supervisory Board Member,
- Jacek Markowski – Supervisory Board Member.

2 Group structure

The consolidated financial statements for the 12 months ended 31 December 2020 covered data of the entities listed in the table below:

Entity name	Registered office	Objects of business	Capital tie description/consolidation method	% of ownership and voting rights	Control/Co-control start date
BoomBit S.A. (former Aidem Media Sp. z o.o.)	Gdańsk, Poland	development and publishing of computer games	parent	not applicable	not applicable
Best Top Fun Games Sp. z o.o. w likwidacji*	Gdańsk, Poland	publishing of computer games	subsidiary/full	100%	07/11/2014
BoomBit Games Ltd.	London, United Kingdom	publishing of computer games	subsidiary/full	100%	28/02/2018
BoomBit Inc.	Las Vegas, USA	publishing of computer games	subsidiary/full	100% (through BoomBit Games)	28/02/2018
Play With Games Ltd.	London, United Kingdom	publishing of computer games	subsidiary/full	100%	30/03/2018
PixelMob Sp. z o.o.	Gdańsk, Poland	publishing of computer games	subsidiary/full	100%	28/02/2018
Woodge Sp. z o.o. w likwidacji*	Gdańsk, Poland	publishing of computer games	subsidiary/full	55%	22/06/2018
TapNice Sp. z o.o. *(former BoomBooks sp. z o.o.)*	Gdańsk, Poland	development and publishing of computer games	subsidiary/full	70%	16/10/2018
BoomHits Sp. z o.o.	Gdańsk, Poland	publishing of computer games	subsidiary/full	100%	16/10/2018
MoonDrip Sp. z o.o.	Gdańsk, Poland	development and publishing of computer games	joint venture/equity method	50%	22/06/2018
Mindsense Games Sp. z o.o.	Gdańsk, Poland	publishing of computer games	subsidiary/full	100%	28/02/2018

**Companies liquidated on 04 September 2020*

- On 20 January 2020, the Company signed a contract for the purchase of 50 shares in the share capital of Mindsense Games Sp. z o.o. of a nominal value PLN 2,500 for the price of PLN 2,500. This made BoomBit S.A. the company's sole shareholder.
- On 01 July 2020, the Company entered into an investment contract with a natural person ("Shareholder"). The agreement was related to sale of 30 shares in BoomBooks sp. z o.o. to the Shareholder, which was 30% of the Company's share capital, of a nominal value 50 each and of a total nominal value PLN 1,500, for PLN 1,500. PLN. The name of the company was changed to TapNice sp. z o.o.

- On 17 August 2020, the Company signed an investment contract which resulted in sale and dilution of its shares in SuperScale Sp. z o.o. The transaction and the agreement are described in Note 29 and in the ESPI current report no. 26/2020 dated 17 August 2020. SuperScale Sp. z o.o. was covered by consolidated financial statements for 10 months of 2020, i.e. until the investment contract was actually performed and the company lost its affiliate status.
- On 04 September 2020, Best Top Fun Games sp. z o.o. w likwidacji and Woodge sp. z o.o. w likwidacji were liquidated.

3 The basis for preparing the statements

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS), Interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee's (IFRIC), which were approved by the European Union (EU) and became effective on 31 December 2020. The International Financial Reporting Standards approved by the EU include standards and interpretations approved by the International Accounting Standards Board ("IASB"). When it comes to the EU's process of introducing the IFRS, the IFRS that applied to these financial statements on the day when the statements were approved for publication did not differ from the EU's IFRS.

The consolidated financial statements were made on the historical cost basis. Preparing the consolidated financial statements in line with the IFRS requires applying certain substantial accounting estimates. It also requires the Board of Directors to make its own assessments within the application of the accounting principles adopted by the Group. Any issues that required substantial assessments or were highly complex, in areas where the adopted assumptions and estimates had an impact on the consolidated financial statements, are presented in Note 8. Some Group entities keep their books in accordance with the accounting policy (principles) laid down in the Polish Accounting Act as amended and in the secondary legislation thereto ("Polish accounting standards") or in accordance with the accounting principles in effect in the country of their respective registered office. The Consolidated Financial Statements comprise adjustments not included in the books of the Group's entities, entered in order to bring the financial statements of such entities into line with IFRS.

The consolidated financial statements were prepared based on the assumption that the Group would continue as a gonging concern in the foreseeable future, i.e. for at least one year following the preparation of the consolidated financial statements, and that there were no signs of any threat to the Group's continuation as a going concern. The Group recognises the threat connected with the potential global epidemic crisis which may cause an economic downturn, recession in stock markets and slow down the development of the Group's products. Many factors are beyond the Group's control but the Group takes the steps to minimise the threat and to complete its works by deadlines. By the statements publication date, the Group did not identify any negative consequences of CoViD for the Group's projects and financial results. By the date of preparing these consolidated financial statements, there were no circumstances that would suggest the existence of any threats to the Group continuing as a going concern.

The functional currency of the parent company and the presentation currency of the consolidated financial statements is Polish zloty (PLN) and all figures are given in thousand PLN (PLN '000), unless specified otherwise.

3.1. Changes without material impact on the Group's financial statements:

a) Amendments to References to the Conceptual Framework in the International Financial Reporting Standards (published on 19 March 2018); applicable to reporting periods starting on or after 1 January 2020;

b) Amendment to IFRS 3 Business Combinations (published on 22 October 2018) – not approved by the EU until the approval date of these financial statements; applicable to reporting periods starting on or after 1 January 2020;

c) Amendments to IAS 1 and IAS 8: Definition of Material (published on 31 October 2018) – applicable to annual periods beginning on or after 1 January 2020;

d) Amendments to IAS 9, IAS 39 and IFRS 7: Rate Benchmark Reform (published on 26 September 2019) – applicable to annual periods beginning on or after 1 January 2020;

e) Amendments to IFRS 16 Leases (published on 22 May 2020) made due to COVID-19 were approved by the EU on 09 October 2020 and they apply to reporting periods starting on or after 01 June 2020.

The above amendments do not materially influence the consolidated condensed annual financial statements of the Group.

3.2. Standards, amendments and interpretations of the existing standards which were published but were not yet effective

The following standards and interpretations were published by the International Accounting Standards Board but they did not become effective until the reporting period end date:

a) IFRS 14 Regulatory Deferral Accounts (published on 30 January 2014) in accordance with the decision of the European Commission, the approval process for the initial version of the standard will not be initiated until the final version of the standard is issued – not approved by the EU until the approval date of these financial statements – applicable to the annual periods starting on or after 01 January 2016.

b) Amendments to IFRS 10 and IAS 28 Asset sale or contribution transactions between an investor and its associate or joint venture (published on 11 September 2014) – the works leading to the approval of those changes were postponed by the EU indefinitely – the effective date was postponed by IASB indefinitely;

c) IFRS 17 Insurance Contracts (published on 18 May 2017) – not approved by the EU until the approval date of these financial statements; it applies to reporting periods starting on or after 01 January 2023;

d) Amendments to IFRS 17 in conjunction with amendments to IFRS 9 (published on 25 June 2020) – not approved by the EU until the approval date of these financial statements; applicable to reporting periods starting on or after 01 January 2023;

e) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (published on 23 January 2020 and on 15 July 2020) – not approved by the EU until the approval date of these financial statements; applicable to reporting periods starting on or after 01 January 2023;

f) Amendments to IFRS 3, IAS 16, IAS 37 (published on 14 May 2020) – not approved by the EU until the approval date of these financial statements; applicable to reporting periods starting on or after 01 January 2022;

g) Amendments arising from the 2018-2020 IFRS review (published on 14 May 2020) – not approved by the EU until the approval date of these financial statements; applicable to reporting periods starting on or after 01 January 2022;

h) Amendments to IFRS 4 Business Combinations (published on 25 June 2020) – not approved by the EU until the approval date of these financial statements; applicable to reporting periods starting on or after 01 January 2021.

i) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Rate Benchmark Reform – Phase 2 (published on 27 August 2020) – applicable to annual periods beginning on or after 01 January 2021;

By the approval date of these consolidated financial statements, the Board of Directors did not complete the assessment of how the introduction of the remaining standards and interpretations affected the Group's accounting principles (policy) in respect of the Group's activity or financial results.

The Group has not decided to apply any standard, interpretation or amendment which have already been published but is not yet effective under the EU laws.

3.3. Major accounting principles applied by the Group

Key accounting principles applied in the preparation of these consolidated financial statements are presented below. These principles were applied consistently throughout all the reporting years, unless stated otherwise.

a) Consolidation

Subsidiaries

Subsidiaries are fully consolidated as of the day on which the Group takes control over them. They are no longer subject to consolidation as of the day when the control ceases.

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

While assessing the issue of control over the investee, the investment considers the purpose and model of the investee in order to identify relevant activities, the decision-making process for those activities, the entity with the rights that give it the current ability to direct the relevant activities and the beneficiary of the returns obtained as a result of those activities.

Assessing whether the parent company controls an entity requires for instance establishing if it has the right to direct the entity's relevant activity. Defining such material activity of the company and identifying the investor that controls it requires applying judgement. The situation and the materiality of the ties are assessed based on the voting right, relatively the interest held, the dispersion of the voting rights held by other investors, the scope of involvements of such investors in appointing the key management or supervisory board members.

The Group re-assesses whether or not it controls an investee if the facts and circumstances suggest that one or several elements of control have changed.

On 31 December 2020, the Group had 6 subsidiaries where it had 100% of the voting rights: BoomBit Games Ltd, BoomBit inc. (through Boombit Games Ltd.), PixelMob Sp. z o.o., Play With Games Ltd., BoomHits Sp. z o.o., Mindsense Sp. z o.o. and TapNice Sp. z o.o., where it holds 70% of the voting rights.

The acquisition of subsidiaries by the Group is settled according to the acquisition method. The acquisition cost is established as the fair value of the assets transferred, equity instruments issued and liabilities contracted or taken over as at the exchange date. The identifiable acquired assets, liabilities and contingent liabilities taken over as a result of the business combination are initially measured at their fair value as at the acquisition date, notwithstanding the size of the non-controlling shares. The value of the acquisition cost above the fair value of the Group's share in the identifiable acquired net assets is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated statement of comprehensive income.

Revenue, costs, settlements and unrealised gains on intercompany transactions are eliminated. And so are unrealised losses. Where necessary, the accounting principles applied by subsidiaries are subject to changes to ensure compliance with the accounting principles applied by the Group.

Non-controlling interest and transactions with non-controlling shareholders

Changes in the Group's ownership interest which do not result in loss of control over a subsidiary are recognised as capital transactions. Adjustments of the carrying values of controlling and non-controlling interest account for changes of shares in the ownership of the subsidiary. Differences between the amount payable for share increase or reduction and the carrying value of the respective non-controlling interest are disclosed directly in the share capital attributable to the controlling interest.

Affiliates and joint ventures

The Group classifies interest in joint ventures that are contractual joint ventures, with the co-controlling parties having the right to the net assets of that entity, as investment measured according to the equity method. Co-control occurs wherever decisions related to the relevant activity of joint ventures require unanimous consent of the co-controlling parties.

An affiliate is an entity over which the Group has significant influence. Significant influence is the power to participate in the operating and financial policy decisions of an entity; it is not control or co-control over those policies.

The Group's investments in affiliates and joint ventures are disclosed in the consolidated financial statements according to the equity method. As per the equity method, an investment in an affiliate or a joint venture is initially recognised according to cost and then adjusted to account for the Group's interest in profit/loss and in other comprehensive income of the affiliate or the joint venture. If the Group's share in losses of the affiliate or joint venture exceeds the value of its shares in that entity, the Group no longer discloses its interest in any further losses. Additional losses are only disclosed to the extent corresponding to the legal or customary liabilities accepted by the Group or payments made on behalf of an affiliate or a joint venture.

Investment in an affiliate or a joint venture is disclosed according to the equity method as of the date when the entity becomes a joint venture or an affiliate. On the date of investment in an affiliate or a joint venture, the amount by which the investment costs exceed the value of the Group's share in the net fair value of identifiable assets and liabilities of that entity is disclosed as goodwill and is included in the carrying amount for that investment. The amount by which the Group's share in the net fair value of identifiable assets and liabilities exceeds the investment costs is disclosed directly in profit/loss for the period in which the respective investment was made.

The need for disclosing impairment of the Group's investment in its affiliate or a joint venture is assessed based on IAS 28 sections 40-41C. If needed, the whole carrying value of an investment is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset, through comparison of its recoverable value versus its carrying value. The disclosed impairment is a part of the carrying value of the investment. Reversal of such impairment is disclosed in accordance with IAS 36 to an extent corresponding to the subsequent increase in the recoverable investment value.

b) Reporting related to operating segments

The presentation of operating segments is consistent with the internal reporting submitted to the chief operating decision-maker. The defined chief operating decision-maker in charge of resource allocation and assessment of the results of operating segments was the Board of Directors of BoomBit S.A. According to the chief decision-maker, the Group has one operating segment and operating decisions are made based on the performance of that segment.

c) Measurement of items denominated in foreign currencies

Functional currency

The items contained in financial statements are measured in the currency of the primary business environment in which the Group companies operate ("functional currency"). The functional currency for companies operating in:

- Poland is Polish new zloty (PLN),
- the United Kingdom is pound sterling (GBP),
- the United States is US dollar (USD).

Choice of the functional currency for an entity operating in international markets and identification of the currency that must be recognised as used in the primary economic environment in which the Group operates:

The Board of Directors of the parent company monitors materials change in the economic environment which could affect the choice of the functional currency for the parent company and its subsidiaries.

