WARSAW | APRIL 29TH 2024

PEOPLE CAN FLY

PCF GROUP SPÓŁKA AKCYJNA

FULL-YEAR FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2023

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

PCF Group Spółka Akcyjna – financial highlights (translated into EUR)

	PLN		EUR	
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
Statement of financial position				
Assets	502,508	324,530	115,572	69,198
Non-current liabilities	12,382	20,484	2,848	4,368
Current liabilities	47,376	32,549	10,896	6,940
Equity	442,750	271,497	101,828	57,890
PLN/EUR exchange rate at end of period	-	-	4.3480	4.6899

	PLN		EUR	
	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022	**1 Jan–31 Dec 2023**	1 Jan–30 Dec 2022
Statement of profit or loss				
Revenue	120,387	120,136	26,585	25,625
Operating profit (loss)	(83,302)	42,665	(18,395)	9,100
Profit (loss) before tax	(85,495)	44,529	(18,880)	9,498
Net profit (loss)	(64,652)	42,336	(14,277)	9,030
Earnings per share (PLN)	(1.98)	1.41	(0.44)	0.30
Diluted earnings per share (PLN)	(1.95)	1.39	(0.43)	0.30
Average PLN/EUR exchange rate in period	-	-	4.5284	4.6883

	PLN		EUR	
	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022	**1 Jan–31 Dec 2023**	1 Jan–31 Dec 2022
Statement of cash flows				
Net cash from operating activities	22,069	178,511	4,873	38,076
Net cash from investing activities	(197,406)	(205,713)	(43,593)	(43,878)
Net cash from financing activities	224,451	(12,697)	49,565	(2,708)
Total net cash flows (net of the effect of foreign currency translation on cash)	49,114	(39,899)	10,846	(8,510)
Average PLN/EUR exchange rate in period	-	-	4.5284	4.6883

The financial data presented above has been translated into the EUR at the following exchange rates:

- items of the statement of profit or loss and the statement of cash flows – at the average exchange rate in the period, calculated as the mean of the exchange rates quoted by the National Bank of Poland for the last day of each month in the reporting period;
- items of the statement of financial position – at the mid exchange rate quoted by the National Bank of Poland for the last day of the reporting period.

TABLE OF CONTENTS

PCF GROUP SPÓŁKA AKCYJNA

FULL-YEAR FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2023

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 Dec 2023	31 Dec 2022
Non-current assets			
Intangible assets	4	223,391	156,283
Property, plant and equipment	5	4,296	4,345
Right-of-use assets	6	12,065	14,794
Investments in subsidiaries	7	61,118	55,404
Receivables and loans advanced	8	4,224	2,905
Long-term prepayments and accrued income	12	280	58
Deferred tax assets	9	22,071	-
Non-current assets		**327,445**	**233,789**
Current assets			
Contract assets	10	8,529	30,355
Trade and other receivables	11	31,540	10,424
Current tax assets		768	-
Other current financial assets	14	35,397	-
Short-term prepayments and accrued income	12	1,041	571
Cash and cash equivalents	13	97,788	49,391
Current assets		**175,063**	**90,741**
Total assets		**502,508**	**324,530**

EQUITY AND LIABILITIES	Note	31 Dec 2023	31 Dec 2022
Equity			
Share capital	15	719	599
Share premium	15	357,654	121,869
Other components of equity	15	49,898	49,898
Retained earnings		34,479	99,131
Equity		**442,750**	**271,497**
Liabilities			
Non-current liabilities			
Leases	17	8,751	12,850
Deferred tax liability	9	-	157
Long-term prepayments and accrued income	12	3,631	7,477
Non-current liabilities		**12,382**	**20,484**
Current liabilities			
Trade and other payables	18	23,545	26,213
Contract liabilities	10	2,422	-
Current tax liabilities		-	2,329
Borrowings, other debt instruments	16	-	510
Leases	17	3,779	3,163
Employee benefit obligations and provisions	19	303	334
Short-term prepayments and accrued income	12	17,327	-
Current liabilities		**47,376**	**32,549**
Total liabilities		**59,758**	**53,033**
Total equity and liabilities		**502,508**	**324,530**

Notes are an integral part of the full-year financial statements.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

STATEMENT OF PROFIT OR LOSS

	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Continuing operations			
Revenue	3	120,387	120,136
Cost of sales		90,095	50,099
Gross profit (loss)		**30,292**	**70,037**
General and administrative expenses	20	33,906	28,476
Other income	20	4,175	1,758
Other expenses	20	83,863	654
Operating profit (loss)		**(83,302)**	**42,665**
Finance income	21	1,406	2,957
Finance costs	21	3,599	1,093
Profit (loss) before tax		**(85,495)**	**44,529**
Income tax	22	(20,843)	2,193
Net profit (loss) from continuing operations		**(64,652)**	**42,336**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit (loss)		**(64,652)**	**42,336**

EARNINGS (LOSS) PER ORDINARY SHARE (PLN)

	Notes	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
from continuing operations			
- basic	25	(1.98)	1.41
- diluted	25	(1.95)	1.39
from continuing and discontinued operations			
- basic	25	(1.98)	1.41
- diluted	25	(1.95)	1.39

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Net profit (loss)		**(64,652)**	**42,336**
Comprehensive income		**(64,652)**	**42,336**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other components of equity	Retained earnings	**Total equity**
As at 1 Jan 2023	**599**	**121,869**	**49,898**	**99,131**	**271,497**
Changes in equity in 1 Jan–31 Dec 2023					
Issue of Series E, Series F and Series G shares	120	240,875	-	-	**240,995**
Cost of issue of Series C, Series E, Series F and Series G shares	-	(5,090)	-	-	**(5,090)**
Net profit (loss) for 1 Jan–31 Dec 2023	-	-	-	(64,652)	**(64,652)**
As at 31 Dec 2023	**719**	**357,654**	**49,898**	**34,479**	**442,750**

	Share capital	Share premium	Other components of equity	Retained earnings	**Total equity**
As at 1 Jan 2022	**599**	**121,869**	**48,355**	**64,882**	**235,705**
Changes in equity in 1 Jan–31 Dec 2022					
Measurement of warrants due to publisher Square Enix Limited	-	-	1,543	-	**1,543**
Dividends for 2021 (resolution of 28 June 2022)	-	-	-	(8,087)	**(8,087)**
Net profit (loss) for 1 Jan–31 Dec 2022	-	-	-	42,336	**42,336**
As at 31 Dec 2022	**599**	**121,869**	**49,898**	**99,131**	**271,497**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

STATEMENT OF CASH FLOWS

	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cash flows from operating activities			
Profit (loss) before tax		**(85,495)**	**44,529**
Adjustments:			
Depreciation of property, plant and equipment		1,618	1,556
Amortisation of intangible assets		7,466	4,103
Depreciation of right-of-use asset		3,632	3,023
Impairment losses on intangible assets		81,237	-
Gain (loss) on disposal of non-financial non-current assets		-	(13)
Foreign exchange gains (losses)		529	2,763
Interest expense		1,062	751
Interest and dividend income		(1,406)	(2,957)
Other adjustments		1,677	1,097
Change in receivables		(21,116)	22,775
Change in liabilities	23	184	103,434
Change in provisions, accruals and deferrals		12,758	7,578
Change in contract assets and liabilities		24,248	(7,970)
Income tax paid		(4,325)	(2,158)
Net cash from operating activities		**22,069**	**178,511**
Cash flows from investing activities			
Payments for intangible assets		(156,955)	(152,968)
Payments for property, plant and equipment		(1,897)	(1,694)
Proceeds from disposal of property, plant and equipment		-	13
Net expenditure on acquisition of subsidiaries		(47)	-
Loans advanced		(4,397)	(54,404)
Payments for other financial assets		(45,178)	-
Proceeds from sale of other financial assets		9,948	-
Interest received		1,120	3,340
Net cash from investing activities		**(197,406)**	**(205,713)**
Cash flows from financing activities			
Net proceeds from issue of shares		235,328	-
Share issue costs		(5,090)	-
Repayment of borrowings		(510)	(875)
Payment of lease liabilities		(4,215)	(3,697)
Interest paid		(1,062)	(39)
Dividends paid		-	(8,086)
Net cash from financing activities		**224,451**	**(12,697)**
Total net cash flows		**49,114**	**(39,899)**
Foreign exchange gains (losses)		(717)	(1,445)
Net change in cash		**48,397**	**(41,344)**
Cash and cash equivalents at beginning of period		49,391	90,735
Cash and cash equivalents at end of period		**97,788**	**49,391**

PCF GROUP SPÓŁKA AKCYJNA

FULL-YEAR FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2023

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company

The Company is entered in the Business Register of the National Court Register maintained by the District Court for the Capital City of Warsaw, 13th Commercial Division, under entry No. KRS 0000812668. The Company's Industry Identification Number (REGON) is 141081673.

The Company's registered office is located at Al. Solidarności 171, 00-877 Warsaw, Poland. It is also the principal place of business of the Company.

The Company has a branch in Rzeszów, trading under the name PCF Group Spółka Akcyjna Oddział w Rzeszowie "Oddział Badawczo Rozwojowy" (Research and Development Branch), located at ul. Romańczuka 6, units 4-5, 35-302 Rzeszów.

Composition of the Management Board and the Supervisory Board

As at the date of authorisation of these financial statements for issue, the Management Board of the Company consisted of:

- **Sebastian Kamil Wojciechowski**, President of the Management Board.

In the period from 1 January 2023 to the date of authorisation of these financial statements for issue, the composition of the Management Board did not change.

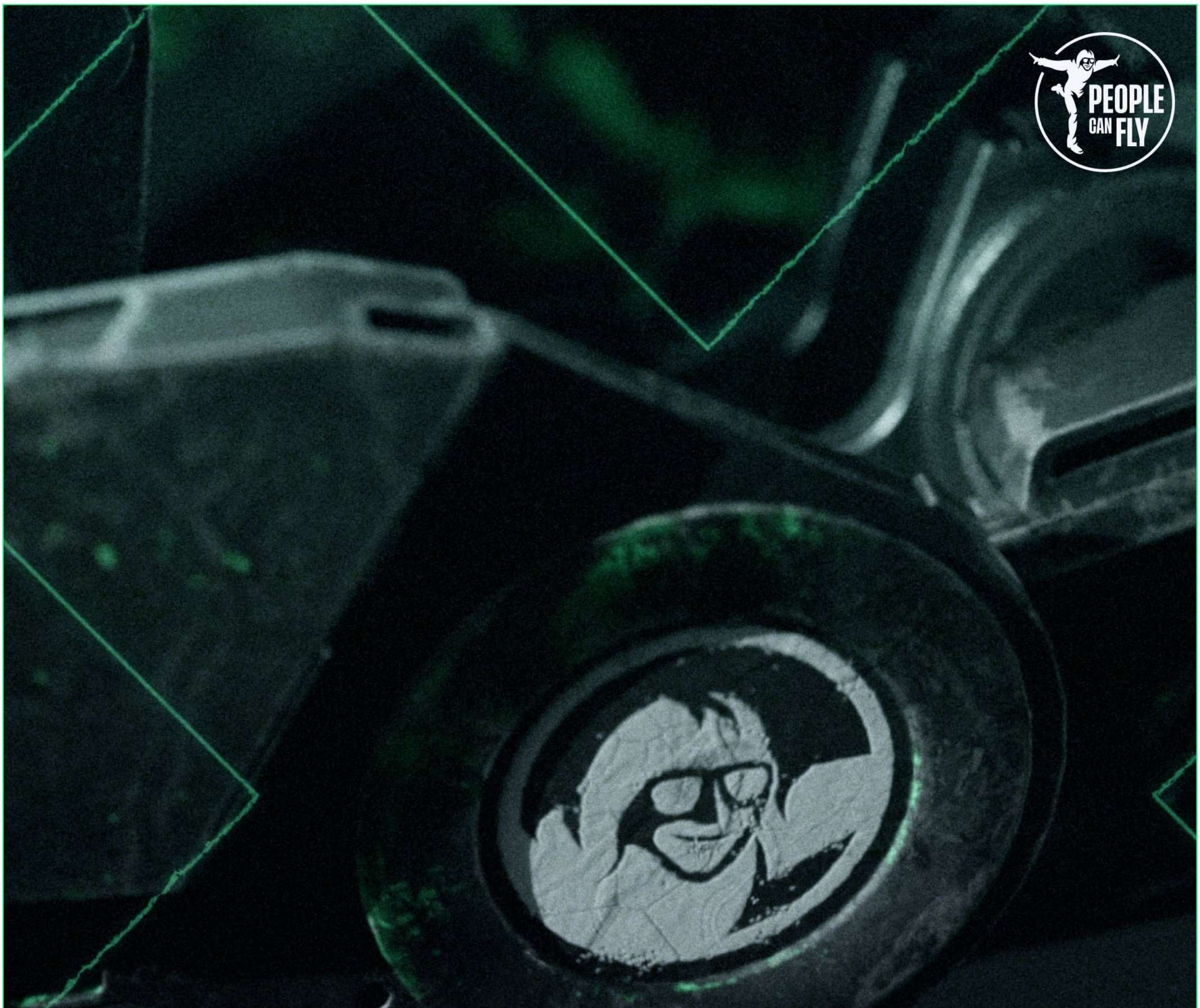
As at the date of authorisation of these financial statements, the Supervisory Board was composed of:

- **Mikołaj Wojciechowski** – Chair of the Supervisory Board,
- **Jacek Pogonowski** – Member of the Supervisory Board,
- **Barbara Sobowska** – Member of the Supervisory Board,
- **Kuba Dudek** – Member of the Supervisory Board,
- **Dagmara Zawadzka** – Member of the Supervisory Board.

In the period from 1 January 2023 to the date of authorisation of these financial statements for issue, the composition of the Supervisory Board did not change.

Business of the Company

The principal business activity of the Company is development of video games. For a more detailed description of the business of the Company, see Note 3 on revenue and operating segments. The Company has been established for an indefinite term.



PCF GROUP SPÓŁKA AKCYJNA

FULL-YEAR FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2023

2. Basis of accounting and accounting policies

Basis of accounting used in preparing the financial statements

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union and effective as at 31 December 2023.

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future.

The Management Board of the Company prepares detailed profit and cash flow forecasts covering a five-year period and updates them periodically. The current forecast covers the years 2024-2028. These forecasts are based on the assumptions of the Management Board regarding current and future economic conditions, as anticipated by the Management Board to prevail during that period. These forecasts also include assumptions concerning the further development of games in the pipeline, both those being implemented by the Company as of the date of authorisation of these financial statements for issue and those which the Company intends to acquire. The forecasts also include various scenarios reflecting the Company's plans, opportunities, internal and external risks, and risk mitigation measures.

The Management Board of the Company continues to seek additional sources of revenue and financing available to the Company to sustain the development of the in-house game production and publishing segment (self-publishing) beyond the fourth quarter of 2024. These potential revenue sources include further collaboration with external publishers and receiving compensation in the form of development fees with an appropriate margin, or additional capital raising at the right time. Based on these considerations, the Management Board of the Company is confident that the Company will have sufficient financial resources to meet its maturing obligations for at least twelve months from the date of the authorisation of the financial statements, which have been prepared on the assumption that the Company will continue as a going concern.

Accounting policies

By Resolution No. 15/2022 of 29 December 2022, the Company's Management Board adopted an updated Accounting Policy for PCF Group S.A., which is a set of rules, policies and practices applied by the Company in preparing and presenting financial statements, as selectively described below.

Presentation of financial statements

The financial statements are presented in accordance with International Accounting Standard 1 ("IAS 1"). The Company presents separately the "Statement of profit or loss", which is shown immediately before the "Statement of other comprehensive income".

The "Statement of profit or loss" is prepared using the calculation method, and the "Statement of cash flows" is prepared using the indirect method.

If there are retrospective changes in accounting policies, disclosures or correction of errors, the Company presents an additional statement of financial position prepared as at the beginning of the comparative period if the changes are material to the data presented as at the beginning of the comparative period. In such a case, the presentation of notes to the third statement of financial position is not required.

Functional currency and presentation currency

The functional currency of the Company and the presentation currency of these financial statements is the Polish zloty, and all amounts are expressed in thousands of Polish zloty (PLN), unless indicated otherwise.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from the carrying amounts of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Operating segments

In distinguishing operating segments, the Management Board of the Company is guided by the type of income generated. Each of the segments is managed separately within their respective revenue streams: (i) contract game development (includes development fee), (ii) copyrights to produced games (includes revenue earned by the Company from sales of games by a publisher - royalties), (iii) in-house game production and publishing (self-publishing) (includes the Company's share in licensing fees paid by players – royalties), and (iv) others.

As required under International Financial Reporting Standard 8 (“IFRS 8”), results of operating segments are based on internal reports periodically reviewed by the Management Board of the Company (the chief operating decision maker at the Company). The Management Board analyses results of the operating segments at the level of operating profit (loss). Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of these financial statements; the division into operating segments has also been presented in terms consistent with IFRS.

Revenue disclosed in the statement of profit or loss does not differ from revenue presented by the operating segments.

Revenue

Revenue is solely revenue from contracts with customers falling within the scope of International Financial Reporting Standard 15 (“IFRS 15”). The method of recognising revenue in financial statements of the Company, including both the amount and timing of revenue recognition, is determined by a five-step model comprising the following steps:

- identifying the contract with a customer,
- identifying performance obligations,
- determining the transaction price,
- allocating the transaction price to the performance obligations,
- recognising revenue when or as the performance obligations are satisfied.

Revenue is the inflow of economic benefits in a given period, arising in the ordinary course of the Company’s business, resulting in an increase in equity other than an increase resulting from contributions by shareholders.

The Company recognises revenue using the five-step model prescribed in IFRS 15. Revenue comprises only amounts received or receivable equal to transaction prices that accrue to the Company upon fulfilment (or in the course of fulfilment) of its performance obligations involving the transfer of the promised goods or services (i.e. an asset) to the customer. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for the transfer of promised goods or services, less value added tax due.

Costs of used materials, merchandise and finished goods are recognised by the Company in the same period as revenue from sale of such items, in accordance with the principle of matching income with expenses.

The Company distinguishes four sources of revenue:

1. revenue from contract development of video games (development fee),
2. revenue from sale of copyrights to developed games (royalties),
3. development and publication of games without the involvement of an external publisher (self-publishing) (royalties),
4. other revenue.

Policy for recognition of revenue from contract development of video games

Identifying the contract

The Company recognises a contract with a customer only when all of the following criteria are met:

- the parties have entered into a contract (in writing, orally or in accordance with other customary business practices) and are obliged to perform their respective obligations,
- The Company is able to identify each party's rights to the goods or services to be transferred,
- The Company is able to identify terms of payment for the goods or services to be transferred,
- the contract has economic substance (i.e. the risk, timing or amount of the Company's future cash flows can be expected to change as a result of the contract), and
- it is probable that the Company will receive the consideration to which it is entitled in exchange for the goods or services that will be provided to the customer.

