grupa pracuj

Grupa Pracuj S.A.

Financial statements
for the year ended 31 December 2022

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All amounts in PLN thousands, unless otherwise stated

STATEMENT OF COMPREHENSIVE INCOME

CONTINUING OPERATIONS	Note	2022	2021
Revenue from contracts with customers	2.1	**477,251**	**398,361**
Depreciation and amortisation		(8,931)	(8,168)
Marketing expenses		(50,522)	(40,780)
Software as service		(5,397)	(4,286)
Other services		(31,183)	(21,585)
Employee benefits expense	2.2	(132,723)	(106,009)
Other costs		(4,998)	(2,938)
Other income	2.3	1,229	1,001
Other expenses	2.3	(1,339)	(191)
Expected credit losses	6.1	(743)	148
Operating profit		**242,644**	**215,553**
Finance income	2.4	10,515	112,337
Finance costs	2.4	(36,832)	(2,313)
Net finance income / (costs)		**(26,317)**	**110,024**
Share of profit of equity-accounted investees	4.4	(848)	3,133
Profit before tax		**215,479**	**328,710**
Income tax	3.1	(50,713)	(62,449)
Net profit from continuing operations		**164,766**	**266,261**
Net profit		**164,766**	**266,261**

OTHER COMPREHENSIVE INCOME	Note	2022	2021
Items that will not be reclassified to profit or loss		**(134)**	**235**
Gains/(losses) from remeasurement of provisions for employee benefits	4.14	(165)	290
Income tax on other comprehensive income		31	(55)
Total other comprehensive income		**(134)**	**235**
TOTAL COMPREHENSIVE INCOME		**164,632**	**266,496**

Basic earnings per share (PLN) - continuing operations	**4.11**	**2.41**	**3.96**
Diluted earnings per share (PLN) - continuing operations	**4.11**	**2.38**	**3.95**

All amounts in PLN thousands, unless otherwise stated

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 December 2022	31 December 2021
Intangible assets	4.1	10,098	4,525
Property, plant and equipment	4.2	7,734	6,363
Right-of-use assets	4.3	10,053	13,464
Investments in subsidiaries	4.4	578,325	21,486
Equity-accounted investees	4.4	27,407	32,484
Other financial assets	4.5	129,916	127,229
Other non-financial assets	4.6	733	-
Deferred tax assets	3.1	31,795	22,450
Non-current assets		**796,061**	**228,001**
Trade receivables	4.5	48,724	45,987
Other financial assets	4.5	83	31,801
Other non-financial assets	4.6	4,241	4,568
Cash and cash equivalents	4.7	59,266	141,815
Current assets		**112,314**	**224,171**
Total assets		**908,375**	**452,172**

EQUITY AND LIABILITIES	Note	31 December 2022	31 December 2021
Share capital	4.8	341,325	340,521
Reserve capital	4.9	238,248	108,516
Share repurchase reserve		1,080	1,080
Share-based payment arrangements	4.13	57,416	29,256
Other reserves	4.9	(102)	32
Merger reserve		(585,375)	(585,375)
Retained earnings/(losses) carried forward		271,613	373,108
Total equity		**324,205**	**267,138**
Bank borrowings	4.12	303,168	-
Lease liabilities	4.12	6,535	11,804
Employee benefit obligations	4.14	1,696	1,331
Deferred tax liabilities	3.1	18,204	19,145
Non-current liabilities		**329,603**	**32,280**
Bank borrowings	4.12	63,492	-
Lease liabilities	4.12	6,935	6,494
Employee benefit obligations	4.14	12,995	11,465
Trade payables	4.15	13,393	14,685
Other non-financial liabilities	4.16	10,523	12,253
Other financial liabilities	4.15	4,171	7,097
Current tax liabilities	3.1	5,681	3,943
Contract liabilities	2.1	137,377	96,817
Current liabilities		**254,567**	**152,754**
Total liabilities		**584,170**	**185,034**
Total equity and liabilities		**908,375**	**452,172**