Presentation currency

The Group's presentation currency is Polish new zloty (PLN). The financial statements are presented in thousand PLN (PLN '000)

Conversion to the presentation currency

- The consolidated statement of financial position (except for equity) – average exchange rate as specified by the National Bank of Poland (NBP) at the end of the reporting period.
- Consolidated statement of comprehensive income – average exchange rate as specified by the National Bank of Poland (NBP) for the reporting period.
- Equities of companies that operate abroad – according to their balances on the date of the parent company taking control based on the average exchange rate as specified by the National Bank of Poland (NBP). The conversion is disclosed in such an amount in subsequent consolidated financial statements.

The resulting exchange differences are disclosed in a separate item of equity – "Exchange differences from translation of foreign unit."

Transactions and balances

Transactions expressed in foreign currencies are converted to the functional currency according to the exchange rate in effect on the transaction date or the measurement date if the items are subject to revaluation. Foreign exchange gains and losses arising from settlement of those transactions and from balance sheet valuation of financial assets and liabilities expressed in foreign currencies are disclosed in the consolidated statement of comprehensive income unless they are deferred in equity where they are eligible for being recognised as a security measure for cash flows and interest in net assets. Foreign exchange gains and losses, including ones related to loans, cash and cash equivalents, are presented in the consolidated statement of comprehensive income in other revenue or other costs.

d) Property, plant and equipment

Property, plant and equipment is recognised at the historical cost less total depreciation and impairment losses.

Subsequent outlays are included in the carrying value of the respective fixed asset or are disclosed as a separate fixed asset (as appropriate) only when additional economic gains are likely to be generated on this item for the Group and provided that the cost of the given item can be reliably measured. The carrying value of replaced spare parts are removed

from the consolidated statement of financial position. Any other costs of repairs and maintenance are charged to the statement of comprehensive income in the period when they were incurred.

Land is not subject to depreciation. Depreciation of other fixed assets is charged on the straight-line basis in order to spread their initial value (less the end value) over their useful lives, which are as follows for the respective groups of tangible assets:

- buildings and structures 25–40 years
- plant and machinery 10-15 years
- means of transport 3–5 years
- other fixed assets 5–8 years

The end values and useful lives of fixed assets are verified and, where required, changed for every balance sheet date. If the carrying value of a fixed asset exceeds its estimated recoverable amount, the carrying value is immediately written down to the level of the recoverable amount. Impairment losses are disclosed in the statement of comprehensive income in other operating costs.

Profits and losses on sale of fixed assets are established through comparison of proceeds from sale against their carrying value and are disclosed in the statement of comprehensive income in other operating revenue or in other operating costs.

The Group capitalises the borrowing costs which may be directly attributable to the acquisition, construction or manufacture of a qualifying asset as a part of the purchase price or cost of manufacture of that asset. Other borrowing costs are recognised as a cost for the period in which they were incurred.

e) Lease

The Group assesses whether a contract is or involves a lease at the moment of signing it. A contract is or involves a lease if it transfers the right to control the use of an identified asset for a specific period in return for a fee.

The Group adopts a consistent approach to disclosure and valuation of all leases, except for short-term leases and leases of low-value assets. The Group recognises the asset arising from the right of use and a lease liability on the lease commencement date.

Right-of-use assets

The group recognises right-of-use assets on the lease commencement date (i.e. the day when the underlying asset is available for use). Right-of-use assets are measured at cost less total depreciation charges and impairment losses. The cost of right-of-use assets includes the amount of the disclosed lease liabilities, the incurred direct initial costs and any lease payments made on or before the commencement date less any received lease incentives. Unless the Group has sufficient certainty that it acquires ownership of the leased object at the end of the lease period, the disclosed right-of-use assets are subject to straight-line depreciation throughout the shorter of: the estimated period of use or the lease period.

Lease liabilities

On the lease commencement date, the Group measures the lease liabilities in the current value of the lease fees outstanding on that date. Lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives, variable payments depending on an index or on the rate, and any payments expected within the guaranteed end value. Lease payments also include the price for the exercise of the lease option, provided that it can be assumed with sufficient certainty that it will be exercised by the Group, and payment of penalties for lease termination, if the terms of the lease permit lease termination by the Group. Variable lease payments that do not depend on any index

or rate are disclosed as costs in the period where the event or condition leading to the payment occurs.

The Group uses the marginal interest rate of the lessee for the lease commencement date to calculate the current value of lease payments if the lease interest rate cannot be easily established.

After the commencement date, the amount of lease liabilities is increased to reflect the interest and reduced by the lease payments already made. Furthermore, the carrying value of lease liabilities is subject to revaluation if the lease period changes, if the in-substance fixed lease payments change or if the judgement as to the purchase of the underlying assets changes.

Short-term lease and lease of low-value of assets

The Group applies exemption from recognition of short-term lease to its short-term lease contracts (i.e. contracts where the lease period after the commencement date is 12 months or shorter and where no lease option is available). The Group also applies exemption from recognition of the lease of low-value assets to its low-value lease. Lease payments for short-term lease and lease of low-value assets are disclosed as costs on a straight-line basis throughout the lease period.

While establishing the lease period, the Group defines the contract enforcement period. The lease is no longer enforceable when the lessor and the lessee each have a right to terminate the contract without permission from the other party with no more than an insignificant penalty. The Group assesses the materiality of penalties, in a broad sense of the word, i.e. it considers all material economic factors other than strictly contractual or financial to discourage contract termination (e.g. substantial investments in the leased object, availability of alternative solutions, relocation costs). If neither the Group nor the lessee or the lessor faces a substantial penalty (in a broad sense of the word) for termination, the lease is no longer enforceable and the lease period is the notice period.

f) Development costs

Assets recognised as development costs are connected with costs incurred by the Group on:

- creation of games and
- supporting tools (hereinafter: software).

Depending on the condition of the respective development cost (see description regarding the moment of transfer further in this Note) on the day ending the reporting period, development costs are disclosed as:

- costs of development work in progress,
- costs of completed development work.

Software means internal original sets of universal functionalities representing ready-to-use solutions for the games published by the Group. They make it possible to shorten the development process and to optimise game development costs. Use of universal software also supports monetisation, i.e. the process of seeking proceeds from games through optimisation of the advertisements displayed in the games and direct services addressed to gamers (so called micropayments). The software also includes analytical tools used by the Group for more effective optimisation of monetisation, both for particular games and for the whole catalogue of games published or produced by the Group.

Development costs (for both work in progress and completed work) include costs that may be directly assigned to the activity of creating, producing and adapting an asset to be used as intended by the management. The main part of the costs are salaries (of developers, graphic artists, game designers, testers, managers etc.), costs of game translation to other languages and costs related to the use of music in the games.

Criteria for recognition as a development cost

Work costs directly connected with designing and creating identifiable unique games and supporting tools controlled by the Group are recognised as development costs if they meet the criteria laid down in IAS 38.57.

The Group verifies whether the above criteria will make it possible to capitalise the costs incurred. The verification takes place:

- before the commencement of the respective design work and
- during the work, in order to check if any circumstances that would result in the need to stop the cost capitalisation have arisen.

In order to verify if the criteria are met, the Group uses all the available information sources (internal and external). Here are the main factors confirming compliance with each of the criteria defined in IAS 38.57:

- Technical feasibility of the development work so that it can be used and sold – the games designed and produced by the Group are assumed to be operable on as many devices as possible. The following projects are not accepted for implementation:
    - where the technical requirements go beyond the current standards available in the market,
    - where the content is not accepted by the key distributors (Google Play, App Store).
- Intention to complete the development work – the Group's Board of Directors assesses whether the work on a specific game or on certain software should be commenced based on current and anticipated market tendencies related to game genres and based on the available market reports (e.g. Appannie). Depending on the data obtained in the above analysis, a decision is made on whether to prepare a prototype or discontinue the works on the game. Once the initial game version is prepared, it is tested for (soft launch):
    - improvement of revenue factors (monetisation),
    - analysis of user behaviour and retention (% of users who actively use the application).

Once the work on the game prototype starts, the status of design works is verified, including the degree of implementation of current budget assumptions. Based on that, the Board of Directors decides whether or not to continue working on the game.

- The possibility of using or selling the outputs of the development work:
    - each game produced by the Group can be released on one or more distribution platforms (e.g. iOS, Google) or sold (sale of rights in the game),
    - software is directly related to the development of games and it is regularly used in work on particular game titles.
- Likelihood of the respective development cost generating future economic gains:
    - every game released by the Group is adapted to generate proceeds from micropayments and the displayed advertisements via the distribution platforms available in the market,
    - the software supporting game development helps reduce the unit cost of development and increase the monetisation potential.
- Availability of proper resources required to complete the work – at the start of the works, the Group provides the technical, competency and financial resources required to complete the development process. In the midst of the projects, the Board of Directors together with the managers of the respective projects, conducts cyclical overviews of the progress of the work (see the item below) and the availability of the necessary resources.

- Credible measurement of the costs incurred – the Group has appropriate IT and management accounting tools for detailed identification of current development costs. For every game/thematic group of games, cost budgets and proceed projections are prepared and verified on a cyclical basis by the Board of Directors and the project managers.

If any of the above conditions is not met, the costs incurred are recognised in cost of sales for the current period in the statement of comprehensive income.

The above analysis for compliance with the criteria of IAS 38.57 is performed in relation to costs of development work in progress. As of the moment the development work connected with the implementation of the respective project (game or software) is complete, and by extension as of the moment the respective asset is charged to the cost of completed development work, the above criteria are no longer subject to verification (see below Cost of completed development work – measurement).

Costs of development work in progress – measurement

Any costs incurred before the commencement of sale (hard launch) or before the application of new solutions are disclosed as cost of development work in progress.

Cost of development work in progress also apply to the game testing period (soft launch – where the game is available for free in several selected countries), which is the stage preceding the hard launch. The main purpose of soft launch is to improve the revenue (monetisation) ratios for the games. It is achieved through gamer behaviour analyses (advanced Business Intelligence methods) which helps improve game retention and pick the right items for sale. The soft launch period is each time subject to a business decision but it usually lasts from 2 to 6 months.

"Costs of development work in progress" are measured at purchase price/production cost less accumulated impairment losses (the impairment policy is presented in section 3.3).

Costs of completed development work – measurement

The moment the works end and the implementation costs of the respective projects are no longer recognised, costs are transferred from costs of development work in progress to costs of completed development work.

Costs of completed development work are measured at purchase price/production cost less accumulated amortisation and accumulated impairment losses (the impairment policy is presented in section 3.3).

Moment of reclassification

Costs of development work in progress are reclassified to costs of completed development work the moment all the assets are in a condition allowing to use them as intended by the management.

Development work regarding games

For games, costs of development work in progress are reclassified to costs of completed development work at the moment of hard launch, i.e. the moment when the game has its main functionalities, satisfactory levels of quality ratios and is released in the global market.

Development work for supporting tools

In addition to the development costs related to games, the Group incurs development costs related to the development of supporting tools:

- Tools consisting of a set of algorithms, libraries and functionalities that can be used for other software,
- IT tools intended for advertising management,
- Tools allowing multiple users to use a game simultaneously,

- Tools supporting monetisation and user acquisition,
- Analytical tools.

For supporting tools, development work in progress is reclassified to costs of completed development work upon the completion of testing of the proper functioning of the produced tools (positive result of the tests).

Period of use

Costs of development work in progress are not amortised but are subject to impairment testing.

Costs of completed development work have a finite useful life, they are amortised and they are also subject to impairment testing where necessary.

The Group defined the following useful lives:

- games up to 4 years,
- supporting tools up to 5 years.

The Group periodically, not later than at the end of financial year, verifies the adopted useful lives for the above intangible assets.

Depreciation methods

Completed development works regarding games will be depreciated for a period of up to 4 years.

In the remaining cases, the Group amortises the costs on a straight-line basis over a maximum period of up to 5 years.

The amortisation connected with development costs is presented in the statement of comprehensive income in cost of goods sold.

Impairment losses – presentation

Impairment losses for both continued and abandoned projects are recognised in the statement of comprehensive income in other operating costs.

g) Goodwill and other intangible assets

Goodwill

The goodwill arising from acquisition of an entity is recognised based on the acquisition price, which is the amount by which the total of:

- the payment provided,
- the amount of all non-controlling interest in the target company and
- for a multi-stage amalgamation – the fair value as at the date of acquisition of the target company's capital interest which used to be owned by the acquiring company exceeds the net fair value (established as at the acquisition date) of all identifiable acquired assets and liabilities.

Other intangible assets

Costs of purchased computer software are capitalised as the costs incurred to purchase it and to deliver it to the user. Software licences are amortised for an estimated period of their use – from 3 to 5 years. Costs connected with maintenance of computer software are charged to costs the moment they are incurred.

h) Impairment of non-financial assets

Assets with indefinite useful life, such as goodwill, and intangible assets which are not available for use yet (e.g. costs of development work in progress) are not amortised but are tested for impairment, either annually or whenever signs of their impairment arise. Assets subject to amortisation are analysed for impairment whenever any event or change in circumstances suggests that it might be impossible to recover their carrying value. An impairment loss is recognised in

an amount by which the carrying value of an asset exceeds its recoverable amount. The recoverable amount is the higher of: the fair value of assets less the sales costs or the value-in-use. For the purpose of impairment analysis, assets are grouped at the lowest level for which separate identifiable cash flows exist (cash-generating units). Non-financial assets (other than goodwill) for which impairment has already been identified are assessed for every reporting period end date for a possibility of reversing the impairment loss.

i) Tangible assets held for sale

Tangible assets (or groups for sale) are classified as held for sale if their carrying amount is recovered primarily through sale and the sale is considered as highly probable. They are measured at the lower of: their carrying amount or fair value less costs of sale if their carrying amount is to be recovered primarily through sale and not through their further use.

j) Financial assets

The Group classifies financial assets into the following measurement categories:

- measured at amortised cost
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss .

The Group assigns financial assets into categories depending on the financial asset management business model and on the characteristics of contractual cash flows for the respective financial assets.

Financial assets measured at amortised cost are debt instruments kept for the purpose of contractual flows, which include exclusively repayment of principal amounts and interest. The Group's trade receivables and cash and cash equivalents are assets measured at amortised cost.

Financial assets are measured at amortised cost using the effective interest rate method.

After initial recognition, trade receivables are measured at amortised cost using the effective interest rate method, taking into account impairment losses; trade receivables with a maturity date below 12 months following the date when they arise (i.e. ones not containing the financing component) are not discounted and are measured at their nominal value.

As at 31 December 2019, the Group did not have any financial assets measured at fair value through other comprehensive income or any financial assets measured at fair value through profit or loss.

As at 31 December 2020, the Group has a financial asset measured at fair value through profit or loss, i.e. shares in SuperScale Sp. z o.o.

Standardised financial asset purchase or sale transactions are disclosed as at the transaction date.

Net profits or losses on items measured at fair value through profit or loss do not include revenue from interest of dividends.

k) Impairment of financial assets

IFRS 9 changed the approach to estimation of impairment of financial assets from the incurred loss model to the expected loss model. The most important financial assets in the Group's consolidated statement of financial position which are subject to the changed rules of calculating the expected credit losses are trade receivables. The Group assesses the expected credit losses for every balance sheet date whether or not any signs of impairment occurred.

<u>Trade receivables</u>

In relation to trade receivables, the Group applies, as it is allowed to by the standard, a simplified approach and creates the allowance for expected credit losses in the amount of the expected credit losses throughout the whole useful life of

the receivables. This approach arises from the fact that the Group's receivables do not include a significant financing component within the meaning of IFRS 15 Revenue from Contracts with Customers. In the simplified model, the Group does not monitor credit risk changes during the instrument useful life, it estimates the expected credit loss within the horizon until the instrument maturity date.

The Group calculates impairment losses for customers on a provision matrix basis, where the impairment losses are established for receivables classified into various overdue payment brackets (except for those analysed on a case-by-case basis as non-performing). The method accounts for historical data regarding credit losses (based on default rates established based on historical data regarding unpaid receivables analysed for a 3-year period) and the impact of material and identifiable future factors (e.g. market or microeconomic factors). The Group accounts for information regarding the future in its expected loss estimation model parameters by adjusting the baseline probability of default ratios.

In order to estimate the default rate for a business partner, the Group identified five overdue payment brackets:

- Not overdue,
- Up to 90 days past due,
- 91 to 180 days past due,
- 181 to 360 days past due,
- Over 360 days past due.

For each of the above brackets, the Group estimates a default rate which accounts for historical absence of payment for sales invoices by business partners in the three years preceding the year before the one for which the financial statements were prepared. The value of the expected credit loss is calculated as the value of receivables within the respective overdue payment bracket as multiplied by the calculated default rate.

The Group treats a payment delay above 90 days as payment default.

In respect of trade receivables, the Group also accepts a possibility of defining the expected credit loss on a case-by-case basis. The above applies in particular to:

- receivables from debtors who are in liquidation or bankrupt,
- receivables which are disputed by debtors and which are past due,
- other overdue receivables, as well as receivables which are not past due but which bear a high risk of unrecoverability, as determined on a case-by-case basis by the Board of Directors (especially where the anticipated litigation and collection costs connected with claiming the debt are equal or higher than the claimed amount).

In those situations, the impairment loss for receivables may be equal to 100% of their value.

Trade receivables from affiliates are also subject to individual analysis.

Cash

The Group estimates the impairment losses based on the probability of default established based on external ratings of banks.

Loans granted

The Group estimates the impairment loss on loans granted according to the expected credit loss model. The Group monitors changes in the level of the credit risk related to the respective financial asset when compared to its initial recognition and it classifies financial assets into one of three stages of determining impairment losses.

Impairment loss determination stages:

- stage 1 – performing financial assets (applied where the credit risk of the assets has not increased significantly since the initial recognition),
- stage 2 – financial assets with deteriorated performance (applied for significant increase of credit risk versus the initial recognition),
- stage 3 – non-performing financial assets (applied if objective signs of impairment arise).

For stage 1, the Group determines the allowance for expected credit losses as expected credit losses for 12 months, and for stages 2 and 3 – as expected credit losses during the financial instrument lifecycle.

For every reporting period end date, the Group assesses is there are any reasons for classifying financial assets into particular stages for determining the impairment loss. In such an assessment, the Group relies on changes in the risk of financial instrument non-performance throughout the expected lifecycle rather than changes in the amount of the expected credit losses. In order to perform the assessment, the Group compares the financial instrument non-performance risk as at the reporting date to the non-performance risk for that financial instrument as at the original recognition date, taking into account reasonable and documentable information which is available without excessive costs or effort and which points to a significant increase in the credit risk from the moment of original recognition.

Loans to affiliates are subject to an individual analysis of anticipated credit losses.

l) Trade receivables

Trade receivables include receivables for deliveries and services related directly to the current operating activity.

Trade receivables are initially recognised at their fair value. After initial recognition, these receivables are measured at amortised costs using the effective interest rate, taking into account impairment write-downs. Trade receivables with a maturity date below 12 months from the date when the receivable arises are not discounted. The effect of the unwinding of discount is recognised in financial revenue.

m) Other receivables and prepayments

Other receivables include in particular:

- budget receivables, except for corporate income tax receivables, which represent separate items in the consolidated statement of financial position,
- prepayments.

Advances are presented according to the nature of the assets to which they are related: as either non-current or current assets. As non-monetary assets, advances are not discounted.

Prepayments include incurred costs related to future periods.

n) Cash and cash equivalents

Cash comprises cash in hand and bank deposits payable on demand, while cash equivalents are other short-term investments of high liquidity and with the initial maturity date falling within three months.

Overdrafts are presented in the consolidated balance sheet as a component of loans and borrowings in short-term liabilities.

o) Share-based payments

Share-based payments include transactions which, as per International Financial Reporting Standard 2, meet the definition of equity-settled share-based payments and cash-settled share-based payments.

Equity-settled share-based payments include but are not limited to incentive schemes for the Board of Directors and the management based on shares or subscription warrants which, if exercised, make it possible to settle performances and services through Company shares. The fair value of the services provided by the Board of Directors and the management in return for their grant is recognised as cost of salaries and, secondarily, as other capitals. The amount of share-based payments is measured using the indirect method, i.e. based on reference to the fair value of the granted capital instruments.

p) Capital and equity

The par value of shares is charged to share capital.

Capital from share premium is the share price amount above the share nominal value less the costs of the new issue.

Other capitals are capitals created as a result of the functioning of share-based payment schemes (section 3.3 and Note 26).

Retained earnings represent spare capital, accumulated profits/losses brought forward (i.e. profits not distributed or losses not covered) and current year's profits/losses.

According to Article 396(1) of the Polish Companies Code, the Company must additionally create a spare capital for which it transfers at least 8% of the profit for the financial year until the spare capital reaches at least one third of the share capital.

q) Trade liabilities

Trade liabilities are obligations to pay for goods and services purchased during routine business activity from suppliers. Trade liabilities are classified as short-term liabilities if the payment deadline falls within one year. Otherwise, the liabilities are recognised as long-term liabilities. In initial recognition, trade liabilities are disclosed at fair value and later – at the payable amount.

r) Other long-term liabilities

Other long-term liabilities are the obligations to pay for goods and services purchased during routine business activity provided that the payment deadline falls later than 12 months following the balance sheet date.

s) Current and deferred income tax

The income tax for the current reporting period includes current tax and deferred tax. Tax is recognised in the statement of comprehensive income, except where it applies directly to items disclosed in other consolidated comprehensive income or equity. In such a case, tax is also recognised as appropriate in other consolidated comprehensive income or equity. Current income tax liability is calculated based on the applicable tax laws or laws actually introduced on the balance sheet date. The Board of Directors periodically reviews the calculations of tax liabilities for situations where relevant tax regulations are subject to interpretation by creating provisions for the amounts, if any, payable to tax authorities. Deferred income tax liabilities arising from temporary differences between the tax value of assets and liabilities and their carrying value are recognised in the consolidated statement of financial position according to the balance sheet method. However, if the deferred income tax arose from original recognition of an asset or a liability within a transaction other than business combination, with such recognition having no impact on profit/loss or on taxable income (tax loss), the deferred income tax is not recognised. Deferred income tax is established according to the tax rates (and regulations) which are legally or

actually in effect on the balance sheet date and which are expected to be in effect at the moment when the deferred income tax assets are realised or the deferred income tax liabilities are settled. Deferred income tax assets are recognised only if such taxable income is likely to be generated in the future which will make it possible to utilise the temporary differences. A deferred income tax liability arising from temporary differences which result from investment in subsidiaries and affiliates is recognised unless the timing of the reversal of the temporary differences is controlled by the Group and those differences are unlikely to be reversed in the foreseeable future. Deferred income tax assets and liabilities are offset if there is an enforceable legal right to offset current income tax assets against current income tax liabilities and if the deferred income tax assets and liabilities pertain to income taxes levied by the same tax authorities on the same taxable entity or on different taxable entities where there is an intention to settle on a net basis.

If the Group believes its approach to a tax issue or to a group of tax issues is likely to be accepted by the tax authority, the Group defines the taxable income (tax loss), the tax base, the unused tax losses, the unused tax credits and the tax rates taking into account the approach to taxation planned or applied in its tax return.

If the Group decides that the tax authority is unlikely to accept the Group's approach to a tax issue or to a group of tax issues, the Company reflects the impact of the uncertainty while establishing the taxable income (tax loss), the tax base, the unused tax losses, the unused tax credits or the tax rates.

t) Provisions

Provisions are recognised if the Group has a legal or customarily expected obligation arising from past events and if an outflow of resources is likely to be required to allow the Group to comply with that obligation and if the amount of that obligation has been credibly estimated. No provisions are created for future operating losses.

Provision amounts are disclosed in the current value of the expenses expected to be required for the compliance with the obligation. The interest rate used is the pre-taxation rate which reflects the current assessment of the market as regards the time value of money and the risk connected specifically with the respective component of liabilities. Provision increase related to the flow of time is recognised as interest costs. It is the Group's policy that expected cash flows are not discounted for periods shorter than one year.

u) Government subsidies

If there is reasonable certainty that a subsidy will be obtained and that all the related requirements will be met, government subsidies are disclosed at fair value.

If a subsidy pertains to a specific cost item, it is disclosed in the statement of comprehensive income as Other Operating Revenue. If a subsidy pertains to an asset, its fair value is disclosed as reduction in the value of the respective asset and then it is gradually recognised, as equal annual write-downs, in profit or loss throughout the estimated useful life of the asset.

v) Revenue recognition

The Group follows a five-stage model to define the moment of recognition and the amount of revenue. The main principle of the new standard is to disclose revenue as the transaction price at the moment when the contractually promised goods or services are transferred to the customer, which takes place once the customer takes control of those assets. Control of an asset is the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Transfer of good to a customer may take place at a specific moment (upon the delivery of goods or the performance of a service) or over a specific period (as the service is being performed).

revenue source	pricing method	moment of recognition	judgment
revenue from platforms	contractual price	based on monthly reports	-
sale of rights/licences	contractual fixed price and/or rev share*	fixed contractual price at the moment of asset transfer. Variable remuneration compartment recognised based on periodic settlements.	due to uncertainty and lack of history for transactions to date, the Group does not recognise the variable part (rev share) at the moment of transfer of rights
sale of rights with the regular support obligation*	contractual fixed price allocated to sale of rights and regular support	revenue from share of rights at the moment of asset transfer the revenue arising from the regular support obligation is recognised on a monthly basis, as the time during which the Group is obligated to provide the service goes by	the Group identifies the service obligation and then allocates the selling price to the respective obligation and recognise the revenue once each of them is completed

* under a contract for sale of rights, there is a variable remuneration component – rev share, i.e. the right to share in the profit from future sale of games.

Revenue from platforms includes revenue from advertisements and micropayments made by users through platforms and media houses; the Group invoices them on a monthly basis based on reports regarding advertisement display and micropayments. Contracts lay down the terms on which both parties make settlements for the advertisements displayed and the micropayments made by platform users.

Revenue from the sale of rights and licences includes revenue related to asset transfer to third parties and to regular support (updates and maintenance).

For every balance sheet date, the Group estimates the potential liabilities arising from returns, and if they are significant, it recognises them as reduction of revenue on sales and as refund obligations.

w) Operating costs

The Group recognises costs in the same period in which revenue on the sales of such assets is recognised, in accordance with the matching principle.

Costs of sales

In cost of sales, the Company recognises mainly the costs connected with advertising and marketing (including user acquisition), commissions of distribution platforms related to revenue from micropayments, rev share costs, amortisation of completed development work, costs of servers and functional software licences and other indirect game-related costs.

