

Independent Auditor's Report on Annual Financial Statements

Grant Thornton Polska P.S.A.
ul. Abpa Antoniego Baraniaka 88 E
61-131 Poznań
Polska

T +48 61 62 51 100
F +48 61 62 51 101
www.GrantThornton.pl

For the Shareholders of PCF Group Spółka Akcyjna

Report on the Annual Financial Statements

Opinion

We have audited the annual financial statements of PCF Group Spółka Akcyjna (the Company) with its registered office in Warsaw, Alei Solidarności 171, which comprise the statement of financial position as of December 31, 2023 and the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year then ended, and notes to the financial statements, comprising material accounting policy information and other explanatory notes.

In our opinion the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2023 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of properly maintained books of account,
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

The audit opinion is consistent with the additional report to the Audit Committee submitted on the same day as this audit report.

Basis for Opinion

We conducted our audit in accordance with:

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (the Act on Statutory Auditors),
- National Standards on Auditing in the wording of International Standards on Auditing adopted by resolutions of the National Council of Statutory Auditors and the Council of Polish Agency for Audit Oversight (NSA) and

- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April, 16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the Company in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

CONTRACT ASSETS AND CONTRACT LIABILITIES / SALES REVENUES

Description

The value of contract assets as at December 31, 2023 was 8 529 thousand zlotych, the value of contract liabilities as at December 31, 2023 was 2 422 thousand zlotych and the value of related sales revenues for 2023 was 120 387 thousand zlotych.

In accordance with the requirements of International Financial Reporting Standard 15 *Revenue from contracts with customers* the Management Board of the Company assesses, based on the analysis of individual arrangements with customers:

- whether and from which moment the contractual arrangements constitute a contract,
- whether individual findings should be account for as a single contract or combine,
- how to recognize contract modifications,
- what performance obligations exist in the contract,
- what is the transaction price received in exchange for transferring promised obligations performed for the client; variable consideration, significant financing component, non-cash consideration and consideration payable to a customer,
- what is the allocation of the transaction price to the performance obligations,
- when the Company satisfies the contractual obligation, i.e if contract revenue should be recognised over time, or at a point of time once the performance obligation is met.

We consider the valuation of contract assets and liabilities to be an key audit matter because contracts concluded by the Company are complex, subject to frequent modifications, contain many variable elements, and their recognition requires a number of assumptions based on professional judgment and professional knowledge. This applies in particular to measuring the progress of work based on the planned budget,

estimating variable consideration elements such as bonuses, estimating consideration payable to the client such as warrants and approach to recognizing subsequent changes in contract scopes.

Disclosures related to this matter are presented in notes 2, 3 and 10 to the annual financial statements.

Auditor's response

Audit procedures performed in this area included, among others:

- analysis and assessment of the applied accounting policies and procedures, including the internal control environment, relating to the process of valuation of contracts and their recognition,
- analysis of contracts in order to understand the nature of the transaction and its key parameters as well as assessment of the qualification of contracts as settled over time,
- verification of assumptions and estimates made by the Management Board of the Company in relation to: revenues due, bonuses due to the Company, valuation of warrants due to the client, cost budget assumptions, qualification of direct costs, approach to recognizing subsequent changes in contracts,
- verification of the valuation and calculation correctness, confirmation of the correctness of the data entered into the spreadsheets for accounting entries and source documentation.

INTANGIBLE ASSETS (DEVELOPMENT WORK)

Description

The Company has significant expenditures on intangible assets in the form of development work, both in the course of production and completed.

The carrying amount of development work in progress recognized in the financial statements as at December 31, 2023 is 199 109 thousand zlotych.

Determination of the scope of expenditures on development work that meet the conditions for capitalization in assets in accordance with the International Accounting Standard 38 Intangible Assets as well as determination of the expected useful life of capitalized expenditures and their assessment in the context of impairment, involve making significant accounting judgments and estimates. Due to this fact, we have identified this issue as a key audit matter.

Disclosures regarding this matter are presented in notes 2 and 4 to the annual financial statements.

Auditor's response

Audit procedures performed in this area included, among others:

- analysis and assessment of the applied accounting policies and procedures, including the internal control environment, relating to the process of records of expenditure on development work,
- detailed credibility check, including i.a. verification on a selected sample of the correctness of the allocation of expenditures,
- assessment of the premises and impairment tests carried out for both development work in progress and completed, verification of assumptions and estimates made by the Company's Management Board.

GOING CONCERN

Description

The annual financial statements have been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future, i.e. for at least the next 12 months after the balance sheet date.