All amounts in PLN thousands, unless otherwise stated

STATEMENT OF CASH FLOWS

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		**215,479**	**328,710**
Adjustments for:			
Share in (profit)/loss of equity-accounted investees		848	(3,133)
Depreciation and amortisation		8,931	8,168
Foreign exchange gains/(losses)		317	393
(Gains)/loss on interest		17,788	491
Gain/(loss) on investing activities		(3,419)	(24,670)
Impairment loss on dividends receivable	4.4	6,740	-
Remeasurement of investments measured at fair value through profit or loss	4.4	1,749	(86,470)
Impairment loss on equity-accounted investees	4.4	4,230	893
Measurement of equity-settled share-based payment arrangement	4.13	23,809	12,429
Settlement and measurement of derivative financial instruments		3,409	-
Income tax paid	3.1	(59,230)	(45,306)
Changes in working capital:			
Employee benefit obligations	4.14	1,731	(4,669)
Trade receivables	4.5	(2,737)	(21,323)
Other non-financial assets	4.6	327	(2,562)
Trade payables	4.15	(1,292)	2,394
Other non-financial liabilities	4.16	(2,211)	6,043
Contract liabilities	2.1	40,560	22,136
Other adjustments		(10)	5
Net cash flows from operating activities		**257,019**	**193,529**
Cash flows from investing activities			
Interest received		-	4
Repaid loans (principal part)		-	600
Loans granted		-	(300)
Acquisition of subsidiaries	4.4	(552,488)	-
Purchase of financial assets	4.5	(58,406)	(97,819)
Proceeds from sale of financial assets		70,000	77,163
Dividends received		5,686	17,503
Proceeds from sale of property, plant and equipment and intangible assets		442	691
Purchase of property, plant and equipment and intangible assets		(11,633)	(5,177)
Net cash flows from investing activities		**(546,399)**	**(7,335)**
Cash flows from financing activities			
Dividends paid		(136,530)	(103,675)
Purchase of own shares		-	(7,796)
Net proceeds from issue of shares		804	6,307
Proceeds from bank borrowings	4.12	400,000	-
Payment of bank borrowings	4.12	(32,000)	(29,181)
Payment of lease liabilities	4.12	(6,537)	(6,043)
Interest paid	4.12	(17,128)	(608)
Commissions on bank borrowings	4.12	(2,000)	-
Settlement of derivative financial instruments		221	-
Net cash flows from financing activities		**206,830**	**(140,996)**
Total net cash flows		**(82,550)**	**45,198**
Cash and cash equivalents at beginning of period		**141,815**	**97,121**
Exchange differences on cash and cash equivalents		1	(504)
Cash and cash equivalents at end of period		**59,266**	**141,815**
Cash and cash equivalents in the statement of financial position		**59,266**	**141,815**

All amounts in PLN thousands, unless otherwise stated

STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Share repurchase reserve	Share-based payment arrangements	Other reserves	Merger reserve	Retained earnings/(losses) carried forward	**Total equity**
1 January 2022	**340,521**	**108,516**	**1,080**	**29,256**	**32**	**(585,375)**	**373,108**	**267,138**
Net profit / (loss) for the period	-	-	-	-	-	-	164,766	164,766
Other comprehensive income for period	-	-	-	-	(134)	-	-	(134)
Total comprehensive income for period	**-**	**-**	**-**	**-**	**(134)**	**-**	**164,766**	**164,632**
Issue of shares	804	-	-	-	-	-	-	804
Share-based payments	-	-	-	28,160	-	-	-	28,160
Distribution of retained earnings	-	129,731	-	-	-	-	(129,731)	-
Dividends	-	-	-	-	-	-	(136,530)	(136,530)
Transactions with owners	**804**	**129,731**	**-**	**28,160**	**-**	**-**	**(266,261)**	**(107,566)**
31 December 2022	**341,325**	**238,248**	**1,080**	**57,416**	**(102)**	**(585,375)**	**271,613**	**324,205**

	Share capital	Reserve capital	Share repurchase reserve	Share-based payment arrangements	Other reserves	Merger reserve	Retained earnings/(losses) carried forward	**Total equity**
1 January 2021	**334,867**	**107,247**	**2,960**	**16,685**	**37,837**	**(585,375)**	**179,014**	**93,235**
Net profit / (loss) for the period	-	-	-	-	-	-	266,261	266,261
Other comprehensive income for period	-	-	-	-	235	-	-	235
Total comprehensive income for period	**-**	**-**	**-**	**-**	**235**	**-**	**266,261**	**266,496**
Issue of shares	6,307	-	-	-	-	-	-	6,307
Cancellation of treasury shares	(653)	-	653	-	-	-	-	-
Purchase of own shares			(7,796)					(7,796)
Transfer of capital reserve to statutory reserve funds	-	1,269	(1,269)	-	-	-	-	-
Share-based payments	-	-	-	12,571	-	-	-	12,571
Distribution of retained earnings	-	-	6,532	-	-	-	(6,532)	-
Dividends	-	-	-	-	(38,040)	-	(65,635)	(103,675)
Transactions with owners	**5,654**	**1,269**	**(1,080)**	**12,571**	**(38,040)**	**-**	**(72,167)**	**(92,593)**
31 December 2021	**340,521**	**108,516**	**1,080**	**29,256**	**32**	**(585,375)**	**373,108**	**267,138**

All amounts in PLN thousands, unless otherwise stated

1. GENERAL INFORMATION

1.1 General information about the Company

Name	Grupa Pracuj spółka akcyjna
Registered office	ul. Prosta 68, 00-838 Warsaw
Registry court	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register (KRS)
KRS number	0000913770
Tax identification number (NIP)	527-27-49-631

Grupa Pracuj spółka akcyjna ('Grupa Pracuj S.A.' or the 'Company') is the parent of the Grupa Pracuj S.A. Group (the 'Group').

On 2 August 2021, the Company was transformed from a limited liability company (*spółka z ograniczoną odpowiedzialnością*) into a joint-stock company (*spółka akcyjna*).

The Company commenced operations on 6 November 2015. In 2016, the Company – at the time trading as Grupa Pracuj Holding sp. z o.o. – merged with the then Grupa Pracuj S.A., which had been providing online recruitment services in Poland since 2000. As of 2007, the Group, through its subsidiaries, also operates in Ukraine and Germany.

Grupa Pracuj S.A. is a prominent HR technology platform in Central and Eastern Europe that operates online job posting sites and offers various services to assist organisations in employee recruitment, retention, and development. The platform helps its users to find the right employment that enables them to use their full potential, and develops world-class technologies that shape the future of the HR market.