Identifying performance obligations

At the inception of a contract, the Company assesses the goods or services that have been promised to the customer and identifies as a performance obligation each good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A contract for development of video games with an independent publisher is treated as a separate (distinct) performance obligation (delivery of a complete game to the publisher).

Determining the transaction price

In order to determine the transaction price, the Company takes into account the terms of the contract and its customary business practices. Transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of promised goods or services to a customer. The consideration specified in the contract with the customer includes fixed and variable components (possible bonuses). The Company estimates the amount of variable consideration using the most-likely-amount method.

In the absence of a significant financing component, the Company does not adjust the promised amount of consideration for the effect of the time value of money.

Allocating the transaction price to performance obligations

The Company allocates the transaction price to each performance obligation (or to a distinct good or service) in an amount that reflects the amount of consideration to which the Company expects to be entitled in exchange for performance of the obligation, i.e. delivery to the publisher of a complete game.

Recognition of revenue when or as performance obligations are satisfied.

Under IFRS 15, an entity recognises revenue in an amount of the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer. A contract with a publisher specifies the detailed terms of cooperation, including the amount of remuneration. The copyrights to the game transfer to the publisher as the game is being developed, specifically upon reaching successive key stages (known as milestones). This is consistent with IFRS 15.35c which states the performance does not create an asset with an alternative use to the entity and the Company has an enforceable right to payment for performance completed to date, therefore the Company's revenue is recognised over time. Subcontractor work is recognised in accordance with the method described in IFRS 15.B.19(b), i.e., revenue is recognised to the extent of costs incurred and billed by the reporting date, while the realised margin is added to the total contract revenue. Revenue as at the reporting date is estimated on the basis of the stage of contract completion determined based on the amount of costs incurred cumulatively in relation to the total costs planned to be incurred to perform the contract obligation. Revenue is estimated at each reporting date in accordance with best available estimates and is adjusted for foreseeable adjustments, bonuses and other variable elements.

Advance payments received from customers

The Company receives short-term advances from customers for future development of video games. With respect to short-term advances (where the period between the moment when the customer pays for the goods or services and the moment when they are delivered does not exceed one year), the Company has applied the practical expedient permitted under IFRS 15 and does not recognise any financing component. These advances are recognised as trade payables.

Policy for recognition of revenue from sale of copyrights to developed games (royalties)

After the game's production has concluded and the game has been released by an external publisher, the Company is entitled to contractual royalties. These royalties are payable if the specified amount of revenue (defined in the development and publishing agreement) from game sales provide the publisher with a return, at a specified level, on the costs incurred in connection with the development, promotion, and distribution of the game. Therefore, the amount of the Company's royalties indirectly depends on the volume of sales the publisher makes to the end consumer in a given period. Directly, it represents the Company's share of the profits earned by the publisher after recouping costs associated with the game's development, promotion, and distribution. The transaction price is determined as a percentage of the amount of sales generated by the publisher. Consequently, the Company recognises royalty revenue at the moment the game publisher sells the product to end consumers. This revenue is determined based on sales reports provided to the Group by the game publisher. The Company receives sales reports on a quarterly basis, after the end of each quarter.

The above does not apply to the remastered version of Bulletstorm, titled Bulletstorm: Full Clip Edition ("BS:FC"), published by Gearbox Publishing, LLC. For this version, the Company incurred the entire development costs and earned consideration as a percentage of the sales generated by the publisher.

Policy for recognition of revenue from sale of self-published video games (royalties)

The Group also undertakes projects involving the development and self-publishing of its own games (self-publishing). In this model, the Company, based on existing or newly created intellectual property (IP) by the Company, is responsible for game production, which is published by another Group company, namely People Can Fly Ireland

Limited. People Can Fly Ireland Limited engages in publishing activities, including the promotion, distribution, and sale of games developed by the Company, under a license granted by the Company.

The Company recognises its revenue from the royalties obtained through the sales of its games by People Can Fly Ireland Limited. Specifically, the revenue accounted for by the Company corresponds to a designated proportion of the licensing fees that People Can Fly Ireland Limited collects from these sales. The revenue (royalties) depends on the volume of sales made by People Can Fly Ireland Limited to the final player in a given reporting period.

Policy for recognition of other income

Other income includes amounts paid to the Company by its subsidiaries for:

- The licence to use of the People Can Fly trademark to which the Company holds rights by People Can Fly UK Ltd., People Can Fly U.S. LLC, People Can Fly Canada Inc. and People Can Fly Chicago LLC. The Company identifies the grant of this licence as a separate performance obligation, and the transfer of an intellectual property right to the customer constitutes a performance obligation satisfied over time. The amount of the income is determined on the basis of revenue earned by the subsidiaries from sales to third parties. The Company recognises trademark license income on a quarterly basis.

Operating expenses

Operating expenses are recognised in profit or loss, in accordance with the of matching income and expenses. In the financial statements, the Company presents expenses by place of their origin.

Finance income and costs

Finance income comprises mainly interest on deposits of free cash held in bank accounts and invested in debt securities, and foreign exchange gains.

Finance costs include mainly default interest, interest on leases, and foreign exchange differences.

Income tax

Mandatory decrease in profit includes current income tax and deferred income tax. Current income tax is calculated based on the taxable profit (tax loss) for a financial year. Tax profit (loss) differs from accounting profit (loss) before tax due to the different timing of recognition of income and expenses for tax and accounting purposes, and due to the permanent differences between tax and accounting treatment of certain items of income and expenses. Tax expense is calculated based on the tax rates in effect for the fiscal year. Current tax on items recognised directly in equity is recognised in equity rather than in profit or loss.

Deferred tax is calculated on a net basis as tax payable or refundable in the future on differences between the carrying amounts of assets and liabilities and the corresponding taxable amounts used to calculate the amount of income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be reduced by the amount of recognised deductible temporary differences (provisions, contract assets). No deferred tax assets or liabilities are recognised if a temporary difference arises on account of goodwill or initial recognition of another asset or liability in a transaction which does not affect tax or accounting profit.

A deferred tax liability is recognised for temporary tax differences associated with investments in subsidiaries, associates and joint ventures, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of the deferred tax asset is reassessed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise all or part of the deferred tax asset.

Deferred tax is calculated at tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Value-added tax

Income, expenses and assets are recognised net of value-added tax, except in the following cases:

- where the value-added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised as part of the acquisition cost of the asset, as applicable;
- receivables and payables which are recognised inclusive of value-added tax.

The net amount of value-added tax recoverable from or payable to tax authorities is disclosed in the statement of financial position under receivables or liabilities, as appropriate.

Intangible assets – development expenditure

Costs incurred to develop video games at the Group's own risk are recognised and measured as development expenditure.

Expenditure directly attributable to development work is recognised as an intangible asset only when the following criteria are met in accordance with International Accounting Standard 38.57:

- it is technically feasible to complete the intangible asset so that it is suitable for use or sale,
- The Company intends to complete the asset and either use it or sell it,
- The Company is able to either use or sell the intangible asset,
- the intangible asset will generate economic benefits, and the Company can prove this benefit, including through the existence of a market or the usefulness of the asset for the Company's needs,
- technical, financial and other resources are available to complete the development work to sell or use the asset,
- the expenditure incurred in the course of development work can be measured reliably and attributed to a given item of intangible assets.

Confirmation that expenditure made until the moment an asset is assessed as ready for use meets the criteria for classification as development work is the Company's assessment that it has the necessary knowledge to produce a game which will be recognised as development work, as well as the Company's assessment that the game will have commercial potential – this assessment is made based on, among other things, publicly available sales data for comparable games and the game's production budget prepared by the Management Board of the parent, including estimates of future sales and profitability.

The Company considers the following as confirmation that the criteria for classification of development work as complete and fit for use are met: confirmation that the game design meets the technical requirements for use and has obtained certification, and that the product has been released for sale.

Expenditure incurred on development work performed as part of a given project under development is recognised as an intangible asset if, based on an analysis, the Management Board believes that the project meets the recognition criteria described above, the expenditure will be controlled by the Company, and future economic benefits are expected to flow to the Company. Expenditure incurred on development work which is not completed and accepted for use as at the reporting date is disclosed in the line item 'Development work in progress'.

The Management Board of the Company assesses the above recognition criteria on a case-by-case basis and quantifies them accordingly. For the items recognised in the financial statements, all the conditions required by the standard were met.

Future benefits are estimated in accordance with the principles set out in International Accounting Standard 36 *Impairment of Assets* ("IAS 36"), as described in the section 'Impairment of assets'.

Subsequent to the initial recognition of development expenditure, the historical cost model is applied, under which assets are recognised at acquisition or production cost less accumulated amortisation and accumulated impairment losses.

Development expenditure is amortised over the expected life cycle of the product. Development expenditure on produced games is amortised over the life cycle of the product on which it was incurred.

Amortisation of development expenditure is presented as cost of products and services sold in the statement of profit or loss.

Intangible assets – other intangible assets, licences and software

Intangible assets also include computer licences and software acquired in market transactions as well as other intangible assets (which include other intangible assets not classified as computer licences or software).

Each item of intangible assets must meet the conditions for recognition as an asset, i.e., the asset must be controlled by the Company, it must be expected that the Company will derive economic benefits from the asset in the future, and the asset must meet the conditions set out in IAS 38.21, i.e., it must be probable that the Company will derive future economic benefits that can be assigned to the asset, and it will be possible to reliably determine the purchase price of the asset.

The Management Board of the Company assesses the above recognition criteria on a case-by-case basis and quantifies them accordingly. For the items recognised in the financial statements, all the conditions required by the standard were met.

Intangible assets are recognised at acquisition cost less amortisation expense and impairment losses. Amortisation is calculated on a straight-line basis. Research costs are not capitalised and are presented in the statement of profit or loss as costs in the period in which they were incurred.

A licence for the Unreal Engine 4 game engine was one of the most significant intangible assets as at the reporting date. The amortisation period of the licence was estimated at 10 years from the initial recognition in 2015. When determining its useful life, the Management Board primarily takes into account its expected use by the Company over the game development period, which is the same as the typical life cycle of a game engine licence, as each such licence can be used to publish and commercialise one game only. It is also possible that a publisher will be obliged under a development and publishing agreement to procure for itself a game engine licence to publish and commercialise a video game and to sublicense the engine to the Company at a certain stage of the game development process. In such a case, the developer may use the licence it already holds to develop another game, which would require conducting an analysis and reviewing the useful life of the licence. During the planned term of the licence, the Company controls the asset (licence).

The Management Board reviews the useful lives of the Unreal Engine licences every six months.

The expected useful lives for each group of intangible assets are as follows:	Useful life
Patents and licences	1-10 years
Software	2-10 years

Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost less depreciation and impairment in subsequent periods. Property, plant and equipment are tangible assets with estimated useful lives of more than one year.

Depreciation is calculated for all property, plant and equipment, excluding land and property, plant and equipment under construction, over the estimated useful life of the assets, using the straight-line method.

The expected useful lives for each group of property, plant and equipment are presented below.	Useful life
Buildings and structures	5-10 years
Machinery and equipment	2-10 years
Other property, plant and equipment	2-10 years

Leased assets are depreciated over their economic useful lives.

The Company periodically reviews the useful lives of property, plant and equipment, the residual value and depreciation methods adopted no later than at the end of the financial year, and the consequences of changes in such estimates are taken into account in the next and subsequent financial years (prospectively). As at the reporting date, the Company also reviews property, plant and equipment for impairment and the need to recognise impairment losses. Impairment losses are recognised at the amount by which the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell or value in use.

Impairment losses are charged to other costs appropriate for the function of property, plant and equipment in the period when the impairment is identified, not later than at the end of the financial year. Any gains or losses arising from sale/retirement or withdrawal from use are calculated as the difference between proceeds from the sale and the net carrying amount of the item of property, plant and equipment, and are recognised in profit or loss.

Right-of-use assets and leases

International Financial Reporting Standard 16 *Leases* (“IFRS 16”) establishes principles for the recognition, measurement, presentation and disclosure of leases. For contracts in which the Company acts as a lessee, a uniform accounting treatment was applied in which the lessee recognises a right-of-use asset in correspondence with a lease liability.

A contract is classified as a lease if the contract conveys the right to control the use of an identified asset. For a contract to qualify as a lease, three conditions must be met:

- the contract provides the lessee with the right to use the identified asset,
- the lessee derives economic benefits from the use of the asset,

- the lessee obtains the right to direct the use of the asset for the duration of the lease.

The Company has identified three types of contracts that meet the criteria for recognition under IFRS 16:

- leases of office space,
- leases of equipment,
- leases of other property, plant and equipment (furniture).

The lease term includes the non-cancellable term of the lease and periods for which the lease may be renewed if it can be assumed with reasonable certainty that the Company will exercise this right, as well as periods when the lease may be terminated if it can be assumed with reasonable certainty that the Company will not exercise this right. When determining the lease term, the legal and customary regulations applicable in the Polish legal environment as well as the nature of the Company's contracts were also taken into account. At the commencement date, the Company recognises a right-of-use asset and a lease liability.

A right-of-use asset is measured at cost which includes:

- the initial amount of the lease liability;
- any lease payments made at or prior to commencement of the lease, less any lease incentives received;
- any initial direct costs incurred by the lessee.

After the lease commencement date, the Company measures the right-of-use asset at cost less accumulated depreciation and accumulated impairment losses, and adjusted for effects of any remeasurement of the lease liability.

Leased assets are depreciated over their economic useful lives.

At the lease commencement date, lease liabilities are measured at the present value of lease payments then outstanding. The lease payments are discounted using the incremental borrowing rate.

A lease liability includes the following payments:

- fixed payments, less any lease incentives due,
- variable lease payments that depend on an index or a rate, measured initially using that index or rate at their value at commencement of the lease,
- amounts expected to be paid by a lessee under a residual value guarantee,
- the exercise price of the call option if it is reasonably certain that the lessee will exercise that option,
- lease termination fees if the lessee is entitled to exercise the option to terminate the lease.

After the lease commencement date, the carrying amount of a lease liability is increased to reflect interest on the lease liability, reduced to take account of the lease payments made, and remeasured to take account of any reassessment or modification of the lease. Only lease components are included in the measurement of right-of-use assets and lease liabilities. Other components, such as payments for utilities, are recognised separately in accordance with the rules applicable to such payments.

For:

- short-term leases and
- low-value leases.

The Company does not apply the requirements of IFRS 16.22–49.

Financial assets

At the date of acquisition, the Company measures financial assets at fair value, i.e. most often at the fair value of the consideration paid. Transaction costs are included in the initial value of all financial assets, except in the case of financial assets at fair value through profit or loss. Exception to this rule is trade receivables, which the Company measures at transaction price within the meaning of IFRS 15, except for those items of trade receivables where the payment term is longer than one year and which include a significant financing component as defined in IFRS 15.

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Company as follows:

- financial assets measured at amortised cost,
- financial assets at fair value through other comprehensive income,
- financial assets at fair value through profit or loss, and
- equity instruments measured at fair value through other comprehensive income.

These categories determine the principles of measuring financial assets as at the reporting date and the recognition of measurement gains or losses in profit or loss or other comprehensive income. The Company classifies financial assets into categories based on the Company's business model for managing financial assets and the contractual cash flows specific to the financial asset.

A financial asset is measured **at amortised cost** if both of the following conditions are met (and the financial asset has not been designated on initial recognition as financial asset at fair value through profit or loss):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the terms of contract for the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets measured at amortised cost include trade receivables, contract assets and other receivables except for those to which International Financial Reporting Standard 9 Financial Instruments (“IFRS 9”) does not apply, and cash.

These classes of financial assets are presented in the statement of financial position, broken down into non-current and current assets under ‘Trade and other receivables’ and ‘Cash and cash equivalents’.

Short-term receivables are measured at amounts expected to be received, as the effect of discounting future receipts would be negligible.

Due to the immateriality of the amounts, the Company does not present interest income as a separate line item, but includes it in finance income.

Other gains and losses on financial assets recognised in profit or loss, including foreign exchange gains and losses, are presented as finance income or costs.

A financial asset is measured **at fair value through other comprehensive income** if both of the following conditions are met:

- the financial asset is held within a business model whose objective is both to receive contractual cash flows and to sell the financial asset,
- the terms of contract for the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Interest income, impairment gains and losses, and foreign exchange gains and losses on such assets are calculated and recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Other changes in the fair value of these assets are recognised through other comprehensive income. When a financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss.

In the reporting period, the Company did not hold any financial assets designated as measured at fair value though other comprehensive income.

A financial asset is measured **at fair value through profit or loss** if it does not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income and is not an equity instrument designated at initial recognition to be measured at fair value through other comprehensive income. The Company includes in this category also financial assets designated on initial recognition as measured at fair value through profit or loss because they meet the criteria specified in IFRS 9.

In the reporting period, the Company did not hold any financial assets designated as measured at fair value though other comprehensive income.

Financial assets classified as measured at amortised cost and contract assets, due to the business model and the nature of the cash flows associated with them, are assessed at each reporting date to recognise expected credit losses, irrespective of whether there is any indication of impairment. The method of making this assessment and estimating allowances for expected credit losses varies depending on the class of financial assets:

- for trade receivables and contract assets, the Company applies a practical expedient and measures the allowance for expected credit losses at an amount equal to the expected credit losses over the life of the instrument. Allowances are estimated by trading partner and have been grouped based on the number of days past due. Impairment losses are estimated based mainly on historical data on days past due and a relationship between days past due and actual payments over the last four years, taking into account available information relating to the future. The Company has assumed that the risk increases significantly when the time past due exceeds 60 days. The Company has assumed that a default occurs when the time past due has reached 90 days.
- for cash, the Company applies a practical expedient and measures allowances for expected credit losses at an amount equal to the expected credit losses over the life of the instrument. The estimation is made on the basis of the assessment of risk of credit loss based on the available information on credit ratings of the banks at which the Company holds cash. If a rating falls below BBB(-), the Company assesses the degree of uncertainty and its impact on the likelihood of credit losses occurring.

Cash and cash equivalents

Cash consists of cash in bank accounts, demand deposits and bank deposits with a maturity of up to three months. Cash equivalents are short-term, highly liquid investments readily convertible into specific amounts of cash and subject to insignificant risk of changes in value.

Prepayments and accrued income

'Prepayments and accrued income' includes prepaid expenses which in whole or in part relate to future income and meet the definition of assets in accordance with IFRS.

Equity

Equity disclosed in equity and liabilities comprises share capital, share premium, other components of equity and retained earnings consisting of profit (loss) from prior years and net profit (loss) for the current year.

Share capital is recognised at the amount specified in the Company's articles of association and recorded entered in the court register. If shares are taken up at a price higher than the par value, the surplus is recognised in other components of equity as 'reserve capital'. Under 'Other components of equity', the Company recognises profit for the period which, pursuant to a resolution of the shareholders, has been allocated to other components of equity.