General and administrative expenses

In general administrative costs, the Group recognises primarily the costs connected with maintenance of the Board of Directors and of company-wide organisational units.

x) Payment of dividend to shareholders

Dividends paid to shareholders of the Group companies are recognised as liability in the Group's consolidated statement of financial position in the period in which the dividend payment was approved by the shareholders of the parent company.

4 Financial risk management

The Group's activity entails a number of financial risks: market risk (price risk), credit risk and liquidity risk. The Group's general risk management scheme focuses on the unpredictability of financial markets by trying to minimise potential adverse effects on the Group's financial results.

Market risk

Due to the specificity of the Group's business, the market risk includes:

- foreign exchange risk

The Group's business entails exposure to the risk of exchange rate fluctuations. A vast majority of the Group's revenue is generated in foreign currencies. Exchange differences are recognised in the consolidated statement of comprehensive income in other operating activity. A major part of purchases are made in PLN. As a result, the Group is exposed to a foreign exchange risk.

The Group regularly monitors the foreign exchange market and decides whether or not to sell the foreign currency necessary to settle payments with a future date. The Group does not enter into forward transactions or foreign exchange options. Presented below is the net foreign exchange exposure (data in PLN '000):

31 December 2020	**EUR**	**USD**	**GBP**	**Total**
Cash	2,977	9,269	2,396	**14,642**
Receivables	3,138	10,960	755	**14,853**
Liabilities	381	15,234	332	**15,947**
Net foreign exchange exposure	**5,734**	**4,995**	**2,819**	**13,548**
Effect on gross financial result				
10% exchange rate increase	573	500	282	***1,355***
10% exchange rate drop	-573	-500	-282	***-1,355***

- price risk

Just as in the previous year, the Group does not have any material assets and liabilities which would be at a risk of changes to their prices in the markets. The impact of the price risk on the Group's business is insignificant.

- risk of changes to cash flows and the fair value as a result of interest rate changes

The Group regularly monitors the situation connected with any decisions of the Polish Monetary Policy Council and the European Central Bank which directly affect the interest rate market in Poland and worldwide. Presented below is an analysis of sensitivity to the interest rate risk for financial instruments with variable interest rates:

			Interest rate variation	
Item in statement of financial position	**Carrying amount**	**Value at risk**	+10%	-10%
			Financial result	
Cash and cash equivalents	20,748	20,748	2,075	(2,075)
Other financial assets	3,252	3,252	325	(325)
Other financial liabilities	279	279	(28)	28
			2,372	**(2,372)**

Credit risk

The Group's main financial assets include cash in bank, cash, receivables and investments, which represent the largest exposure to credit risk in relation to financial assets. The Group's credit risk is assigned primarily to trade receivables and to loans granted. The amounts presented in the consolidated statement of financial position are net amounts, which means that they take into account impairment of doubtful accounts as estimated by the of the parent's Board of Directors

based on prior experience, the specificity of the business and assessment of the current economic environment. The Group enters into transactions exclusively with reputed companies with high credit scores. All customers interested in trade credit undergo initial verification. In addition, with constant monitoring of the balance of receivables, the Group's exposure to the risk of unrecoverable receivables is insignificant. Loans granted were granted to affiliates. The Group monitors the liquidity situation of its affiliates and assesses their liquidity on an ongoing basis.

Liquidity risk

The liquidity risk is the risk of the Group being unable to pay its obligations when due. The Board of Directors endeavours to make sure that the Group's liquidity is always preserved at a level permitting payment of obligations when due. The Group monitors the risk of lack of funds using a periodic liquidity planning tool. The tool takes into account maturity dates of both financial investments and assets (e.g. accounts of receivables, other financial assets) and the projected cash flows from operating activities.

Group liquidity is managed primarily through:

- short-, medium- and long-term planning of cash flows,
- selection of appropriate financing sources based on an analysis of the Group's needs and a market analysis,
- working with established, reputed financial institutions.

As a part of liquidity management, the Group analyses the instruments available in the market (e.g. loans, credit facilities, factoring, lease) for flexibility of obtaining, cost of financing and maturity dates. In principle, the Group assumes financing current operations first from its own funds and trade credits (especially credit limits and payment deadlines agreed with advertising networks).

The Group invests cash in secure short-term financial instruments (bank deposits), which may be used for debt service purposes. By regularly monitoring the level of mature payables and properly managing cash, the Group is an attractive partner for its suppliers. The Group has a good financial standing so the risk of it losing its liquidity by performing its payment obligations is minimum. The maturity date of all the financial obligations of the Group as at 31 December 2020 and 31 December 2019 fell within 3 months, except for the lease obligations under the contracts signed in 2019 and 2020 and the loan agreement signed in 2020. The lease contracts were signed for 3 years and the loan agreement was signed for 18 months by 03/01/2022 (the value of the long-term obligation is PLN 176,000).

5 Capital management

The Group's objective in its capital risk management is to secure its ability to continue as a going concern in order to provide return for the shareholders and to keep an optimum capital structure to reduce its cost.

In order to maintain or adjust the capital structure, the Group may change the amount of the declared dividends to be paid to the shareholders, return the capital to the shareholders, issue new shares or sell assets to reduce debt. Just like other entities in the industry, the Group monitors equity with the debt-to-equity ratio. The ratio is calculated as net debt to total equity. Net debt is calculated as total loans and borrowings (including the current and long-term loans and borrowings disclosed in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as the equity disclosed in the consolidated balance sheet along with net debt.

As at 31 December 2020 and as at 31 December 2019, all the debt-to-equity ratios were as follows:

	31 December 2020	**31 December 2019**
Loans, borrowings and other financial liabilities	279	116
Cash and cash equivalents	20,748	3,530
Net debt	**(20,469)**	**(3,414)**
Equity	66,822	51,021
Debt-to-equity ratio (net debt/total equity)	**(0.31)**	**(0.07)**

6 Professional judgement

Preparing the Group's consolidated financial statements requires the Board of Directors of the parent to make judgements, estimates and assumptions which influence the presented revenue, costs, asses ad liabilities and the related notes as well as the disclosures regarding contingent liabilities. Uncertainty as to such assumptions and estimates may result in material values of balance-sheet assets and liabilities in the future.

In the process of applying the accounting principles (policy), the Board of Directors has made the following judgements with the greatest impact on the presented balance-sheet values of assets and liabilities.

Moment of development cost capitalisation

The moment of development cost capitalisation, along with the judgments and assumptions applied, is described in the applied accounting principles in Note 3.3.

Revenue recognition

The moment of recognising the revenue along with the applied judgments is described in the applied accounting principles in Note 3.3.

Impairment of cash generating units and single assets

The other material values in the consolidated financial statements are: goodwill, loans granted and development costs. The information about the assumptions adopted for analysis of impairment of cash generating units and single assets is available in Note 7.

Determination of functional currency

Polish zloty is the functional currency of the parent company.

This judgment was made by the Board of Directors of the parent company based on analysis of the currency in which the entity generated revenue and incurred costs. As per IAS 21.9, the parent's Board of Directors takes into account the following factors while determining its functional currency:

- the currency:
    - that mainly influences selling prices of goods and services (often the currency in which selling prices are denominated and settled); and
    - of the country whose competitive forces and regulations and market conditions have the main impact on the selling prices of its goods and services;
- the currency with the main impact on the cost of labour, materials and other costs connected with delivery of goods or services (often the currency in which those costs are denominated or settled).

Revenue on sales of products (games) is generated primarily in dollars. So considering exclusively IAS 21.9(a), US dollar would be the functional currency of the entity. However, analysis of IAS 21.9(a)(ii) would not be as conclusive – the prices of games sold by the entity are not shaped by competitive forces and regulations present in the United States.

Selling prices are denominated in US dollar due to the fact that the market of computer games is a global market where prices are global and are set for a global gamer. This means that selling prices of the games of the parent company are the same for gamers from Europe (including Poland), Asia or the United States.

On the other hand, IAS 21.9(b), if analysed on its own, would suggest that PLN is the functional currency of the Company BoomBit SA since the majority of the costs of functioning of BoomBit SA, including game development costs (mainly costs of salaries), are incurred in PLN.

Additionally, the Board of Directors analysed IAS 21.10:

The following factors may also be helpful in establishing the functional currency of the entity:

- the currency in which funds from financing activities are generated (i.e. issue of debt and equity instruments);
- the currency in which net receipts from operating activities are retained.

Aside from the credit line in PLN and the loan in PLN, the Group does not have any other loans or borrowings taken out or bonds issued. The Company keeps money in bank accounts in Polish zloty, US dollar, pound sterling and euro.

Taking into account the above facts and circumstances, the parent's Board of Directors decided that Polish zloty was the functional currency of the Company BoomBit. The reporting currency of the Group is Polish zloty.

Deferred income tax asset

The deferred income tax asset, along with the judgments and assumptions applied, is described in the applied accounting principles in Note 3.3 and Note 14.

7 Material estimations and assumptions used in the preparation of consolidated financial statements

The Group makes estimations and assumptions related to the future. The assumptions and estimates are presented to best of the management's knowledge regarding current and future events and activities; however, the actual results may differ from the projected ones.

Estimated impairment of development costs

Based on an analysis and on estimations and professional judgments taking into account the projects to date, assets are subject to impairment losses and are brought down to the amount which the Group expects to achieve in the future for the use or sale of the respective asset.

Presented below is a benchmarking between the recoverable amount and the net carrying amount of pre-impairment development costs which were tested for impairment.

	Pre-impairment carrying amount	**Recoverable amount**	**Impairment loss**
Games in progress	9,593	1,728	7,865
Completed games	16,530	13,049	3,481
Completed tools	7,660	6,385	1,275
	33,783	**21,162**	**12,621**

a) Costs of development work in progress

The Group assessed the projects in the production pipeline for which work was suspended in connection with revision of strategic objectives and intense development of the portfolio of hyper-casual games. In order to optimise the resources and competencies, the Board of Directors decided not to continue five projects at various stages of advancement (*John*

Doe, Guns Club and games from the Sport, Racing and Puzzle categories) and to make impairment losses for a full value of those assets – PLN 4,365,000 in total.

For the remaining costs of development work in progress, the Group prepared impairment tests. The following assumptions were adopted for the tests:

- a period of up to four years (depending on the lifecycle of particular game titles) was adopted for the projection of flows,
- a discount rate (weighted average cost of capital) of 6.0% (10.4% in the benchmarking period),
- the projections of results were estimated based on the planned number of downloads and the planned average revenue per user,
- the number of downloads was estimated based on historical results taking into account the potential and estimated size of the target group (potential number of users interested in a specific game genre/graphic style).

As a result of the tests, the Group established that the recoverable amount (determined based on the functional value) of the components of costs of development work in progress is higher than their book values and so there was no need to make any extra revaluation allowances.

Neither the cash flows lower by 10% nor the discount rate higher by 1 percentage point resulted in the need to make the revaluation allowance. The Group arrived at the same conclusions in the benchmarking period.

b) Costs of completed development work

In addition, at the end of the reporting period the Group reviewed the costs of completed development work for signs of impairment. Impairment tests were conducted for projects where the identified signs included performance below expectations by games seen by the Board of Directors as having a limited improvement potential. The assumptions adopted for the tests were analogical to those defined for costs of development work in progress.

As a result of the tests, the Group established that the recoverable amount (established based on the value-in-use) of the costs related to games – _Idle Coffe Corp, Cooking Festival, Mighty Heroes, Tiny Gladiators 2, Word Search Heroes_ and _Tiny Tomb: Dungeon Explorer_ – is lower than their book values. In view of the above, the Group applied total impairment losses of of PLN 1,965,000.

Sensitivity analyses show that the key factors influencing the estimation of the value-in-use are: the discount rate, the number of downloads and the planned average revenue per user, the last two determining the proceeds from sales. Cash flows lower by 10% would result in the need to apply impairment losses of PLN 2,097,000 to development costs (PLN 132,000 difference versus the impairment loss actually applied), a discount rate higher by 1 percentage point would result in the need to apply impairment losses of PLN 1,980,000 to development costs (PLN 15,000 difference).

Impairment test for goodwill arising on the acquisition of a subsidiary

At the end of the reporting period, the Group performed an impairment test for the goodwill attributable to the whole Group as a cash-generating unit. The recoverable amount was established based on the value-in-use. The following assumptions were adopted for the test, based on the Group's experience to date:

- a period of up to four years (depending on the lifecycle of particular game titles in the publishing portfolio of the tested cash-generating unit) was adopted for the projection of flows,
- a discount rate (weighted average cost of capital) of 6.0% (10.4% in the benchmarking period),
- a 2% growth rate in the residual period,
- the projections of results were estimated based on the planned number of downloads and the planned average revenue per user, with lack of growth in the residual period,

- the number of downloads was estimated based on historical results taking into account the potential and estimated size of the target group (potential number of users interested in a specific game genre/graphic style).

The test showed that the recoverable amount of the cash-generating unit was higher than the book value of goodwill and other assets so there was no need for impairment losses.

Sensitivity analyses show that the key factors influencing the estimation of the value-in-use are: the discount rate, the number of downloads and the planned average revenue per user, the last two determining the proceeds from sales. Justified and probable changes to the key assumptions, i.e. cash flows lower by 10% or a discount rate higher by 1 percentage point, would not result in a need for an impairment loss. The Group arrived at the same conclusions in the benchmarking period.