1.2 Composition of the Management Board and Supervisory Board of Grupa Pracuj S.A.:

As at 31 December 2022, the composition of the Management Board was as follows:

- Przemysław Gacek, President of the Management Board,
- Gracjan Fiedorowicz, Member of the Management Board,
- Rafał Nachyna, Member of the Management Board.

During 2022 and until the date of authorisation of these separate financial statements for issue, there were no changes in the composition of the Company's Management Board.

In 2022 and as of 31 December 2022, the composition of the Parent's Supervisory Board was as follows:

- Maciej Noga, Chairman of the Supervisory Board,
- Wojciech Stankiewicz, Member of the Supervisory Board
- John Doran, Member of the Supervisory Board,
- Przemysław Budkowski, Member of the Supervisory Board,
- Agnieszka Słomka-Gołębiowska, Member of the Supervisory Board,
- Mirosław Stachowicz, Member of the Supervisory Board.

The composition of the Supervisory Board did not change in 2022.

On 30 November 2022, the Extraordinary General Meeting of the Company passed a resolution to appoint Ms. Martina van Hetting as a member of the Company's Supervisory Board, with her appointment becoming effective on 1 February 2023.

1.3 Information about the Group

The Group consists of the Parent, i.e. Grupa Pracuj S.A. and its subsidiaries.

The Group also holds shares in associates, which are measured using the equity method.

The Company has prepared consolidated financial statements for the year ended 31 December 2022, which are available at https://grupapracuj.pl/dla-inwestorow/raporty-okresowe.

As at 31 December 2022 and 31 December 2021, the Company’s share in total voting rights in the subsidiaries and associates was the same as the Company's respective ownership interests in those entities.

The Company held investments in the following subsidiaries and associates as at 31 December 2022 and 31 December 2021:

All amounts in PLN thousands, unless otherwise stated

Company	Registered office	Principal business	Ownership interest	
			31 December 2022	31 December 2021
Direct and indirect subsidiaries				
Robota International TOV	Ukraine	advertising services	67%	67%
eRecruitment Solutions sp. z o.o.	Poland	IT services	100%	100%
eRecruitment Solutions Ukraine TOV	Ukraine	activities related to databases	100%	100%
HumanWay sp. z o.o. w likwidacji	Poland	IT services	100%	100%
BinarJobs sp. z o.o.	Poland	advertising services	100%	100%
Snowless Global Ltd.	Cyprus	licencing activities	67%	67%
Spoonbill Holding GmbH	Germany	activities of holding companies excluding holding financial holdings	100%	-
Spoonbill GmbH	Germany	IT services	100%	-
softgarden e-recruiting GmbH	Germany	IT services	100%	-
absence.io GmbH	Germany	IT services	100%	-
Associates				
Epicode sp. z o.o.	Poland	IT services	35%	35%
Resolutio sp. z o.o.	Poland	HR management consulting services	34%	34%
Video Recruiting Solutions s.r.o., v likvidaci	Czech Republic	IT services	30%	30%
Work Ukraine TOV	Ukraine	advertising services	33%	33%
WorkIP Ltd	Cyprus	licencing activities	33%	33%
Coders Lab sp. z o.o.	Poland	training services	22%	22%
Fitqbe sp. z o.o.	Poland	IT services	35%	35%

1.4 Basis of accounting

The separate statement of financial position of the Group as at 31 December 2022, along with comparative data as at December 2021, as well as the separate statement of comprehensive income, separate statement of changes in equity, and separate statement of cash flows for the year ended 31 December 2022 and the comparative period ended 31 December 2021, together with the accompanying notes, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and related interpretations promulgated as regulations by the European Commission ('IFRIC'). IFRSs comprise standards and interpretations approved by the International Accounting Standards Board (the 'IASB').

The financial statements for the year ended 31 December 2021 were the first financial statements prepared by the Company in accordance with IFRS, using IFRS 1 *First-time Adoption of IFRS*.

These separate financial statements have been prepared on the historical cost basis, except for investments in equity instruments measured at fair value through profit or loss, derivatives and a liability arising from the put option.

The Management Board of Grupa Pracuj S.A. declares that, to the best of its judgment, these financial statements have been prepared in accordance with the applicable accounting principles and reflect in a true, fair and clear manner the Company's assets, financial position and financial results.

For description of the accounting policies used in preparing these financial statements, see Notes. These policies were applied consistently in all presented periods.

These financial statements have been prepared on the assumption that the Company will continue as a going concern in unchanged form and scope in the foreseeable future. As at the date of authorisation of these separate financial statements for issue, the Management Board of the Parent does not identify any facts or circumstances that would indicate a threat to the going concern of the Company in the foreseeable future. The impact of the armed conflict in Ukraine on the Company's business is analysed and described in detail in Note 7.6.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k., of Warsaw, an entity authorised to audit financial statements and listed on the Board of Statutory Auditors' registry under number 130, was selected to audit the presented separate financial statements in compliance with legal provisions. This entity and the auditors conducting the audit satisfy the requirements for providing an unbiased and independent audit report, in accordance with the applicable provisions of national law.