The line item 'Incentive scheme' in other components of equity includes equity from measurement of the incentive scheme in accordance with International Financial Reporting Standard 2 *Share-based Payments* ("IFRS 2").

Dividend payment

Dividends are recognised when the Company's shareholders' rights to receive dividends are established.

Financial liabilities

Financial liabilities other than hedging derivatives are reported in the following line items in the statement of financial position:

- trade payables (including contingent consideration recognised by the acquirer in a business combination to which IFRS 3 applies),
- borrowings and other debt instruments,
- contract liabilities, and
- other liabilities.

At the date of acquisition, the Company measures financial liabilities at fair value, i.e. most often at the fair value of the amount received. The Company includes transaction costs in the initial measurement of all financial liabilities, except for the category of liabilities measured at fair value through profit or loss.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities held for trading or designated as measured at fair value through profit or loss.

In the reporting period the Company did not have any financial liabilities measured at fair value through profit or loss.

Short-term trade payables are measured at amounts due to be paid, as the effect of discounting future outflows would be negligible.

Provisions

Provisions for liabilities are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits of the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The estimated amount of provision corresponds to the probable expenditure that the Company will incur to settle the liability. If it is not possible to make a reliable estimate of the liability, a provision is not recognised. No provisions are recognised for future operating losses.

Employee benefits

With respect to employee benefits, the Company is not a party to any wage agreements or collective bargaining agreements. The Company does not operate pension plans managed directly by the Company or by external fund managers. Employee benefit expense comprises wages payable in accordance with the terms of employment contracts entered into with individual employees. Employee benefit obligations are measured at the amount of undiscounted short-term benefits that are expected to be paid in exchange for services rendered. This amount is recognised as an obligation after deduction of all amounts already paid. The cost of accumulated paid absences is measured at the amount of the benefit expected to be paid and is recognised in the period in which the employee becomes entitled to receive the benefit.

The Company operated a long-term incentive scheme under which members of the key management personnel received a certain number of shares provided they met the criterion of continued employment at the Company. The fair value of services provided by members of the key management in exchange for the equity instruments is recognised as employee benefit expense in correspondence to other components of equity over the vesting period, in accordance with IFRS 2.

Grants

Grants are recognised in accordance with International Accounting Standard 20 *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20"). Grants are recognised if and only if there is reasonable assurance that the Company will meet the grant conditions and that the grant will be received. The grant is accounted for in the same way whether it has been received in cash or in the form of a reduction in public liabilities. If a grant relates to a specific cost item, it is recognised as income (or as a reduction of expense) in a manner commensurate with the costs the grant is intended to compensate.

Grants are accounted for in accordance with the income approach under which a grant is recognised as income in a systematic manner over the periods during which the Company recognises the relevant expenses expected to be covered by the grant. Grants relating to costs are recognised in profit or loss in the same period as the corresponding expenses. Grants relating to depreciable assets are recognised in profit or loss in the period in which the depreciation/amortisation expense on those assets is recognised on a pro rata basis.

Significant judgements and assumptions

Preparation of financial statements requires that the Management Board of the Company makes certain estimates and assumptions that are reflected in the financial statements and in the notes to the financial statements.

Accounting estimates and judgements are based on past experience and other factors, including forward-looking statements which appear reasonable under the circumstances.

Although the assumptions and estimates used are based on the Management Board's best knowledge of current operations and events, actual results may differ from those projected. Estimates and the underlying assumptions are subject to verification. A change in an accounting estimate is recognised in the period in which the estimate is changed or in current and future periods if the change concerns both the current period and future periods.

Below are presented the principal judgements which the Management Board of the Company made in the process of applying the accounting policies and which have the most significant effect on the amounts recognised in these financial statements.

Revenue recognition estimates

A revenue estimate is the amount of consideration to which the Company expects to be entitled in exchange for the transfer of promised goods, less any applicable value added tax and an estimate of the cost of delivering the promised goods or services. This significant estimate results from the fact that as at each reporting date the Company determines the planned contract revenue and the estimated progress of works, which is measured based on the actual contract costs incurred cumulatively until the reporting date against the total budget of costs necessary to be incurred in order to fulfil the Company's performance obligations. The Company estimates the amount of variable consideration (possible bonuses) using the most-likely-amount method. With respect to the stage of completion, a significant estimate relates to the budget of costs necessary to be incurred by the Company to fulfil its performance obligations.

The Management Board updates the projected results of a contract gradually, based on the best knowledge of costs necessary to be incurred, to reflect milestones added to the contract. As the contract budget increases to include further milestones, the planned contract revenue and the corresponding costs are updated and increased. Changes in the cost estimates are reflected in the change in the final margin of the contract.

For more information on recognition of revenue and related estimates, see description of the accounting policies and Note 3.

Professional judgement on development work

As at the end of each financial year the Company confirms with respect to capitalised expenditure constituting an intangible asset in the form of game components that:

- the expenditure was identified and measured correctly,
- generated economic benefits in the form of profits from the sale of game licences,
- development of individual games is feasible from a financial and technical point of view,
- the games and game components would be completed and marketed as separate licences.

The criteria of potential future economic benefits and the condition of sufficient funds are deemed by the Management Board to have been met based on analyses of the market and of the Company's financial condition.

Impairment of assets

Intangible assets and property, plant and equipment

At each reporting date, the Company reviews the net value of intangible assets and property, plant and equipment in order to determine whether there are any indications of impairment.

Development work in progress is, however, tested for impairment at each reporting date, regardless of whether there are any indications of impairment.

When assessing whether there is any indication that an asset may be impaired, the Company analyses at least the following criteria:

Indications based on external sources of information:

- there are observable indications that the asset's market value has decreased during the period significantly more than would otherwise be expected as a result of the passage of time or normal use,
- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the markets to which the asset is dedicated,
- market interest rates or other market rates of return on investments have increased during the period, and it is probable that this increase will affect the discount rate used to calculate the asset's value in use and decrease the asset's recoverable amount materially,

- the carrying amount of the reporting entity's net assets is greater than their market capitalisation.

Indications based on internal sources of information:

- evidence is available that the asset has become obsolete or physically damaged,
- significant changes in the extent to which, or manner in which, the asset is used or is expected to be used have taken place during the period, or are expected to take place in the near future, and the changes have had or will have a material adverse effect on the entity. Such changes include the asset becoming idle, plans to discontinue or restructure the operation to which the asset belongs, or plans to dispose of the asset before the previously expected date, and reassessment of the useful life of the asset from indefinite to finite.

Where such indications are identified, the recoverable amount of the asset is estimated in order to determine the potential impairment loss. If an asset does not generate cash flows that are largely independent of cash flows generated by other assets, the analysis is performed for the group of cash-flow generating assets to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. The latter is the present value of estimated future cash flows, discounted using a discount rate reflecting the current market time value of money and the risks specific to the asset.

If the recoverable amount is lower than the net carrying amount of an asset (or group of assets), the carrying amount is reduced to the recoverable amount. An impairment loss is recognised as cost in the period in which it occurred.

Where an impairment loss subsequently reverses, the net carrying amount of an asset (or group of assets) is increased to the revised estimate of its recoverable amount, but so that the increased net carrying amount does not exceed the net carrying amount that would have been determined if no impairment loss had been recognised for the asset in prior years. Reversal of impairment is recognised as income.

Financial assets

In accordance with IFRS 9, the Company recognises an allowance for expected credit losses on financial assets (ECL model).

With respect to trade receivables and contract assets, the Company applies a simplified approach, whereby it recognises a lifetime expected credit loss (lifetime ECL) allowance for such assets, regardless of the analysis of changes in the related credit risk.

For other receivables, the Company recognises a 12-month expected credit loss (12M ECL) allowance if the credit risk for the asset has remained low or has not increased significantly since its initial recognition, or a lifetime ECL allowance if the credit risk for the asset has increased significantly since its initial recognition.

Change in the expected credit losses on trade and other receivables is presented in Note 21.

Useful life of intangible assets and property, plant and equipment

The Management Board of the Company determines the estimated useful lives and, as a result, the amortisation rates for the amounts of development costs capitalised under intangible assets. Such estimates are based on the expected useful life of these assets. In the case of development expenditure for which it is possible to determine reliable estimates of the volume and amount of sales, the Company amortises the expenditure amount in accordance with the consumption of economic benefits that are related to the number of units sold.

The useful life of the graphics engines is estimated based on the planned use of the engines in the current game development projects.

The amortisation rates may change if circumstances occur that cause a change in the expected useful life (e.g., technological changes, retirement/decommissioning, etc.). As a result, the amortisation expense and net carrying amounts of the capitalised intangible assets will change.

The useful lives are reviewed annually and adjusted if the currently estimated useful life differs from the previously estimated. Such changes in accounting estimates are recognised prospectively.

Depreciation rates are determined based on the expected useful lives of property, plant and equipment.

Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are measured at tax rates that, according to the available forecasts, will be applied at the time of realisation of the asset or derecognition of the liability, based on tax laws that were enacted or substantively enacted by the end of the reporting period. The probability of realising a deferred tax asset against future taxable profit is determined in the context of the Company's plans.

The Management Board of the Company has estimated that in future reporting periods, sufficient taxable income from activities under standard taxation will be generated to offset tax losses from 2021-2022, totalling PLN 15,667 thousand. The deferred tax asset is 19% of that amount, i.e., PLN 2,977 thousand. In adherence to the principle of prudent valuation, the Management Board of the Company has opted not to recognise a deferred tax asset for the tax loss incurred in 2020. The amount of the unrecognised asset is PLN 585 thousand. As at 31 December 2022, the amount of the unrecognised asset was PLN 2,295 thousand.

Uncertainty over income tax treatments

Tax regulations in force in Poland are subject to frequent changes, resulting in significant differences in their interpretation and substantial doubts in their application. The tax authorities have control instruments enabling them to verify the tax bases (in most cases for the preceding five financial years) and to impose penalties and fines.

As of 15 July 2016, the Tax Legislation also takes into account the provisions of the General Anti-Abuse Rule (“GAAR”), which is intended to prevent the creation and use of artificial legal structures to avoid tax. The GAAR should be applied both with respect to transactions made after its effective date and with respect to transactions which were made before its effective date in the case of which tax benefits continued or still continue after that date.

As a result, the determination of tax liabilities, deferred tax assets and deferred tax liabilities may require significant judgements, including with respect to transactions that have already occurred, and the amounts presented and disclosed in the financial statements may change in the future as a result of an audit by tax authorities.

Given the materiality of and uncertainty as to the tax settlements, the Company obtained a private letter ruling of 30 April 2020, according to which the Company has been using the IP Box tax relief in its corporate income tax settlements since 2019. Additionally, the Company has obtained a private letter interpretation dated 6 March 2023, concerning the settlement of the IP Box tax relief within the self-publishing segment.

Share-based payments

Following the issue of subscription warrants by the Company, it has been recognising and measuring warrants in accordance with IFRS 2. The fair value of equity instruments granted is determined at the measurement date based on stock market prices. The Company measures warrants until they are exercised (or expire). Any change in their value is disclosed in the Company's profit or loss. For a full description of the warrant programme, see Note 23.

Leases

The implementation of IFRS 16 requires certain estimates and calculations that affect the measurement of finance lease liabilities and right-of-use assets. These include, but are not limited to:

- determination of the lease term,
- determination of the interest rate used to discount future cash flows.

In determining the lease term, the Company determines the enforceability period of a contract. A lease ceases to be enforceable when both the lessee and the lessor have the right to terminate the contract without the need to obtain the other party's authorisation and without incurring penalties greater than insignificant. By contrast, where either party – in its professional judgement – will incur a material termination penalty (broadly construed), the Company defines the lease term as reasonably certain (i.e. the period for which it can be assumed with reasonable certainty that the contract will continue).

Depending on contract duration, the Company applied interest rates used to discount future cash flows, of 2.4-10.13%. For a detailed description of the estimates, see Note 17.

Amendments to International Financial Reporting Standards

Amendments to standards and interpretations applied by the Company as of 2023

New or revised standards and interpretations effective as of 1 January 2023 and their effect on the Company's financial statements are presented below.

- **New IFRS 17 *Insurance Contracts***

  The new standard governs recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaced the existing IFRS 4. The standard is effective for annual periods beginning on or after 1 January 2023.

  The new standard does not affect the financial statements of the Company, as the contracts it holds do not meet the definition of insurance contracts.

- **Amendments to IFRS 17 *Insurance Contracts***

  The IASB introduced a new transition option concerning comparative information for entities that are simultaneously adopting IFRS 17 and IFRS 9 in order to reduce potential accounting mismatches due to differences between those standards. The amendment is effective for annual periods beginning on or after 1 January 2023.

  The amendment did not affect the Company's financial statements.

- **Amendment to IAS 1 *Presentation of Financial Statements***

  The IASB clarified what accounting policy information is material and therefore requires disclosure in the financial statements. The standard is focused on adjusting disclosures to the entity's individual circumstances. The IASB cautions against the copy-pasting of standardised provisions from IFRS and expects that the basis for measurement of financial instruments will be considered material information. The amendment is effective for annual periods beginning on or after 1 January 2023.

The amendment did not affect the Company's financial statements.

- **Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors***

  The IASB introduced a new definition of an accounting estimate in the standard: Accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendment is effective for annual periods beginning on or after 1 January 2023.

  The amendment did not affect the Company's financial statements.

- **Amendment to IAS 12 *Income Taxes***

  The IASB introduced a rule whereby if a transaction gives rise to equal amounts of taxable and deductible temporary differences, the entity is required to recognise deferred tax assets and liabilities even if the transaction is not a business combination or does not affect the entity's accounting or taxable result. This means deferred tax assets and liabilities need to be recognised when, for instance, taxable and deductible temporary differences arise in equal amounts in connection with a lease (a separate temporary difference on the lease liability and on the right-of-use asset) or with restoration liabilities. No amendment was made to offsetting deferred tax assets and liabilities where current tax assets and liabilities are offset. The amendment is effective for annual periods beginning on 1 January 2023.

  The amendment did not affect the Company's financial statements.

- **Amendment to IAS 12 *Income Taxes***

  The amendment introduces a temporary exception to the accounting for deferred tax assets and liabilities arising from the implementation of international tax reform (Pillar Two) and a requirement to make additional disclosures. The amendment is effective for annual periods beginning on or after 1 January 2023.

  The amendment did not affect the Company's financial statements.

The standards and interpretations which are effective as published by the IASB, but which have not been endorsed by the European Union, are listed below in the section devoted to standards and interpretations which are not yet effective.

Early application of standards or interpretations

In these financial statements the Company has not opted for early application of any standard or interpretation.

Published standards and interpretations that are not effective for periods beginning on 1 January 2023 and their impact on the Company's financial statements:

As at the date of issue of these financial statements, the following new or amended standards and interpretations effective for annual periods subsequent to 2023 were published. The list also includes amendments, standards and interpretations published but not yet endorsed by the European Union.

- **Amendment to IAS 1 *Presentation of Financial Statements***

  The IASB clarified the rules for classifying liabilities as non-current or current liabilities primarily in two aspects:

  - it was clarified that the classification depends on the rights of the entity as at the reporting date,

- the management's intention to accelerate or delay payment of the obligation is not to be taken into account.

The amendments are effective for annual periods beginning on or after 1 January 2024.

As the Company already applies principles consistent with the amended standard, the amendment will not affect its financial statements.

- **Amendment to IAS 1 *Presentation of Financial Statements***

The Board clarified that covenants with which the entity must comply in the future do not affect the classification of a liability as current or non-current as at the reporting date. However, the entity should disclose such covenants in the notes to the financial statements. The amendment is effective for annual periods beginning on or after 1 January 2024.

The Company continues to analyse the effect of the amendment on its financial statements.

- **Amendment to IFRS 16 Leases**

The amendment clarifies the requirements for measuring the lease liability arising from a sale and leaseback transaction. It is intended to prevent misrecognition of the result of a transaction in the part relating to the retained right of use where lease payments are variable and do not depend on an index or rate. The amendment is effective for annual periods beginning on or after 1 January 2024.

The Company continues to analyse the effect of the amendment on its financial statements.

- **Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments. Disclosures***

The amendments specify the characteristics of arrangements for financing liabilities to suppliers, commonly known as reverse factoring arrangements, and mandate the disclosure of details about contracts with suppliers. This includes information on the contract terms and conditions, the amounts of these liabilities, payment terms, and associated liquidity risks. The amendments are effective for annual periods beginning on or after 1 January 2024.

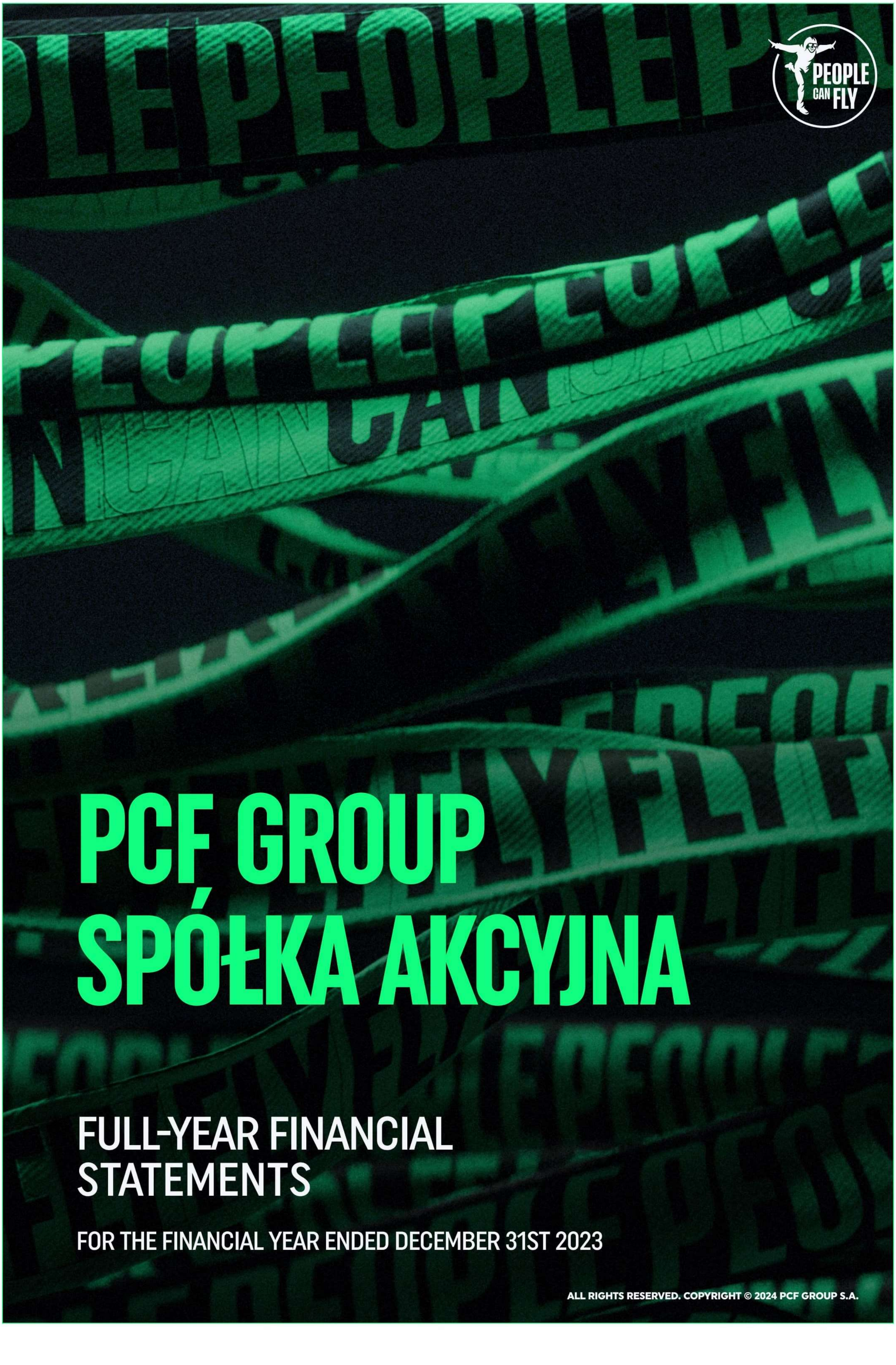
The Company does not expect the amendments to have an effect on its financial statements, as the Company does not enter into contracts affected by the amendments.