The Company is incurring and plans to incur significant development expenditures related to the development of the proprietary game production and publishing segment. Management continues to seek additional sources of revenue and capital to finance the planned expenditures and ensure that the Company can meet its maturing obligations.

In note 2 to the annual financial statements, the Company's Management Board described the most significant matters necessary to assess the Company's ability to continue as a going concern.

Auditor's response

Audit procedures performed in this area included, among others:

- verification of the Company's financial plans for 2024-2028, including the assumptions and estimates made, and subsequent discussion with the Company's Management Board,
- discussing feasible scenarios with the Company's Management Board,
- discussion with the Company's Management Board and key employees regarding potential sources of financing for the Company's operations in the near future,
- discussion of events occurring after the balance sheet date and their impact on the Company's going concern assumption,
- analysis and verification of the reliability of disclosures in the annual financial statements regarding going concern.

Emphasis of Matter – development work in progress

In note 4 of the notes to the annual financial statements, the Company's Management Board disclosed intangible assets held by the Company as of December 31, 2023 in the form of development work in progress in the amount of 199 109 thousand zlotych. The most significant component of development work in progress is the development of new games with intention to produce them in the model of production and publishing of proprietary games. The annual impairment test showed a partial impairment of this position, as a consequence of which the Company's Management Board made an appropriate write-down. At the same time, the Company's Management Board confirmed that the remaining expenditures constituting an intangible asset in the form of proprietary games in progress meet the criteria for their activation in accordance with International Accounting Standard 38 *Intangible Assets*, including the criterion of availability of funds to complete the development work. The Company's Management Board has prepared a cash flow forecast covering a five-year period, described in more detail in note 2 of the notes to the annual financial statements. This forecast includes assumptions regarding remuneration from development fees, both those carried out by the Company under existing contracts and those it intends to acquire, as well as assumptions regarding the ability to raise additional sources of capital. We draw attention to the fact that the forecast documenting the possibility of financing expenditures for proprietary games depends on future events, the occurrence of which is not certain. Our opinion is not modified in respect of this matter.

Responsibilities of Management Board and Supervisory Board for the Annual Financial Statements

The Management Board of the Company is responsible for the preparation, on the basis of properly maintained books of account, of these annual financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the

Company's articles of association. The Management Board of the Company is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act of September 29, 1994 (the Accounting Act), the Management Board and the Supervisory Board of the Company are obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

The scope of the audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Company.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information including the Report on the Company's operations

The other information comprises the Report on the Company's operations for the financial year ended December 31, 2023, the Corporate Governance Statement which is a separate part of the Report on the Company's operations and the Annual Report for the year ended December 31, 2023 (but does not include the financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for the preparation of the other information in accordance with the Accounting Act and other legal regulations. The Management Board and the Supervisory Board of the Company are obliged to assure compliance of the Report on the Company's operations with the requirements of the Accounting Act.

Responsibilities of the Auditor

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. Additionally, according to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Report on the Company's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual financial statements. Moreover, we are obliged to express an opinion on whether the Company included the required information in the Corporate Governance Statement. We obtained the Report on the Company's operations, financial highlights and the information from the Management Board on the selection of an audit firm to audit the annual financial statements in accordance with the regulations prior to the date of this auditor's report, while the remaining parts of the Annual Report will be delivered later. If we conclude that there is a material misstatement in the Annual Report, we are required to communicate the matter to the Supervisory Board.

Opinion on the Report on the Company's operations

In our opinion, the Report on the Company's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 of the Accounting Act and Paragraph 70 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual financial statements. Moreover, taking into account our knowledge of the Company and its environment obtained during the audit of the annual financial statements, we state that we have not identified any material misstatements in the Report on the Company's operations.

Opinion on the Corporate Governance Statement

In our opinion, the Corporate Governance Statement includes the information required by Paragraph 70 clause 6 point 5 of the Regulation on current and periodic information. The information specified in Paragraph 70 clause 6 point 5 letters c-f, h and i of the Regulation on current and periodic information included in the Corporate Governance Statement complies with applicable regulations and is consistent with the information included in the annual financial statements.

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

To the best of our knowledge and belief we confirm that we have not provided non-audit services prohibited in accordance with the provisions of Article 136 of the Act on Statutory Auditors and Article 5 clause 1 of the Regulation 537/2014.

Appointment of the Audit Firm

We were appointed to audit the annual financial statements of the Company for the years 2023 and 2024 by the Supervisory Board's resolution of June 22, 2023. The financial statements for the year 2023 are the first annual financial statements of the Company that we audit.

Jan Letkiewicz

Statutory Auditor No. 9530
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, April 29, 2024.

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.