1.5 Significant judgements and assumptions

The preparation of financial statements in accordance with IFRS requires the reporting entity to make significant accounting judgements and assumptions. Such judgements and assumptions are reviewed on an ongoing basis taking into account past experience and other factors, including predictions about future events that seem reasonable in a given situation. The Company makes judgements and assumptions relating to the future. The uncertainty regarding these assumptions and estimates may result in adjustments to the carrying amounts of assets and liabilities in future periods. Judgements and assumptions that entail a significant risk of a material adjustment to the reported carrying amounts of assets and liabilities within the next financial period are described in relevant notes to these separate financial statements.

All amounts in PLN thousands, unless otherwise stated

Line items in the financial statements to which significant estimates and judgments pertain	Note
Revenue from contracts with customers	2.1
Deferred tax assets	3.1
Taxes payables/receivables	3.1
Intangible assets	4.1
Property, plant and equipment	4.2
Right-of-use assets	4.3
Equity-accounted investees	4.4
Unlisted shares	4.4
Trade receivables	4.5
Financial assets measured at amortised cost	4.5
Lease liabilities	4.12
Employee benefit obligations	4.14
Share-based payments	4.13

1.6 Effect of new standards and interpretations

New standards, amendments to standards and interpretations that have been adopted by the European Union but are effective for annual periods beginning after 1 January 2022:

Standard	Description of amendments	Effective date
IAS 16 *Property, Plant and Equipment*	*Amendments regarding revenue earned before an asset is ready for its intended use*	1 January 2022
IAS 37 *Onerous contracts*	*Amendments regarding costs of fulfilling a contract*	1 January 2022
IFRS 3 *Business Combinations*	*Reference to the Conceptual Framework*	1 January 2022
Amendments resulting *Annual Improvements to IFRSs 2018-2020 Cycle*	*Amendments to IAS 41, IFRS 1 and IFRS 9 mainly related to resolving inconsistencies and clarifying terminology*	1 January 2022
IFRS 17 *Insurance Contracts*	*First-time Adoption of IFRS 17 and IFRS 9*	1 January 2023
IAS 12 *Income Taxes*	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Definition of Accounting Estimates*	1 January 2023

The Company decided to apply the new standards and amendments to the existing standards as of their respective effective dates, i.e. it did not elect to early apply the amendments. The amended standards and interpretations which were applied for the first time in 2022 do not have a material effect on the Company's separate financial statements.

Standards, amendments to the existing standards and interpretations pending approval by the European Union are as follows:

Standard	Description of amendments	Effective date
IAS 1 *Presentation of Financial Statements*	*Classification of Liabilities as Current or Non-current*	1 January 2024
IFRS 16 Leases	*Lease Liability in Sale and Leaseback Transactions*	1 January 2024

The above-specified standards and amendments to standards pending approval by the European Union will have no material effect on the separate financial statements of the Company.

All amounts in PLN thousands, unless otherwise stated

1.7 Functional currency and foreign currency transactions

Accounting policies

Functional currency and presentation currency

The Company's financial statements are prepared in the currency of the primary economic environment in which the Company operates, i.e. in its functional currency.

The functional currency of the Company and the currency of these financial statements is the Polish złoty (PLN). All amounts in these separate financial statements have been rounded to the nearest thousand PLN, unless otherwise indicated.

Transactions and balances

Transactions denominated in foreign currencies are translated at initial recognition into the functional currency at the mid exchange rate quoted by the National Bank of Poland for the day preceding the transaction date.

At the end of the reporting period, monetary items denominated in foreign currencies are translated at the mid exchange rate quoted for a given currency by the National Bank of Poland as at the measurement date.

Non-monetary items denominated in foreign currencies and measured at cost are recognised using the exchange rate at the date of the transaction (historical rate).

Non-monetary items denominated in foreign currencies and measured at fair value are translated at the exchange rate from the date on which the fair value was determined, i.e. the mid-rate quoted by the National Bank of Poland for a given currency as at that date.

Any exchange gains or losses arising on settlement of transactions in foreign currencies or on measurement of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss for the current period.

The following exchange rates were applied to translate foreign operations into PLN and to translate transactions and balances denominated in foreign currencies:

	Exchange rate at the reporting date	
	31 December 2022	31 December 2021
EUR	4.6899	4.5994
USD	4.4018	4.0600
UAH	0.1258	0.1487

	Average rate in the period	
	2022	2021
EUR	4.6883	4.5674
USD	4.4679	3.8629
UAH	0.1354	0.1418

2. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

2.1 Revenue from contracts with customers

Accounting policies

The Entity applies IFRS 15 *Revenue from Contracts with Customers* to all contracts with customers, with the exception of lease contracts and financial instruments.
The fundamental principle of IFRS 15 is to recognise revenue when goods and services are transferred to the customer, at a value that reflects the price expected by the entity to be received in exchange for the transfer of the goods and services. These principles are applied according to a five-step model:

- identifying the contract with the customer,
- identifying performance obligations under the contract,
- determining the transaction price,
- allocating the transaction price to the performance obligations,
- recognising revenue when the performance obligation is satisfied.

Revenue from contracts with customers is recognised at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services.

The main sources of the Company's revenue are:

- recruitment projects (job postings published on the Pracuj.pl website, as well as ad supporting products aimed at increasing the number of page views),
- branding products (e.g. employer profiles on the Pracuj.pl and Robota.ua websites, publications in the Employer's Guide, etc.),

Identifying the contract with the customer

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 commercial 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);
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer.