- **Amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates***

The amendment clarifies how an entity should assess whether a currency is convertible and how it should determine the exchange rate in the event of non-convertibility, and requires disclosures that allow users of financial statements to understand the impact of currency non-convertibility. The amendment is effective for annual periods beginning on or after 1 January 2025.

The Company estimates that the amendments will not affect its financial statements.

The Company intends to implement the above regulations within the timeframes prescribed for their application by the standards or interpretations.



PCF GROUP SPÓŁKA AKCYJNA

FULL-YEAR FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2023

3. Revenue and operating segments

The Company divides its operations into four operating segments:

- contract development of video games (development fee),
- copyrights to developed games (royalties),
- development and publication of games without the involvement of an external publisher (royalties) (self-publishing),
- other activities.

In 2023, the **contract development segment** included primarily revenue from, Project Gemini, a game development project carried out by the Company with Square Enix Limited. Positive cash flows from this segment enabled the Company to partially cover expenditure on games that the Company intends to publish on its own (the self-publishing model). In 2023, the consideration received from Square Enix Limited in this segment accounted for approximately 87% of total revenue.

Furthermore, following the execution of a development and publishing contract with Microsoft Corporation on 13 June 2023, the Company began to recognise revenue from Project Maverick, a game development and publishing project.

In 2022, the Company generated revenue from game development projects carried out mainly with two publishers: Square Enix Limited and Take-Two Interactive Software, Inc.

Project Gemini

During the 12-month period of 2023, the Company carried out work commissioned by the publisher Square Enix Limited under content riders to the production and publishing agreement. On 24 November 2023, the Company engaged in strategic discussions with Square Enix Limited regarding the structure of the game Project Gemini and the terms of further collaboration on Project Gemini, details of which are described in Note 33.

Project Maverick

The Company is performing a contract to produce an AAA game based on Microsoft Corporation's intellectual property rights.

The **copyrights (royalties) segment** encompassed revenue that the Company derives from contract consideration (royalties) for previously produced games.

The main source of the Company’s revenue classified as revenue from the copyrights segment, i.e., the segment of royalties for previously developed games, is the development and publishing agreement for the game Bulletstorm: Full Clip Edition (remaster) of 24 October 2016, entered into between the Company and Gearbox Publishing, LLC. The Company has retained copyrights in Bulletstorm: Full Clip Edition by granting the publisher an exclusive licence for an indefinite term.

The **self-publishing (royalties) segment**

The Group also undertakes projects involving the development and self-publishing of its own games (self-publishing). In this model, the Company, based on existing or newly created intellectual property (IP) by the Company, is responsible for game production, which is published by another Group company, namely People Can Fly Ireland Limited. People Can Fly Ireland Limited engages in publishing activities, which include promotion, distribution, and sale of games produced by the Company, based on a license granted by the Company for the games it has developed.

The Company recognises its revenue from the royalties obtained through the sales of its games by People Can Fly Ireland Limited. Specifically, the revenue accounted for by the Company corresponds to a designated proportion of the licensing fees that People Can Fly Ireland Limited collects from these sales. The revenue (royalties) depends on the volume of sales made by People Can Fly Ireland Limited to the final player in a given reporting period.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

The **other activities** segment included income earned by the Company from related parties. The income comprises:

- fees for the use of the People Can Fly trademark to which the Company holds rights, received from the subsidiaries People Can Fly UK Ltd., People Can Fly U.S. LLC, People Can Fly Canada Inc. and People Can Fly Chicago LLC,
- fees for the use by People Can Fly U.S. LLC of PCF Framework, a software system developed by the Company, which is an overlay for the Unreal Engine graphics engine used to facilitate and optimise work on development of video games.

This segment includes in particular expenditure on the software system which the Company developed and named "PCF Framework", which is an overlay for the Unreal Engine graphics engine used to facilitate and optimise work on development of video games.

Financial results of the operating segments are calculated based on internal data periodically reviewed by the Management Board of the Company. The Management Board analyses results of the operating segments at the level of operating profit (loss). The Company analyses revenue for the above four segments, and no other analyses are performed.

In the twelve months ended 31 December 2023, there were no changes to the Company's accounting policies with respect to the identification of operating segments and the principles for measuring revenue, profit or loss and assets of the segments presented in the Company's most recent full-year financial statements.

	Contract development of video games (development fee)	Copyrights to developed games (royalties)	Other activities	**Total**
1 Jan–31 Dec 2023				
Region				
Europe	103,673	24	4	**103,701**
Other countries	15,535	1,139	12	**16,686**
Total revenue	**119,208**	**1,163**	**16**	**120,387**
Product line				
Games	119,208	1,163	-	**120,371**
Trademark, performance bond and PCF Framework	-	-	16	**16**
Total revenue	**119,208**	**1,163**	**16**	**120,387**
Timing of transfer of goods/services				
At a point in time	-	1,163	16	**1,179**
Over time	119,208	-	-	**119,208**
Total revenue	**119,208**	**1,163**	**16**	**120,387**
1 Jan–31 Dec 2022				
Region				
Europe	108,351	24	4	**108,379**
Other countries	5,447	1,523	4,787	**11,757**
Total revenue	**113,798**	**1,547**	**4,791**	**120,136**
Product line				
Games	113,798	1,547	-	**115,345**
Trademark, performance bond and PCF Framework	-	-	4,791	**4,791**
Total revenue	**113,798**	**1,547**	**4,791**	**120,136**
Timing of transfer of goods/services				

At a point in time	-	1,547	4,791	**6,338**
Over time	113,798	-	-	**113,798**
Total revenue	**113,798**	**1,547**	**4,791**	**120,136**

Revenue, profit or loss, material non-monetary items and assets of the operating segments are presented below.

	Contract development of video games (development fee)	Copyrights to developed games (royalties)	Self-publishing	Other activities	**Total**
1 Jan–31 Dec 2023					
Revenue from external customers	119,208	1,163	-	16	**120,387**
Total revenue	119,208	1,163	-	16	**120,387**
Segment's operating profit (loss)	17,793	1,163	(102,274)	16	**(83,302)**
Other information:					
Amortisation and depreciation	12,716	-	-	-	**12,716**
Impairment of non-current non-financial assets	-	-	81,237	-	**81,237**
Segment's assets	282,452	-	187,699	32,357	**502,508**
Expenditure on segment's property, plant and equipment and intangible assets	6,545	-	136,172	17,892	**160,609**
1 Jan–31 Dec 2022					
Revenue from external customers	113,798	1,547	-	4,791	**120,136**
Total revenue	113,798	1,547	-	4,791	**120,136**
Segment's operating profit (loss)	37,443	1,504	-	3,718	**42,665**
Other information:					
Amortisation and depreciation	7,567	42	-	1,073	**8,682**
Segment's assets	171,575	-	134,494	18,461	**324,530**
Expenditure on segment's property, plant and equipment and intangible assets	6,262	-	133,892	15,246	**155,400**

Reconciliation of total revenue, profit or loss and assets of the operating segments to the corresponding items of the Company's financial statements:

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Segments' revenue		
Total revenue of operating segments	120,387	120,136
Revenue	**120,387**	**120,136**
Segments' profit or loss		
Segments' operating profit (loss)	(83,302)	42,665
Operating profit (loss)	**(83,302)**	**42,665**
Finance income	1,406	2,957
Finance costs	(3,599)	(1,093)
Profit (loss) before tax	**(85,495)**	**44,529**

	31 Dec 2023	31 Dec 2022

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Segments' assets		
Total assets of operating segments	502,508	324,530
Total assets	**502,508**	**324,530**

4. Intangible assets

	Patents, licenses and software	Development work	Development work in progress	**Total**
1 Jan–31 Dec 2023				
Net carrying amount as at 1 Jan 2023	**3,328**	**9,051**	**143,904**	**156,283**
Increase (purchase, development, lease)	4,648	-	154,064	**158,712**
Other changes (reclassification, transfers, etc.)	-	15,891	(17,622)	**(1,731)**
Amortisation	(4,640)	(3,996)	-	**(8,636)**
Impairment losses	-	-	(81,237)	**(81,237)**
Net carrying amount as at 31 Dec 2023	**3,336**	**20,946**	**199,109**	**223,391**
1 Jan–31 Dec 2022				
Net carrying amount as at 1 Jan 2022	**2,227**	**42**	**4,890**	**7,159**
Increase (purchase, development, lease)	4,568	-	149,139	**153,707**
Other changes (reclassification, transfers, etc.)	-	10,125	(10,125)	-
Amortisation	(3,467)	(1,116)	-	**(4,583)**
Net carrying amount as at 31 Dec 2022	**3,328**	**9,051**	**143,904**	**156,283**

In terms of the carrying amount, the most significant item of patents, licences and software is a licence for the Unreal Engine game engine whose total carrying amount was PLN 472 thousand as at 31 December 2023 and PLN 806 thousand as at 31 December 2022. The amortisation period from initial recognition was estimated at 10 years. The useful life of the graphics engine is estimated based on the Management Board's knowledge and the planned use of the engine in the current game development projects. As at 31 December 2023, the engine was used to develop games.

The line item 'Development work in progress' includes expenditure on development work which, as at the reporting date, has not been completed and accepted for use.

As at 31 December 2023, the most material components of development work in progress were:

- development of new games to be self-published (see Note 33 for details);
- further development of PCF Framework (see Note 33 for details).

The Company confirmed as at the end of each reporting period that capitalised expenditure constituting an intangible asset in the form of game components met the criteria set out in IAS 38.57.

The Company does not hold any assets with indefinite useful lives.

Amortisation of intangible assets is disclosed in the statement of profit or loss in the following line items:

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cost of sales	5,518	2,984
General and administrative expenses	1,948	1,119
Amortisation capitalised under development work	1,170	480

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Total amortisation of intangible assets	**8,636**	**4,583**

As of 31 December 2023, the Group conducted an analysis of indicators for potential impairment of intangible assets and identified components requiring impairment testing. Consequently, in 2023 a total impairment loss of PLN 81,237 thousand was recognised on three projects:

Dagger impairment loss of PLN 79,944 thousand,

Blue impairment loss of PLN 762 thousand,

Dolphin impairment loss of PLN 531 thousand.

For more information on the recognition of impairment losses on the Dagger project, see Note 34.

5. Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment under construction	**Total**
1 Jan–31 Dec 2023					
Net carrying amount as at 1 Jan 2023	**1,477**	**2,311**	**557**	**-**	**4,345**
Increase (purchase, construction)	-	1,897	-	-	1,897
Decrease (disposal, retirement)	-	(47)	-	-	(47)
Other changes (reclassification, transfers, etc.)	(15)	(15)	24	-	(6)
Depreciation	(325)	(1,328)	(240)	-	(1,893)
Net carrying amount as at 31 Dec 2023	**1,137**	**2,818**	**341**	**-**	**4,296**
1 Jan–31 Dec 2022					
Net carrying amount as at 1 Jan 2022	**1,569**	**2,279**	**216**	**-**	**4,064**
Increase (purchase, construction)	224	1,381	27	62	1,694
Decrease (disposal, retirement)	-	(11)	-	-	(11)
Other changes (reclassification, transfers, etc.)	-	-	483	(62)	421
Depreciation	(316)	(1,338)	(169)	-	(1,823)
Net carrying amount as at 31 Dec 2022	**1,477**	**2,311**	**557**	**-**	**4,345**

Depreciation of property, plant and equipment is included as expense in the following items of the statement of profit or loss:

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cost of sales	718	853
General and administrative expenses	900	704
Depreciation capitalised under development work	275	266
Total depreciation of property, plant and equipment	**1,893**	**1,823**

As at each reporting date, the Company analysed indications of impairment of property, plant and equipment. No indication of a need to test the assets for impairment was identified as at 31 December 2023 and 31 December 2022.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

6. Right-of-use assets

	Buildings and structures	Machinery and equipment	Other property, plant and equipment	**Total**
1 Jan–31 Dec 2023				
Net carrying amount as at 1 Jan 2023	**13,214**	**952**	**628**	**14,794**
Increase (leases)	1,074	-	-	**1,074**
Decrease (disposal, retirement)	(96)	-	-	**(96)**
Depreciation	(3,251)	(315)	(141)	**(3,707)**
Net carrying amount as at 31 Dec 2023	**10,941**	**637**	**487**	**12,065**
1 Jan–31 Dec 2022				
Net carrying amount as at 1 Jan 2022	**11,000**	**167**	**637**	**11,804**
Increase (leases)	4,932	1,008	618	**6,558**
Decrease (disposal, retirement)	(15)	-	-	**(15)**
Other changes (reclassification, transfers, etc.)	-	-	(483)	**(483)**
Depreciation	(2,703)	(223)	(144)	**(3,070)**
Net carrying amount as at 31 Dec 2022	**13,214**	**952**	**628**	**14,794**

The line item ‘Buildings and structures’ includes a right-of-use asset recognised on account of the following office space lease contracts:

lease contract for office space in Warsaw,
lease contract for office space in Rzeszów,
lease contract for office space in Kraków.

Under ‘Machinery and equipment’ the Company presents operating leases of hardware, and under ‘Other property, plant and equipment’ – leases of office equipment.

Depreciation of right-of-use assets is presented in the following items of the statement of profit or loss:

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cost of sales	205	142
General and administrative expenses	3,427	2,881
Depreciation capitalised under development work	75	47
Total depreciation of right-of-use assets	**3,707**	**3,070**

PCF GROUP SPÓŁKA AKCYJNA

FULL-YEAR FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2023

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

7. Investments in subsidiaries

The Company holds shares in subsidiaries. The table below presents the holdings of the shares.

Subsidiary	Place of business and country of registration	Principal business	Ownership interest		Carrying amount of shares held	
			31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
People Can Fly UK Ltd	Gateshead, United Kingdom	development of video games	100.00%	100.00%	51	51
People Can Fly Canada Inc.	Montreal, Canada	development of video games	100.00%	100.00%	30	30
People Can Fly U.S., LLC	New York, USA	development of video games	100.00%	100.00%	9,630	9,630
Game On Creative Inc.	Montreal, Canada	development of video games	100.00%	100.00%	25,369	25,368
Incuvo S.A.	Katowice, Poland	development of video games	62.25%	50.01%	25,991	20,325
People Can Fly Ireland Ltd	Dublin, Ireland	publishing	100.00%	-	47	-

As at the reporting date, PCF Group S.A. was a direct or indirect founder of five foreign subsidiaries:

- People Can Fly UK Limited established on 14 November 2016;
- People Can Fly U.S., LLC incorporated on 4 April 2017;
- People Can Fly Canada Inc. incorporated on 24 August 2017;
- People Can Fly Chicago, LLC incorporated by People Can Fly U.S., LLC on 6 April 2021; and
- People Can Fly Ireland Limited established on 2 February 2023.

On 27 April 2021, PCF Group S.A. acquired all shares in Game On Creative Inc. and thus all voting rights at its General Meeting. On 13 December 2021, the Company acquired a 50.01% interest in the share capital of and total voting rights in Incuvo S.A.

On 27 January 2023, the Company decided to take the necessary legal and factual steps to increase its equity interest in Incuvo S.A. On 17 February 2023, following the settlement of transactions executed in the performance of the agreements on transfer of Incuvo S.A. shares as a non-cash (in-kind) contribution, signed on 15 February 2023 between the Company and Andrzej Wychowaniec, and between the Company and Radomir Kucharski, the Company acquired approximately 12.25% of shares and voting rights in Incuvo S.A. As a result of the transaction, the Company holds approximately 62.25% of shares in Incuvo S.A.'s share capital and the same proportion of voting rights.

	31 Dec 2023	31 Dec 2022
Change in investments in subsidiaries		
As at beginning of period:	55,404	55,721
Increase:	**5,714**	**-**
Acquisition of approx. 12.25% of Incuvo S.A. shares	5,667	-
Acquisition of 100% of People Can Fly Ireland Limited shares	47	-
Decrease:	**-**	**317**
Game On Creative Inc.'s unachieved earn-out	-	317
As at end of period:	**61,118**	**55,404**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

8. Receivables and loans advanced

Borrower	Principal outstanding as at:		Interest outstanding as at:	
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
People Can Fly Ireland Limited	4,141	-	82	-
People Can Fly Canada, Inc.	-	2,813	-	92
Total	**4,141**	**2,813**	**82**	**92**

On 31 March 2023, the Company offset receivables under borrowings with trade payables due to People Can Fly Canada, Inc.

On 21 July 2023 and 9 October 2023, the Company advanced loans to People Can Fly Ireland Limited of EUR 500 thousand and USD 500 thousand.

	31 Dec 2023	31 Dec 2022
Non-current assets:		
Non-bank borrowings	4,224	2,905
Long-term receivables and loans	**4,224**	**2,905**
Current assets:		
Trade and other receivables	31,540	10,424
Short-term receivables and loans	**31,540**	**10,424**
Total receivables and loans	**35,764**	**13,329**

9. Deferred tax assets and liabilities and income tax recognised in other comprehensive income

The effect of deferred tax assets and liabilities on the financial statements is presented below.

