BOOMBIT

BOOMBIT S.A. GROUP
CONSOLIDATED FINANCIAL STATEMENTS
for 2021
GDAŃSK, 25 APRIL 2022

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(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2021 (audited)	12 months ended 31 December 2020 (audited)
Revenue on sales of services	11	238,995	140,236
Cost of sale	12	(208,959)	(115,307)
Gross profit on sales		**30,036**	**24,929**
General administrative costs	12	(11,147)	(9,293)
Other operating revenue	13	3,662	349
Other operating costs	13	(196)	(6,320)
Operating profit/loss		**22,355**	**9,665**
Financial revenue	14	185	8,624
Financial costs	14	(635)	(62)
Profit/loss before tax		**21,905**	**18,227**
Income tax	15	(4,141)	(3,642)
Profit (loss) on continued operations		**17,764**	**14,585**
Profit (loss) on discontinued operations			
Net profit/loss		**17,764**	**14,585**
Other comprehensive income			
Items that may be reclassified to profit/loss in the future:		1,457	318
Exchange differences		1,457	318
Other comprehensive income		**1,457**	**318**
Total comprehensive income		**19,221**	**14,903**
- attributable to shareholders of the parent		14,771	12,846
- attributable to minority interest		4,450	2,057
Net profit/loss			
- attributable to shareholders of the parent		13,314	12,528
- attributable to minority interest		4,450	2,057

Profit/loss per share attributable to shareholders of the parent during the period (expressed as PLN per share)

Earnings per Share

	Note	2021	2020
Basic	16	**0.99**	**0.93**
on continued operations		0.99	0.93
on discontinued operations		0	0
Diluted	16	**0.99**	**0.93**
on continued operations		0.99	0.93
on discontinued operations		0	0

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Consolidated statement of financial position

	Note	31 December 2021 (audited)	31 December 2020 (audited)
Tangible assets			
Property, plant and equipment	18	1,338	1,506
Development costs	19	18,934	21,162
Goodwill	20	16,230	15,203
Shares	26	6,483	6,483
Other financial assets	26	3,303	2,126
Deferred income tax asset	15	1,489	1,172
		47,777	47,652
Current assets			
Trade and other receivables	21	38,548	20,813
Income tax receivables		10	3
Other financial assets	26	0	1,126
Cash and cash equivalents	22	33,295	20,748
Current assets other than tangible assets held for sale		**71,853**	**42,690**
Assets held for sale		0	0
Current assets		**71,853**	**42,690**
Total assets		**119,630**	**90,342**
Equity			
Equity attributable to shareholders of the parent			
Share capital	24	6,710	6,710
Capital from share premium		32,063	32,063
Exchange differences on translation of foreign operations		2,890	1,433
Equity from share-based payments	27	3,788	3,247
Retained earnings		30,414	21,311
		75,865	64,764
Equity attributable to minority interest		3,206	2,058
Total equity		**79,071**	**66,822**
Liabilities			
Long-term liabilities			
Deferred income tax liabilities	15	2,933	3,508
Other financial liabilities	26	46	176
		2,979	3,684
Short-term liabilities			
Other financial liabilities	25.26	576	103
Trade and other liabilities	25	34,376	19,184
Income tax liabilities		2,628	549
Short-term liabilities not held for sale		37,580	19,836
Short-term liabilities held for sale		0	0
Short-term liabilities		37,580	19,836
Total liabilities		**40,559**	**23,520**
Total equity and liabilities		**119,630**	**90,342**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Consolidated statement of changes in equity

	Note	Share capital	Capital from share premium	Exchange differences on translation	Equity from share-based payments	Retained earnings	Equity attributable to shareholders of the Parent	Equity attributable to minority interest	Total equity
As at 1 January 2021 (audited)		**6,710**	**32,063**	**1,433**	**3,247**	**21,311**	**64,764**	**2,058**	**66,822**
Net profit (loss)		**0**	**0**	**0**	**0**	**13,314**	**13,314**	**4,450**	**17,764**
Other comprehensive income		**0**	**0**	**1,457**	**0**	**0**	**1,457**	**0**	**1,457**
Comprehensive income		**0**	**0**	**1,457**	**0**	**13,314**	**14,771**	**4,450**	**19,221**
Capital increase		0	0	0	0	0	**0**	38	**38**
Increase (reduction) arising from acquisition of a subsidiary		0	0	0	0	-23	**-23**	20	**-3**
Disbursements to owners	17	0	0	0	0	-3,221	**-3,221**	-4,327	**-7,548**
Increase (reduction) arising from sale of a subsidiary		0	0	0	0	-967	**-967**	967	**0**
Share-based payments	27	0	0	0	541	0	**541**	0	**541**
Changes in equity		**0**	**0**	**1,457**	**541**	**9,103**	**11,101**	**1,148**	**12,249**
As at 31 December 2021 (audited)		**6,710**	**32,063**	**2,890**	**3,788**	**30,414**	**75,865**	**3,206**	**79,071**

As at 1 January 2020 (audited)		**6,710**	**32,063**	**1,115**	**2,389**	**8,761**	**51,038**	**-17**	**51,021**
Net profit (loss)		**0**	**0**	**0**	**0**	**12,528**	**12,528**	**2,057**	**14,585**
Other comprehensive income		**0**	**0**	**318**	**0**	**0**	**318**	**0**	**318**
Comprehensive income		**0**	**0**	**318**	**0**	**12,528**	**12,846**	**2,057**	**14,903**
Increase (reduction) arising from sale of a subsidiary		**0**	**0**	0	0	22	**22**	18	**40**
Share-based payments	27	0	0	0	858	0	**858**	0	**858**
Changes in equity		**0**	**0**	**318**	**858**	**12,550**	**13,726**	**2,075**	**15,801**
As at 31 December 2020 (audited)		**6,710**	**32,063**	**1,433**	**3,247**	**21,311**	**64,764**	**2,058**	**66,822**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Consolidated cash flow statement

	Note	12 months ended 31 December 2021 (audited)	12 months ended 31 December 2020 (audited)
Profit/loss before tax		**21,905**	**18,227**
Adjustments:		**11,209**	**6,218**
Depreciation and amortisation	18.19	12,661	12,619
Development cost revaluation allowance		0	3,662
Foreign exchange profit (loss)		-23	-255
Interest revenue		0	-22
Interest cost		96	68
Profit (loss) on investment activities		11	0
Change in the balance of receivables	21.26	-18,243	-10,886
Change in liabilities	25.26	15,664	6,099
Settlement of share-based payment costs	27	1,053	1,416
Profit (loss) from fair value measurement		0	-6,483
Other adjustments		-10	0
Cash flows from activity		**33,114**	**24,445**
Income tax (paid) / refunded	15	-2,961	-787
Net cash flows from operating activity		**30,153**	**23,658**
Investment activity			
Sale of property, plant and equipment and intangible assets		5	149
Proceeds from repayment of loans granted		0	1,616
Interest received		0	22
Sale of investments measured according to equity method		0	2,146
Sale of other shares		0	26
Acquisition of subsidiaries		-10	0
Acquisition of property, plant and equipment and intangible assets		-358	-218
Development costs	10	-9,513	-9,976
Loans granted		0	-424
Net cash flows from investment activity		**-9,876**	**-6,659**
Financial activity			
Capital increase		38	0
Proceeds from loans and borrowings		30	30
Dividends		-7,554	0
Repayment of loans and borrowings		-60	0
Repayment of lease liabilities		-103	-75
Interest		-9	-6
Net cash flows from financial activity		**-7,658**	**-51**
Cash flows before exchange differences		**12,619**	**16,948**
Net foreign exchange differences on cash and cash equivalents		-72	270
Total net cash flows		**12,547**	**17,218**
Cash opening balance		20,748	3,530
Cash closing balance, including:		**33,295**	**20,748**
- of limited disposability		0	0

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

1 General

Address of the company's registered office – Poland, 80-283 Gdańsk, ul. Zacna 2

Country of registration - Poland

Description of the nature and the core activity – Development and publishing of computer games

Registered address – Poland, 80-283 Gdańsk, ul. Zacna 2

Explanation of changes in the name of the reporting company – 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.

Legal form of the entity – Polish joint stock company entered in the National Court Register (KRS): Gdańsk-Północ District Court in Gdańsk, 7th Commercial Division of the National Court Register; KRS number 0000740933, registered on 23 July 2018

Name of the parent – BoomBit S.A.

Name of the reporting company – BoomBit S.A.

Name of the ultimate parent of the group – BoomBit S.A.

Primary place of business – Poland, 80-283 Gdańsk ul. Zacna 2

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 2021 and they contain comparative data for the 12 months ended 31 December 2021 and data as at 31 December 2020.

Business name:	BoomBit
Legal form:	Joint stock company under Polish law
Registered office:	Gdansk, ul. Zacna 2
Country of registration:	Poland
Core activity:	Development and 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.

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.

As at the balance sheet date and as at the date of these statements, the Board of Directors consisted of:

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

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

The composition of the Board of Directors did not change during the consolidated statements reporting period and by the date of these consolidated financial statements.

On the balance sheet date 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.

The composition of the Supervisory Board of Directors did not change during the reporting period and by the date of these financial statements.