When assessing whether the consideration is likely to be collected, the Company takes into account only the customer’s ability and intention to pay that consideration when due. The consideration to which the Company will be entitled may be lower than the price specified in the contract if the consideration is variable as the Company may offer a price concession to the customer.

Identifying performance obligations under the contract

At the inception of the contract, the Company assesses the goods or services that have been promised to the customer and identifies as a performance obligation any promise to transfer to the customer a good or service (or 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 good or service is distinct if both of the following criteria are met:

- the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and
- the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

Transaction price

In order to determine the transaction price, the Company takes into account the terms of the contract and its customary business practices. 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 to the customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). When determining the transaction price, the Company considers the occurrence of variable consideration (discounts, bonuses and penalties), however, generally, such components do not exist in contracts.

Transfer of control over time

In the case of certain products and services, the Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time.

Revenue is recognised over time in particular with respect to:

- job announcements published on the Pracuj.pl website,
- publication of employer profiles on the Pracuj.pl website.

Revenue from job announcements and publication of employer profiles is recognised over the period of their publication based on contracts with customers which are concluded, as a rule, for a period of about 1 year or less.

Transfer of control at a point in time

If a performance obligation is not satisfied over time, then it is satisfied at a point in time and at the same moment revenue from contacts with customers is recognised. In order to determine the moment of satisfaction of the performance obligation and revenue recognition, the requirements regarding transferring control over the promised assets to the customer are considered. The control is transferred to a customer, if:

- the entity has a present right to payment for the asset,
- the customer has legal title to the asset,
- the entity has transferred physical possession of the asset,
- the customer has the significant risks and rewards of ownership of the asset,

- the customer has accepted the asset.

Revenue from contracts for additional products supporting the sale of job announcements, branding products and multiposting at the German companies is recognised at a point in time by the Company, except for revenue from the publication of employer profiles, which is recognised over the period of publication.

Methods for measuring progress towards complete satisfaction of a performance obligation

Methods for measuring progress include output methods. Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

From a practical point of view, the Company measures progress towards complete satisfaction of a performance obligation to date based on the time elapsed.

Contract assets

Contract assets are recognised when the Company has satisfied a performance obligation to a customer by delivering goods or service, but payment for these services and goods has not yet been made and no invoice has been issued. Where the right to receive consideration is unconditional, i.e. where the Company has satisfied a performance obligation to a customer and issued an invoice for the goods/services, the right to receive consideration is recognised as trade receivables.

Contract liabilities

In the statement of financial position, the Company recognises a contract liability which is the Company's obligation 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.

If a customer has paid or is obligated to pay the Company for goods or services before the transfer of the goods or services, the Company records the payment as a contract liability until the goods or services are delivered. This applies to cases where the customer has paid consideration, or the Company has an unconditional right to an amount of consideration (i.e., a receivable) before the goods or services are provided to the customer.

Contract costs

The Company takes advantage of the practical exemption available in IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15') to recognise contract costs, i.e. incremental costs of obtaining a contract.

In practice, the Company recognises incremental costs of obtaining a contract as an expense when they are incurred only if the amortisation period of the related asset is one year or less. This is because contracts with customers are typically concluded for a maximum period of one year, and it is a direct consequence of their nature. Costs of obtaining contracts that the Company incurs include, in particular sales commissions and bonuses.

The Company does not identify costs of fulfilling contracts, i.e. costs that meet the following criteria:

- they directly relate to the contract or anticipated contract that the entity can clearly identify;
- they result in generation or enhancement of the Company's resources that will be used to satisfy (or continue to satisfy) performance obligations in the future.

All amounts in PLN thousands, unless otherwise stated

Significant judgements and assumptions

The Company uses estimates (subjective judgements) in determining the timing of satisfaction of performance obligations and therefore the proper recognition of revenue, i.e. at a point in time or over time.

The Company uses output methods for performance obligations that are satisfied over time, such as the publication of recruitment projects. Output methods are based on the passage of time during which the obligation is performed.

Contracts concluded by the Company generally do not contain variable remuneration elements, and therefore the Company does not identify the need for additional estimates in this respect.

Key types of products and services

The following list presents the key types of services offered by the Company:

- Recruitment projects – these are mainly job announcements published on the Pracuj.pl website, as well as supporting products aimed at increasing the number of page views and job applications.

  Supporting products include, in particular, ad refreshing, logo highlighting, Super Offer branding, etc.

  Revenue from sales of job announcements and products permanently related to the announcements (e.g. logo highlighting or Super Offer branding) are recognised at the time of their publication.

  Revenue from sales of other products is recognised at the time when the service is provided, e.g. at the moment of a job offer is refreshed on the website.

- Branding products – a range of services such as featuring employer profiles on Pracuj.pl (with revenue recognised over time), publications in the Employer's Guide, which is a virtual guide for employers to reach young users of the websites (with revenue recognised when sponsored articles, interviews or advertisements are published), access to Jobicon Online, an online job fair, and stationary job fairs (with revenue recognised when a performance obligation is satisfied).

Revenue from contracts with customers by the timing of satisfaction of performance obligations

Revenue from contracts with customers segmented by the timing of revenue recognition	2022	2021
Over time	295,391	236,765
At a point in time	181,860	161,596
Total	**477,251**	**398,361**

Revenue from contracts with customers by region

Revenue from contracts with customers segmented by geography	2022	2021
Poland	463,082	385,947
Foreign markets	14,169	12,414
Total	**477,251**	**398,361**

All amounts in PLN thousands, unless otherwise stated

Contract liabilities

Contract liabilities represent the amount of transaction price attributable to an unsatisfied performance obligation at the reporting date, the most significant item being the sale of recruitment projects.