In 2018, in the opinion of the parent's Board of Directors, the company BoomBit Games Ltd ("BBUK") was a separate cash-generating unit and so the goodwill that arose on the acquisition of that company was assigned to that unit. The Group changed its business model in the midst of 2019. All the development work related to development costs is currently performed internally by the Company; the main costs connected with publishing of games (especially marketing campaign costs) are also incurred internally. Subsidiaries, including BRUKe, now function only as publishers of games on mobile platforms or for Nintendo Switch. The Company decides which Group entity will publish which titles. Inter-company settlements involve rev share settlements based on game publishing licence agreements. In view of the foregoing, in the opinion of the parent's Board of Directors, the Group is one cash-generating unit to which goodwill is assigned from the perspective of the consolidated financial statements.

Moment of development cost capitalisation

Development costs related directly to production of an asset are disclosed by the Group as development work if the criteria specified in Note 3.3 are met.

Service life of tangible assets (depreciation rates)

Depreciation and amortisation rates are based on the expected useful life of property, plant and equipment and other intangible assets. Every year, the Group verifies the adopted useful lives based on current estimations..

Income tax

There are a number of transactions and calculations for which the final tax amount is uncertain. The Group recognises potential liabilities arising from tax audits based on the estimated potential extra tax amount. If the final tax settlements differ from the original amounts, the differences influence deferred and current income tax assets and liabilities in the period where the final tax amount is established.

Regulations regarding the value added tax, corporate income tax and social security contributions change often. Those frequent changes result in absence of appropriate points of reference, inconsistent interpretations and few established precedents to follow. Applicable legislation also includes ambiguities which lead to differing opinions as to the legal interpretation of tax regulations both between state authorities as well as between state authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange) may be audited by bodies are authorised to impose high fines and penalties, and additional tax obligations resulting from the audits must be paid along with high interest. This makes the tax risk in Poland higher than it usually is in countries with a more mature tax system.

As a result, the amounts presented and disclosed in financial statements may change in the future due to final decisions of tax auditing units.

On 15 July 2016, the Polish Tax Regulations were modified to reflect the provisions of the General Anti-Abuse Rule (GAAR). The GAAR is to prevent the formation and abuse of artificial legal structures created in order to avoid tax payment in Poland. The GAAR defines tax avoidance as an act committed primarily in order to achieve a tax advantage that is, given the circumstances, in violation of the subject matter and purpose of the tax law. In accordance with the GAAR, such an act does not result in a tax advantage if the mode of action was artificial. Any (i) unjustified division of operations, (ii) engagement of intermediaries without sufficient economic or business justification, (iii) presence of mutually offsetting or cancelling elements and (iv) other actions similar to the above may be treated as signs of artificial acts subject to the GAAR regulations. The new regulations will require much more extensive judgment in the assessment of the tax consequences of particular transactions.

The GAAR must be applied to transactions entered into after or before the GAAR effective date if the benefits were or still are derived after the GAAR effective date. Enactment of the above regulations allowed Polish tax auditing bodies to challenge legal arrangements and agreements engaged in by taxpayers, such as group restructuring and reorganisation.

The Group recognises and measures current and deferred tax assets and liabilities in line with IAS 12 Income Taxes based on the profit (tax loss), tax base, unsettled tax losses, unused tax credits and tax rates, taking into account the assessed uncertainty related to tax settlements.

Where there is uncertainty as to whether and to what extent the tax authority will accept particular tax settlements for a transaction, the Group recognises such settlements taking into account an uncertainty assessment.

Retirement pension scheme

The Group has 79 employees hired under employment contracts. As a result, potential estimated liabilities connected with retirement pension benefits under the Polish Civil Code are PLN 23,000 and no provision has been created.

Right of use

At the moment of contract signing, the Board of Directors verifies whether the contract contains any clauses that would meet the criteria of IFRS 16 Leases. The Group also conducted such an analysis at the moment of IFRS 16 implementation, i.e. for 1 January 2019.

Throughout 2019 and 2020, the Group entered into 3-year car lease contracts. The Board of Directors decided that those contracts meet the IFRS 16 criteria and would be recognised as leases. The contracts were disclosed as a right of use in property, plant and equipment (Note 17) and as other financial liabilities.

Loans and receivables

As at the balance sheet date, the Group verified loans granted and receivables for expected credit losses (ECL) as required by IFRS 9. As a result of the analysis conducted for loans and receivables from non-affiliates, the estimated allowance on that account would be insignificant and so the Board of Directors considered the value as insignificant and decided against recognising the ECL in these consolidated financial statements. An individual analysis conducted for loans and receivables from affiliates did not demonstrate the need to create impairment losses either.

8 Estimation of fair value

The Group measures the following financial instruments: measured at fair value through other comprehensive income and measured at fair value through the financial result as at every balance sheet date. The fair value of financial instruments measured at amortised cost is disclosed in Note 25.

The fair value is understood as the price received from the sale of an asset or paid in order to transfer the liability in a transaction under ordinary sale terms of an asset between market participants as of the measurement date and at current market conditions. The fair value measurement is based on the assumption that the sale of an asset or the transfer of a liability takes place:

- on the main market for a given asset or liability,
- in the absence of the main market, on the best market for a given asset or liability.

The main market and the best market must be available to the Group.

The fair value of an asset or liability is measured with the assumption that the market participants act in their best economic interest when determining the price of an asset or liability.

The fair value measurement of a non-financial asset takes account of a market participant's ability to generate economic benefits by making the best use of an asset or by selling it to another market participant who could make the best use of such an asset.

The measurement methods applied by the Group are adequate to the circumstances and the available data for fair value measurement, with maximum use of adequate observable input data and minimum use of non-observable input data.

All assets and liabilities which are measured at fair value or whose fair value is disclosed in the financial statements are classified according to the following fair value hierarchy based on the lowest level of input data that is material for measurement of the fair value as a whole:

- Level 1 – fair value based on listed prices (unadjusted) offered for identical assets or liabilities in active markets to which the Group has access on the measurement date,
- Level 2 – fair value based on input data other than Level 1 listed prices which are observable for the asset or liability, whether directly or indirectly,
- Level 3 – fair value based on non-observable input data regarding a particular asset or liability.

As of each balance sheet date, for assets and liabilities on individual balance sheet dates in the financial statements, the Group evaluates whether there were transfers between the hierarchy levels by performing another reclassification to a given level based on the materiality of the input data from the lowest level which is material for fair value measurement as a whole.

9 Operating segments

The Group runs its primary business in one segment, which consists of development and sale of mobile games.

10 Contracts with customers

Sources of revenue

	12 months ended 31 December			
	2020			**2019**
micropayments and sale of digital copies	28,666	*20%*	25,348	*51%*
advertising	110,348	*79%*	22,718	*46%*
other	1,222	*1%*	1,668	*3%*
	140,236	***100%***	**49,734**	***100%***
including:				
platforms (distribution)	*139,014*	*99%*	*48,066*	*97%*

Platforms (distribution)

	12 months ended 31 December			
	2020			**2019**
iOS	63,331	*46%*	25,475	*53%*
Android	73,552	*53%*	21,630	*45%*
other	2,131	*1%*	961	*2%*
	139,014	***100%***	**48,066**	***100%***

Geographic data

	12 months ended 31 December			
	2020			**2019**
North America	70,391	*51%*	18,846	*39%*
Europe	42,153	*30%*	16,823	*35%*
Asia	18,372	*13%*	10,094	*21%*
Australia & Oceania	4,122	*3%*	1,442	*3%*
South America	3,112	*2%*	674	*1%*
Africa	864	*1%*	187	*1%*
	139,014	***100%***	**48,066**	***100%***

Leading business partners

	12 months ended 31 December			
	2020			**2019**
Facebook	40,044	*28%*	9,298	*19%*
Google	30,378	*21%*	11,040	*22%*
Unity Technologist	17,873	*13%*	1,234	*2%*
Apple	12,722	*9%*	13,512	*28%*
IronSource	11,785	*8%*	4,103	*8%*
Applovin	6,427	*5%*	-	*0%*
AdMob	5,581	*4%*	6,988	*14%*
Fyber Monetization Ltd	5,200	*4%*	-	*0%*
Vungle	3,086	*2%*	-	*0%*
Mintegral Limited	2,349	*2%*	-	*0%*
Nintendo	1,849	*1%*	579	*1%*
Pangle Tik Tok	985	*1%*	-	*0%*
others	1,957	*2%*	2,980	*6%*
	140,236	***100%***	**49,734**	***100%***

11 Costs by type

	12 months ended 31 December	
	2020	**2019**
Depreciation and amortisation	12,619	6,626
Materials and energy consumption	336	359
Third-party services	111,416	56,562
Commissions of distribution platforms	*8,716*	*7,625*
User acquisition costs	*68,823*	*13,742*
Rev share costs	*9,105*	*8,130*
Taxes and levies	141	354
Salaries	8,723	9,108
Social security and other benefits	1,131	619
Other costs by type	210	478
Total costs by type	**134,576**	**74,106**
Development costs	(9,976)	(19,422)
General administrative costs	(9,293)	(9,576)
Costs of sales	**115,307**	**45,108**

12 Other operating revenue and costs

	12 months ended 31 December	
	2020	**2019**
Other operating revenue		
Foreign exchange gains	160	54
Other	189	100
	349	**154**
Other operating costs		
Revaluation allowances on receivables	(6,268)	(6,078)
- including allowances for development costs	*(6,268)*	*(6,031)*
Other	(52)	(98)
	(6,320)	**(6,176)**

In the current reporting period, the Group conducted asset impairment tests. As a result of the tests, it applied revaluation allowances to development costs of PLN 6,268,000; the assumptions adopted for the tests and the detailed description are included in Note 7.

13 Financial revenue and costs

	12 months ended 31 December	
	2020	**2019**
Financial revenue		
Interest and commissions	110	99
Other	8,514	(7)
- including sale of shares in affiliates	*2,147*	-
- including fair value measurement of shares	*6,420*	-
	8,624	**92**
Financial costs		
Interest and commission	(36)	(236)
Other	(26)	-
	(62)	**(236)**

14 Income tax

Current tax

	12 months ended 31 December	
	2020	**2019**
Current tax on income in the financial year	(2,203)	(180)
Adjustments related to previous years	88	(88)
Total current tax	**(2,115)**	**(268)**
Occurance and reversal of temporary differences (deferred tax)	(1,527)	1,476
Tax effect recognised in equity	-	96
Recognition in statement of comprehensive income	**(3,642)**	**1,304**

The Group's income tax on gross profit before tax differs as follows from the theoretical amount that would have been obtained based on the weighted average tax rate applicable to the profits of the consolidated companies:

	12 months ended 31 December	
	2020	**2019**
Gross profit	**18,227**	**(11,182)**
Theoretical tax calculated according to domestic rates that apply to income in Poland (19%)	(3,463)	2,125
Difference on tax according to another rate	32	(10)
Tax effect of participation in joint ventures	-	13
Non-tax-deductible costs	(337)	(640)
including: costs of incentive schemes	*(275)*	(243)
Tax effect recognised in equity	-	(96)
Revenues not included in the tax base	38	-
CIT adjustments related to previous years	88	(88)
Charge on the financial result on account of income tax	**(3,642)**	**1,304**
effective tax rate	-20.0%	11.7%

Deferred tax

The deferred income tax assets and liabilities are offset in the Group’s statement of financial position. There are no items for which a deferred income tax asset and liability were not created.

	31 December 2020	**31 December 2019**
Deferred income tax asset		
- to be realised within a year	1,172	1,471
	1,172	**1,471**
Deferred income tax liability		
- to be realised within a year	3,508	2,387
	3,508	**2,387**
Deferred income tax liability (net value)	**(2,336)**	**(916)**

Change in the balance of deferred income tax:

	12 months ended 31 December	
	2020	**2019**
Opening balance	(916)	(2,407)
Charge to profit/loss	(1,527)	1,476
Acquisition of shares	-	-
Tax adjustment	77	-
Exchange differences on translation of foreign companies	30	15
Closing balance	**(2,336)**	**(916)**

Deferred income tax assets and liabilities are offset at the level of financial statements of particular Group entities for the purpose of being included in the consolidated statement of financial position of the Group.

	12 months ended 31 December	
	2020	**2019**
Consolidated statement of comprehensive income		
Tax losses	(1,225)	3,195
Difference in recognition of revenue on licences granted	-	-
Remuneration to be paid in subsequent periods	24	11
Difference between the book value and the taxable value of development costs	(312)	(28)
Exchange differences	2	(29)
Insurance	-	-
Fair value measurement of development costs	-	-
Other	(64)	172
Deferred income tax asset	**(1,575)**	**3,321**
Difference between the book value and the taxable value of property, plant and equipment and other intangible assets	(15)	25
Difference between the book value and the taxable value of programme assets	-	-
Difference between the book value and the taxable value of development costs	(1,329)	1,747
Rev share	-	-
Exchange differences	110	(79)
Difference in recognition of revenue on licences granted	-	-
Fair value measurement of development costs	1,220	-
Other	(34)	152
Deferred income tax liability	**(48)**	**1,845**

	31 December 2020	**31 December 2019**
Consolidated statement of financial position		
Tax losses	2,453	3,571
Difference in recognition of revenue on licences granted	-	-
Remuneration to be paid in subsequent periods	102	45
Difference between the book value and the taxable value of development costs	(67)	377
Exchange differences	69	72
Other	361	556
Offset	(1,746)	(3,150)
Deferred income tax asset	**1,172**	**1,471**

Difference between the book value and the taxable value of property, plant and equipment and other intangible assets	24	25
Difference between tax amortisation and accounting amortisation of development costs	3,494	5,193
Exchange differences	177	65
Difference in recognition of revenue on licences granted	-	-
Fair value measurement of development costs	1,220	-
Other	339	254
Offset	(1,746)	(3,150)
Deferred income tax liability	**3,508**	**2,387**

Deferred income tax asset arising from unsettled tax loss
As at 31 December 2020, the Group recognised a deferred tax asset (arising from unsettled tax losses) of PLN 2,453,000, which were generated mainly by Boombit SA (PLN 1,374,000 and Boombit Games Ltd. PLN 1,047,000) BoomBit S.A. may settle that tax loss in the nearest four consecutive tax years, i.e. 2021–2024, but the income tax reduction in any of those years must not exceed 50% of the loss. There are no such restrictions for Boombit Games Ltd.