2 Group structure

The consolidated financial statements for the 12 months ended 31 December 2021 covered data of the entities listed in the table below:

Name of the Company	Registered office	Objects of business	Capital tie description/consolidation method	% of ownership and voting rights	Control/Co-control start date
BoomBit S.A.	Gdańsk, Poland	development and publishing of computer games	parent	not applicable	not applicable
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
TapNice S.A.**	Gdańsk, Poland	development and publishing of computer games	subsidiary/full	60%	16/10/2018
BoomHits Sp. z o.o.	Gdańsk, Poland	development and 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
ADC Games Sp. z o.o.	Gdańsk, Poland	development and publishing of computer games	subsidiary/full	50%	23/02/2021
Maisly Games Sp. z o.o.	Gdańsk, Poland	development and publishing of computer games	subsidiary/full	100%	28/05/2021
Skyloft Sp. z o.o.	Gdynia, Poland	development and publishing of computer games	subsidiary/full	50% - through BoomHits	24/08/2021
PlayEmber Sp. z o.o.	Gdańsk, Poland	publishing of computer games	subsidiary/full	50% - through ADC Games	06/09/2021

** Starting from 2022, the Company acts as a shared services centre for the Company in terms of bookkeeping and HR & payroll.*
*** On 22 December 2021, TapNice Sp. z o.o. was re-registered as TapNice S.A.*

- 7 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 par value, i.e. PLN 2,500.
- In connection with compliance with the requirements of the investment contract signed on 1 July 2020 regarding the sale of shares in TapNice 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 par value, i.e. PLN 500, on 7 April 2021. On 22 December 2021, the Polish limited liability company was converted to a Polish joint-stock company, and as a result the name of the company since that day has been TapNice S.A.
- On 28 May 2021, the Company acquired 70 shares in Maisly Games Sp. z o.o., which represented 70% of its share capital, of a par value PLN 50 each, of a total par value PLN 3,500, for the price of PLN 3,500.
- On 24 August 2021 the subsidiary BoomHits Sp. z o.o. ("BoomHits") acquired 100 shares in Skyloft Sp. z o.o. ("Skyloft"), which was 100% of its share capital, of a par value PLN 50 each and of a total par value PLN 5,000, for the price of PLN 7,500. On 6 October 2021, a contract was signed whereby 50% of the shares in Skyloft were sold to a Turkish development studio Cappuccino Yazılım Bilişim A.Ş. ("Cappuccino") for a price equal to their par value, i.e. PLN 2,500.
- On 6 September 2021, the subsidiary ADC Games Sp. z o.o. acquired 100 shares in PlayEmber Sp. z o.o. ("PlayEmber"), which was 100% of its share capital, of a par value PLN 50 each and of a total par value PLN 5,000, for the price of PLN 7,500.
- On 13 October 2021, the Company acquired 30 shares in Maisly Games Sp. z o.o. ("Maisly Games") for PLN 7,500. As a result, the Company became a 100% owner of Maisly Games.

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 (IFRIC), which were approved by the European Union (EU) and became effective on 31 December 2021. 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 statement's publication date, the Group did not identify any negative consequences of Covid for the Group's projects and financial results.

In connection with the war in Ukraine, the Group estimated the impact of the war on the activity of the Group and on its financial results. Suspension of the sale to Russia and Belarus will not have any major impact on the Group's financial results. In connection with the sanctions, no technology goods may be exported to the Russian Federation which could help reinforce the military and technological potential of Russia or support the development of the defence and security sectors. The Group does not sell any products or goods which could be dual-use products. By the statements publication date, the Group did not identify any material negative consequences of the war in Ukraine and of the sanctions imposed on Russia and Belarus 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) Changes to IFRS 9 "Financial Instruments," IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 7 "Financial Instruments: Disclosures," IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Interest Rate Benchmark Reform – Phase 2, approved in the EU on 13 January 2021 (applicable to the annual periods starting on 1 January 2021 or later),

b) Changes to IFRS 16 "Leases" – rent concessions in connection with Covid-19 after 30 June 2021, approved by the EU on 30 August 2021 (applicable from 1 April 2021 with respect to the financial years starting not later than on 1 January 2021 and later).

c) Changes to IFRS 4 "Insurance Contracts" entitled "Extension of the Temporary Exemption from Applying IFRS 9" and approved in the EU on 16 December 2020 (the expiry date of the temporary exemption from applying IFRS 9 was postponed from 1 January 2021 to the annual periods starting on 1 January 2023 and later).

The above changes to the existing standards had no material impact on the annual consolidated financial statements of the Group for the year ended 31 December 2021.

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) Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies, approved in the EU on 2 March 2022 (effective for annual periods starting on 1 January 2023 or later),

b) Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates, approved in the EU on 2 March 2022 (effective for annual periods starting on 1 January 2023 or later),

c) Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use, approved in the EU on 28 June 2021 (effective for annual periods starting on 1 January 2022 or later),

d) Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract, approved in the EU on 28 June 2021 (effective for annual periods starting on 1 January 2022 or later),

e) Amendments to IFRS 3 "Business Combinations" – amendment of the reference to the Conceptual Framework along with amendments to IFRS 3, approved in the EU on 28 June 2021 (effective for annual periods starting on 1 January 2022 or later),

f) IFRS 17 "Insurance Contracts" as amended, approved in the EU on 19 November 2021 (effective for annual periods starting on 1 January 2023 or later),

g) Amendments to various standards "Annual Improvements to IFRS Standards 2018–2020 Cycle" – amendments made within the procedure of making annual changes to IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41), intended mainly to resolve inconsistencies and adding precision to the terminology – approved in the EU on 28 June 2021 (amendments to IFRS 1, IFRS 9 and IAS 41 apply to the annual periods starting on 1 January 2022 or later. Amendments to IFRS 16 apply only to the illustrative example so no effective date has been stated).

h) IFRS "Regulatory Deferral Accounts" (applicable to the annual periods starting from 1 January 2016 or later) – the European Commission decided not to start the process of approving the temporary standard for application in the EU until the final version of IFRS 16 is issued,

i) Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-current, not approved by the EU until the approval of these financial statements (applicable to the annual periods starting on 1 January 2023 or later),

j) Amendments to IAS 12 "Income Tax" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, not approved by the EU until the approval of these financial statements (applicable to the annual periods starting on 1 January 2023 or later),

k) Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture or subsequent amendments, not approved by the EU until the approval of these financial statements (the effective date was postponed until the end of the research on the equity method),

l) Amendments to IFRS 17 "Insurance Contracts" – Initial Application of IFRS 17 and IFRS 9 — Comparative Information, not approved by the EU until the approval of these financial statements (applicable to the annual periods starting on 1 January 2023 or later).

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.

The presentation of certain items of the consolidated statement of comprehensive, consolidated statement of financial position, consolidated statement of changes in equity and consolidated cash flow statement changed in 2021. The changes were not caused by any changes in the accounting principles of the Group but they result from aligning the presentation items with the requirements and reporting layout of the ESEF. The restatement of the current and benchmarking data is presented in Note 10.

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 2021, the Group had 7 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., Maisly Games Sp. z o.o. and TapNice S.A., where it holds 60% of the voting rights, as well as Skyloft Sp. z o.o. (through BoomHits Sp. z o.o.), ADC Games Sp. z o.o. and PlayEmber Sp. z o.o. (through ADC Games Sp. z o.o.) where it holds 50% 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.

Balance sheet date of the parent and the subsidiaries

The financial statements of the parent and its subsidiaries used to prepare these consolidated financial statements present the status on the same balance sheet date. If the end of the reporting period of the parent is different than the reporting period of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information for the same date for which the financial statements of the parent is prepared in order to enable to parent to consolidate the financial information of the subsidiary, unless this is not feasible.

As at 31 December 2021, the Group has subsidiaries which have a different financial year than that of the parent; these are: Maisly Games Sp. z o.o., TapNice S.A., Skyloft Sp. z o.o., ADC Games Sp. z o.o. and PlayEmber Sp. z o.o. The financial year of the companies has 12 months (except for TapNice S.A., which changed its financial year in the current reporting period and the financial year is now 18 months, i.e. it will end on 30 June 2022), starting from 1 July and ending on 30 June of the next year. In order to prepare these consolidated financial statements, additional information as at 31 December 2021 was prepared for the above companies.

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 is 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 is 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.

<u>Criteria for recognition as a development cost</u>
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. App Annie). 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 applies 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 par value.

As at 31 December 2020, the Group did not have any financial assets measured at fair value through other comprehensive income.

As at 31 December 2020 and 31 December 2021, 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.

Trade receivables

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's 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 3 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. Concurrently, the following groups of business partners are identified within the conducted analyses:

- sole traders (due to the relatively large number of transactions insignificant in terms of amounts)
- corporations (mainly large advertising networks and mobile stores)

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 bankruptcy,
- 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. For such entities, the Board of Directors analyses the current financial standing, including the quality of assets and the financial projections, in a horizon of at least 3 years.

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 if 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 expected 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 par 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 27).

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 would 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 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 recognises 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):

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

31 December 2021	**EUR**	**USD**	**GBP**	**Total**
Cash	392	15,187	9,947	**25,526**
Receivables	3,315	23,027	4,750	**31,092**
Liabilities	668	25,343	342	**26,353**
Net foreign exchange exposure	**3,039**	**12,871**	**14,355**	**30,265**
Effect on gross financial result				
10% exchange rate increase	304	1,287	1,436	***3,027***
10% exchange rate drop	-304	-1,287	-1,436	***-3,027***

- 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 of the gross profit/loss to the interest rate risk for financial instruments with variable interest rates:

Item in statement of financial position	**Carrying amount**	**Value at risk**	**Interest rate variation**	
			+1 p.p.	-1 p.p.
			Gross profit/loss	
Cash and cash equivalents	33,295	33,295	333	(333)
Other financial assets	3,303	3,303	33	(33)
Other financial liabilities	622	146	(1)	1
			365	**(365)**

Other financial liabilities include lease liabilities but exclude the call option liability as it is not at a risk of interest rate variation.