	31 Dec 2023	31 Dec 2022
Balance at beginning of period		
Deferred tax assets	4,277	1,987
Deferred tax liability	4,434	3,044
Net deferred tax at beginning of period	**(157)**	**(1,057)**
Changes in period recognised in:		
Profit or loss	22,228	900
Net deferred tax at end of period, including:	**22,071**	**(157)**
Deferred tax assets	28,439	4,277
Deferred tax liability	6,368	4,434

The Management Board of the Company has estimated that in future reporting periods, sufficient taxable income from activities under standard taxation will be generated to offset tax losses from 2021-2022, totalling PLN 15,667 thousand. The deferred tax asset is 19% of that amount, i.e., PLN 2,977 thousand. In adherence to the principle of prudent valuation, the Management Board of the Company has opted not to recognise a deferred tax asset for the tax loss incurred in 2020. The amount of the unrecognised asset is PLN 585 thousand. As at 31 December 2022, the amount of the unrecognised asset was PLN 2,295 thousand.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Deferred tax assets:

Temporary differences	Balance at beginning of period	Change in period: profit or loss	Balance at end of period
As at 31 Dec 2023			
Assets:			
Intangible assets	-	15,189	**15,189**
Property, plant and equipment	99	11	**110**
Trade receivables	-	28	**28**
Other assets	193	129	**322**
Liabilities:			
Provisions for employee benefit obligations	11	(5)	**6**
Other provisions	185	(108)	**77**
Trade payables	3	(1)	**2**
Contract liabilities	-	460	**460**
Short-term prepayments and accrued income	-	3,982	**3,982**
Leases	2,981	(538)	**2,443**
Other:			
Unsettled tax losses	-	2,977	**2,977**
Expenses constituting tax expense of future period	805	2,038	**2,843**
Total	**4,277**	**24,162**	**28,439**
of which:			
Deferred tax assets at tax rate of 5%	847	(847)	**-**
Deferred tax assets at tax rate of 19%	3,430	25,009	**28,439**

Temporary differences	Balance at beginning of period	Change in period: profit or loss	Balance at end of period
As at 31 Dec 2022			
Assets:			
Property, plant and equipment	-	99	**99**
Trade receivables	16	(16)	**-**
Other assets	9	184	**193**
Liabilities:			
Provisions for employee benefit obligations	7	4	**11**
Other provisions	50	135	**185**
Trade payables	30	(27)	**3**
Leases	1,487	1,494	**2,981**
Other:			
Expenses constituting tax expense of future period	388	417	**805**
Total	**1,987**	**2,290**	**4,277**
of which:			
Deferred tax assets at tax rate of 5%	395	452	**847**
Deferred tax assets at tax rate of 19%	1,592	1,838	**3,430**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Deferred tax liabilities:

Temporary differences	Balance at beginning of period	Change in period: profit or loss	**Balance at end of period**
As at 31 Dec 2023			
Assets:			
Intangible assets	43	2,049	**2,092**
Property, plant and equipment	147	153	**300**
Right of use	2,677	(385)	**2,292**
Trade receivables	-	18	**18**
Contract assets	1,505	116	**1,621**
Other assets	17	(18)	**(1)**
Liabilities:			
Trade payables	45	1	**46**
Total	**4,434**	**1,934**	**6,368**
of which:			
Deferred tax liability at tax rate of 5%	1,644	(1,644)	**-**
Deferred tax liability at tax rate of 19%	2,790	3,578	**6,368**

Temporary differences	Balance at beginning of period	Change in period: profit or loss	**Balance at end of period**
As at 31 Dec 2022			
Assets:			
Intangible assets	46	(3)	**43**
Property, plant and equipment	94	53	**147**
Right of use	1,343	1,334	**2,677**
Trade receivables	132	(132)	**-**
Contract assets	1,119	386	**1,505**
Other assets	309	(292)	**17**
Liabilities:			
Trade payables	1	44	**45**
Total	**3,044**	**1,390**	**4,434**
of which:			
Deferred tax liability at tax rate of 5%	1,234	410	**1,644**
Deferred tax liability at tax rate of 19%	1,810	980	**2,790**

10. Contract assets and liabilities

Contract assets

Where a game is developed by the producer (developer) in cooperation with the publisher, the rules of cooperation between the parties are laid down in a development and publishing agreement. Under such agreements the Company commits to developing a game and delivering it to the publisher in accordance with the agreed schedule divided into milestones. The scope of a game development project carried out by the Company comprises all work necessary to create a finished product which is ready for sale by the publisher. The development and publishing agreements are framework agreements, which:

- are supplemented, in keeping with the progress of game development work, with specific contracts between the parties in the form of content riders (also referred to as schedules). Each content rider defines the parties' rights and obligations with respect to a specific contracted game development milestone or group of such milestones; or

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

- define the milestone schedule for the game production.

The parties' rights and obligations concern, without limitation, deliverables and their completion dates and the amount and form of the consideration payable to the developer by the publisher. As a rule, consideration is not paid until a particular milestone is achieved and accepted by the publisher. Upon receipt of a milestone acceptance notice from the publisher, the Company may invoice the publisher for the milestone.

In the separate and consolidated financial statements, the Company recognises contract assets that represent the Company's right to consideration in exchange for goods or services transferred by the Company to a customer (publisher) if that right is subject to a condition other than the passage of time. Contract assets include in particular assets related to work that has been performed and delivered under development and publishing agreements but has not yet been invoiced as well as to revenue arising upon transfer of deliverables yet to be invoiced.

Conditions for (moment of) recognising contract assets and their reclassification to receivables

Contract assets

The Company recognises contract assets from a development and publishing agreement based on the agreement's compliance with the five-step model under IFRS 15. Contract assets presented in the statement of financial position relate to development work performed by the Company by the reporting date and are estimated at the end of each reporting period (on the basis of the stage of contract completion). They are recognised upon completion of a relevant contracted video game development milestone.

Short-term receivables

The Company recognises a receivable if its right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. The reclassification of contract assets to receivables occurs when the Company becomes entitled to issue a sales invoice, specifically when it receives notification from the publisher that the work has been accepted.

Contract liabilities

Apart from working under development and publishing agreements, the Company also performs work as a subcontractor. Under subcontracts, the Company is obliged to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. The Company recognises a contract liability if the Company has invoiced the customer for more work than has actually been performed as at the reporting date.

The contract assets as at the end of the reporting periods are presented in the table below.

	31 Dec 2023	31 Dec 2022
Gross contract assets	8,529	30,355
Impairment of contract assets	-	-
Contract assets	**8,529**	**30,355**
Contract liabilities	**2,422**	**-**

With respect to estimation of credit losses due to impairment, contract assets are governed by International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). The Company applies a practical expedient and measures allowances for expected credit losses at an amount equal to the expected credit losses over the life of the instrument. Impairment losses are estimated based mainly on historical data on days past due and a relationship between days past due and actual payments over the last four years, taking into account available information relating to the future.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

The estimated amount of expected credit loss allowance for contract assets as at 31 December 2023 and as at 31 December 2022 was immaterial.

Key reasons for changes in contract assets and liabilities in the reporting period are presented in the tables below.

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Contract assets:		
Contract assets at beginning of period	30,355	22,385
Revenue recognised as contract assets in reporting period	23,712	101,923
Reclassification to trade receivables	(45,538)	(93,953)
Contract assets at end of period	**8,529**	**30,355**
Contract liabilities:		
Performance obligations recognised in reporting period as contract liabilities	2,422	-
Contract liabilities at end of period	**2,422**	**-**

The Company did not incur capitalised costs of acquiring and performing contracts.

As the contract budget increases to include further milestones, the planned contract revenue and the corresponding costs are updated and increased. The Management Board of the Company updates the projected results of a contract gradually, based on the best knowledge of costs necessary to be incurred, to reflect milestones added to the contract.

11. Trade and other receivables

The table below presents trade and other receivables disclosed by the Company under receivables and loans (see Note 14).

	31 Dec 2023	31 Dec 2022
Financial assets (IFRS 9):		
Trade receivables	21,270	658
Net trade receivables	**21,270**	**658**
Retentions (security deposits) under contracts	1,660	1,439
Other receivables	8,610	8,426
Impairment loss on other financial receivables	-	(99)
Other net financial receivables	**10,270**	**9,766**
Financial receivables	**31,540**	**10,424**
Total short-term receivables	**31,540**	**10,424**

The Company considers the carrying amount of trade receivables as a reasonable approximation of their fair value (see Note 14).

The Company assessed receivables for impairment in accordance with the applied accounting policies. Impairment losses on receivables recognised in individual years under 'Losses on expected credit losses' in the statement of profit or loss were as follows:

- on trade receivables – none,
- on other current and non-current financial receivables – none.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

For trade receivables, the Company applies a practical expedient and measures the allowance for expected credit losses at an amount equal to the expected credit losses over the life of the instrument. In estimating expected credit losses over the life of the instrument, the Company uses historical data and current information to determine the amount of the expected losses. In the opinion of the Company, the counterparties with whom it engages are considered low-risk, and therefore, the risk of credit losses is also deemed to be minimal. As at 31 December 2023 and 31 December 2022, the Company did not recognise an expected credit loss allowance for receivables as its estimated amount was immaterial.

12. Prepayments and accrued income

Prepayments comprise costs that the Company paid in advance.

Advance payments for projects are co-financing received for game development which, after the game is released, will be credited to revenue due to the Company from the sale of the game.

	Current prepayments and accrued income		Non-current prepayments and accrued income	
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
Assets – prepayments and accrued income:				
Prepayments	1,041	571	280	58
Assets – prepayments and accrued income	**1,041**	**571**	**280**	**58**
Liabilities – accrued expenses and deferred income				
Advance payments for project execution	17,327	-	3,631	7,477
Liabilities – total accrued expenses and deferred income	**17,327**	**-**	**3,631**	**7,477**

13. Cash and cash equivalents

	31 Dec 2023	31 Dec 2022
Cash at bank in PLN-denominated accounts	28,683	6,526
Cash at bank in foreign currency accounts	69,105	42,865
Total cash and cash equivalents	**97,788**	**49,391**

As at 31 December 2023, the Company did not have any restricted cash (31 December 2022: restricted cash in the VAT account was PLN 91 thousand). As at 31 December 2023 and 31 December 2022, the Company had no cash equivalents.

For the purposes of preparing the statement of cash flows, the Company classifies cash in the manner used to present cash in the statement of financial position.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

14. Financial assets and liabilities

Categories of financial instruments in accordance with IFRS 9	Financial assets at amortised cost*	Non-IFRS 9	Total
As at 31 Dec 2023			
Non-current assets:			
Receivables and loans advanced	4,224	-	**4,224**
Current assets:			
Current tax assets	-	768	**768**
Trade and other receivables	31,540	-	**31,540**
Other current financial assets**	35,397	-	**35,397**
Cash and cash equivalents	97,788	-	**97,788**
Total financial assets	**168,949**	**768**	**169,717**

Categories of financial instruments in accordance with IFRS 9	Financial assets at amortised cost*	Non-IFRS 9	Total
As at 31 Dec 2022			
Non-current assets:			
Receivables and loans advanced	2,905	-	**2,905**
Current assets:			
Trade and other receivables	10,424	-	**10,424**
Cash and cash equivalents	49,391	-	**49,391**
Total financial assets	**62,720**	**-**	**62,720**

* Financial assets measured at amortised cost,
** Commercial paper

Categories of financial instruments in accordance with IFRS 9	Liabilities at amortised cost**	Non-IFRS 9	Total
As at 31 Dec 2023			
Non-current liabilities:			
Leases	-	8,751	**8,751**
Current liabilities:			
Trade and other payables	23,545	-	**23,545**
Leases	-	3,779	**3,779**
Total financial liabilities	**23,545**	**12,530**	**36,075**

Categories of financial instruments in accordance with IFRS 9	Liabilities at amortised cost**	Non-IFRS 9	Total
As at 31 Dec 2022			
Non-current liabilities:			
Leases	-	12,850	**12,850**
Current liabilities:			
Current tax liabilities	-	2,329	**2,329**
Trade and other payables	26,213	-	**26,213**
Borrowings, other debt instruments	510	-	**510**
Leases	-	3,163	**3,163**
Total financial liabilities	**26,723**	**18,342**	**45,065**

** Financial liabilities at amortised cost

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Other information on financial instruments

The comparison of the carrying amount of financial assets and liabilities with their fair value is presented below.

		31 Dec 2023		31 Dec 2022	
Class of financial instrument	Note	Fair value	Carrying amount	Fair value	Carrying amount
Assets:					
Non-bank borrowings		4,224	4,224	2,905	2,905
Trade and other receivables	12	31,540	31,540	10,424	10,424
Other classes of financial assets*		35,397	35,397	-	-
Cash and cash equivalents	13	97,788	97,788	49,391	49,391
Liabilities:					
Non-bank borrowings		-	-	510	510
Leases		12,530	12,530	16,013	16,013
Trade and other payables	15	23,545	23,545	26,213	26,213

* commercial paper

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants as at the measurement date.

As at 31 December 2023 and 31 December 2022, the carrying amount of the Company's financial instruments was equal to their fair value due to the short maturities of those instruments, their cash nature, variable interest rate or immaterial difference between the original effective interest rates and the actual market rates.

As at 31 December 2023, a subsidy is presented in the line item 'Non-bank borrowings' in liabilities. The subsidy agreement, part of the government's support programme for entrepreneurs affected by the COVID-19 pandemic, was established under preferential terms that deviate from standard market terms. Nevertheless, this fact does not have a significant impact on the fair value measurement of the subsidy. In 2023, the liabilities were settled.

15. Equity

Share capital

The following changes in the number of shares occurred during the period covered by these financial statements:

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Shares issued and paid up:		
Number of shares at beginning of period	29,950,226	29,950,226
Issue of Series E shares	136,104	-
Issue of Series F shares	3,343,037	-
Issue of Series G shares	2,510,904	-
Number of shares at end of period	**35,940,271**	**29,950,226**

As at the reporting date, the Company did not hold any of its own shares, nor were any Company shares held by its subsidiaries.

Shareholding structure

The following tables present the shareholding structure as of the respective reporting dates covered by these financial statements.

	Number of shares	Number of voting rights	Total par value (PLN '000)	Ownership interest
As at 31 Dec 2023				
Sebastian Wojciechowski	14,989,480	14,989,480	300	41.71%
Other shareholders	20,950,791	20,950,791	419	58.29%
Total	**35,940,271**	**35,940,271**	**719**	**100.00%**

	Number of shares	Number of voting rights	Total par value (PLN '000)	Ownership interest
As at 31 Dec 2022				
Sebastian Wojciechowski	14,969,480	14,969,480	299	49.98%
Other shareholders	14,980,746	14,980,746	300	50.02%
Total	**29,950,226**	**29,950,226**	**599**	**100.00%**

Share premium

	31 Dec 2023	31 Dec 2022
Share premium on Series B shares	100,246	100,246
Costs of issue of Series B shares	(3,119)	(3,119)
Costs of issue of Series C shares/ warrants	(14)	-
Share premium on Series D shares	25,135	25,135
Costs of issue of Series D shares	(393)	(393)
Share premium on Series E shares	5,664	-
Costs of issue of Series E shares	(20)	-
Share premium on Series F shares	134,323	-
Costs of issue of Series F shares	(2,324)	-
Share premium on Series G shares	100,888	-
Costs of issue of Series G shares	(2,732)	-
Total	**357,654**	**121,869**

Other components of equity

	31 Dec 2023	31 Dec 2022
Other components of equity created prior to transition to IAS	36,997	36,997
Other components of equity – incentive scheme	10,207	10,207
Other components of equity – measurement of warrants due to Square Enix Limited (publisher)	2,694	2,694
Total	**49,898**	**49,898**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

16. Borrowings

The Company's debt instruments as at 31 December 2023 are described below.

- On 12 October 2023, the Company, as the borrower, and Bank Polska Kasa Opieki S.A. ("Bank Pekao"), as the lender, executed: (1) a revolving credit facility agreement of up to PLN 30 million, and (2) a revolving credit facility agreement of up to EUR 4,426,444 (collectively the 'Credit Facility Agreements'), intended to finance costs related to work-for-hire development of video games (collectively the 'Credit Facilities').
  The term of the revolving lines of credit and the final repayment date of both Credit Facilities is three years from the date of execution of the Credit Facility Agreements.
  The interest rate on the Credit Facilities for each interest period is an annual rate being the sum of an agreed fixed margin and the variable benchmark rates (WIBOR) (facility (1)) or EURIBOR (facility (2)).
  The fee for the provision of the Credit Facilities, as well as the fee for the provision of guarantees by Bank Gospodarstwa Krajowego, were determined on standard market terms applied for financial instruments of this kind.
  The security package with respect to the Credit Facilities includes: (1) financial pledges and registered pledges over the Company's entire shareholding in Incuvo S.A. of Katowice, (2) financial pledges and registered pledges over bank accounts maintained for the Company by Bank Pekao, (3) a statement made pursuant to Art. 777 of the Code of Civil Procedure whereby the Company will submit to enforcement with respect to the obligation to pay any amounts due under the Credit Facility Agreements to Bank Pekao up to 150% of the amount of the Credit Facilities, (4) guarantees provided by Bank Gospodarstwa Krajowego up to 80% of the amount of the Credit Facilities, which will be secured with blank promissory notes together with promissory note declarations issued by the Company to Bank Gospodarstwa Krajowego.
  The Credit Facilities will be disbursed subject to the fulfilment of typical conditions precedent to the disbursement of funds in such transactions. Furthermore, the Credit Facility Agreements contain a number of disclosure obligations applicable upon the disbursement of funds, which are also typical of such transactions.
  The Credit Facility Agreements also provide for standard covenants to be complied with by the Company, such as restrictions on a change of its principal business and terms on which it may incur new debt financing. In the event of any breach of the Credit Facility Agreements, Bank Pekao has standard rights, including but not limited to the right to terminate the agreement or suspend the funding.
  Until the date of authorisation for issue of these financial statements, the Company did not apply for disbursement of the Facilities.

	Current liabilities		Non-current liabilities	
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
Financial liabilities measured at amortised cost				
Non-bank borrowings	-	510	-	-
Financial liabilities measured at amortised cost	**-**	**510**	**-**	**-**
Total borrowings, other debt instruments	**-**	**510**	**-**	**-**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

17. Leases

The Company's lease contracts include mainly leases of space and equipment.

The line item 'Buildings and structures' includes a right-of-use asset recognised on account of the following office space lease contracts:

- lease contract for office space in Warsaw,
- lease contract for office space in Rzeszów,
- lease contract for office space in Kraków.

Under 'Machinery and equipment' the Company presents operating leases of hardware, and under 'Other property, plant and equipment' – leases of office equipment.

	Buildings and structures	Machinery and equipment	Other property, plant and equipment	**Total**
As at 31 Dec 2023				
Non-current liabilities:	8,623	128	-	**8,751**
Current liabilities:	3,230	302	247	**3,779**
As at 31 Dec 2022				
Non-current liabilities:	12,159	430	261	**12,850**
Current liabilities:	2,608	347	208	**3,163**

For information on interest on lease liabilities, see Note 21.

For an analysis of the maturity dates of lease liabilities, see Note 28.

18. Trade and other payables

Trade and other payables are presented below.