	31 December 2022	31 December 2021
Current contract liabilities	137,377	96,817
Total	**137,377**	**96,817**

The Company anticipates that the amounts reported as contract liabilities will be recognised as revenue within 12 months after payment, as the contracts with customers are typically signed for a maximum of one year.

The Company uses the practical expedient permitted by IFRS 15 whereby the Company is not required to disclose the transaction price allocated to the unsatisfied performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

2.2 Employee benefits expense

	2022	2021
Remuneration	83,615	64,503
Bonuses	8,675	15,694
Share-based payments	23,809	12,429
Social security contributions	12,410	10,731
Other employee benefits	4,214	2,652
Total	**132,723**	**106,009**

2.3 Other income and expenses

Other income and expenses include income and expenses from non-core activities, including gains or losses on disposal of property, plant and equipment, penalties and fines, donations, impairment losses on assets.

Other income

	2022	2021
Gain on disposal of non-current non-financial assets	133	173
Income from lease modifications	8	-
Income from sublease of office space	268	32
Other income	820	796
Total	**1,229**	**1,001**

Other expenses

	2022	2021
Donations	1,271	141
Costs of lease modifications	-	5
Other expenses	68	45
Total	**1,339**	**191**

The Company donated PLN 1,000 thousand to organisations acting for Ukraine in Poland, including the Polish Humanitarian Action and the Ukrainian House in Warsaw.

All amounts in PLN thousands, unless otherwise stated

2.4 Finance income and finance costs

Other finance income and other finance costs include, in particular interest, remeasurement of investments, including remeasurement of shares, additional contributions to equity and loans, exchange differences and dividends. Interest income and expense are recognised as and when they accrue, using the effective interest rate method, in relation to the net carrying amount of the financial asset. Dividends are recognised when the shareholders' right to receive the payment is established. If there are indications of impairment of an investment, the Company tests the investment for impairment. Impairment allowances are recognised if a test indicates that the recoverable amount of an asset is lower than its carrying amount. Foreign exchange gains and losses are presented at net amounts.

Finance income

	2022	2021
Interest income	4,829	281
Dividends from subsidiaries	5,686	13,735
Remeasurement of investments measured at fair value through profit or loss	-	86,470
Reversal of impairment loss on shares in subsidiary	-	8,897
Remeasurement of financial instrument at fair value and settlement of deferred gain on first-day measurement of options	-	2,149
Exchange differences	-	805
Total	**10,515**	**112,337**

For details of changes arising from remeasurement of investments see Note 4.4.

Finance costs

	2022	2021
Interest expense	17,475	210
Interest expense on lease contracts	336	413
Revaluation of shares in subsidiaries	-	760
Revaluation of investments measured at fair value through profit or loss	1,749	-
Remeasurement of dividends receivable	6,650	-
Revaluation of equity-accounted investees	4,230	893
Settlement and measurement of derivative financial instruments	3,409	-
Remeasurement of financial instrument at fair value and settlement of deferred gain on first-day measurement of options	2,375	-
Exchange differences	310	-
Other	298	37
Total	**36,832**	**2,313**

Changes in impairment losses for equity-accounted investments and changes between the opening and closing balances of investments measured at fair value through profit or loss are presented in Notes 4.3 and 4.5.

3. NOTES ON TAXATION

3.1 Income tax

Accounting policies

Income tax presented in the statement of comprehensive income comprises current tax and deferred tax.

Current income tax

Tax assets and tax liabilities, both for the current and prior periods, are recognised at the expected amount of payment due to or refund from tax authorities, as applicable, based on the tax rates and fiscal regulations that are legally or factually binding as at the reporting date.

Current tax expense is the amount of income tax payable in respect of the taxable profit for a reporting period. Tax profit (loss) is the profit (loss) for a given reporting period that is used for tax purposes, and it is different from accounting profit (loss) before tax because it excludes certain items of income or expense. Specifically, tax profit (loss) excludes items of income or expense that are taxable or deductible in future years, as well as items that will never be taxable or deductible.

Deferred tax

The Company recognises deferred tax liabilities and deferred tax assets in respect of all temporary differences between the carrying amounts of assets and liabilities and the amounts used for tax purposes.

Deferred tax liabilities are the amounts of income tax payable in future periods in respect of taxable temporary differences. Deferred tax assets are amounts expected to be deducted from income tax in future periods due to deductible temporary differences or carry forward of unused tax losses and unused tax credits.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available in future against which temporary differences can be deducted or tax losses utilised.

Income tax on items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or equity, respectively.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The Company offsets deferred tax assets and deferred tax liabilities only if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred income tax is related to income taxes imposed by the same taxation authority on the same taxable entity.

Significant estimates and judgements

Recognition of deferred tax assets

The Company recognises a deferred tax asset when it is probable that sufficient taxable profits will be available in the future to allow for the utilisation of temporary differences and unused tax losses.

All amounts in PLN thousands, unless otherwise stated

The Management Board relies on forecasts, budgets, and strategies for the operations of the Company in making the assumption to recognise a deferred tax asset.