In 2020, the Group used PLN 1,225,000 (BoomBit S.A. PLN 1,179,000) of deferred tax assets arising from tax losses brought forward.

The Group precisely assessed the nature and scope of the evidence justifying the conclusion that future taxable income sufficient for deduction of unsettled tax losses is likely be earned. In the assessment of whether future taxable income is likely to be earned (probability above 50%), the Group considered all the evidence – both for and against the probability. In the current financial year, the Group revised the strategic objectives, focusing on hyper-casual games, which were the ones that primarily contributed to major improvement of the Group's performance. As a result, by the end of 2020 the Group used PLN 1.2 million of the deferred tax asset arising from the tax loss for 2019. According to the Board of Directors, very good growth prospects for the market of mobile games and advertisements will continue over the next years, which will allow the Group to generate positive results in the future.

In view of the foregoing, based on the assessed probability, the Group expects to be able to fully settle the tax loss. Tax cost increase by 10% or tax revenue reduction by 10% does not affect the possibility of settling that loss.

15 Earnings per share

The presented earnings per share are calculated as earnings attributable to shareholders of the parent.

	12 months ended 31 December	
	2020	**2019**
Net profit/loss for shareholders of the parent (PLN '000)	12,528	(9,882)
Number of shares* (as single shares)	13,420,000	12,806,703
Earnings per share – basic and diluted (in PLN)	**0.93**	**(0.77)**

* Weighted average number of shares in the reporting period.

16 Dividends

On 27 August 2020, the Annual General Meeting adopted a resolution on covering the net loss for 2019 fully from the Company's spare capital. No dividend was paid in the current reporting period.

According to Article 191(4) of the Polish Companies Code, where the costs of development work classified as assets of a Polish joint stock company are not completely written down yet, it is not possible to distribute the profit amounting to the non-written-down development costs, unless the reserve and spare capitals available for distribution and profit brought forward amount at least to the non-written-down costs.

In the case of the Company, the impaired condition will be met in 2020, which is why the Board of Directors will recommend that the net profit made in 2020 be fully allocated to spare capital.

17 Property, plant and equipment

	Land	Buildings and structures	Machines and equipment	Means of transport	Right of use	Other fixed assets	**Total**
As at 01 January 2020							
Cost	198	1,148	1,055	371	119	12	**2,903**
Depreciation to date	-	(184)	(871)	(258)	-	(9)	**(1,322)**
Net value	**198**	**964**	**184**	**113**	**-**	**3**	**1,581**
Increases	-	-	251	208	-	-	**459**
Sales, liquidation – gross value	-	-	-	-	-	-	**-**
Sales, liquidation – depreciation – gross value	-	-	-	(79)	-	-	**(79)**
Depreciation	-	(63)	(306)	(85)	-	(1)	**(455)**
As at 31 December 2020							
Cost	198	1,148	1,306	579	119	12	**3,362**
Depreciation to date	-	(247)	(1,177)	(422)	-	(10)	**(1,856)**
Impairment losses	-	-	-	-	-	-	**-**
Net value	**198**	**901**	**129**	**157**	**119**	**2**	**1,506**

	Land	Buildings and structures	Machines and equipment	Means of transport	Right of use	Other fixed assets	**Total**
As at 01 January 2019							
Cost	198	1,148	913	371	-	27	**2,657**
Depreciation to date	-	(121)	(777)	(216)	-	(23)	**(1,137)**
Impairment losses	-	-	-	-	-	-	**-**
Net value	**198**	**1,027**	**136**	**155**	**-**	**4**	**1,520**
Increases	-	-	293	-	119	-	**412**
Sales, liquidation – gross value	-	-	(151)	-	-	(15)	**(166)**
Sales, liquidation – total depreciation	-	-	113	-	-	15	**128**
Depreciation	-	(63)	(207)	(42)	-	(1)	**(313)**
Impairment losses	-	-	-	-	-	-	**-**
As at 31 December 2019							
Cost	198	1,148	1,055	371	119	12	**2,903**
Depreciation to date	-	(184)	(871)	(258)	-	(9)	**(1,322)**
Impairment losses	-	-	-	-	-	-	**-**
Net value	**198**	**964**	**184**	**113**	**119**	**3**	**1,581**

	12 months ended 31 December	
	2020	**2019**
Amortisation charged to:		
Cost of goods sold	301	190
General administrative costs	154	123
	455	**313**

The Group did not have any commitments to incur expenses connected with purchase of property, plant and equipment as at 31 December 2020 and 31 December 2019.

Lease

The Group signed car lease contracts for 3 years in December 2019 and in September 2020. The contracts were disclosed as right of use in tangible assets and as other financial liabilities (long- and short-term). The lease payments for the above contracts in 2020 totalled PLN 75,000.

In addition, the Group leases office space. As at 1 January 2019, i.e. at the moment of IFRS 16 implementation, the Group used an exemption and did not recognise the lease in the books. The description regarding the establishment of the lease period is provided in Note 3.3. The lease payments for the 12 months of 2020 totalled PLN 216,000.

Collateral

On 25 October 2019, the Company signed an overdraft facility agreement with a limit of PLN 2,100,000 (with an addendum thereto signed on 30 November 2020 – see Note 25), which resulted in a mortgage lien being established on the Group's property. On 31 December 2020, the carrying value of the property used as the collateral was PLN 1,018,000. PLN.

18 Development costs

	Completed development work – Games	Completed development work – support tools	Patents and licences	Incomplete development work (assets in progress)	**Total**
As at 01 January 2020					
Cost	34,651	12,828	88	11,254	**58,821**
Depreciation to date	(18,549)	(4,246)	(88)	-	**(22,883)**
Impairment losses	(1,535)	(652)	-	(4,166)	**(6,353)**
Net value	**14,567**	**7,930**	**-**	**7,088**	**29,585**
Increases	-	-	-	9,976	**9,976**
Gross sales/liquidation	(676)	-	-	-	**(676)**
Sprzedaż/likwidacja umorzenie	676	-	-	-	**676**
Transfer between categories	10,123	1,525	-	(11,648)	**-**
Exchange differences on translation	5	17	-	11	**33**
Depreciation	(9,700)	(2,464)	-	-	**(12,164)**
Creation of impairment losses	(1,946)	(623)	-	(3,699)	**(6,268)**
As at 31 December 2020					
Cost	44,779	14,370	88	9,593	**68,830**
Depreciation to date	(28,249)	(6,710)	(88)	-	**(35,047)**
Impairment losses	(3,481)	(1,275)	-	(7,865)	**(12,621)**
Net value	**13,049**	**6,385**	**-**	**1,728**	**21,162**

	Completed development work – Games	Completed development work – support tools	Patents and licences	Incomplete development work (assets in progress)	**Total**
As at 01 January 2019					
Cost	16,115	9,546	86	13,633	**39,380**
Depreciation to date	(12,617)	(3,867)	(86)	-	**(16,570)**
Impairment losses	-	-	-	(322)	**(322)**
Net value	**3,498**	**5,679**	**-**	**13,311**	**22,488**
Increases	-	-	2	19,422	**19,424**
Gross sales/liquidation	-	-	-	(205)	**(205)**
Transfer between categories	18,551	3,273	-	(21,824)	**-**
Transfer between categories – total depreciation	(1,773)	1,773	-	-	**-**
Exchange differences on translation	(15)	9	-	228	**222**
Depreciation	(4,159)	(2,152)	(2)	-	**(6,313)**
Creation of impairment losses	(1,535)	(652)	-	(3,844)	**(6,031)**
As at 31 December 2019					
Cost	34,651	12,828	88	11,254	**58,821**
Depreciation to date	(18,549)	(4,246)	(88)	-	**(22,883)**
Impairment losses	(1,535)	(652)	-	(4,166)	**(6,353)**
Net value	**14,567**	**7,930**	**-**	**7,088**	**29,585**

	12 months ended 31 December	
	2020	**2019**
Amortisation charged to:		
Cost of goods sold	12,164	6,313
	12,164	**6,313**

Recognised costs of development work in progress and of completed development work are intangible assets in accordance with IAS 38. Due to their materiality, the Group decided to single them out and present them in the statement of financial position separately from other intangible assets.

In the previous and current financial year, the Group analysed development costs for completed and non-completed development work and conducted relevant impairment tests for those assets, which resulted in recognition of total impairment losses in the current financial year of PLN 6,268,000 (Note 7).

Development costs for the 12 months ended on 31 December 2020 include expenses on outsourced services of PLN 7,818,000 and expenses on salaries and the related contributions of PLN 2,158,000.

In 2020 and 2019, the Group was not engaged in any original searches with the prospect of gaining new scientific or technical knowledge and insights and so, in accordance with IAS 38 sections 54–56, no research costs were recognised.

19 Goodwill and other intangible assets

	Goodwill	Computer software	Other	**Total**
As at 01 January 2020				
Cost	14,440	61	25	**14,526**
Depreciation to date	-	(61)	(25)	**(86)**
Net value	**14,440**	**-**	**-**	**14,440**
Increases	371	-	-	**371**
Exchange differences	392	-	-	**392**
As at 31 December 2020				
Cost	15,203	61	25	**15,289**
Depreciation to date	-	(61)	(25)	**(86)**
Net value	**15,203**	**-**	**-**	**15,203**

	Goodwill	Computer software	Other	**Total**
As at 01 January 2019				
Cost	13,833	61	25	**13,919**
Depreciation to date	-	(61)	(25)	**(86)**
Net value	**13,833**	**-**	**-**	**13,833**
Increases	-	-	-	**-**
Exchange differences	607	-	-	**607**
As at 31 December 2019				
Cost	14,440	61	25	**14,526**
Depreciation to date	-	(61)	(25)	**(86)**
Net value	**14,440**	**-**	**-**	**14,440**

The Group performed a goodwill impairment analysis and test. The test did not reveal a need for a goodwill impairment loss (Note 7).

20 Trade receivables, other receivables and prepayments

	31 December 2020	**31 December 2019**
Short-term trade receivables		
Trade receivables – other entities	14,618	7,041
Trade receivables – affiliates	-	15
impairment loss on trade receivables	-	-
Net trade receivables	**14,618**	**7,056**

	31 December 2020	**31 December 2019**
Other financial receivables		
Loans granted to affiliates, including:	1,126	4,604
- tangible assets	-	*393*
- current assets	*1,126*	*4,211*
Loans granted to other entities	2,126	-
- tangible assets	*2,126*	-
- current assets	-	-
Other net financial receivables	**3,252**	**4,604**

A detailed description of loans granted is available in Note 25.

	31 December 2020	31 December 2019
Other short-term receivables and prepayments		
VAT receivables	5,280	2,166
Receivables on taxes and other payments	82	5
Settlement of share-based payment costs, where:	512	1,070
- tangible assets	-	512
- current assets	*512*	558
Accruals	300	141
Other receivables	21	17
Other net receivables	**6,195**	**3,399**

A detailed description of share-based payments is available in Note 26.

Total short-term and other trade receivables	**24,065**	**15,059**
- financial receivables	17,870	11,660
- non-financial receivables	6,195	3,399

Balance sheet values of trade receivables and other receivables of the Group are denominated in the following currencies:

	31 December 2020	31 December 2019
PLN	9,212	5,341
EUR	3,138	2,612
USD	10,960	5,148
GBP	755	1,958
	24,065	**15,059**

Impairment of receivables

The Group analysed trade receivables for impairment – for more information see Note 7.

According to the Board Directors, expected credit losses are insignificant since the receivables are due from entities with which the Group has been doing business for a long time and their history shows that the receivables are fully recoverable. Presented below is the ageing of past due trade receivables as at 31 December 2020:

	31 December 2020	31 December 2019
Up to 3 months	485	287
3 to 6 months	88	690
After 6 months	1,000	645
	1,573	**1,622**

In the previous reporting period, the Group created and utilised allowances of PLN 47,000.

No allowances for receivables were created in the current reporting period.

The maximum credit risk exposure as at the reporting date equals the carrying value for every category of receivables listed above. Additionally, the Group has a collateral securing a receivable from a foreign business partner, a Finnish game producer ("business partner"). As at 31 December 2020, the receivable from the business partner was EUR 214,000, EUR – past due within the 6-month range (PLN 985,000). The collateral was established based on the contract between

SuperScale Sp. z o.o. ("SuperScale") and the Company on 01 April 2019. The collateral covered 100% of the receivables plus the accrued interest. Under the investment contract dated 17 August 2020 regarding the terms of the investment in SuperScale ("Investment Contract") (see Notes 29), the parties agreed that in the period of 2 years following the signing of this contract the Company will not file any claims against SuperScale in connection with the collateral. Furthermore, the Investment Contract states that if specific conditions are not met after the period of 2 years, SuperScale will have to pay the Company only 50% of the unpaid amounts owed by the business partner. The Group did not use the collateral by 31 December 2020 by the publication date of these consolidated financial statements.