	31 Dec 2023	31 Dec 2022
Financial liabilities (IFRS 9):		
Trade payables	23,397	23,859
Purchase of non-current assets	119	92
Other financial liabilities	29	2,262
Financial liabilities	**23,545**	**26,213**
Non-financial liabilities (non-IFRS 9):		
Total current liabilities	**23,545**	**26,213**

The Company considers the carrying amount of trade payables as a reasonable approximation of their fair value (see Note 14).

PCF GROUP SPÓŁKA AKCYJNA

FULL-YEAR FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2023

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

19. Employee benefits

Salaries, wages and other employee benefits

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Salaries and wages	8,586	8,302
Social security	684	522
Training costs and other employee benefits	1,211	1,021
Future employee benefits (provisions for accrued holiday entitlements)	(28)	22
Total employee benefits expense	**10,453**	**9,867**
of which: capitalised costs of salaries and wages	2,564	2,520

Employee benefit obligations and provisions

Employee benefit obligations and provisions recognised in the statement of financial position include:

	31 Dec 2023	31 Dec 2022
Short-term employee benefits:		
Salaries and wages payable	-	7
Social security contributions payable	273	269
Provisions for accrued holiday entitlements	30	58
Short-term employee benefits	**303**	**334**
Total employee benefit obligations and provisions	**303**	**334**

Long-term employee benefit obligations and provisions do not appear in these financial statements.

20. Operating income and expenses

Costs by nature of expense

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Amortisation and depreciation	14,218	9,490
Employee benefits	10,453	9,867
Raw materials and consumables used	1,585	1,550
Services	247,763	204,952
Taxes and charges	217	137
Other	2,099	1,717
Total costs by nature of expense	**276,334**	**227,713**
Capitalised development expenditure	(152,334)	(149,138)
Costs by nature of expense recognised in profit or loss	**124,001**	**78,575**
Cost of services sold	90,095	50,099
General and administrative expenses	33,906	28,476
Total	**124,001**	**78,575**

Notes are an integral part of the full-year financial statements.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Services

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Costs of services	222,437	186,777
Professional, legal and accounting services	14,670	11,264
Telecommunications, IT services, software lease	5,834	4,184
Office maintenance costs	1,203	385
Other activities	3,619	2,342
Total	**247,763**	**204,952**

Costs by nature of expense include mainly salaries and wages of the Company's employees and independent contractors involved in games development and back office functions, lease of office space and services not related to games development. The year-on-year increase in general and administrative expenses in the 12 months ended 31 December 2023 was mainly attributable to:

- overall increase in costs related to a greater scale of operations, which translated into the need to expand the Company's development and back office resources;
- development of the self-publishing segment in connection with the Company's plans to publish games on its own.

Other income

Other income includes income from:

- back office services provided to the subsidiary Incuvo S.A.,
- reinvoicing of medical services and other services for entities cooperating with the Company.

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Gain on disposal of non-financial non-current assets	-	13
Recharge-invoices and back office services provided to group entities	3,193	1,018
Other costs re-charged to the Company's contractors	819	213
Other income	163	514
Total other income	**4,175**	**1,758**

Other expenses

Total other expenses include:

- costs of recognised impairment losses on intangible assets related to three projects carried out by the Company, as described in more detail in Note 4;
- the cost of purchase of medical services and other benefits for entities cooperating with the Company;
- the cost of an additional payment (PLN 2,050 thousand) which the Company made to OÜ Blite Fund for the purchase of 7,143,900 shares in Incuvo S.A.; For more details, see Note 33.

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Impairment losses on property, plant and equipment and intangible assets	81,237	-

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Costs re-charged to the Company's contractors	4	237
Donations made to aid Ukraine	-	220
Impairment losses on financial receivables*	-	118
Other	2,622	79
Total other expenses	**83,863**	**654**

21. Finance income and expenses, losses on expected credit losses

Losses on expected credit losses

In the period covered by these financial statements the Company applied IFRS 9, but no losses on account of expected credit losses were identified as a separate item of the statement of profit or loss and other comprehensive income, as the amount of those losses was immaterial.

Finance income

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Interest income calculated using the effective interest rate:		
Cash and cash equivalents (deposits)	483	1,361
Loans and receivables	119	1,596
Financial assets measured at amortised cost	804	-
Interest income calculated using the effective interest rate	**1,406**	**2,957**
Total finance income	**1,406**	**2,957**

Finance costs

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Interest expense on financial liabilities other than at fair value through profit or loss:		
Lease liabilities	982	750
Trade and other payables	1	2
Interest expense on financial liabilities other than at fair value through profit or loss	**983**	**752**
Foreign exchange gains (losses) (+/-):		
Cash and cash equivalents	2,527	(2,148)
Loans and receivables	1,004	1,750
Financial liabilities at amortised cost	(995)	739
Foreign exchange gains (losses) (+/-)	**2,536**	**341**
Other finance costs	80	-
Total finance costs	**3,599**	**1,093**

The increase in lease interest expense was due to rising interest rates affecting the value of lease liabilities (described in more detail in Note 17).

22. Income tax

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Current tax:		
Tax for reporting period	1,271	3,093
Adjustments to tax expense for previous periods	114	-

Notes are an integral part of the full-year financial statements.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Current tax	**1,385**	**3,093**
Deferred tax:		
Recognition and reversal of temporary differences	(22,228)	(900)
Deferred tax	**(22,228)**	**(900)**
Total income tax	**(20,843)**	**2,193**

The amount reported under 'Recognition and reversal of temporary differences' primarily arises from the recognition of impairment losses on intangible assets, valuation of contract assets and liabilities, and the recognition of deferred tax assets on unused tax losses carried forward. For more information on changes in temporary differences, see Note 9.

On 30 April 2020, the National Revenue Information System issued a private letter ruling in response to the Company's enquiry concerning the application of the IP Box tax relief. When settling corporate income tax for the financial years 2019-2023, the Company availed itself of the IP Box tax relief in accordance with the ruling, and so the eligible income from eligible intellectual property rights within the meaning of IP Box regulations was taxed by the Company at a preferential corporate income tax rate of 5%. Accordingly, the current portion of the Company's corporate income tax was calculated at the rate of 19% for taxable income from other sources and at the rate of 5% for the taxable income from eligible intellectual property rights (IP Box).

The table below presents reconciliation of income tax on profit or loss before tax with income tax disclosed in the statement of profit or loss.

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit or loss before tax	**(85,495)**	**44,529**
Income tax at 5%	1,182	3,093
Income tax at 19%	89	(2,295)
Reconciliation of income tax due to:		
Expenses which are permanently non-deductible	-	200
Use of previously unrecognised tax losses	(864)	-
Unrecognised deferred tax asset on tax losses	-	-
Unrecognised deferred tax asset on tax losses	-	2,295
Technical settlement between 5% and 19% tax rates	(21,364)	(1,100)
Adjustments to tax expense for previous periods	114	-
Income tax	**(20,843)**	**2,193**
Average tax rate applied	**24.4%**	**4.9%**

23. Notes to the statement of cash flows

The following table presents the differences between changes in items of the statement of financial position and the amounts disclosed in the statement of cash flows.

Item in statement of cash flows	Change in statement of financial position or statement of profit or loss	Change disclosed	**Difference**	**Reason**
Change in liabilities	(2,668)	184	(3,107)	elimination of loan repayments by netting
			254	elimination of change in liabilities on purchase of property, plant and equipment and intangible assets

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

24. Share-based payments

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Costs of incentive schemes	-	1,543

On 29 August 2021, the Company signed an investment agreement with Square Enix Limited defining the rights and obligations of the parties in connection with the issue of subscription warrants by the Company under Resolution No. 5 of the Extraordinary General Meeting of the Company of 26 June 2020 on the issue of subscription warrants, conditional increase in the share capital through the issue of Series C ordinary shares, full waiver of the existing shareholders' pre-emptive rights to acquire all subscription warrants and pre-emptive rights to acquire all Series C shares, the seeking of admission and introduction of Series C shares to trading on the regulated market operated by the Warsaw Stock Exchange, conversion of Series C shares into book-entry form, authorisation to enter into an agreement on registration of Series C shares in the securities depository and amendment to the Company's Articles of Association. The execution of the investment agreement marked the end of negotiations entered into by the parties following execution by the parties on 31 July 2020 of a preliminary agreement setting out the terms of collaboration between them relating to the issue of subscription warrants intended to be offered to Square Enix Limited and subscription by Square Enix Limited of Series C shares in the exercise of rights attached to the warrants. For details of the investment agreement, see Current Report No. 40/2021 of 29 August 2021.

In the performance of the investment agreement, on 17 November 2021 Square Enix Limited accepted the Company's offer of 11 October 2021 to acquire, for no consideration, 90,000 Series A registered subscription warrants (Tranche A1 warrants) and 90,000 Series A registered subscription warrants (Tranche A2 warrants) issued by the Company, each conferring the right to subscribe for one Series C ordinary bearer share in the Company with a par value of PLN 0.02 per share, for the issue price of PLN 50 per share. Subsequently, on 10 December 2021, 6 June 2022, 7 October 2022 and 28 March 2023, the Company's Management Board submitted to the publisher further offers to subscribe, for no consideration, for 90,000 Series A registered subscription warrants (Tranche A3 warrants), 90,000 Series A registered subscription warrants (Tranche A4 warrants), 90,000 Series A registered subscription warrants (Tranche A5 warrants), and 90,000 Series A registered subscription warrants (Tranche A6 warrants – the last tranche). All the offers were accepted by the publisher on 18 January 2022, 30 June 2022, 1 November 2022 and 18 April 2023, respectively. Square Enix Limited acquired the right to subscribe for Series C shares upon subscription for the fourth tranche of the warrants. As at the date of authorisation of these financial statements, the Company estimated that the maximum number of Series C shares that could be subscribed for by Square Enix Limited in connection with accepting all offers would represent approximately 1.48% of the Company's share capital.

In 2021, due to the occurrence of the Grant Date, the subscription warrants were measured and recorded on 29 August 2021 in accordance with IFRS 2. The estimated value of warrants payable to Square Enix Limited, proportionate to the stage of service completion, has been assessed at approximately PLN 2,694 thousand.

The table below presents the change in the number of warrants granted in the period covered by these financial statements:

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Balance of warrants granted since launch of incentive scheme as at 1 January	450,000	180,000
Number of warrants granted in period	90,000	270,000
Balance of warrants granted since launch of incentive scheme as at 31 December	**540,000**	**450,000**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

The issue of warrants was accounted for in accordance with IFRS 2 *Share-based Payment*, and the Management Board of the Company made the necessary estimates for the measurement and recognition of the issue. The Company measured the scheme using the Black-Scholes model. Assumptions made for the measurement:

	Settlement period end date	Exercise price	Volatility ratio %	Risk free rate %
Tranche 1	30 Sep 2024	3.83	30.6%	0.5%
Tranche 2	30 Sep 2024	3.83	30.6%	0.5%
Tranche 3	30 Sep 2024	3.83	30.6%	0.5%
Tranche 4	30 Sep 2024	3.83	30.6%	0.5%
Tranche 5	30 Sep 2024	6.72	36.6%	0.7%
Tranche 6	30 Sep 2024	7.90	34.3%	1.0%

25. Earnings per share and dividends paid

Earnings per share

To calculate basic earnings (loss) per share, the Company uses the amount of net profit (loss) attributable to owners of the Company in the numerator, which means there is no dilutive effect on the amount of profit (loss).

The calculation of basic earnings (loss) per share together with reconciliation of the diluted weighted average number of shares is presented below.

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Number of shares used as denominator in the formula		
Weighted average number of ordinary shares	32,698,050	29,950,226
Dilutive effect of options convertible into shares	540,000	450,000
Diluted weighted average number of ordinary shares	33,238,050	30,400,226
Continuing operations		
Net profit (loss) from continuing operations	(64,652)	42,336
Basic earnings (loss) per share (PLN)	(1.98)	1.41
Diluted earnings (loss) per share (PLN)	(1.95)	1.39
Discontinued operations		
Net profit (loss) from discontinued operations	-	-
Basic earnings (loss) per share (PLN)	-	-
Diluted earnings (loss) per share (PLN)	-	-
Continuing and discontinued operations		
Net profit (loss)	(64,652)	42,336
Basic earnings (loss) per share (PLN)	(1.98)	1.41
Diluted earnings (loss) per share (PLN)	(1.95)	1.39

Dividends

In accordance with the update of the People Can Fly Group's growth strategy adopted by the Company's Management Board on 31 January 2023, the Management Board plans not to recommend that the General Meeting approves payment of dividend until the Company generates revenue, profits and positive cash flows from its planned self-publishing activities, i.e., no earlier than from profits earned for the financial year 2025.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

However, any decisions regarding payment and amount of dividends are always subject to the discretion of the shareholders at the Annual General Meeting, who are not bound in any way by recommendations of the Management Board.

26. Related-party transactions

Ultimate parent

The ultimate parent is Sebastian Wojciechowski by virtue of his being a major shareholder of the Company, holding 41.71% of the Company shares as at 31 December 2023, and as at the date of authorisation these financial statements for issue – holding 41.71% of the share capital and total voting rights at the General Meeting of the Company, as well as a special personal right to appoint and remove President of the Management Board. In addition, together with three other shareholders of the Company, Sebastian Wojciechowski forms the Group of Qualifying Shareholders, vested with a special personal right to appoint a majority of the Supervisory Board members. Mr Wojciechowski is a natural person and does not prepare financial statements for public disclosure (International Accounting Standard 24 *Related Party Disclosures* (“IAS 24”), section 24.13).

Mr Wojciechowski also serves as President of the Management Board of the Company.

Transactions with shareholders

The following tables present transactions with shareholders of the Company which took place in the periods covered by these financial statements.

12 months ended 31 Dec 2023	Sale	Purchase	Dividends paid
Company shareholders	4	3,785	-

12 months ended 31 Dec 2022	Sale	Purchase	Dividends paid
Company shareholders	5	3,323	5,717

As at 31 Dec 2023	Receivables	Liabilities	Borrowings
Company shareholders	-	228	-

As at 31 Dec 2022	Receivables	Liabilities	Borrowings
Company shareholders	-	-	-

As regards disclosure of transactions with shareholders, the Company applies a practical expedient and presents transactions with shareholders whose share in total voting rights in the Company is no less than 5%. The Company also discloses transactions executed by persons discharging managerial responsibilities and their close persons who have been notified to the Company pursuant to Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation).

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Related-party transactions

Below are presented transactions between the Company and its subsidiaries in the periods covered by the financial statements.

As at Dec 31 2023 and for the period ended 31 Dec 2023	Sale	Purchase	Receivables	Liabilities	Loans advanced in the period
Incuvo S.A.	1,217	6,791	433	1,855	-
People Can Fly UK Limited	520	27,059	898	2,799	-
People Can Fly U.S., LLC	384	36,726	380	8,161	-
People Can Fly Chicago, LLC	160	36,020	1,203	-	-
People Can Fly Canada Inc.	768	68,683	791	5,655	-
Game On Creative Inc.	278	621	278	20	-
People Can Fly Ireland Limited	-	1,291	30	1,291	4,224
Total	**3,327**	**177,191**	**4,013**	**19,781**	**4,224**

As at 31 Dec 2022 and for the period ended 31 Dec 2022	Sale	Purchase	Receivables	Liabilities	Loans advanced in the period
Incuvo S.A.	1,015	3,715	420	1,346	-
People Can Fly UK Limited	4	13,316	-	1,612	1,903
People Can Fly U.S., LLC	10,225	94,734	-	18,225	24,495
People Can Fly Chicago, LLC	4	206	9	206	-
People Can Fly Canada Inc.	4	33,570	176	-	28,007
Game On Creative Inc.	-	-	-	65	-
Total	**11,252**	**145,541**	**605**	**21,454**	**54,405**

27. Financial guarantees, contingent assets and liabilities

On 24 May 2023, the Company's subsidiary People Can Fly Canada Inc. of Montreal, Canada ('PCF Canada') as the borrower, and the Bank of Montreal, as the lender, signed a credit facility agreement to grant PCF Canada two demand revolving facilities comprising: (1) a credit facility of up to CAD 1,200 thousand, intended to finance working capital and general corporate needs of PCF Canada, and (2) a credit facility of up to CAD 8,000 thousand, intended to finance future tax credits in Canada.

On 24 May 2023, the Company issued an unsecured guarantee to the Bank of Montreal for up to CAD 9,200 thousand to secure the bank's claims against PCF Canada under the credit facility agreement and security provided under that agreement.

Apart from the instrument described above, the Company did not have any other financial guarantees or assets and contingent liabilities.

28. Risk related to financial instruments

The Company is exposed to a number of risks related to financial instruments. For information on the Company's financial assets and liabilities by category, see Note 13. The Company is exposed to the following risks:

- market risk, comprising business, currency and interest rate risk,
- credit risk, and
- liquidity risk.

The following are the key objectives of financial risk management:

 Notes are an integral part of the full-year financial statements.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

- to hedge short- and medium-term cash flows,
- to prevent volatility of the Company's financial result,
- to deliver the assumed financial targets through budget discipline.

The Company does not enter into speculative transactions on financial markets. All transactions executed by the Group are designed to hedge against certain risks.

Currency risks

Sensitivity to currency risk

The Company is exposed to currency risk, as most of the Company's costs are denominated in PLN, while the majority of the Company's revenue is denominated in foreign currencies, mainly in EUR and USD. Therefore, the Company is exposed to foreign exchange risk related to movements of exchange rates.

The development and publishing agreements with Square Enix Limited for the development by the Company of Project Gemini contain certain provisions that hedge the Company against the EUR/PLN exchange rate risk. Exchange rate fluctuations may reduce the amount of the Company's receivables or increase its liabilities, resulting in exchange differences charged to the Company's profit or loss. As at the date of these financial statements, the Company monitors movements of exchange rates, but does not use financial instruments to hedge the currency risk. As a result, the risk may adversely affect the Company's business, revenue, results and, indirectly through reduction of revenue or increase in costs, also the Company's financial condition (mainly by reducing the Company's monetary assets).

The table below presents the Company's main currency exposures and potential foreign exchange gains/losses on these exposures resulting from hypothetical 10% appreciation/depreciation of the złoty against the specified currencies.

		Effect on profit or loss / equity:				
	Exchange rate movements	EUR	USD	GBP	CAD	**Total**
As at 31 Dec 2023						
Increase in exchange rate	10%	4,878	1,473	1,102	28	**7,481**
Decrease in exchange rate	-10%	(4,878)	(1,473)	(1,102)	(28)	**(7,481)**
As at 31 Dec 2022						
Increase in exchange rate	10%	3,586	(1,158)	(149)	315	**2,594**
Decrease in exchange rate	-10%	(3,586)	1,158	149	(315)	**(2,594)**

	Amount in foreign currency:				
	EUR	USD	GBP	CAD	**Amount translated into PLN**
As at 31 Dec 2023					
Financial assets:					
Non-bank borrowings	512	508	-	-	**4,224**
Trade and other receivables	3,787	857	81	-	**20,244**
Cash and cash equivalents	7,739	4,799	2,123	2,006	**69,105**
Financial liabilities:					
Trade and other payables	(819)	(2,419)	-	(1,911)	**(18,754)**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Total exposure to currency risk	**11,219**	**3,745**	**2,204**	**95**	**74,819**
As at 31 Dec 2022					
Financial assets:					
Non-bank borrowings	-	-	-	894	**2,905**
Trade and other receivables	1	53	-	53	**412**
Cash and cash equivalents	7,711	1,502	4	23	**42,865**
Financial liabilities:					
Trade and other payables	(65)	(4,186)	(286)	-	**(20,243)**
Total exposure to currency risk	**7,647**	**(2,631)**	**(282)**	**970**	**25,940**

Sensitivity to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will change due to movements in interest rates.