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.

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

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, leases) 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 2021 fell within 3 months, except for the lease obligation (under the contracts signed in 2019 and 2020). The lease contracts were signed for 3 years. The value of the long-term liability for the balance sheet date was PLN 46,000.

As at 31 December 2020, the maturity dates of the Group's liabilities fell within 3 months, except for the lease liability (regarding contracts signed in 2019, 2020, described above), and the loan agreement signed in 2020 for 18 months by 3 January 2022. The value of the long-term liability on 31 December 2020 was PLN 176,000. The loan was repaid in 2021.

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 2021 and as at 31 December 2020, all the debt-to-equity ratios were as follows:

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
Loans, borrowings and other financial liabilities	622	279
Cash and cash equivalents	33,295	20,748
Net debt	**(32,673)**	**(20,469)**
Equity	79,071	66,822
Debt-to-equity ratio (net debt/total equity)	**(0.41)**	**(0.31)**

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 and 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.

<u>Moment of development cost capitalisation</u>

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

<u>Revenue recognition</u>

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

<u>Impairment of cash generating units and single assets</u>

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.

<u>Determination of functional currency</u>

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 US 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 S.A. since the majority of the costs of functioning of BoomBit S.A., 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 15.

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. No impairment charges were applied to development costs in 2021.

a) Costs of development work in progress

The Group evaluated the projects in the production pipeline and conducted 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 9.2% (6.0% in the benchmarking period),
- cash flow projections were estimated based on internal benchmarks for the most similar titles and on the expected cost of completing the development work.

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 recognise any extra impairment losses. In the benchmarking period, the impairment loss for this category of costs was PLN 4,322,000.

Neither the cash flows lower by 10% nor the discount rate higher by 1 percentage point resulted in the need to recognise and impairment loss.

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, and the cash flow projection was estimated through extrapolation of the observed performance of the games.

The tests showed that the estimated impairment loss for this category of costs would be insignificant so the Board of Directors decided not to recognise impairment losses for this category of costs. In the benchmarking period, the impairment loss for this category of costs was PLN 1,946,000.

The sensitivity analyses show that the key factors influencing the functional value are: the discount rate and the cash flows from games. The Board of Directors believes that neither the cash flows lower by 10% nor a discount rate higher by 1 percentage point resulted in the need to recognise an impairment loss.

Impairment test for goodwill arising on the acquisition of a subsidiary

At the end of the reporting period, the Group conducted an impairment test for the goodwill assigned to the group of companies BoomBit S.A., BoomBit Games Ltd. and BoomBit Inc. 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) was adopted for the projection of flows,
- a discount rate (weighted average cost of capital) of 9.2% (6.0% in the benchmarking period),
- a growth rate in the residual period – 8.6% by 2030 (based on the expected growth of the game market presented by Market Research Future and Newzoo), and afterwards 2% (in the benchmarking period 2% for the whole period),
- projections of cash flows for the existing games were estimated based on extrapolations of the observed results and for new games based on internal benchmarks.

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. The subsidiaries where the Company has 100% of shares, including BRUK, 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 of companies BoomBit S.A., BoomBit Games Ltd. and BoomBit Inc. 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 among state authorities as well as among state authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange) may be audited by bodies that 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 98 employees hired under employment contracts. As a result, potential estimated liabilities connected with retirement pension benefits under the Polish Civil Code are PLN 29,000 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 18) and as other financial liabilities. In 2021 the Group did not enter into any new agreements.

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 and from 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.
Additionally, as at 31 December 2021 the Company has an overdue receivable of EUR 214,000 from a foreign business partner, partially secured by SuperScale, towards which the Company has also recognised grounds for impairment (default). Based on an impairment test conducted according to the scenarios method, it estimated a potential impairment loss. In the opinion of the Board of Directors, the estimated impairment loss on that account would be insignificant and so the Board of Directors decided not to recognise it in these consolidated financial statements. The receivable and its legal status are described in detail in Note 21 to these statements.

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 26.

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 Restatement of benchmarking data

The presentation of certain items of the consolidated statement of financial position, consolidated statement of changes in equity and consolidated cash flow statement changed in 2021. Some reporting items were accumulated while other were broken down into separate items. Additional summary items were also added. The changes were not caused by any changes in the accounting principles of the Group but they result from aligning the presentation items with the requirements and reporting layout of the European Single Electronic Format ("ESEF").

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Consolidated statement of financial position

	Before the restatement		Change		After the restatement	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Tangible assets						
Property, plant and equipment	1,338	1,506	-	-	1,338	1,506
Development costs	18,934	21,162	-	-	18,934	21,162
Goodwill	16,230	15,203	-	-	16,230	15,203
Shares	6,483	6,483	-	-	6,483	6,483
Other financial assets	3,303	2,126	-	-	3,303	2,126
Deferred income tax asset	1,489	1,172	-	-	1,489	1,172
Other receivables and prepayments	-	-	-	-	-	-
	47,777	47,652	-	-	47,777	47,652
Current assets						
Trade receivables	30,384	14,618	(30,384)	(14,618)	-	-
Other receivables and prepayments	8,164	6,195	(8,164)	(6,195)	-	-
Trade and other receivables			38,548	20,813	38,548	20,813

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Income tax receivables	10	3	-	-	10	3
Other financial assets	-	1,126	-	-	-	1,126
Cash and cash equivalents	33,295	20,748	-	-	33,295	20,748
Current assets other than tangible assets held for sale	71,853	42,690	-	-	71,853	42,690
Assets held for sale	-	-	-	-	-	-
Current assets					71,853	42,690
Total assets	**119,630**	**90,342**	**-**	**-**	**119,630**	**90,342**
Equity						
Equity attributable to shareholders of the parent:						
Share capital	6,710	6,710	-	-	6,710	6,710
Capital from share premium	32,063	32,063	-	-	32,063	32,063
Exchange differences on translation of foreign operations	2,890	1,433	-	-	2,890	1,433
Other capitals	3,788	3,247	-	-	3,788	3,247
Retained earnings	30,414	21,311	-	-	30,414	21,311
	75,865	64,764	-	-	75,865	64,764
Equity attributable to minority interest	3,206	2,058	-	-	3,206	2,058
Total equity	**79,071**	**66,822**	**-**	**-**	**79,071**	**66,822**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Liabilities						
Long-term liabilities						
Deferred income tax liabilities	2,933	3,508	-	-	2,933	3,508
Other financial liabilities	46	176	-	-	46	176
	2,979	3,684	-	-	2,979	3,684
Short-term liabilities						
Other financial liabilities	576	103	-	-	576	103
Trade liabilities	31,699	15,650	(31,699)	(15,650)	-	-
Other liabilities	2,565	3,503	(2,565)	(3,503)	-	-
Deferred income	112	31	(112)	(31)	-	-
Trade and other liabilities			34,376	19,184	34,376	19,184
Income tax liabilities	2,628	549	-	-	2,628	549
Short-term liabilities not held for sale					37,580	19,836
Short-term liabilities held for sale					-	-
Short-term liabilities	37,580	19,836	-	-	37,580	19,836
Total liabilities	**40,559**	**23,520**	**-**	**-**	**40,559**	**23,520**
Total equity and liabilities	**119,630**	**90,342**	**-**	**-**	**119,630**	**90,342**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Consolidated statement of changes in equity

Before the restatement	After the restatement	Share capital	Capital from share premium	Exchange differences on translation	Equity from share-based payments	Retained earnings	Equity attributable to shareholders of the parent	Equity attributable to minority interest	Total equity
As at 1 January 2020 (audited)	**As at 1 January 2020 (audited)**	**6,710**	**32,063**	**1,115**	**2,389**	**8,761**	**51,038**	**(17)**	**51,021**
	Net profit (loss)					12,528	**12,528**	2,057	**14,585**
	Other comprehensive income			318			**318**		**318**
Comprehensive income	**Comprehensive income**	**-**	**-**	**318**	**-**	**12,528**	**12,846**	**2,057**	**14,903**
Sale of shares	Increase (reduction) arising from sale of a subsidiary	**-**	**-**	-	-	(1)	**(1)**	1	**-**
Liquidation of subsidiaries	Increase (reduction) arising from sale of a subsidiary	**-**	**-**	-	-	(39)	**(39)**	17	**(22)**
Change from a subsidiary to a non-subsidiary	Increase (reduction) arising from sale of a subsidiary	**-**	**-**	-	-	62	**62**	-	**62**
Share-based payments	Share-based payments	-	-	-	858	-	**858**	-	**858**
Changes in equity	**Changes in equity**	**-**	**-**	**318**	**858**	**12,550**	**13,726**	**2,075**	**15,801**
As at 31 December 2020 (audited)	**As at 31 December 2020 (audited)**	**6,710**	**32,063**	**1,433**	**3,247**	**21,311**	**64,764**	**2,058**	**66,822**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Consolidated cash flow statement