The Company reviews the carrying amount of a deferred tax asset at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable profits will be available in the future to allow for the realisation of all or part of the deferred tax asset. At each reporting date, the Company reassesses any previously unrecognised deferred tax asset and recognises it to the extent that it is likely that future taxable profits will be available to utilise the asset.

Judgements related to recognised amounts of tax settlements

The Company recognises amounts arising from tax settlements based on current tax laws and their interpretations. Due to the aforementioned tax risks, the amounts disclosed in the financial statements are subject to uncertainty and may be revised in the future based on the final decisions made by the tax inspection authorities. The estimation uncertainty pertains to the tax impact of a particular economic event and is attributed to various factors, including:

- inherent complexity of tax laws and regulations,
- varying practices of tax administration bodies,
- the lack of uniformity in the judicial decisions of administrative courts.

Income tax

	2022	2021
Current income tax	60,968	47,912
Deferred tax	(9,923)	(1,892)
Net deferred tax liability related to investments measured at fair value	(332)	16,429
Total tax expense in the statement of comprehensive income	**50,713**	**62,449**

Reconciliation of effective tax rate

	2022	2021
Profit before tax from continuing operations	215,479	328,710
Income tax at 19%	**40,941**	**62,455**
Permanently non-taxable income	(349)	(248)
Effect of taxable dividend income	(1,080)	-
Permanently non-deductible expenses	2,468	778
Permanently non-deductible expenses for share-based payment arrangement	4,524	2,150
Remeasurement of financial instrument	451	(2,099)
Remeasurement of dividend receivable	1,263	-
Share of (profit)/ loss of equity-accounted investees	161	(595)
Revaluation of equity-accounted investees	804	-
Acquisition-related costs	1,530	-
Other permanent differences	-	8
Total tax expense in the statement of comprehensive income	**50,713**	**62,449**

Deferred income tax

The table below presents the deferred tax assets and liabilities that have been recognised for temporary differences arising from individual items of assets and liabilities.

All amounts in PLN thousands, unless otherwise stated

	31 December 2022	31 December 2021
Deferred tax assets arising from other sources		
Contract liabilities	26,102	18,979
Right-of-use assets and lease liabilities	649	333
Remeasurement of derivatives	690	-
Trade receivables	277	227
Trade payables	584	-
Employee benefit obligations	2,459	3,017
Other non-financial assets	1,317	-
Difference between carrying amount and tax value of financial liabilities	126	-
Other deductible temporary differences	342	372
Deferred tax assets arising from other sources	**32,546**	**22,928**

	31 December 2022	31 December 2021
Deferred tax liabilities arising from other sources		
Taxable temporary differences between the carrying amounts of property, plant, and equipment and intangible assets in the recognised in the account and their tax bases	704	(836)
Other receivables and assets	-	1,201
Other deductible temporary differences	47	113
Deferred tax liabilities arising from other sources	**751**	**478**
Remeasurement of investments measured at fair value through profit or loss	18,813	19,145
Tax loss on capital gains	(609)	-
Deferred tax liabilities from capital gains	**18,204**	**19,145**

Net deferred tax assets arising from other sources	**31,795**	**22,450**
Net deferred tax liability related to investments measured at fair value	**18,204**	**19,145**

Unused tax losses for which deferred tax assets have been recognised, and expiration dates of those losses

As at 31 December 2022, the Company had no unused tax losses for which deferred tax assets would be recognised.

4 NOTES TO THE STATEMENT OF FINANCIAL POSITION

4.1 Intangible assets

Accounting policies

Recognition and measurement

Intangible assets are recognised when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably determined at which the intangible asset is initially recognised.

An intangible asset arising from development work or a stage of development work is recognised when the criteria under IAS 38 *Intangible* Assets ('IAS 38') are jointly met, i.e. the Company is able to demonstrate the technical feasibility and intent to complete the intangible asset, the intent and ability to use or sell the intangible asset, the manner in which future economic benefits will be derived from the use of the intangible asset, the availability of funds to complete the development work, and a reliable determination of the expenditures incurred. The Company includes internally produced software in this category.

Subsequent to initial recognition, intangible assets are carried at cost (for internally produced software), net of accumulated amortisation and impairment losses.

Amortisation

The useful life of the Company's intangible assets is finite, and therefore, the Company amortises all of its intangible assets except for internally produced software that is still in development and not yet in use. Amortisation begins when the intangible asset is ready for use, i.e., it is in a condition and location that allows it to be used in the manner intended by the Management Board.

The Company does not amortise intangible assets that are not in use, such as incurred expenditures for internally produced software that is not yet completed. However, it tests these assets for impairment at the end of each reporting period.

Intangible assets are amortised using the straight-line method over their estimated useful lives. The applied amortisation periods for intangible assets are:

- property rights 2 - 5 years,
- other intangible assets 2 - 12 years,
- internally produced software 3 - 5 years.

The Company removes an intangible asset from the statement of financial position when it is disposed of or when it does not expect any future economic benefits from its use or disposal.

Significant estimates and judgements

Useful lives of intangible assets

Useful lives of intangible assets are reviewed at each reporting date. Estimating the useful life of intangible assets involves a degree of uncertainty as it depends on various factors such as changes in market conditions, technological advancements, and competition. Such changes may require the reassessment of the period of economic benefit of an intangible asset.