As at 31 December 2023, the Group was exposed to the risk of changes in interest on lease liabilities. In the reporting period, the Company did not take any specific measures to hedge against the interest rate risk.

The impact of the interest rate risk on the Group's monetary assets is immaterial.

Credit risks

The Company's main credit risk management practice is to seek to enter into transactions only with entities of proven credibility. Ongoing monitoring of the level of trade receivables by trading partner serves to reduce the level of credit risk associated with these assets. The Company's maximum exposure to credit risk at the reporting date is represented by the carrying amount of these receivables.

The Company considers a receivable to be a low credit risk if it is not past due at the date of assessment and the trading partner has confirmed the balance of the receivable. The Company has assumed that there is a significant increase in risk when, for instance, payments are past due 90 days or more. If the increase in credit risk is significant, lifetime losses on the instrument are recognised. Items for which an increase in credit risk has been identified are treated as financial assets impaired due to credit risk, with a corresponding impairment loss recognised.

Regarding trade receivables, the asset class most significantly exposed to credit risk, and contract assets, the Company faces credit risk primarily in relation to a single significant trading partner. In the opinion of the Company, the significant trading partner is a creditworthy partner. In the absence of historical delays in payment of receivables, impairment losses are estimated on a collective basis and the receivables have been grouped based on days past due. Impairment losses are estimated based mainly on historical data on days past due and a relationship between days past due and actual payments over the last four years.

Gross carrying amounts of and impairment losses on individual groups of receivables as at 31 December 2023 and 31 December 2022 are presented below.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

As at 31 Dec 2023	Contract assets	not past due	Past due trade receivables 0 – 30 days	 31 – 90 days	 over 90 days	Total
Impairment loss rate	0%	0%	0%	0%	0%	
Gross carrying amount - related entities	-	18,882	396	1,712	46	**21,036**
Gross carrying amount - other entities	8,529	234	-	-	-	**8,763**

As at 31 Dec 2022	Contract assets	not past due	Past due trade receivables 0 – 30 days	 31 – 90 days	 over 90 days	Total
Impairment loss rate	0%	0%	0%	0%	0%	
Gross carrying amount - related entities	-	85	125	210	4	**424**
Gross carrying amount - other entities	30,355	234	-	-	-	**30,589**

In the period covered by these financial statements, the Company did not hold any negotiations or make any arrangements that would result from a significant increase in credit risk, as a result of which payment dates would change or expected cash flows from trade receivables and contract assets would be otherwise modified. The Company does not require any security for trade receivables.

For all financial assets, as well as contract assets, their carrying amount best reflects the Company's maximum exposure to credit risk.

Liquidity risk

The Company is exposed to liquidity risk, i.e. the risk of losing ability to timely meet its financial liabilities. The Company manages the liquidity risk by monitoring payment dates and cash requirements for short-term payments (current transactions monitored weekly) and long-term cash requirements based on cash flow forecasts updated on monthly basis. The cash requirement is compared with the available cash sources and the Group's placements of free cash. Furthermore, in accordance with the loan documentation executed with Bank Pekao on 12 October 2023, the Company has access to revolving credit lines of up to PLN 30 million and EUR 4,426,444 to finance costs associated with contracted game production. For a detailed description of the terms of financing provided to the Company by Bank Pekao, see Note 16. As at the date of authorisation for issue of financial statements, the Company had not utilised these instruments or any derivative instruments. The Company manages liquidity by forecasting the work schedule and deadlines for delivery of individual game development milestones to the publisher for which payments will be received.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

The Company's financial liabilities other than derivative instruments as at the reporting date are presented below.

	Current:		Non-current:		Total cash flows before discounting
	up to 3 months	from 3 months to 12 months	from 12 months to 60 months	from 60 months to 120 months	
As at 31 Dec 2023					
Leases	945	2,834	7,515	1,236	**12,530**
Trade and other payables	23,545	-	-	-	**23,545**
Total exposure to liquidity risk	**24,490**	**2,834**	**7,515**	**1,236**	**36,075**
As at 31 Dec 2022					
Non-bank borrowings	219	291	-	-	**510**
Leases	791	2,372	11,614	1,236	**16,013**
Trade and other payables	26,213	-	-	-	**26,213**
Total exposure to liquidity risk	**27,223**	**2,663**	**11,614**	**1,236**	**42,736**

The table below presents the excess of cash available at the Company over the sum of trade and other payables and the current portion of the lease liability. In the period covered by these financial statements, as at the reporting date the Company recorded free cash and there was no liquidity risk.

	Trade and other payables + leases (current portion)	Cash and cash equivalents	**Free cash**
As at 31 Dec 2023	27,324	97,788	**70,464**
As at 31 Dec 2022	29,376	49,391	**20,015**

29. Capital management

The Company manages capital to ensure the Company's ability to continue as a going concern and to ensure the expected rate of return for shareholders and other entities with interest in the Company's financial condition. The level of cash and the ability to pay trade liabilities are monitored on an ongoing basis.

Values of the above ratios in the reporting period are presented below.

	31 Dec 2023	31 Dec 2022
Capital:		
Equity	442,750	271,497
Capital	**442,750**	**271,497**
Total sources of funding:		
Equity	442,750	271,497
Borrowings, other debt instruments	-	510
Leases	12,530	16,013
Total sources of funding:	**455,280**	**288,020**
Equity to total sources of funding	**0.97**	**0.94**
EBITDA		
Operating profit (loss)	(83,302)	42,665
Amortisation and impairment losses	93,953	8,682
EBITDA	**10,651**	**51,347**

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

Debt:		
Borrowings, other debt instruments	-	510
Leases	12,530	16,013
Debt	**12,530**	**16,523**
Debt to EBITDA*	**1.18**	**0.32**
Cash	97,788	49,391
Current liabilities	47,376	32,549
Cash ratio**	**2.06**	**1.52**

* EBITDA is calculated as operating profit (loss) plus depreciation and amortisation expense and impairment losses.

** The cash ratio is calculated as cash to current liabilities.

As of the date of the credit documentation with Bank Pekao on 12 October 2023, the Company is subject to external capital requirements during the financing period, including the obligation to maintain the minimum equity level as specified in the financing documents. For a detailed description of the terms of financing provided to the Company by Bank Pekao, see Note 16.

30. Remuneration of members of the Management Board and the Supervisory Board

Remuneration paid to and other benefits for members of the Management Board and the Supervisory Board:

	Remuneration	Other benefits	**Total**
1 Jan–31 Dec 2023			
President of the Management Board – Sebastian Wojciechowski	48	1,251	**1,299**
Supervisory Board members	138	-	**138**
Total	**186**	**1,251**	**1,437**
1 Jan–31 Dec 2022			
President of the Management Board – Sebastian Wojciechowski	48	959	**1,007**
Supervisory Board members	134	-	**134**
Total	**182**	**959**	**1,141**

Management Board

In 2023, the Company made purchases from entities controlled by the Management Board for a total amount of PLN 1,251 thousand (2022: PLN 959 thousand). As of the respective reporting dates, the balance of liabilities under such transactions was PLN 228 thousand on 31 December 2023 and nil on 31 December 2022.

In 2023, the Company did not make any sales to entities controlled by the Management Board (there were also no sales in 2022). The balance of receivables under such transactions was PLN 0 as at 31 December 2023 and PLN 0 as at 31 December 2022.

Supervisory Board

Other benefits presented in the table above were received by members of the Supervisory Board for the services provided to the Company.

The Company did not receive any borrowings from or advance any loans to members of the Management Board or the Supervisory Board in the reporting period.

PCF GROUP SPÓŁKA AKCYJNA Full-year financial statements for the financial year ended 31 December 2023 (all amounts in PLN thousand, unless stated otherwise)

31. Auditor's fees

Pursuant to Art. 15.2.4 of the Articles of Association, the Supervisory Board appoints an audit firm to audit the Company's financial statements and the Group's consolidated financial statements.

By Resolution no. 22/2023 dated 22 June 2023, the Supervisory Board selected Grant Thornton Polska Prosta Spółka Akcyjna of Poznań as the audit firm to audit the financial statements of the Company and the consolidated financial statements of the Company's group for the periods from 1 January 2023 to 31 December 2023 and from 1 January 2024 to 31 December 2024, and to review the interim financial statements of the Company and the consolidated interim financial statements of the Company's group for the periods from 1 January 2023 to 30 June 2023 and from 1 January 2024 to 30 June 2024.

Grant Thornton Polska P.S.A. is an audit firm within the meaning of the Statutory Auditors Act, entered in the list of audit firms maintained by the Polish Audit Supervision Authority under Reg. No. 4055. Grant Thornton Polska P.S.A. meets the independence requirements under the laws and standards applicable to audit firms and auditors. Grant Thornton Polska P.S.A. has no other interests in the Company, and in particular, as at the date of these financial statements, it did not hold any equity instruments of the Company, in particular any shares or subscription warrants issued by the Company.

Consideration paid to the auditor for the provision of its services is presented below.

	1 Jan–31 Dec 2023		1 Jan–31 Dec 2022	
	Remuneration paid to the network	**Including fees paid to the Auditor**	Remuneration paid to the network	Including fees paid to the Auditor
Audit of full-year financial statements	301	301	217	217
Review of financial statements	145	145	57	57
Other assurance services	9	9	9	9
Total	**455**	**455**	**283**	**283**

32. Employees and independent contractors

The table below presents data on the number of employees (under employment and temporary contracts) and independent contractors (sole traders) as well as on new hires and terminations.

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
As at beginning of period	303	284
New hires/new independent contractors in period	66	63
Employee/contractor terminations in period	(46)	(44)
As at end of period	**323**	**303**

33. Significant events and transactions

The following events occurred during the period covered by these financial statements:

- **Registration of subscription warrants with CSDP**

  On 24 January 2023, in response to the Company's application of 12 January 2023, the Central Securities Depository of Poland issued a statement to the effect that on 25 January 2023 it would enter into an agreement with the Company to register 90,000 Series A registered subscription warrants of tranche A4 and 90,000 Series A registered subscription warrants of tranche A5, issued for no consideration and with no par value, under ISIN PLPCFGR00051 and PLPCFGR00069, respectively.

- **Strategy update**

  On 31 January 2023, the Company's Management Board passed a resolution to adopt an update of the Company's and its Group's strategy (the "**Strategy**").

  The Strategy is focused on the following areas:

  - bolstering of the publishing activities (the self-publishing segment);
  - adoption of the Game-as-a-Service (GaaS) or GaaS-ready model in developing proprietary portfolio games;
  - adoption of various game monetisation models;
  - further expansion of development teams and talent development;
  - investment in new segments of the entertainment industry.

  The Company set a strategic goal of earning at least PLN 3.0 billion in total revenue in 2023–2027.

  In order to cover expenditures related to the Strategy, the Management Board raised some PLN 235 million by issuing new shares of the Company, with the financing level having been assumed at PLN 205 million to 295 million (see below for a description of the share capital increase through the issue of Series F and Series G ordinary bearer shares carried out to secure financing for the Strategy). All proceeds from the new issues will be used to expand the development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria. The proceeds from the new issues of Company shares, together with (i) the Company's own cash, (ii) the Company's operating cash flows and (iii) other available sources of financing which do not result in dilution of shareholders' equity interests, will allow the Company to fully implement its strategy.

  For details of the Strategy, see Current Report No. 3/2023 of 31 January 2023.

- **Share capital increase through the issue of Series E ordinary bearer shares following an increase in the equity interest in Incuvo S.A.**

  On 10 February 2023, the Company's Management Board passed a resolution to, among others, increase the Company's share capital within the limits of the authorised capital through the issue of 136,104 Series E ordinary bearer shares ("**Series E Shares**"), representing jointly approximately 0.45% of the Company's share capital as at the resolution date and the same proportion of total voting rights at the Company's General Meeting (the "**Series E Shares Issue Resolution**").

  Adoption of the Series E Shares Issue Resolution was related to the Company's decision to increase the equity interest in its subsidiary Incuvo S.A. through an exchange of Incuvo S.A. shares for the Company shares with selected shareholders of Incuvo S.A., namely Andrzej Wychowaniec, President of Incuvo S.A. Management Board, and Radomir Kucharski, Vice President of the Management Board, Chief Product Officer.

  87,820 Series E Shares were offered to Andrzej Wychowaniec and 48,284 to Radomir Kucharski, with the Company's existing shareholders' pre-emption rights waived, in exchange for an in-kind contribution to the Company's increased share capital of Andrzej Wychowaniec's and Radomir Kucharski's shares in Incuvo S.A.: (a) from Andrzej Wychowaniec – 1,128,450 ordinary bearer shares in Incuvo S.A., representing jointly approximately 7.90% of Incuvo S.A.'s share capital and the same proportion of total voting rights at Incuvo S.A.'s General Meeting, and (b) from Radomir Kucharski – 620,428 ordinary bearer shares in Incuvo S.A., representing jointly approximately 4.34% of Incuvo S.A.'s share capital and the same proportion of total voting rights at Incuvo S.A.'s General Meeting.

On 17 February 2023, following the settlement of transactions executed in the performance of the agreements on transfer of Incuvo S.A. shares as a non-cash (in-kind) contribution, signed on 15 February 2023 between the Company and Andrzej Wychowaniec, and between the Company and Radomir Kucharski, the Company acquired approximately 12.25% of shares and voting rights in Incuvo S.A. As a result of the transaction, the Company holds approximately 62.25% of shares in Incuvo S.A.'s share capital and the same proportion of voting rights.

The increase of the Company's share capital, carried out pursuant to the Series E Shares Issue Resolution, was registered by the competent registry court on 3 March 2023. As a result, the Company's share capital amounts to PLN 601,726.60 and is divided into 30,086,330 shares with a par value of PLN 0.02 per share.

- **Share capital increase through the issue of Series F ordinary bearer shares to secure financing for the implementation of the Strategy**

  On 28 February 2023, the Company's Extraordinary General Meeting passed a resolution to, among others, increase the Company's share capital through the issue of up to 5,853,941 Series F ordinary bearer shares ("**Series F Shares**"), representing jointly approximately 19.55% of the Company's share capital as at the resolution date and the same proportion of total voting rights at the Company's General Meeting (the "**Series F Shares Issue Resolution**").

  Adoption of the Series F Shares Issue Resolution was related to the Company's intention to raise funds on the capital market through a public offering of Series F Shares to finance the implementation of objectives set out in the Strategy.

- **Waiver of provisions concerning authorised capital**

  On 28 February 2023, the Company's Extraordinary General Meeting passed a resolution to amend the Articles of Association by waiving the provisions concerning authorised capital. The Company's intention was to ensure that the shareholders' equity interests are not diluted any further (after the increase of the Company's share capital through the issue of Series F ordinary bearer shares, with the pre-emptive rights waived) in the future under the Management Board's authorisation to increase the Company's share capital within the limits of the authorised capital, subject to the transaction to increase the Company's equity interest in Incuvo S.A. as referred to above.

- **Execution of an investment agreement concerning acquisition by Krafton, Inc. of shares in the increased share capital of the Company as part of the issue of Series F shares**

  As part of the process (described above) to increase the Company's share capital, on 28 March 2023 an investment agreement was signed between the Company, Sebastian Wojciechowski as the Company's key shareholders and President of the Management Board (the "**Key Shareholder**") and Krafton, Inc. as the anchor investor (the "**Investor**") defining the terms of subscription for Series F Shares by the Investor and other contractual rights and obligations of each party in connection with the investment, including the Company's disclosure obligations towards the Investor (the "**Investment Agreement**").

  Pursuant to the Investment Agreement, on the date specified therein the Investor agreed to subscribe for such number of Series F Shares (rounded to the nearest integer) which upon completion of the public offering of Series F Shares will represent 10.00% of the Company's share capital and voting rights at the Company's General Meeting (the "**Offer Shares**"), at the issue price of PLN 40.20 per Offer Share, irrespective of the number of Series F Shares subscribed for by investors participating in the offering and the issue price of Series F Shares for other investors participating in the offering. The Company guaranteed the allotment of Offer Shares to the Investor subject to the Investor's performance of the obligation to place a subscription order. The Offer Shares were to be subscribed for by the Investor for cash.

Pursuant to the Investment Agreement, if the Company contemplates publishing Project Victoria or Project Bifrost in a model other than self-publishing, the Investor will have the right of first negotiation and the right of first refusal with respect to any such agreements.

In addition, the Key Shareholder granted the Investor the right to prevent dilution, the right of first refusal to acquire shares and the tag-along right (corresponding to the Key Shareholder's drag-along right). Both the Investor and the Key Shareholder submitted standard lock-up declarations regarding their shares in the Company, effective until 28 March 2024. The Parties also made customary representations and warranties and agreed on the contractual terms of each Party's liability for a breach, if any, of the Investment Agreement.

Further information on the Investment Agreement was published in Current Report No. 12/2023 of 28 March 2023.

As a result of the public offering of Series F Shares, described in detail below, the Investor subscribed for 3,342,937 Series F Shares in the performance of the Investment Agreement. The shares represented 10.00% of all shares in the Company after registration by the competent registry court of the increase in the Company's share capital by way of issue of Series F Shares.

- **Submission of an offer to Square Enix Limited to take up subscription warrants**

  On 28 March 2023, the Company's Management Board made an offer to the publisher (which was accepted by the publisher on 18 April 2023), to subscribe, for no consideration, for 90,000 Series A registered subscription warrants of tranche A6, representing the last of the tranches of Series A subscription warrants offered to Square Enix Limited under the investment agreement, the terms of which are described in detail in Current Report No. 40/2021 of 29 August 2021. The offer to subscribe for the sixth tranche of the subscription warrants was made by the Company as the Company's revenue under agreements with Square Enix Limited exceeded PLN 270 million.

  For detailed information on the terms and conditions of the warrants granted to Square Enix Limited by the Company, including of their exercise by Square Enix Limited to subscribe for Company shares, see the Company's Current Report No. 40/2021 of 29 August 2021.

- **Execution of a development and publishing agreement with Microsoft Corporation**

  On 13 June 2023, the Company and Microsoft Corporation of Redmond, Washington, USA, as the publisher (the "**Publisher**"), entered into a development and publishing agreement (the "**Agreement**") for the development and delivery by the Company to the Publisher of an AAA game under code name Project Maverick (the "**Game**"), in accordance with a content rider concluded by the parties for the Agreement (the "**Product Appendix**"), setting out the milestone schedule for the Game development.