	Before the restatement		Change		After the restatement	
	12 months ended 31 December		12 months ended 31 December		12 months ended 31 December	
	2021	2020	2021	2020	2021	2020
Profit/loss before tax	**21,905**	**18,227**	**-**	**-**	**22,632**	**18,227**
Adjustments:	**8,248**	**5,431**	**-**	**-**	**11,209**	**6,218**
Depreciation and amortisation	12,661	12,619	-	-	12,661	12,619
Development cost revaluation allowance	-	3,662	-	-	-	3,662
Foreign exchange profit (loss)	(23)	(255)	-	-	(23)	(255)
Interest	96	46	(96)	(46)	-	-
Revenue on interest			-	(22)	-	(22)
Interest cost			96	68	96	68
Profit (loss) on investment activities	11	-	-	-	11	-
Change in the balance of receivables	(18,243)	(10,886)	-	-	(18,243)	(10,886)
Change in liabilities	15,664	6,099	-	-	15,664	6,099
Settlement of share-based payment costs	512	558	541	858	1,053	1,416
Share-based payments	541	858	(541)	(858)	-	-
Profit (loss) from fair value measurement	-	(6,483)	-	-	-	(6,483)
Other adjustments	(10)	-	-	-	(10)	-
Cash flows from activity					**33,114**	**24,445**
Income tax (paid) / refunded	(2,961)	(787)	-	-	(2,961)	(787)
Net cash flows from operating activity	**30,153**	**23,658**	**-**	**-**	**30,153**	**23,658**
Investment activity						
Sale of property, plant and equipment and intangible assets	5	149	-	-	5	149
Proceeds from repayment of loans granted	-	1,616	-	-	-	1,616

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Interest received	-	22	-	-	-	22
Sale of shares	-	2,146	-	(2,146)	-	-
Sale of investments measured according to equity method				2,146	-	2,146
Acquisition of a company	(16)	(3)	16	3	-	-
Cash from acquisition of companies	6	29	(6)	(29)	-	-
Acquisition of subsidiaries			(10)	26	(10)	26
Acquisition of property, plant and equipment and intangible assets	(358)	(218)	-	-	(358)	(218)
Development costs	(9,513)	(9,976)	-	-	(9,513)	(9,976)
Loans granted	-	(424)	-	-	-	(424)
Net cash flows from investment activity	**(9,876)**	**(6,659)**	**-**	**-**	**(9,876)**	**(6,659)**
Financial activity						
Capital increase	38	-	-	-	38	-
Proceeds from loans and borrowings	30	30	-	-	30	30
Dividends	(7,554)	-	-	-	(7,554)	-
Repayments of loans and borrowings	(60)	-	-	-	(60)	-
Repayment of lease liabilities	(103)	(75)	-	-	(103)	(75)
Interest	(9)	(6)	-	-	(9)	(6)
Net cash flows from financial activity	**(7,658)**	**(51)**	**-**	**-**	**(7,658)**	**(51)**
Cash flows before exchange differences	**12,619**	**16,948**	**-**	**-**	**12,619**	**16,948**
Net foreign exchange differences on cash and cash equivalents	(72)	270	-	-	(72)	270
Total net cash flows			-	-	**12,547**	**17,218**
Cash opening balance	20,748	3,530	-	-	20,748	3,530
Cash closing balance, including:	**33,295**	**20,748**	**-**	**-**	**33,295**	**20,748**
- of limited disposability	-	-			-	-

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

11 Contracts with customers

Sources of revenue

	12 months ended 31 December			
	2021 *(audited)*		**2020** *(audited)*	
micropayments and sale of digital copies	49,109	*21%*	28,666	*20%*
advertising	187,598	*78%*	110,348	*79%*
other	2,218	*1%*	1,222	*1%*
	238,995	***100%***	**140,236**	***100%***
including:				
platforms (distribution)	*236,707*	*99%*	*139,014*	*99%*

Platforms (distribution)

	12 months ended 31 December			
	2021 *(audited)*		**2020** *(audited)*	
iOS	105,028	*46%*	63,331	*46%*
Android	128,164	*53%*	73,552	*53%*
other	3,515	*1%*	2,131	*1%*
	236,707	***100%***	**139,014**	***100%***

Geographic data

	12 months ended 31 December			
	2021 *(audited)*		**2020** *(audited)*	
North America	125,897	*53%*	70,391	*51%*
Europe	64,097	*27%*	42,153	*30%*
Asia	32,577	*13%*	18,372	*13%*
Australia & Oceania	6,219	*3%*	4,122	*3%*
South America	6,700	*3%*	3,112	*2%*
Africa	1,217	*1%*	864	*1%*
	236,707	***100%***	**139,014**	***100%***

Leading business partners

	12 months ended 31 December			
	2021 *(audited)*		**2020** *(audited)*	
Facebook	46,914	*20%*	40,044	*29%*
AdMob	38,324	*16%*	5,581	*4%*
Applovin	27,501	*12%*	6,427	*5%*
Google	26,130	*10%*	30,378	*22%*
IronSource	24,955	*10%*	11,785	*8%*
Unity Technologies	23,942	*10%*	17,873	*13%*
Apple	19,849	*8%*	12,722	*9%*
Fyber Monetization	12,277	*5%*	5,200	*4%*
Vungle	4,171	*2%*	3,086	*2%*
Pangle Tik Tok	3,978	*2%*	985	*1%*
Nintendo	3,443	*1%*	1,849	*1%*
AdColony	1,861	*1%*	591	*0%*
Tapjoy	1,811	*1%*	186	*0%*
Others	3,839	*2%*	3,529	*2%*
	238,995	***100%***	**140,236**	***100%***

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

12 Costs by type

	12 months ended 31 December	
	2021	**2020**
	(audited)	_(audited)_
Depreciation and amortisation	12,661	12,619
Materials and energy consumption	489	336
Third-party services	203,350	111,416
Commissions of distribution platforms	_14,535_	_8,716_
User acquisition costs	_138,715_	_68,823_
Rev share costs	_14,638_	_9,105_
Taxes and levies	266	141
Salaries	12,590	8,723
Social security and other benefits	1,686	1,131
Other costs by type	123	210
Total costs by type	**231,165**	**134,576**
Development costs	(11,059)	(9,976)
General administrative costs	(11,147)	(9,293)
Costs of sales	**208,959**	**115,307**

13 Other operating revenue and costs

	12 months ended 31 December	
	2021	**2020**
Other operating revenue	_(audited)_	_(audited)_
Foreign exchange gains	1,390	160
Other	2,272	189
	3,662	**349**

Other operating costs		
Revaluation allowances on receivables	-	(6,268)
- including allowances for development costs	_-_	_(6,268)_
Other	(196)	(52)
	(196)	**(6,320)**

In the current reporting period, the Group conducted asset impairment tests. As a result of the analysis, no impairment loss was recognised in 2021. The adopted assumptions and the detailed description are presented in Note 7. In 2020, the Group recognised impairment losses of PLN 6,268,000 on development costs.

In the current reporting period, the Group recognised in ‘Other operating revenue’ the PLN 1.98 M (USD 500,000) received as the Guaranteed Minimum (“GM”) under a publishing contract which was not entirely performed (see Note 25).

14 Financial revenue and costs

	12 months ended 31 December	
	2021	**2020**
Financial revenue	_(audited)_	_(audited)_
Interest and commissions	182	110
Other	3	8,514
- including sale of shares in affiliates	_-_	_2,147_
- including fair value measurement of shares	_-_	_6,420_
	185	**8,624**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Financial costs		
Interest and commissions	(152)	(36)
Other	(483)	(26)
	(635)	**(62)**

15 Income tax

Current tax

	12 months ended 31 December	
	2021	**2020**
	(audited)	*(audited)*
Current tax on income in the financial year	(5,049)	(2,203)
Adjustments related to previous years	80	88
Total current tax	**(4,969)**	**(2,115)**
Occurrence and reversal of temporary differences (deferred tax)	828	(1,527)
Tax effect recognised in equity	-	-
Recognition in statement of comprehensive income	**(4,141)**	**(3,642)**

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	
	2021	**2020**
	(audited)	*(audited)*
Gross profit	**21,905**	**18,227**
Theoretical tax calculated according to domestic rates that apply to income in Poland (19%)	(4,162)	(3,463)
Difference on tax according to another rate	(67)	32
Non-tax-deductible costs	(254)	(337)
including: costs of incentive schemes	*(200)*	*(275)*
Exchange differences	(4)	-
Revenues not included in the tax base	71	38
CIT adjustments related to previous years	275	88
Charge on the financial result on account of income tax	**(4,141)**	**(3,642)**
effective tax rate	18.9%	20.0%

Deferred tax

The Group does not have any items for which a deferred income tax asset and liability were not created.