On 14 December 2020, the Company filed a claim for the overdue amounts plus interest to the District Court in Pirkanmaa ("Court"), which ruled in favour of the Company in a default judgment on 08 February 2021 and obligated the business partner to pay the debt. The judgment is not final but the business partner has not questioned the grounds for the payment so far; besides, the non-finality does not preclude debt collection actions against the business partner, which were commenced in April 2021.

Based on an analysis of scenarios regarding the possibilities of recovering the overdue amounts from the business partner partner, the Group has decided that no allowance is necessary for those receivables because of the high likelihood of recovering them from the business partner or, alternatively, from SuperScale.

The Group does not have any collaterals for other receivables.

21 Cash and cash equivalents

	31 December 2020	**31 December 2019**
Cash at bank	20,748	2,965
Term deposits up to 3 months	-	565
	20,748	**3,530**
Balance of cash and cash equivalents disclosed in the statement of financial position	20,748	3,530
Balance of cash and cash equivalents disclosed in the cash flow statement	**20,748**	**3,530**
including restricted cash	-	-

22 Value and quality of financial assets

The credit value of financial assets which are neither overdue nor impaired can be estimated through references to external credit ratings (where available) or to historical information about the business partner's late payments. As at 31 December 2020 and 31 December 2019, the Group has mainly financial assets from regular customers.

The Group has overdue assets – trade receivables; they are receivables from affiliates and non-affiliates. Overdue receivables from non-affiliates are mainly receivables from a business partner secured with a collateral (Note 20). Receivables from affiliates were not found to be impaired as payments were made after the balance sheet date. Other receivables were either paid on time or any overdue amounts were fully recovered.

23 Capital and equity

Share capital and shareholding structure as at 31 December 2019:

	Number of shares	Nominal value
Class A – registered shares with preference as to votes (2 votes per share)	6,000,000	3,000,000
Class B – ordinary bearer shares	6,000,000	3,000,000
Class C – ordinary bearer shares	1,300,000	650,000
Class D – ordinary bearer shares	120,000	60,000
	13,420,000	**6,710,000**

	Number	Nominal value	Percentage of capital	Percentage of votes
Karolina Szablewska-Olejarz	1,862,500	931,250	13.88%	14.74%
Marcin Olejarz	1,862,500	931,250	13.88%	14.74%
ATM Grupa S.A.	4,000,000	2,000,000	29.81%	30.90%
We Are One Ltd.*	3,725,000	1,862,500	27.76%	29.48%
Other shareholders	1,970,000	985,000	14.68%	10.14%
	13,420,000	**6,710,000**	**100.00%**	**100.00%**

*100% of shares in We Are One Ltd. are held by Anibal Jose Da Cunha Saraiva Soares

The Company's share capital as 31 December 2020 and as at the publication date of these financial statements:

	Number of shares	Nominal value
Class A – registered shares with preference as to votes (2 votes per share)	6,000,000	3,000,000
Class B – ordinary bearer shares	6,000,000	3,000,000
Class C – ordinary bearer shares	1,300,000	650,000
Class D – ordinary bearer shares	120,000	60,000
	13,420,000	**6,710,000**

	Number	Nominal value of shares	Percentage of capital	Percentage of votes
Karolina Szablewska-Olejarz	1,837,208	918,604	13.69%	14.61%
Marcin Olejarz	1,862,500	931,250	13.88%	14.74%
ATM Grupa S.A.	4,000,000	2,000,000	29.81%	30.90%
We Are One Ltd.*	3,725,000	1,862,500	27.76%	29.48%
Other shareholders	1,995,292	997,646	14.87%	10.27%
	13,420,000	**6,710,000**	**100.00%**	**100.00%**

*100% of shares in We Are One Ltd. are held by Anibal Jose Da Cunha Saraiva Soares

24 Trade liabilities and other liabilities

	31 December 2020	31 December 2019
Short-term trade liabilities		
Trade liabilities – other entities	15,650	9,442
Trade liabilities – affiliates	-	-
	15,650	**9,442**

	31 December 2020	31 December 2019
Other short-term trade liabilities		
VAT liabilities	4	-
Personal income tax liabilities	113	88
Liabilities arising from other tax and other contributions	551	333
Employee benefit liabilities	409	329
Other liabilities*	2,457	2,839
	3,534	**3,589**

*Of which PLN 1,898,000 (USD 500,000) pertains to a publishing agreement that was not fully performed, and since there are no other arrangements with the business partner, this may result in refund of that amount.

	31 December 2020	31 December 2019
Other financial liabilities		
Loan liabilities	30	-
Lease liabilities	249	116
- long-term	*146*	*78*
- short-term	*103*	*38*
	279	**116**

	31 December 2020	31 December 2019
Total liabilities, other financial liabilities and other short-term liabilities, including:	**19,287**	**13,069**
- financial liabilities	15,753	9,480
- non-financial liabilities	3,534	3,589
including provisions	*411*	*278*

Carrying values of trade liabilities, other financial liabilities and other liabilities of the Group are denominated in the following currencies:

	31 December 2020	31 December 2019
PLN	3,516	3,159
EUR	381	65
USD	15,234	7,447
GBP	332	2,398
	19,463	**13,069**

The values of the provisions included in short-term liabilities and their amendment in particular periods were as follows:

	Audit	Employee benefits	**Total**
for the period from 01/01/2020 to 31/12/2020			
Opening balance	98	180	278
Increase in provisions recognised as cost in the period	92	167	259
Use of provisions (-)	(126)	-	(126)
Balance of provisions as at 31/12/2020	**64**	**347**	**411**

25 Financial instruments by type

At the end of the previous reporting period, the Group had only financial assets and liabilities measured at amortised cost.

At the end of the current reporting period, the Group had only financial assets and liabilities measured at amortised cost, except for the shares in SuperScale, measured at fair value through profit or loss.

The balance sheet value of financial instruments measured at amortised cost does not materially differ from their fair value.

	31 December 2020	**31 December 2019**
Assets measured at amortised cost		
Trade receivables	14,618	7,056
Other financial assets	3,252	4,604
Cash and cash equivalents	20,748	3,530
	38,618	**15,190**
Financial assets measured at fair value through profit or loss		
Interests and shares in other entities	6,483	-
	6,483	**-**
Financial assets	**45,101**	**15,190**

The Group discloses the following as other financial assets (the amounts below are principal amounts, without interest):

- the loans granted by the parent to the co-controlled company Moondrip sp. z o.o. PLN 1,077,000 was used by the end date of the current reporting period. The loan interest rate is WIBOR 3M plus margin. The agreed loan repayment date was set as 30 September 2021.
- the loans granted by the parent to SuperScale sp. of USD 263,000 (interest rate LIBOR 3M plus margin) and EUR 470,000 (interest rate EURIBOR 3M plus margin). A loan repayment agreement was signed on 17 August 2020 setting the repayment schedule (see Note 29). The loan granted in USD was converted to EUR. As a result of the agreement, the total value of the loans granted to SuperScale by the Company was EUR 693,000. EUR 250,000 was oaid by the end of the current year, which is why the value of the loans granted as at the balance sheet date was EUR 452,000.

Shares in SuperScale were classified into Level 2 according to the following hierarchy:

- Level 1 – fair value based on listed prices (unadjusted) offered for identical assets or liabilities in active markets to which the Group has access on the measurement date,
- Level 2 – fair value based on input data other than Level 1 listed prices which are observable for the asset or liability, whether directly or indirectly,
- Level 3 – fair value based on non-observable input data regarding a particular asset or liability.

The fair value of shares in SuperScale was established based on the subscription price of new shares (as defined in the Investment Contract, see Note 29) and on the target number of shares issued by SuperScale.

	31 December 2020	31 December 2019
Liabilities measured at amortised cost		
Trade liabilities	15,650	9,442
Other financial liabilities	279	116
	15,929	**9,558**

As other financial liabilities as at 31 December 2019 and 31 December 2020, the Group discloses:

- lease liabilities (PLN 146,000 as a long-term liability on the balance sheet date and PLN 78,000 as as long-term liability on the end of the benchmarking period). The liabilities apply to two car lease contracts for 3 years (signed in 2019 and 2020). The contracts were disclosed as other financial liability and a right of use (in tangible assets).
- liability involving the loan received by TapNice Sp. z o.o. The loan was granted by a minority shareholder. The loan liability was PLN 30,000 (interest excluded) as at the balance sheet date and it was presented as a long-term financial liability. The loan interest rate is WIBOR 3M plus margin. The agreed loan repayment date was set as 03 January 2022.

The maturity of liabilities is analysed in the table below:

	31 December 2020	31 December 2019
Other financial liabilities		
Trade liabilities		
- maturing within 3 months of the balance sheet date	15,650	9,442
- maturing within 3 months to 1 year of the balance sheet date	-	-
- maturing later than 1 year after the balance sheet date	-	-
Lease liabilities:		
- maturing within 3 months of the balance sheet date	28	10
- maturing within 3 months to 1 year of the balance sheet date	75	28
- maturing later than 1 year after the balance sheet date	146	78
Loan repayment liability		
- maturing within 3 months of the balance sheet date	-	-
- maturing within 3 months to 1 year of the balance sheet date	-	-
- maturing later than 1 year after the balance sheet date	30	-
	15,929	**9,558**
Of which:		
- maturing within 3 months of the balance sheet date	15,678	9,452
- maturing within 3 months to 1 year of the balance sheet date	75	28
- maturing later than 1 year after the balance sheet date	176	78

On 25 October 2019, the Company signed an overdraft facility agreement with a limit of PLN 2,100,000. On 30 November 2020 the Company signed an addendum to the above agreement whereunder the overdraft facility repayment deadline was 30 November 2021. The overdraft facility interest rate is WIBOR 1M plus margin. The overdraft facility was not utilised by the reporting period end date. The facility security is described in Note 17.

26 Share-based payments

In November 2018, the Company issued subscription warrants giving the holder the right to acquire 120,000 newly issued shares for their par value of PLN 60,000. The warrants were granted to Mr. Ivan Trancik, the then owner of 50% of shares in SuperScale Sp. z o.o. In accordance with the contractual arrangements between the shareholders of SuperScale

Sp. z o.o., Mr Ivan Trancik undertook to work with the Company in the area of Business Intelligence, monetisation optimisation and User Acquisition during the term of the agreement, which was estimated as at least 3 years. The warrant was exercised in May 2019, the shares were issued in November 2019, which increased the Company's share capital by PLN 60,000.

The warrant pricing was based on the Black-Scholes model, with the following assumptions:

- weighted mean price of shares at the moment of quotation (30 November 2018) – PLN 14.45,
- warrant exercise price – PLN 0.50
- expected variability – 46.72%
- lifecycle – by 31 December 2019
- dividend rate – 0%
- risk-free interest rate – 1.52%

The price of the warrants was set at PLN 1,674,000 and disclosed in the statement of financial position as other capitals and as accruals. The amount will be charged to costs of wages and salaries for 3 years, starting from December 2018. PLN 558,000 was disclosed in costs of wages and salaries in 2020, while PLN 512,000 was presented as accruals at the end of the reporting period

On 21 February, the Company's General Meeting adopted a resolution on the issue of 120,000 registered subscription warrants and their release to Ms. Kathee Chimowitz ("Beneficiary") provided that she remained on the Board of Directors of the Group's entities or provided services to any Group company at the moment of being offered the warrants. The warrants will be offered in two tranches:

- 80,000 – 14 days after the approval date of the Company's financial statements for the financial year 2020,
- 40,000 – 14 days after the approval date of the Company's financial statements for the financial year 2021.

The warrant pricing was based on the Black-Scholes model, with the following assumptions:

- weighted mean price of shares at the moment of quotation (21 February 2019) – PLN 19.00,
- warrant exercise price – PLN 0.50
- expected variability – 46.72%
- validity – by June 2021 and June 2022 respectively,
- dividend rate – 0%
- risk-free interest rate – 1.52%

The value of the warrants is PLN 2,224,000, with PLN 1,483,000 for the first tranche and PLN 741,000 for the second tranche. The amount is systematically recognised in the statement of financial position as other capitals and as costs of wages and salaries for the period remaining until the exercise of the respective tranches. As at the end of the reporting period, PLN 858,000 was disclosed on that account as other capitals.

27 Note to consolidated cash flow statement

	12 months ended 31 December	
	2020	**2019**
Receivables		
Change of balance arising from the consolidated statement of financial position	**(10,358)**	**(3,664)**
- sale of development costs	30	205
- change in accruals for costs of capital increase	-	113
- change in cost settlements for share-based payments	(558)	(588)
Change in receivables arising from the consolidated cash flow statement	**(10,886)**	**(3,934)**
Liabilities		
Change of balance arising from the consolidated statement of financial position	**6,316**	**1,697**
- liabilities acquired through acquisitions	-	-
- change in dividend liabilities	-	1,680
- change in factoring liabilities	-	1,549
- liabilities acquired through acquisitions	(54)	-
- change in lease liabilities	(133)	(116)
- change in the balance of liability for loans received	(30)	-
Change in liabilities arising from the consolidated cash flow statement	**6,099**	**4,810**

28 Contingent liabilities and assets

No material contingent liabilities occurred either on the reporting period end date or on the benchmarking period end date.

The Group had a contingent asset on the balance sheet date. The asset was a collateral for trade receivables from a foreign business partner ("business partner") – see the description in Note 20.