  The Game will be developed by the Company in the work-for-hire model, based on the intellectual property rights of the Publisher. Its production will be fully financed by the Publisher as the Company completes successive Game development milestones.

  The total budget allocated by the Publisher for the development of the Game by the Company is USD 30 million–50 million.

  The Agreement does not contain any specific conditions that would differ from those commonly used in this type of agreements.

  The execution of the Agreement fits in with the revised Strategy for the Company and the Group announced on 31 January 2023, whereby the Company intends to capture attractive opportunities for cooperation with reputable partners in the work-for-hire model if such opportunities arise.

- **Public offering of Series F Shares**

From 29 May 2023 to 1 June 2023, the Company carried out a bookbuilding process for an offering of Series F ordinary bearer shares with a par value of PLN 0.02 per share (“**Series F Shares**”), as a result of which it decided to offer a total of 3,343,037 Series F Shares, of which 3,342,937 Series F Shares were offered to Krafton Inc. in accordance with the investment agreement described in detail above, and 100 Series F Shares were offered to another investor. The Series F shares were offered by way of a private placement, within the meaning of the Commercial Companies Code, as part of a public offering. The issue price for one Series F Share was PLN 40.20, and the total value of the public offering was PLN 134,390,087.40. The process of executing subscription agreements for the Series F Shares was completed on 6 June 2023.

The full amount of proceeds from the public offering of Series F Shares will be used to expand the Group’s development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria.

- **Execution of a side letter for the investment agreement on acquisition by Krafton, Inc. of shares in the increased share capital of the Company**

  On 14 June 2023, the Company and Sebastian Wojciechowski as the Company’s key shareholder and President of the Management Board executed a side letter (the **“Side Letter**”) for the investment agreement of 28 March 2023 (the “**Investment Agreement**”) with Krafton, Inc. (the “**Investor**”). In the Side Letter, the parties agreed, inter alia, that if:

  (i) the Company's General Meeting passes a resolution(s) to increase the Company's share capital by issuing up to 2,510,904 new shares (the “**New Issue Shares**”), and the share capital increase is carried out (i.e. the New Issue Shares are subscribed and paid for) no later than 31 December 2023 (the **“Issue Resolution**”); and

  (ii) the Issue Resolution gives priority to subscribe for New Issue Shares to shareholders of the Company that hold shares conferring the right to 0.25% or more of total voting rights in the Company as at the end of the Issue Resolution date; and

  (iii) the Investor submits a declaration of subscription for a number of New Issue Shares which, when aggregated with Series F shares held by the Investor, will represent 10.00% of the Company's share capital and total voting rights in the Company on the date of registration of the New Issue Shares in the Business Register of the National Court Register by the registry court, then the Company:

  a) irrespective of the number of New Issue Shares to be allotted to other investors participating in the offering and regardless of the issue price of the New Issue Shares that will be set for other investors participating in the offering – will allot such number of New Issue Shares to the Investor, with priority before other investors participating in the offering, which, when aggregated with Series F shares held by the Investor, will represent 10.00% of the Company's share capital and total voting rights in the Company on the date of registration of the New Issue Shares in the Business Register of the National Court Register by the registry court; and

  b) will enter into an agreement with the Investor, whereby the Investor will subscribe for New Issue Shares at the issue price of PLN 40.20 per New Issue Share.

  As a result of the public offering of Series G shares, described in detail below, the Investor subscribed for 251,091 Series G shares in the performance of the Side Letter. The shares, when aggregated with the 3,342,937 Series F shares subscribed for by the Investor, represent 10.00% of all shares in the Company after registration by the competent registry court of the increase in the Company's share capital by way of issue of Series G shares.

- **Registration of a share capital increase and amendments to the Articles of Association of PCF Group S.A.**

  On 22 June 2023, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, registered amendments to the Articles of Association adopted by way of

Resolution No. 4/02/2023 of the Extraordinary General Meeting held on 28 February 2023 to increase the Company's share capital through the issue of Series F ordinary shares, to waive the existing shareholders' pre-emptive rights with respect to all Series F shares, to seek admission and introduction of Series F shares and allotment certificates for Series F shares to trading on the regulated market operated by the Warsaw Stock Exchange, to convert Series F shares and allotment certificates for Series F shares into book-entry form, to authorise the execution of an agreement to register Series F shares and allotment certificates for Series F shares in the depository for securities, and to amend the Company's Articles of Association.

The amendments concerned an increase in the Company's share capital from PLN 601,726.60 to PLN 668,587.34, through the issue of 3,343,037 Series F ordinary bearer shares with a par value of PLN 0.02 per share.

- **Notification under Art. 69 of the Public Offering Act**

  On 28 June 2023, the Company received a notification from Krafton Inc. to the effect that the notifying party had exceeded 10% of total voting rights in the Company, submitted pursuant to Art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005.

  According to the notification, Krafton Inc. held 3,342,937 shares in the Company, which represented after rounding 10% of the Company's share capital and conferred 3,342,937 voting rights at the General Meeting, equal after rounding to 10% of total voting rights in the Company.

- **Settlement with OÜ Blite Fund**

  On 21 August 2023, the Company entered into a settlement with OÜ Blite Fund, an Estonian limited liability company of Tallinn, Estonia (the "**Settlement**", the "**Blite Fund**"), whereby the Company agreed to pay PLN 2,050 thousand to Blite Fund on account of an increase in the purchase price for 7,143,900 shares in Incuvo S.A. (the "**Additional Payment**") acquired by the Company under a share purchase agreement concluded between the Company and Blite Fund on 13 December 2021 (the "**Share Purchase Agreement**"). The Additional Payment made by the Company fully settles the parties' mutual claims under or in connection with the execution and performance of the Share Purchase Agreement. The Additional Payment was made on 31 August 2023.

- **Registration of Series E and Series F shares with CSDP and their admission and introduction to trading on the WSE**

  Following registration of Series E and Series F shares in the Central Securities Depository of Poland on 19 July 2023, the shares were introduced to trading on the main market of the Warsaw Stock Exchange as of that date.

  Series E and Series F shares were assigned code ISIN PLPCFGR00010.

- **Share capital increase through the issue of Series G ordinary bearer shares to secure financing for the implementation of the Strategy**

  On 7 August 2023, the Company's Extraordinary General Meeting passed a resolution to, among others, increase the Company's share capital through the issue of up to 2,510,904 Series G ordinary bearer shares ("**Series G Shares**"), representing jointly approximately 7.51% of the Company's share capital as at the date of the resolution and the same proportion of total voting rights at the Company's General Meeting (the "**Series G Shares Issue Resolution**").

  The Series G Shares Issue Resolution was adopted in connection with the intention to conduct a public offering of Series G Shares in addition to the public offering of Series F shares carried out at the end of May and at the beginning June 2023, as described above.

- **Public offering of Series G shares**

  From 9 August 2023 to 10 August 2023, the Company carried out a bookbuilding process for an offering of Series G ordinary bearer shares with a par value of PLN 0.02 per share ("**Series G Shares**"), as a result of which it decided to offer a total of 2,510,904 Series G Shares to forty investors, of which 251,091 Series G Shares were offered to Krafton Inc. in accordance with the side letter to the investment agreement described in detail above. The Series G shares were offered by way of a private placement, within the meaning of the Commercial Companies Code, as part of a public offering. The issue price for one Series G Share was PLN 40.20, and the total value of the public offering was PLN 100,938,340.80. The process of executing subscription agreements for the Series G Shares was completed on 18 August 2023.

  The proceeds from the public offering of Series G Shares, together with the proceeds from the public offering of Series F shares, described above, will be used to expand the Company's and the Group's development teams to the level appropriate for the respective development phases of Project Dagger, Project Bifrost and Project Victoria.

- **Registration of a share capital increase and amendments to the Articles of Association**

  On 28 August 2023, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, registered amendments to the Company's Articles of Association adopted by way of Resolution No. 4/08/2023 of the Extraordinary General Meeting held on 7 August 2023 to increase the Company's share capital through the issue of Series G ordinary shares, to waive the existing shareholders' pre-emptive rights with respect to all Series G shares, to seek admission and introduction of Series G shares and allotment certificates for Series G shares to trading on the regulated market operated by the Warsaw Stock Exchange, to convert Series G shares and allotment certificates for Series G shares into book-entry form, to authorise the execution of an agreement to register Series G shares and allotment certificates for Series F shares in the depository for securities, and to amend the Company's Articles of Association.

  The amendments concerned an increase in the Company's share capital from PLN 668,587.34 to PLN 718,805.42, through the issue of 2,510,904 Series G ordinary bearer shares with a par value of PLN 0.02 per share.

- **Notification under Art. 69 of the Public Offering Act**

  On 30 August 2023, the Company received a notification from Nationale-Nederlanden Otwarty Fundusz Emerytalny to the effect that the notifying party had exceeded 5% of total voting rights in the Company, submitted pursuant to Art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005.

  According to the notification, Nationale-Nederlanden Otwarty Fundusz Emerytalny holds 2,368,599 shares in the Company, representing 6.59% of the Company's share capital and conferring the right to 2,368,599 votes at the Company's General Meeting, or 6.59% of total voting rights in the Company.

- **Registration of subscription warrants with CSDP**

  On 4 September 2023, in response to the Company's application of 9 August 2023, the Central Securities Depository of Poland issued a statement to the effect that on 5 September 2023 it would enter into an agreement with the Company to register 90,000 Series A registered subscription warrants (tranche A6), issued for no consideration and with no par value, under ISIN PLPCFGR00077.

  Tranche A6 is the last tranche of Series A subscription warrants offered by the Company to Square Enix Limited under an investment agreement, the terms of which are described in detail in the Company's Current Report No. 40/2021 of 29 August 2021.

- **Registration of Series G shares with CSDP and their admission and introduction to trading on the WSE**

  Following registration of Series G shares of the Company in the Central Securities Depository of Poland on 11 September 2023, the shares were introduced to trading on the main market of the Warsaw Stock Exchange as of that date.

  Series G shares of the Company were assigned code ISIN PLPCFGR00010.

- **Suspended negotiations of a development agreement**

  On 22 September 2023, the Company announced that its negotiations of a development and publishing agreement conducted with a reputable US-based entertainment company based on a non-binding letter of intent between the parties of 17 June 2023 had been suspended.

  The negotiations concerned the terms on which the Company would develop for publishing a virtual reality (VR) video game of the VR Action/Combat genre codenamed Dolphin.

  The reason for suspending the negotiations was a notice received from the publisher to the effect that it had decided to suspend work on the project indefinitely. The Company found out through informal talks that the publisher's decision had been prompted by the strike of the US entertainment industry and the resulting uncertainty as to the industry's future situation.

- **Execution of credit documents with Bank Polska Kasa Opieki S.A.**

  On 12 October 2023, the Company, as the borrower, and Bank Polska Kasa Opieki S.A. ("**Bank Pekao**"), as the lender, executed: (1) a revolving credit facility agreement of up to PLN 30 million, and (2) a revolving credit facility agreement of up to EUR 4,426,444 (collectively the "**Credit Facility Agreements**"), intended to finance costs related to work-for-hire development of video games (collectively the 'Credit Facilities').

  The term of the revolving lines of credit and the final repayment date of both Credit Facilities is three years from the date of execution of the Credit Facility Agreements.

  The interest rate on the Credit Facilities for each interest period is an annual rate being the sum of an agreed fixed margin and the variable benchmark rate (WIBOR). The fee for the provision of the Credit Facilities, as well as the fee for the provision of guarantees by Bank Gospodarstwa Krajowego, were determined on standard market terms applied for financial instruments of this kind.

  The security package with respect to the Credit Facilities includes: (1) financial pledges and registered pledges over the Company's entire shareholding in Incuvo S.A. of Katowice, (2) financial pledges and registered pledges over bank accounts maintained for the Company by Bank Pekao, (3) a statement made pursuant to Art. 777 of the Code of Civil Procedure whereby the Company will submit to enforcement with respect to the obligation to pay any amounts due under the Credit Facility Agreements to Bank Pekao up to 150% of the amount of the Credit Facilities, (4) guarantees provided by Bank Gospodarstwa Krajowego up to 80% of the amount of the Credit Facilities, which will be secured with blank promissory notes together with promissory note declarations issued by the Company to Bank Gospodarstwa Krajowego.

  The Credit Facilities will be disbursed subject to the fulfilment of typical conditions precedent to the disbursement of funds in such transactions. Furthermore, the Credit Facility Agreements contain a number of disclosure obligations applicable upon the disbursement of funds, which are also typical of such transactions.

  The Credit Facility Agreements also provide for standard covenants to be complied with by the Company, such as restrictions on a change of its principal business and terms on which it may incur new debt financing. In the event of any breach of the Credit Facility Agreements, Bank Pekao has standard rights, including but not limited to the right to terminate the agreement or suspend the funding.

- **Execution of an agreement for the new project codenamed Bison**

  On 12 November 2023, the Company concluded an agreement with Incuvo S.A., its subsidiary, whereby Incuvo S.A. would provide game development services for the Company to produce a new video game under the code name Bison, planned for release in 2024–2025.

  Project Bison involves the development of a survival adventure game based on intellectual property rights of People Can Fly, designed for the most popular VR hardware platforms of the present and future generations.

  The VR game development will be financed entirely by the Company. As part of the development process, the Company, as an entity possessing the relevant experience, capabilities and infrastructure, will be responsible for bringing the final product (VR game) to a stage where it is fit for use by players and for its commercialisation, including market launch.

  The VR game will be developed using the Unity graphics engine.

- **Entry into strategic discussions on Project Gemini and review of development plans for the Company's and the Group's projects**

  On 24 November 2023, the Management Board of the Parent announced that it had entered into strategic discussions with the long-standing publisher, Square Enix Limited, regarding the development and terms of collaboration on Project Gemini. The project, undertaken by the Group in Europe under a work-for-hire arrangement for Square Enix Limited, continues on the terms specified in the agreement between the parties. However, based on its discussions with the publisher, the Company's Management Board believes it is highly likely that Project Gemini will not continue on the current commercial terms in the future.

- **Decision to curtail Project Dagger**

  On 28 November 2023, the Management Board of the Company announced that – following delivery of a key milestone of Project Dagger and review of the creative game concept – and in the light of analyses of the impact of potential strategic scenarios discussed with the publisher of Project Gemini, i.e., Square Enix Limited, on the development plans for projects carried out by the Company and the Group under the updated strategy, it had decided to temporarily curtail Project Dagger carried out by the Company under the self-publishing model using its own funds by:

  - entrusting an experienced team of about 10 with the task of redefining the development direction for the game and developing it to a pre-production version that would address the feedback and suggestions obtained through external evaluation of Project Dagger, which means that plans to release the title as an AAA game in 2025-2026 would be suspended, and

  - extending offers to the majority of the development team members to work on Projects Maverick, Bifrost and Victoria.

34. Events after the reporting date

The following events, whose disclosure in these financial statements was not required, occurred after 31 December 2023.

- **Execution of short-term content rider for the development and publishing agreement for the Gemini Project**

  On 30 January 2024, the Management Board of the Company announced that, following the expiration of the existing content rider to the development and publishing agreement concerning the Project Gemini game carried out by the Company's group in Europe under a work-for-hire model for Square Enix Limited (the 'Publishing Agreement', 'Publisher') on 29 January 2024, the Company entered into a short-term content rider to the Publishing Agreement with the Publisher on 30 January 2024. This agreement pertains to the continuation of development work on Project Gemini, enabling both parties to conclude strategic discussions regarding the project's framework and the terms of collaboration, about which the Company had previously informed on 24 November 2023.

As of 30 January 2024, work was ongoing on the plan for Project Gemini, which required modifications in certain areas and a refocus, a practice not uncommon in the production process of AAA segment games.

Consequently, the Management Board of the Company decided to reduce the number of the development team dedicated to Project Gemini by

- offering some team members opportunities to work on other projects managed by the Company;

- reducing the number of employees within the Project Gemini team, affecting over 30 individuals.

- **Settlement of the production costs for Bulletstorm VR and mutual termination of the development and publishing agreement for this game**

In reference to current reports no. 46/2021 dated 13 December 2021, no. 42/2023 dated 22 August 2023, and no. 56/2023 dated 17 November 2023, the Management Board of the Company announces that on 15 March 2024, it entered into an agreement with Incuvo S.A. concerning the settlement of the remaining key production milestones of the game Bulletstorm VR game, covering the period up to the game's release on 18 January 2024. As part of the settlement, based on the terms of the development and publishing agreement, the Company, as the publisher, charged Incuvo S.A. with the cost of development work and quality control tasks carried out by the Company on behalf of Incuvo S.A., amounting to PLN 871 thousand.

In light of the unsatisfactory launch of Bulletstorm VR, the Company and Incuvo S.A. agreed to terminate the development and publishing agreement for the production of the game, effective as of 19 January 2024. It was also agreed that Incuvo S.A. would not be entitled to any royalties from the game's sales. Any subsequent development activities related to Bulletstorm VR will be carried out through a production process in which the Company is responsible for creating the final product and managing its commercialisation, including the market launch. The Management Board of the Parent has permitted the use of Incuvo S.A.'s resources to carry out the development activities.

- **Decision to discontinue work on Project Dagger**

Referencing current reports No. 22/2022 dated 1 October 2022, No. 3/2023 dated 31 January 2023, No. 58/2023 dated 24 November 2023, and current report No. 59/2023 dated 28 November 2023, the Management Board of the Company announces that on 5 April 2024, it resolved to discontinue further development of Project Dagger (the “Project”).

The decision follows a reassessment of the development plans of the PCF Group S.A. Group (the “Group”) and adjustments to these plans due to the unsatisfactory evaluation of the Project's scope and commercial potential after the refocus of the game's development efforts, as detailed in current report No. 59/2023.

As a consequence, impairment losses amounting to 100% of the expenditures incurred on the Project will be recognised as of 31 December 2023, and the expenditures incurred will be written off on the date the decision was made.

The recognition of the impairment losses will reduce the separate financial result for 2023, and will also reduce the carrying amount of non-current assets presented in the statement of financial position of the Company as of 31 December 2023, by PLN 79.9 million.

The recognition of impairment losses is a one-off, non-monetary transaction and does not impact the Company’s EBITDA.a

35. Authorisation for issue

These financial statements were authorised for issue by the Management Board on 29 April 2024.

Signatures of all Management Board members

Date	Full name	Position held	Signature
digitally signed on the digital signature date	Sebastian Kamil Wojciechowski	President of the Management Board	*digitally signed*

Signature of the preparer of these financial statements

Date	Full name	Position held	Signature
digitally signed on the digital signature date	Marcin Żydziak	Head of Reporting and Accounting	*digitally signed*

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FULL-YEAR FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31ST 2023