	31 December 2021	**31 December 2020**
	(audited)	*(audited)*
Deferred income tax asset		
- to be realised within a year	1,489	1,172
	1,489	**1,172**
Deferred income tax liability		
- to be realised within a year	2,933	3,508
	2,933	**3,508**
Deferred income tax liability (net value)	**(1,444)**	**(2,336)**

Change in the balance of deferred income tax:

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

	12 months ended 31 December	
	2021	**2020**
	(audited)	*(audited)*
Opening balance	(2,336)	(916)
Charge to profit/loss	828	(1,527)
Tax adjustment	4	77
Exchange differences on translation of foreign companies	60	30
Closing balance	**(1,444)**	**(2,336)**

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	
	2021	**2020**
Consolidated statement of comprehensive income	*(audited)*	*(audited)*
Tax losses	(564)	(1,225)
Provisions for liabilities	424	-
Interest	9	-
Remuneration to be paid in subsequent periods	243	24
Difference between the book value and the taxable value of development costs	58	(312)
Exchange differences	(18)	2
Revshare	(1)	-
Other	704	(64)
Deferred income tax asset	**855**	**(1,575)**
Difference between the book value and the taxable value of property, plant and equipment and other intangible assets	23	(15)
Difference between the book value and the taxable value of development costs	(250)	(1,329)
Difference between amortisation for tax and accounting purposes	(4)	-
Exchange differences	(50)	110
Fair value measurement of development costs	-	1,220
Other	308	(34)
Deferred income tax liability	**27**	**(48)**
Charge to profit/loss	**828**	**(1,527)**

	31 December 2021	**31 December 2020**
Consolidated statement of financial position	*(audited)*	*(audited)*
Tax losses	1,930	2,453
Provisions for liabilities	575	-
Interest	11	-
Remuneration to be paid in subsequent periods	345	102
Difference between the book value and the taxable value of development costs	19	(67)
Exchange differences	50	69
Rev share	13	-
Other	134	361
Offset	(1,588)	(1,746)
Deferred income tax asset	**1,489**	**1,172**
Difference between the book value and the taxable value of property, plant and equipment and other intangible assets	31	24
Difference between tax amortisation and accounting amortisation of development costs	3,087	3,494
Difference between amortisation for tax and accounting purposes	11	-
Exchange differences	130	177
Fair value measurement of development costs	1,220	1,220
Other	42	339
Offset	(1,588)	(1,746)
Deferred income tax liability	**2,933**	**3,508**
Deferred income tax liability (net value)	**(1,444)**	**(2,336)**

Deferred income tax asset arising from unsettled tax loss

As at 31 December 2021, the Group recognised a deferred tax asset (arising from unsettled tax losses) of PLN 1,930,000, which were generated mainly by BoomHits Sp. z o.o. (PLN 1,734). BoomHits may settle that tax loss in the nearest five consecutive tax years, i.e. 2022–2026, but the income tax reduction in any of those years must not exceed 50% of the loss. 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. Based on the conducted tests, the allowance for the deferred tax asset in BoomHits would be insignificant, and as a result the Board of Directors decided to recognise the asset in the full amount. The Group expects to be able to fully settle the tax loss in the Group's companies. The possibility of settling that loss is affected neither by a 10% tax cost increase nor by a 10% tax revenue drop.

In 2021, the Group used PLN 2,270,000 (in BoomBit S.A. PLN 1,190,000 and PLN 1,080,000 in BoomBit Games Ltd.) of the deferred tax assets arising from tax losses brought forward.

16 Earnings per share

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

	12 months ended 31December	
	2021	**2020**
	(audited)	*(audited)*
Net profit/loss for shareholders of the parent (PLN '000)	13,314	12,528
Number of shares* (as single shares)	13,420,000	13,420,000
Earnings per share – basic (in PLN)	**0.99**	**0.93**

* Weighted average number of shares in the reporting period

Diluted earnings per share are calculated as earnings attributable to shareholders of the parent and the hypothetical weighted average number of shares. On 6 December 2021, 80,000 subscription warrants were issued for Ms. Kathee Chimowitz under the resolution of the Company's General Meeting dated 21 February 2019. Detailed information can be found in Note 27.

	12 months ended 31December	
	2021	**2020**
	(audited)	*(audited)*
Net profit/loss for shareholders of the parent (PLN '000)	13,314	12,528
Number of shares* (as single shares)	13,425,495	13,420,000
Earnings per share – diluted (in PLN)	**0.99**	**0.93**

* Weighted average hypothetical number of shares in the reporting period

17 Dividends

On 24 June 2021, the Annual General Meeting adopted a resolution on fully allocating the Company's net profit for 2020 of PLN 6,449,000 to the Company's spare capital.

On 27 September 2021, the Board of Directors adopted a resolution on paying the dividend for 2021 in the amount of PLN 0.24 per share, which totals PLN 3,221,000. The interim dividend was paid to the Company's shareholders on 10 November 2021. The interim dividend covered 13,420,000 of Company shares.

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

18 Property, plant and equipment

	Land	Buildings and structures	Machines and equipment	Means of transport	Right of use	Other fixed assets	**Total**
As at 1 January 2021							
Cost*	198	1,148	1,306	370	328	12	**3,362**
Depreciation to date*	-	(247)	(1,177)	(368)	(54)	(10)	**(1,856)**
Net value	**198**	**901**	**129**	**2**	**274**	**2**	**1,506**
Increases	-	-	353	-	-	1	**354**
Sales, liquidation – gross value	-	-	(37)	-	-	-	**(37)**
Sales, liquidation – depreciation – gross value	-	-	37	-	-	-	**37**
Depreciation	-	(63)	(343)	(2)	(112)	(2)	**(522)**
As at 31 December 2021							
Cost	198	1,148	1,622	370	328	13	**3,679**
Depreciation to date	-	(310)	(1,483)	(370)	(166)	(12)	**(2,341)**
Impairment losses	-	-	-	-	-	-	**-**
Net value	**198**	**838**	**139**	**-**	**162**	**1**	**1,338**

* The presentation of the cost and depreciation to date for means of transport and the right of use as at 1 January 2021 was adjusted through the movement of values from means of transport to the right of use in the amount of PLN 209,000 and PLN 54,000 respectively.

	Land	Buildings and structures	Machines and equipment	Means of transport	Right of use	Other fixed assets	**Total**
As at 1 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**	**119**	**3**	**1,581**
Increases	-	-	251	208	-	-	**459**
Sales, liquidation – gross value	-	-	-	-	-	-	**-**
Sales, liquidation – total depreciation	-	-	-	(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**

	12 months ended 31 December	
	2021	**2020**
Depreciation charged to:		
Cost of sale	338	301
General administrative costs	184	154
	522	**455**

The Group did not have any commitments to incur expenses connected with purchase of property, plant and equipment as at 31 December 2021 and 31 December 2020.

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

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 2021 totalled PLN 103,000. (PLN 75,000 in 2020)

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 2021 totalled PLN 272,000 (PLN 216,000 in 2020)

Collateral

On 30 December 2021, the Company signed an overdraft facility agreement with a limit of PLN 2,100,000 (see Note 26), which resulted in a mortgage lien being established on the Group's property. On 31 December 2021, the carrying value of the property used as the collateral was PLN 971,000.   The repayment deadline is 30 December 2022.

19 Development costs

	Completed development work – Games	Completed development work – support tools	Patents and licences	Incomplete development work (assets in progress)	**Total**
As at 1 January 2021 (audited)					
Cost	44,779	14,370	88	9,593	**68,830**
Amortisation to date	(28,249)	(6,710)	(88)	-	**(35,047)**
Impairment losses**	(3,481)	(652)	-	(8,488)	**(12,621)**
Net value	**13,049**	**7,008**	**-**	**1,105**	**21,162**
Increases*	-	-	-	9,838	**9,838**
Gross sales/liquidation	(13,652)	(730)	(88)	(8,772)	**(23,242)**
Sales/liquidation total amortisation	13,254	84	88	-	**13,426**
Transfer between categories	5,772	2,678	-	(8,450)	**(0)**
Exchange differences on translation	300	70	-	29	**399**
Amortisation	(9,243)	(2,896)	-	-	**(12,139)**
(Creation)/utilisation of impairment losses	398	604	-	8,488	**9,490**
As at 31 December 2021 (audited)					
Cost	37,199	16,388	-	2,238	**55,825**
Amortisation to date	(24,238)	(9,522)	-	-	**(33,760)**
Impairment losses	(3,083)	(48)	-	-	**(3,131)**
Net value	**9,878**	**6,818**	**-**	**2,238**	**18,934**

* The value of the increases differs from the value of development costs specified in Note 12 by the revenue earned in the soft launch in the amount of PLN 1,221,000.

**The presentation of the impairment losses of PLN 623,000 was adjusted as at 1 January 2021 through the movement of this value from 'Completed development work – supporting tools' to 'Incomplete development work (assets in progress).'

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

	Completed development work – Games	Completed development work – support tools	Patents and licences	Incomplete development work (assets in progress)	**Total**
As at 1 January 2020 (audited)					
Cost	34,651	12,828	88	11,254	**58,821**
Amortisation 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)**
Sales/liquidation total amortisation	676	-	-		**676**
Transfer between categories	10,123	1,525	-	(11,648)	**-**
Exchange differences on translation	5	17	-	11	**33**
Amortisation	(9,700)	(2,464)	-	-	**(12,164)**
Creation of impairment losses**	(1,946)	-	-	(4,322)	**(6,268)**
As at 31 December 2020 (audited)					
Cost	44,779	14,370	88	9,593	**68,830**
Amortisation to date	(28,249)	(6,710)	(88)	-	**(35,047)**
Impairment losses**	(3,481)	(652)	-	(8,488)	**(12,621)**
Net value	**13,049**	**7,008**	**-**	**1,105**	**21,162**

**The presentation of the impairment losses of PLN 623,000 was adjusted as at 1 January 2021 through the movement of this value from 'Completed development work – supporting tools' to 'Incomplete development work (assets in progress).'

	12 months ended 31 December	
	2021	**2020**
Amortisation charged to:		
Cost of sale	12,139	12,164
	12,139	**12,164**

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 2020 of PLN 6,268,000. No new impairment losses were recognised in 2021 but the impairment losses created in the previous years in the amount of PLN 9,490,000 were utilised (Note 7).

Development costs for the 12 months ended on 31 December 2021 include expenses on outsourced services of PLN 7,118,000 and expenses on salaries and the related contributions of PLN 2,720,000.

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.