29 Changes in the Group structure

Conclusion of an investment contract regarding the terms and conditions of investing in SuperScale Sp. z o.o.

On 17 August 2020, the Company entered into an investment contract ("Investment Contract", "Transaction") with Level-Up First S.àr.l. ("Level-Up"), a fund specialised in gaming, Mr. Ivan Trancik (current shareholder) and other investors as regards investing in a company co-controlled by the Company – SuperScale Sp. z o.o. ("SuperScale"). The Investment Contract included for example in the terms of SuperScale's share capital increase, sale of a part of shares held by the Company and repayment of loans by SuperScale to the Company.

The purpose of the Transaction was to gain a new majority owner from the industry for international networking and financing of further development of SuperScale, especially in American market. Reduction of the Company's interest in SuperScale was an important element of the transaction because the Company's status as the leading shareholder of SuperScale was identified as a barrier to SuperScale finding clients among producers and publishers of mobile games who are competitors of the Company in global markets.

On the date of the Investment Contract, the following happened in the performance thereof:

1. a shareholder agreement was signed,
2. the shareholders adopted a resolution on increasing SuperScale's share capital through issue of 712 preference shares (with preference regarding participation in the division of the company's assets in the event of its liquidation) of a nominal value PLN 50 each,

3. contracts for sale of shares were concluded whereunder the Company sold a total of 150 shares in SuperScale to the investors for EUR 3,150.07 each (the price to be paid and the ownership of the shares to pass to the buyers once the capital increase is registered),
4. an agreement was signed as regards changing the terms of the loan agreements between the Company and SuperScale ("Agreement"), whereunder EUR 200,000 of the loans shall be repaid after the aforementioned share capital increase is registered and then further repayments will take place in monthly instalments of EUR 10,000, provided that services continue to be provided to SuperScale, at the level as defined in the Agreement. If the above condition is not met, the instalment-based repayment of the loans will be suspended and the outstanding amount will be repaid in its entirety not later than 5 years following the date of the Investment Contract. Furthermore, if:
   - 100% are purchased by a person other than a party to the Investment Contract or
   - SuperScale's share capital is increased at least by the minimum amount laid down in the Agreement,

   SuperScale fully repays the loans.

In the performance of the Investment Contract, not later than 4 months following the date of the Investment Contract, the parties undertook to adopt an employee option scheme whereunder the share capital will be increased to create up to 150 shares to be awarded to SuperScale employees and associates.
Additionally, under the Investment Contract, Level-Up acquired the right to purchase 112 shares in SuperScale from the Company within 6 years of the date of the Investment Contract. The rules of setting share prices and the earliest possible time of their purchase are defined in detail in the Investment Contract.
SuperScale's share capital increase was recorded in the National Court Register on 06 November 2020. By the date of this report, the Company received EUR 472,000 from the new shareholders of SuperScale for sale of 150 SuperScale shares by the company. This way all the changes in SuperScale's shareholding structure resulting from the Transaction became effective and consequently the Company became a minority shareholder of SuperScale, with 350 shares representing 20.4% of SuperScale's share capital.
In connection with changes in the SuperScale shareholding structure, the Company is no longer an entity co-controlling SuperScale, nor will it have significant influence within the meaning of IAS 28. As a result, starting from November 2002, the Group stopped measuring its shares in SuperScale according to the equity method. In accordance with IFRS 9, the shares were classified as financial assets measured at fair value through profit or loss.
As a result of Transaction settlement, the Group recognised a total of PLN 8.5 million in the profit and loss account, which consists of two elements:

- Profit on the sale of shares – PLN 2.1 million
- The difference between the measurement of the shares in SuperScale according to the equity method (the value was zero) and according to the fair value – PLN 6.4 million.

The fair value of the shares in SuperScale will be set based on the subscription price defined in the Investment Contract and based on the target number of shares to be issued by SuperScale.

Taking control of Mindsense Games Sp. z o.o.

On 20 December 2019, the Company's Supervisory Board adopted a resolution authorising the acquisition of shares in Mindsense Games Sp. z o.o. ("Mindsense"). Before that, the Company had 5o shares of a nominal value PLN 50.00 each and of a total nominal value PLN 2,500, PLN. The shares represented 50% of Mindsense's share capital.

On 20 January 2020, the Company signed a contract for the purchase of 50 shares in the share capital of Mindsense Games Sp. z o.o. The nominal value of every share was PLN 50.00. The total value of the acquired shares was PLN 2,500. PLN. The acquisition price equalled the nominal value, i.e. PLN 2,500. PLN. In connection with the transaction, the Company has shares representing 100% of the share capital of Mindsense and 100% of the votes at the Mindsense General Meeting. 20 January 2020 was also defined as the date of taking control of the company, as required under IFRS 3 sections 8-9.

As a result of the acquisition transaction, the company's status changed from affiliate (the Group used to hold 50% of the shares in the share capital) to subsidiary. By the end of 2019, Mindsense was measured in the consolidated statements according to the equity method. Starting from January 2020, it is recognised in the consolidated financial statements according to the full consolidation method. In accordance with the MSSF 3, Mindsense was acquired in stages and so the guidelines from IFRS 3 section 42 were applied.

Fair value of the acquired assets and liabilities as at the acquisition date

In order to settle the acquisition of Mindsense, the available and the most reliable financial data of the company were used, i.e. data as at 01 January 2020. The following data are related to settlement of the final acquisition.

Fair value of the acquired assets and liabilities	**(PLN '000)**
Trade liabilities	40
Other liabilities	14
Financial liabilities	401
Short-term liabilities	**455**
Total liabilities	**455**
Deferred income tax asset	30
Tangible assets	**30**
Trade receivables	17
Other receivables and prepayments	13
Cash and cash equivalents	29
Current assets	**59**
Total assets	**89**
Identifiable net assets	**(366)**

As at the acquisition date, the value of the acquired receivables and liabilities did not substantially differ from their nominal value, which is why their nominal values were adopted.

Acquisition price

The acquisition price was established based on the nominal value of the acquired shares in Mindsense's share capital, i.e. PLN 2,500 (50 shares of PLN 50 each).

Goodwill resulting from the acquisition

Acquisition transaction settlement	
Interest held	3
Acquisition price	3
Identifiable net assets	(366)
Goodwill	**371**

A goodwill of PLN 371,000 was recognised in the consolidated statement of financial position as at the date of taking control.

Starting from 2019, the Group adopted a uniform model of activity where the software development works related to game creation and development are carried out internally by the Company and the Company is also where the main game publishing costs (especially marketing campaign costs) are incurred. Subsidiaries, including Mindsense, now function only as publishers of games on mobile platforms. The Company decides which Group entity will publish which titles. Inter-company settlements involve rev share settlements based on game publishing licence agreements. In view of the foregoing, in the opinion of the Board of Directors, the Group is one cash-generating unit to which goodwill is assigned from the perspective of the consolidated financial statements.

Impact of the acquisition on the Group's results

The transaction was recognised as if the merger took place at the beginning of the reporting period, i.e. on 01 January 2020, which is why all the results of Mindsense were included in the Group's results.

Impact of cash from acquisition (in PLN '000)

Expenses connected with acquisition of shares	>1
Cash acquired	29
Net flows related to the acquisition	**29**

The acquisition of shares was financed from the Company's cash. The shares were paid for in February 2020. The acquisition-related costs of the Group were less than PLN 1,000 and they were connected only with notary fees and were disclosed in the statement of comprehensive income as general administrative costs.

No contingent assets or liabilities were identified in Mindsense as at the date of taking control.

Sales of shares in a subsidiary

On 01 July 2020, the Company entered into an investment contract with a natural person ("Shareholder"). The agreement was related to sale of 30 shares in BoomBooks sp. z o.o. to the Shareholder, which was 30% of the Company's share capital, of a nominal value 50 each and of a total nominal value PLN 1,500, for PLN 1,500. PLN. The name of the company was changed to TapNice sp. z o.o.

Liquidation of subsidiaries

Woodge Sp. z o.o. w likwidacji and Best Top Fun Games Sp. z o.o. w likwidacji were liquidated on 04 September 2020.

30 Project grant under Operational Programme Smart Growth 2014–2020 ("GameInn Programme")

On 15 September 2020, the Company entered into a grant agreement with the National Center for Research and Development (NCBiR) for the Company's project entitled: "Development of a system based on an artificial intelligence algorithm to modifies game parameters during the gameplay in order to maximise the revenue of game creators who use Unity and to increase their savings in the process of adapting games to the needs of gamers" (Agreement").

The project will be implemented from Q3 2020 to Q2 2023, and its total assumed cost is PLN 7.2 million. According to the Agreement, the maximum grant amount is PLN 3.8 million.

By the end of the current financial year, the Company received a grant of PLN 307,000, of which:

- PLN 261,000 was disclosed as reduction of the value of the development cost asset,
- PLN 15,000 was disclosed in the statement of comprehensive income in other operating revenue,
- PLN 31,000 was disclosed in the statement of financial position in Other liabilities – Deferred income.

The Company believes that it meets all the requirements connected with the grant.

31 Transactions with affiliates

Goods and services are acquired from affiliates on arms' length terms. Receivables from affiliates arise mainly as a result of sales transactions and are due within 30 days following the date of sale. Those receivables are not secured and do not bear interest. There are no revaluation charges for receivables from affiliates. Liabilities towards affiliates are mainly from purchasing transactions and the payment date is 30 days following the purchase date. The liabilities do not bear interest.

As at and for the year ended 31 December 2020, settlements and transactions with affiliates were as follows:

	Trade and other receivables	Granted loans	Received loans	Revenue	Purchase	Trade and other liabilities
Joint ventures						
MoonDrip Sp. z o.o.	30	1,125	-	73	-	-
SuperScale Sp. z o.o.*	-	-	-	4	-	-
Key management of the Group's companies						
Karolina Szablewska Olejarz	2	-	-	2	-	-
Marcin Olejarz	4	-	-	5	-	316
Marek Pertkiewicz	-	-	-	5	-	-
Grzegorz Regliński	-	-	30	-	-	-
Hybrid Touch Games Mark Hocking	-	-	-	-	-	-
Other affiliates						
1. SIMBITE 2. SOLANIKA GRZEGORZ REGLIŃSKI	-	-	-	-	24	5
We Are One Ltd.	-	-	-	-	-	-
ATM Spółka S.A.	-	-	-	-	-	-
	36	**1,125**	**30**	**89**	**24**	**321**

* The amounts disclosed in revenue and purchasing pertain to the period from Janbuary to October 2020, i.e. until SuperScale ceased to be an affiliate.

As at and for the year ended 31 December 2019, settlements and transactions with affiliates were as follows:

	Trade and other receivables	Trade and other liabilities	Granted loans	Revenue	Purchase
Joint ventures					
Mindsense Games Sp. z o.o.	4	-	401	53	-
MoonDrip Sp. z o.o.	27	-	1,097	687	-
SuperScale Sp. z o.o.	347	-	2,618	312	2,633
Key management of the Group's companies					
Anibal Soares	-	-	488	7	7
	378	**-**	**4,604**	**1,059**	**2,640**

Salaries of governing bodies and key management

	12 months ended 31 December	
	2020	**2019**
Salaries		
Board of Directors	1,256	525
Board of Directors of the parent company	_1242_	_525_
Board of Directors of other entities	_14_	_-_
Supervisory Board	312	312
Key management*	990	1,942
	2,558	**2,779**

*Salaries of key management for 12 months of 2019 also include warrant costs of PLN 715,000 (Note 25).

Starting from November 2020, the parent company has Employee Capital Plans (PPK); the costs incurred for that scheme for the governing bodies and the management of BoomBit S.A. are insignificant.

According to the Remuneration Policy for the Board of Directors and the Supervisory Board of BoomBit S.A., the total amount of bonuses intended for the whole Board of Directors for the financial year represents 10% of the amount allocated in a resolution of the Annual General Meeting for dividend for that financial year, up to 500% of the fixed salary. No dividend payment is planned for 2020.

32 Disclosures on the fee of the certified auditor or the auditing firm

The table below presents the fee of the auditing firm paid or payable for the year ended 31 December 2019 and for the benchmarking period:

	31 December 2020	**31 December 2019**
Mandatory audit of annual standalone and consolidated financial statements	61	175
Review of annual standalone and consolidated financial statements	28	95
Other certification services	3	-
Total	**92**	**270**

33 Subsequent events

- In connection with compliance with the requirements of the investment contract signed on 01 July 2020 regarding the sale of shares in TapNice sp. z o.o. (former BoomBooks sp. z o.o.), BoomBit sold 10 shares, representing 10% of the share capital of that company, to the co-shareholder for a price equal to their nominal value, i.e. PLN 500. The interest of BoomBit in TapNice sp. z o.o. as at the date of these financial statements is 60%.
- ADC Games Sp. z o.o. with a share capital of PLN 5,000 was founded on 23 February 2021, with the Company as its 100% shareholder. 07 April 2021 was the date of signing an investment contract with a UK development studio App Design Dot Company Ltd. ("ADC") and a contract involving sale of 50% of the shares of ADC Games Sp. z o.o. to ADC for a price equal to their nominal value, i.e. PLN 2,500. ADC Games Sp. z o.o. will produce and publish hyper-casual games.

These consolidated financial statements were prepared and signed by the Company's Board of Directors on 22 April 2021.

Marcin Olejarz CEO	Anibal Jose Da Cunha Saraiva Soares Vice-President of the Board of Directors
Marek Pertkiewicz Director	