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

20 Goodwill and intangible assets

	Goodwill	Computer software	Other	**Total**
As at 1 January 2021 (audited)				
Cost	15,203	61	25	**15,289**
Amortisation to date	-	(61)	(25)	**(86)**
Net value	**15,203**	**-**	**-**	**15,203**
Exchange differences	1,027	-	-	**1,017**
Sales, liquidation – gross value	-	(61)	(25)	**(86)**
Sales, liquidation – total amortisation	-	61	25	**86**
As at 31 December 2021 (audited)				
Cost	16,230	-	-	**16,230**
Amortisation to date	-	-	-	**-**
Net value	**16,230**	**-**	**-**	**16,230**

	Goodwill	Computer software	Other	**Total**
As at 1 January 2020 (audited)				
Cost	14,440	61	25	**14,526**
Amortisation to date	-	(61)	(25)	**(86)**
Net value	**14,440**	**-**	**-**	**14,440**
Increases	371	-	-	**371**
Exchange differences	392	-	-	**392**
As at 31 December 2020 (audited)				
Cost	15,203	61	25	**15,289**
Amortisation to date	-	(61)	(25)	**(86)**
Net value	**15,203**	**-**	**-**	**15,203**

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

21 Receivables

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
Short-term trade receivables		
Trade receivables – other entities	30,380	14,618
Trade receivables – affiliates	4	-
Impairment loss on trade receivables	-	-
Net trade receivables	**30,384**	**14,618**
Other short-term receivables and prepayments		
VAT receivables	7,298	5,280
Receivables on taxes and other payments	115	82
Settlement of share-based payment costs, where:	-	512
- current assets	-	512
Accruals	587	300
Other receivables	164	21
Other net receivables	**8,164**	**6,195**
Trade and other receivables	**38,548**	**20,813**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

A detailed description of share-based payments is available in Note 27.

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
Other financial receivables		
Loans granted to affiliates, including:	1,154	1,126
- tangible assets	*1,154*	-
- current assets	-	*1,126*
Loans granted to other entities	2,149	2,126
- tangible assets	*2,149*	2,126
Other net financial receivables	**3,303**	**3,252**

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
Total short-term and other trade receivables	**41,851**	**24,065**
- financial receivables	33,687	17,870
- non-financial receivables	8,164	6,195

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

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
PLN	10,759	9,212
EUR	3,315	3,138
USD	23,027	10,960
GBP	4,750	755
	41,851	**24,065**

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 2021:

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
Up to 3 months	3,186	485
3 to 6 months	2	88
After 6 months	984	1,000
	4,172	**1,573**

No allowances for receivables were created in the current or previous 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 2021, the receivable from the business partner was EUR 214,000 – overdue by more than 6 months (PLN 985,000). The collateral was established based on the contract between SuperScale Sp. z o.o. ("SuperScale") and the Company on 1 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"), 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 2021 by the publication date of these consolidated financial statements.

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

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 8 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. On 17 June 2021, the business partner appealed against the decision of the Court (application for recovery). Until the appeal is reviewed by the Court, the enforcement actions have been suspended. In response to the appeal, the Company prepared an answer on 23 August 2021 where it presented the facts and pointed out that the appeal was filed past deadline, which was 10 May 2021. On 12 November 2021, the business partner submitted its written position to the Court. By the date of these statements, the Court has not reviewed the case.

Based on the analysis of the scenarios regarding the possibility of recovering the overdue receivables from the business partner, the Group has decided that the likelihood of recovering the overdue receivables from the business partner, or alternatively from SuperScale, is high and so no impairment loss was recognised for the receivables.

The Group does not have any collaterals for other receivables.

22 Cash and cash equivalents

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
Cash at bank	33,295	20,748
	33,295	**20,748**
Balance of cash and cash equivalents disclosed in the statement of financial position	33,295	20,748
Balance of cash and cash equivalents disclosed in the cash flow statement	**33,295**	**20,748**
including restricted cash	-	-

23 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 2021 and 31 December 2020, the Group has mainly financial assets from regular customers.

The Group has overdue assets – trade receivables; they are receivables from non-affiliates. Overdue receivables from non-affiliates are mainly receivables from a business partner secured with a collateral (Note 21). The receivables from affiliates recognised in these statements 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.

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

24 Capital and equity

The share capital and the shareholding structure as at 31 December 2020 and as at 31 December 2021 were as follows:

	Number of shares	Par 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 of shares	Par value	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 SA	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

As at the publication date of these consolidated financial statements, the share capital and the shareholding structure were as follows:

	Number of shares	Par 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
Class F – ordinary registered shares	80,000	40,000
	13,500,000	**6,750,000**

	Number of shares	Par value	Percentage of capital	Percentage of votes
Karolina Szablewska-Olejarz	1,838,839	918,631	13.62%	14.56%
Marcin Olejarz	1,865,089	931,831	13.82%	14.69%
ATM Grupa S.A.	4,000,000	2,000,000	29.63%	30.77%
We Are One Ltd.*	3,725,000	1,862,500	27.59%	29.36%
Other shareholders	2,071,072	1,037,039	15.34%	10.62%
	13,500,000	**6,750,000**	**100.00%**	**100.00%**

25 Liabilities

	31 December 2021 *(audited)*	31 December 2020 *(audited)*
Short-term trade liabilities		
Trade liabilities – other entities	31,699	15,650
Trade liabilities – affiliates	-	-
	31,699	**15,650**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Other short-term trade liabilities		
VAT liabilities	30	4
Personal income tax liabilities	149	113
Liabilities arising from other tax and other contributions	696	551
Employee benefit liabilities	1,652	409
Other liabilities*	150	2,457
	2,677	**3,534**
Trade and other liabilities	**34,376**	**19,184**

The drop in other liabilities arises primarily from the fact of recognising in 'Other operating revenue' the PLN 1.98 million (USD 500,000) of a Guaranteed Minimum ("GM") received under a publishing contract which was not fully performed. Having analysed the situation, including the expiry of the publishing contract and lack of any contact from the business partner by the date of these consolidated financial statements, the Group has decided that there is hardly any the likelihood of having to return the GM in the future and so there is no reason to continue to recognise this liability.

Other financial liabilities	**31 December 2021** *(audited)*	**31 December 2020** *(audited)*
Loan liabilities	-	30
Lease liabilities	146	249
- long-term	*46*	*146*
- short-term	*100*	*103*
call option	*476*	*-*
	622	**279**

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
Total liabilities, other financial liabilities and other short-term liabilities, including:	**34,998**	**19,287**
- financial liabilities	32,321	15,753
- non-financial liabilities	2,677	3,534
including provisions	*862*	*411*

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

	31 December 2021 *(audited)*	**31 December 2020** *(audited)*
PLN	8,645	3,340
EUR	668	381
USD	25,343	15,234
GBP	342	332
	34,998	**19,287**

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 12 months of 2021			
Opening balance	64	347	**411**
Increase in provisions recognised as cost in the period	108	667	**775**
Use of provisions (-)	(108)	(216)	**(324)**
Balance of provisions as at 31/12/2021	**64**	**798**	**862**

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

26 Financial instruments by type

The Group had only financial assets and liabilities measured at amortised cost, except for the shares of SuperScale Sp. z o.o. ("SuperScale") and the call option for SuperScale shares, 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 2021 *(audited)*	31 December 2020 *(audited)*
Assets measured at amortised cost		
Trade receivables	30,384	14,618
Other financial assets	3,303	3,252
Cash and cash equivalents	33,295	20,748
	66,982	**38,618**
Financial assets measured at fair value through profit or loss		
Interests and shares in other entities	6,483	6,483
	6,483	**6,483**
Financial assets	**73,465**	**45,101**

	31 December 2021 *(audited)*	31 December 2020 *(audited)*
Liabilities measured at amortised cost		
Trade liabilities	31,699	15,650
Other financial liabilities	146	279
	31,845	**15,929**
Liabilities measured at fair value through profit or loss		
Call option for SuperScale Sp. z o.o. shares	476	-
	476	**-**
Financial liabilities	**32,321**	**15,929**

Financial instruments measured at amortised cost

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 June 2023.
- the EUR 452,000 of loans granted to SuperScale sp. z o.o. ("SuperScale) (interest rate EURIBOR 3M plus margin). An agreement regarding the loan was signed on 17 August 2020 whereby they were to be repaid within the 5 years following the conclusion of the Investment Contract, i.e. by 17 August 2025.

As other financial liabilities as at 31 December 2021 and 31 December 2020, the Group discloses:

- lease liabilities of PLN 146,000 (with PLN 46,000 of which disclosed as a long-term liability as at the balance sheet date versus the PLN 146,000 disclosed as a long-term liability at 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).
- On 30 December 2021, the Company signed an overdraft facility agreement with a limit of PLN 2,100,000. The repayment deadline is 30 December 2022. 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 18.

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

The maturity of liabilities is analysed in the table below (the table does not include the call option liability and other short-term liabilities):

	31 December 2021 *(audited)*	31 December 2020 *(audited)*
Other financial liabilities		
Trade liabilities		
- maturing within 3 months of the balance sheet date	31,699	15,650
Lease liabilities:		
- maturing within 3 months of the balance sheet date	31	28
- maturing within 3 months to 1 year of the balance sheet date	69	75
- maturing later than 1 year after the balance sheet date	46	146
Loan repayment liability		
- maturing later than 1 year after the balance sheet date	-	30
	31,845	**15,929**
Of which:		
- maturing within 3 months of the balance sheet date	31,730	15,678
- maturing within 3 months to 1 year of the balance sheet date	69	75
- maturing later than 1 year after the balance sheet date	46	176

<u>Financial assets measured at fair value through profit or loss</u>

The SuperScale shares 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 the SuperScale shares (Level 2) was set based on the subscription price for new shareholders defined in the Investment Contract of 17 August 2020 and based on the target number of shares issued by SuperScale.

Furthermore, the Group recognised a financial liability related to the call for the fund Level-Up First S.àr.l. ("Level-Up"), which involved a commitment to acquire 112 SuperScale shares from the Company within 6 years of the date of the Investment Contract. The fair value of the liability (Level 3) was set based on the principles of establishing the call option exercise price which are defined in detail in the Investment Contract. On 22 February 2022 the option was exercised for EUR 3,150 per share.

27 Share-based payments

The Company currently has the following share-based incentive schemes:

- exercised warrants and issued shares – Warrants granted and issued to Mr. Ivan Trancik, who made a commitment to work with the Company in the areas of Business Intelligence, monetisation optimisation and User Acquisition for 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 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 was charged to costs of wages and salaries for 3 years, starting from December 2018. PLN 512,000 was presented as accruals at the end of the previous reporting period as the short-term part. PLN 558,000 was disclosed in costs of wages and salaries for the 12 months of 2020, whereas in the current period it was PLN 512,000; this ended the three-year period of charging the warrant to costs.

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

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 2,114,000 was disclosed on that account as other capitals. (with PLN 541,000 recognised in the current reporting period).

On 6 December 2021, Ms. Kathee Chimowitz received the first tranche of the subscription warrants, i.e. 80,000 warrants. The right was exercised on 24 March 2022. On 12 April 2022, the Company's share capital was increased in connection with the issue of 80,000 class F shares of a par value PLN 40,000.

28 Note to consolidated cash flow statement

	12 months ended 31 December	
	2021 *(audited)*	**2020** *(audited)*
Receivables		
Change of balance arising from the consolidated statement of financial position	**(17,735)**	**(10,358)**
- receivables acquired through acquisitions	4	30
- change in cost settlements for share-based payments	(512)	(558)
Change in receivables arising from the consolidated cash flow statement	**(18,243)**	**(10,886)**
Liabilities		
Change of balance arising from the consolidated statement of financial position	**15,535**	**6,316**
- liabilities acquired through acquisitions	(4)	(54)
- change in lease liabilities	103	(133)
- change in the balance of liability for loans received	30	(30)
Change in liabilities arising from the consolidated cash flow statement	**15,664**	**6,099**

29 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 21.

30 Share of non-controlling interest and joint ventures

Non-controlling interest

On the balance sheet date, the Group has non-controlling interest worth PLN 3,206,000. The value of non-controlling interest consists mainly of the following companies (data before intercompany inclusions, data in in PLN '000):

	TapNice S.A.	**ADC Sp. z o.o.**
Current assets	284	5,735
Tangible assets	7,110	446
Total assets	**7,394**	**6,181**
Equity	5,754	2,265
Long-term liabilities	51	83
Short-term liabilities	1,589	3,833
Total equity and liabilities	**7,394**	**6,181**
Sales revenue	38,837	12,905
Net profit/loss	9,624	2,260
Total comprehensive income	**9,624**	**2,260**
% of non-controlling interest	**40%**	**50%**
Non-controlling interest in net profit/loss	3,501	1,130
Non-controlling interest in equity	2,302	1,133
Dividends paid to non-controlling shareholders (*including the interim dividend*)	-1,717	-

On the balance sheet date, there are no restrictions on access to assets and settlements of the Group's liabilities or any other protective rights which may limit the Company's access to assets and the settlement of the Group's liabilities.

Joint ventures

The Group has an affiliate which is a co-controlled company: Moondrip Sp. z o.o. The company's contribution to the Group's performance is insignificant.

31 Changes in the Group structure

Sale of shares in the subsidiary TapNice

On 7 April 2021, an Extraordinary General Meeting of TapNice S.A. ("TapNice") authorised the sale of the company's shares by BoomBit S.A. to the company's shareholder Grzegorz Regliński. Ten shares of a total value of PLN 500 were sold for their nominal price. As a result, the share of BoomBit S.A. in the company's share capital dropped from 70% to 60%.

The transaction did not change the status of TapNice as it still remains a subsidiary after the transaction.

Selling price
The selling price was the par value of the TapNice shares subject to the sale, i.e. PLN 500 (10 shares, PLN 50 per share).

Effect on equity
In order to settle the sale of the shares, the available and the most reliable financial data of the company were used, i.e. data as at 31 March 2021.

Net assets	10,343
sale of 10% shares	1,034

The Group did not lose control over the company as a result of the sale and so all that the sale changed was the value of the equity attributable to the parent and the value of minority interest.

Equity	
Equity attributable to shareholders of the parent	-1,034.00
Equity attributable to minority interest	1,034.00

Purchase of shares in Maisly Games

On 28 May 2021, the Extraordinary General Meeting of Maisly Games Sp. z o.o. ("Maisly Games") authorised the conclusion of an investment contract between BoomBit S.A. and the shareholder of Maisly Games whereunder the parties agreed to cooperate in the publishing, creation and promotion of games for mobile platforms. As a result of the contract, BoomBit S.A. bought 70% shares of the company, representing 70% of the shares in the share capital.

The par value of every share was PLN 50.00. The total value of the acquired shares was PLN 3,500. The purchase price equalled the par value, i.e. PLN 3,500. In connection with the transaction, the Company had shares representing 70% of the share capital of Maisly Games and 100% of the votes at the Maisly Games General Meeting. 28 May 2021 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 purchase transaction, the company became a subsidiary.

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

In order to settle the acquisition of Maisly Games, the available and the most reliable financial data of the company were used, i.e. data as at 31 May 2021. The following data are related to settlement of the final acquisition (in PLN '000):

Trade liabilities	3
Total liabilities	**3**
Current assets	4
Total assets	**4**
Identifiable net assets	**1**

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

Goodwill resulting from the acquisition

No goodwill was recognised in the consolidated statement of financial position as at the date of taking control due to the insignificance of the value.

Impact of the acquisition on the Group's results

Due to the insignificant results of Maisly Games before the acquisition transaction, the acquisition transaction was recognised as if the merger took place at the beginning of the reporting period, i.e. on 1 January 2021, which is why all the results of Maisly Games were included in the Group's results.

Impact of cash from acquisition (in PLN '000)

Expenses connected with acquisition of shares	>1
Cash acquired	3
Net flows related to the acquisition	**3**

The acquisition of shares was financed from the Company's cash. The acquisition-related costs of the Group were less than PLN 1,000 and they only applied to notary fees and were disclosed in the statement of comprehensive income as general administrative costs. No contingent assets or liabilities were identified in Maisly Games as at the date of taking control.

Acquisition of extra 30% of shares

On 13 October 2021, the Company acquired 30 more shares in Maisly Games for PLN 7,500. As a result, the Company became a 100% owner of Maisly Games. The acquisition of the extra shares was treated as acquisition in stages.

In order to settle the acquisition, the available and the most reliable financial data of the company were used, i.e. data as at 30 September 2021.

The strengthening of the control caused only movements in the Group's equity. As a result of the transaction, non-controlling interest was no longer recognised, and the whole profit for 2021 was assigned to the profit/loss of the Group.

profit from the moment of the acquisition of the shares to September 2021	-72
share in the profit/loss of Maisly for 2021	-22
Equity attributable to shareholders of the parent	**-22**
Equity attributable to minority interest	**22**

Incorporation and sale of shares of ADC Games Sp. z o. o.

On 7 April 2021, BoomBit S.A. incorporated a new company ADC Games Sp. z o. o., where it held 100% of the shares. The company's share capital consisted of 100 equal and non-divisible shares of a value PLN 50 each. The total share capital was PLN 5,000.

On the same date, an investment contract was signed 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. As a result of the transaction, the Group holds 50% of the shares in ADC Games Sp. z o. o. Despite the 50% of shares, ADC Games Sp. z o. o. is a subsidiary of BoomBit S.A.

Acquisition of and sale of shares of Skyloft Sp. z o.o.

On 24 August 2021 the subsidiary BoomHits Sp. z o.o. ("BoomHits") acquired 100 shares in Skyloft Sp. z o.o. ("Skyloft"), which was 100% of its share capital, of a par value PLN 50 each and of a total par value PLN 5,000, for the price of PLN 7,500.

24 August 2021 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 purchase transaction, the company became a subsidiary.

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

In order to settle the acquisition of Skyloft, the available and the most reliable financial data of the company were used, i.e. data as at 31 August 2021. The following data are related to settlement of the final acquisition.

Trade liabilities	-
Total liabilities	**-**
Current assets	2
Total assets	**2**
Identifiable net assets	**2**

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

Goodwill resulting from the acquisition

No goodwill was recognised in the consolidated statement of financial position as at the date of taking control due to the insignificance of the value.

Impact of the acquisition on the Group's results

Due to the insignificant results of Skyloft before the acquisition transaction, the acquisition transaction was recognised as if the merger took place at the beginning of the reporting period, i.e. on 1 January 2021, which is why all the results of Skyloft were included in the Group's results.

Impact of cash from acquisition (in PLN '000) PLN)

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

The acquisition of shares was financed from the Company's cash. The acquisition-related costs of the Group were less than PLN 1,000 and they only applied to notary fees and were disclosed in the statement of comprehensive income as general administrative costs. No contingent assets or liabilities were identified in Skyloft as at the date of taking control.

Sale of shares to Cappuccino

On 6 October 2021, a contract was signed whereby Skyloft shares were sold to a Turkish development studio Cappuccino Yazılım Bilişim A.Ş. ("Cappuccino"). 50% of the Skyloft shares were sold for a price equal to their par value, i.e. PLN 2,500.

Effect on equity

In order to settle the sale of the shares, the available and the most reliable financial data of the company were used, i.e. data as at 30 September 2021.

Net assets	-136
sale of 50% shares	-68

The Group did not lose control over the company as a result of the sale and so all that the sale changed was the value of the equity attributable to the parent and the value of minority interest.

Equity	
Equity attributable to shareholders of the parent	68.00
Equity attributable to minority interest	-68.00

Purchase of shares of PlayEmber Sp. z o. o.

On 6 September 2021, the subsidiary ADC Games Sp. z o.o. acquired 100 shares in PlayEmber Sp. z o.o. ("PlayEmber"), which was 100% of its share capital, of a par value PLN 50 each and of a total par value PLN 5,000, for the price of PLN 7,500. BoomBit S.A. indirectly holds 50% of shares in the company by holding 50% of shares in the subsidiary ADC Games Sp. z o.o.

6 September 2021 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 purchase transaction, the company became a subsidiary.

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

In order to settle the acquisition of PlayEmber, the available and the most reliable financial data of the company were used, i.e. data as at 31 August 2021. The following data are related to settlement of the final acquisition (in PLN '000).

Trade liabilities	1
Total liabilities	**1**
Current assets	4
Total assets	**4**
Identifiable net assets	**3**

Goodwill resulting from the acquisition

No goodwill was recognised in the consolidated statement of financial position as at the date of taking control due to the insignificance of the value.

Impact of the acquisition on the Group's results

Due to the insignificant results of PlayEmber before the acquisition transaction, the acquisition transaction was recognised as if the merger took place at the beginning of the reporting period, i.e. on 1 January 2021, which is why all the results of PlayEmber were included in the Group's results.

Impact of cash from acquisition (in PLN '000) PLN)

Expenses connected with acquisition of shares	>1
Cash acquired	2
Net flows related to the acquisition	**2**

The acquisition of shares was financed from the Company's cash. The acquisition-related costs of the Group were less than PLN 1,000 and they only applied to notary fees and were disclosed in the statement of comprehensive income as general administrative costs. No contingent assets or liabilities were identified in PlayEmber as at the date of taking control.

32 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

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

algorithm to modify 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.
In the current financial year, the Company received a grant of PLN 920,000, including PLN 613,000 (PLN 307,000 in 2020), of which:

- PLN 31,000 remained to be settled from the subsidies received in 2020
- PLN 654,000 was disclosed as reduction of the value of the development cost asset,
- PLN 11,000 was disclosed in the statement of comprehensive income in other operating revenue,
- PLN 21,000 was disclosed in the statement of financial position as other receivable

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

33 Transactions with affiliates

Goods and services are acquired from affiliates on arm's length terms. Receivables from affiliates arise mainly as a result of sales transactions and are due within 60 days following the date of sale. Those receivables are not secured and do not bear interest. There are no revaluation charges for receivables from the affiliates presented herein. Liabilities towards affiliates are mainly from purchasing transactions and the payment date is 60 days following the purchase date. The liabilities do not bear interest. Trade receivables and liabilities arise not only from revenue and purchase but also from cost re-invoicing between the Group's companies. Re-invoices are not disclosed in revenue and purchase.

As at and for the year ended 31 December 2021, settlements and transactions with affiliates were as follows:

	Trade and other receivables	Granted loans	Received loans	Revenue	Purchase	Trade and other liabilities
	(audited)	_(audited)_	_(audited)_	_(audited)_	_(audited)_	_(audited)_
Joint ventures						
MoonDrip Sp. z o.o.	4	1,154	-	43	-	-
Parties with significant influence						
Karolina Szablewska Olejarz	1	-	-	3	211	-
Marcin Olejarz	1	-	-	12		6
Marek Pertkiewicz	-	-	-	8	-	-
Grzegorz Regliński	-	-	-	-	63	11
	6	**1,154**	**-**	**66**	**274**	**17**

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
	(audited)	_(audited)_	_(audited)_	_(audited)_	_(audited)_	_(audited)_
Joint ventures						
MoonDrip Sp. z o.o.	30	1,125	-	73	-	-
SuperScale Sp. z o.o.*	-	-	-	4	-	-
Parties with significant influence						
Karolina Szablewska Olejarz	2	-	-	2	-	-
Marcin Olejarz	4	-	-	5	-	316
Marek Pertkiewicz	-	-	-	5	-	-
Grzegorz Regliński	-	-	30	-	24	5
	36	**1,125**	**30**	**89**	**24**	**321**

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

(all amounts given in thousand zloty (PLN '000) unless specified otherwise)

Salaries and other benefits of governing bodies and key management

	12 months ended 31 December	
	2021	**2020**
	(audited)	*(audited)*
Salaries		
Salaries and other benefits for the Directors, including:	4,145	1,256
Board of Directors of the parent company, including:	*4,123*	*1,242*
- provisions for bonuses for the Directors	*1,050*	-
- disbursed interim dividend	*1,341*	
Board of Directors of other entities	*22*	*14*
Salaries and other benefits for the Supervisory Board, including:	753	312
- disbursed interim dividend	*441*	
Salaries of key management	1,182	990
	6,080	**2,558**

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

34 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 2021 and for the benchmarking period:

	31 December 2021	31 December 2020
	(audited)	*(audited)*
Mandatory audit of annual standalone and consolidated financial statements	75	61
Review of annual standalone and consolidated financial statements	19	28
Other certification services	28	3
Total	**122**	**92**

Other certification services in 2021 include the fee for review of the salaries report and for the audit of the half-yearly standalone financial statements of the Company. Other certification services in 2020 encompassed only the review of the salaries report.

35 Impact of the war in Ukraine on the situation of the Group

On 24 February 2022, Russia invaded Ukraine and thus destabilised the political and economic situation in the region, which may adversely affect the Polish economic system. By the date of these financial statements, the armed conflict in Ukraine has not had a material direct impact on the operations and profit/loss of the Group. The share of the Ukrainian and Russian markets in the Group's revenue for 2021 represented 2.5% of the revenue on sale from distribution platforms. The political and economic situation in Ukraine is monitored by the Group on an ongoing basis for its actual impact on the activity of the Group.

36 Subsequent events

- On 21 February 2022, the Company acquired 100 shares of PlayHolding Sp. z o.o. ("PlayHolding") for PLN 7,500. On the same day the Company signed an Investment Contract with CherryPick Games S.A. ("CherryPick") and a contract for sale of 40 shares to CherryPick for a total of PLN 3,000. As a result, the Company has 60 shares in PlayHolding, which is 60% of its share capital. On 6 April 2022, PlayHolding Sp. z o.o. was re-registered as BoomPick Sp. z o.o. The company will be engaged in the business of creating and publishing casual games, especially of the merge and simulator types.
- In accordance with the Investment Contract of 17 August 2020 regarding the terms and conditions of investing in SuperScale Sp. z o.o. ("SuperScale"), Level-Up First S.àr.l. ("Level-Up"), the main shareholder of

that company, decided on 8 February 2022 to exercise the right to buy 112 SuperScale shares from the Company for EUR 3,150 per share. The total amount for sale of the SuperScale shares was EUR 352,800. The Company recognised the liability arising from the above call option in the previous financial year so the transaction involving the sale of the shares will have no impact on the profit/loss of the Company in Q1 2022.

- 80,000 class F shares of the Company were assigned on 12 April 2022, which were issued within the conditional share capital increase under Resolution 6 of the Company's General Meeting of 21 February 2019 (date of registration of the conditional capital in the National Court Register: 12 August 2019). The shares were assigned in connection with the exercise of the right to take up Company shares by the beneficiary of class C subscription warrants.
- An Extraordinary General Meeting of the Company was held on 21 April 2022 and it adopted resolutions as regards setting up:
  - an incentive scheme ("Scheme 1") for the Company's Directors for 2022-2024 which assumes issue of no more than 100,000 subscription warrants. The warrants will be issued free of charge and the share issue price will be PLN 0.50 per share. The implementation of Scheme 1 will depend on whether the General Meeting adopts resolutions on profit distribution for the financial year 2022, 2023 or 2024 where it decides that some or all of the profit will be intended for dividend and also on whether the scheme participant remained a Director from the moment of being listed as Scheme 1 participant to the last financial year preceding the year when the warrants were offered.

    The total number of warrants that can be offered will be calculated according to the following formula:

    W = D / (10 x B), where:

    W – total number of warrants available to the participants,

    D – the amount intended as dividend in a given year under the resolution of the General Meeting on profit distribution,

    B – the average closing price of Company shares in the 3 months preceding the date of the resolution on profit distribution in a given year of the incentive scheme.
  - an incentive scheme ("Scheme 2") for the Company's employees and contractors of the Company and of the companies from the BoomBit Group for 2022-2024 which assumes issue of no more than 405,000 subscription warrants. The warrants will be issued free of charge and the share issue price will be PLN 0.50 per share. The implementation of Scheme 2 will depend on whether the total (accumulated) consolidated net profit attributed to the shareholders in the financial years from 2022 to 2024, adjusted by the cost of the Scheme, is higher than PLN 53 million and on whether the particular Scheme 2 participants have met the loyalty criterion.

These consolidated financial statements were prepared and signed by the Company's Board of Directors on 25 April 2022.

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