Impairment of intangible assets

At the end of each reporting period, the Company assesses whether there are any indications of possible impairment of an intangible asset. If such indications exist, the Company estimates the recoverable amount of the asset. Based on the assessments performed, the Company did not identify any objective indications of impairment of intangible assets as of the end of the reporting periods presented in these separate financial statements.

Irrespective of the presence of any objective indications of impairment, the Company tests for impairment internally produced software that is not yet completed and is not in use, at the end of each reporting period.

Recoverable amount is the higher of fair value less the cost of bringing the asset to market or value in use. A recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in the amount of the excess of the asset's carrying amount over its recoverable amount in the statement of comprehensive income within other operating costs.

At the end of each financial year, intangible assets that have been impaired in the past are evaluated for any indications that the impairment loss previously recognised may need to be reversed.

As at 31 December 2022 capital expenditure for internally produced software that has not yet been completed was PLN 1,887 thousand, and the Company assessed the risk of their impairment as immaterial.

Expenditures incurred for internally produced software represent the costs of development incurred before the software is used. Upon completion of development work, the Company begins amortising internally produced software.

All amounts in PLN thousands, unless otherwise stated

	Property rights	Other intangible assets	Internally produced software	Total
Gross carrying amount as at 1 January 2021	**1,930**	**6,487**	**839**	**9,255**
Increase	108	495	2,663	3,267
Gross carrying amount as at 31 December 2021	**2,038**	**6,982**	**3,502**	**12,522**
Gross carrying amount as at 1 January 2022	**2,038**	**6,982**	**3,502**	**12,522**
Increase	113	1,942	5,109	7,164
Liquidation	(444)	(1,140)	-	(1,584)
Other changes	-	(97)	97	-
Gross carrying amount as at 31 December 2022	**1,707**	**7,687**	**8,708**	**18,102**

	Property rights	Other intangible assets	Internally produced software	Total
Accumulated amortisation and impairment losses as at 1 January 2021	**(1,367)**	**(5,380)**	**(117)**	**(6,863)**
Amortisation	(339)	(515)	(279)	(1,134)
Accumulated amortisation and impairment losses as at 31 December 2021	**(1,706)**	**(5,895)**	**(396)**	**(7,997)**
Accumulated amortisation and impairment losses as at 1 January 2022	**(1,706)**	**(5,895)**	**(396)**	**(7,997)**
Amortisation	(310)	(390)	(868)	(1,568)
Liquidation	422	1,139	-	1,561
Accumulated amortisation and impairment losses as at 31 December 2022	**(1,594)**	**(5,146)**	**(1,264)**	**(8,004)**

	Property rights	Other intangible assets	Internally produced software	Total
Net carrying amount as at 31 December 2021	**332**	**1,087**	**3,106**	**4,525**
Net carrying amount as at 31 December 2022	**113**	**2,541**	**7,444**	**10,098**

4.2 Property, plant and equipment

Accounting policies

Recognition and measurement

Items of property, plant and equipment are recognised at cost, less depreciation charges and impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Any other expenses incurred on repairs and maintenance are expensed to profit or loss for the reporting period in which they were incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the useful life of items of the property, plant and equipment and recognised in profit or loss for the current period. Depreciation begins when the item of asset is available for use, i.e. it is in the location and condition necessary to be capable of operating as intended by the Management Board.

The depreciable amount of an asset is determined as its initial cost less the residual value if it is material. The Company believes that the cars have a significant residual value, and therefore determines a residual value for this class of property, plant and equipment. The residual value is an estimate of the amount that the Company would receive from the sale of the asset at the end of its useful life, after deducting the estimated costs of disposal.

The adopted depreciation periods for property, plant and equipment are:

- buildings and premises (investments in leased office space) 2 - 6 years
- technical equipment and machinery 2 - 5 years
- vehicles 2 - 5 years
- other property, plant and equipment 2 - 8 years

Property, plant, and equipment acquired through capital expenditures for leased office spaces are depreciated over the shorter of the estimated useful life of the corresponding right-of-use asset or the term of the contract. The depreciation periods of these assets are aligned with those of the right-of-use assets.

Property, plant and equipment under construction are not depreciated until their construction is completed, i.e. when they are available for use. They are then transferred to the appropriate class of property, plant and equipment and depreciation commences.

Gain or loss on disposal of property, plant and equipment is recognised in other expenses or other income for the period.

Significant estimates and judgements

Depreciation

The Company reviews the residual value, estimated useful lives of property, plant, and equipment, and depreciation methods annually at the end of the reporting period. Any resulting changes are accounted for as a change in an estimate. Such estimates are subject to uncertainty due to future business conditions, technological changes, and market competition, which may impact the assessment of the useful life of the property, plant, and equipment.

Impairment of property, plant and equipment

The principles and assumptions used in impairment testing of property, plant and equipment are the same as those used in impairment testing of intangible assets (for intangible assets with a finite useful life) and are described in Note 4.1.

The most significant item of the Company's property, plant and equipment is hardware infrastructure (computers, servers, telephones) reported under ‘Technical equipment and machinery’ and expenditure on improvements in leased office space reported under ‘Buildings and premises’. Under ‘Vehicles', the Company reports its own fleet of vehicles used for business purposes.

All amounts in PLN thousands, unless otherwise stated

In the current reporting period the Company did not conclude any individually significant transactions involving acquisition or sale of property, plant and equipment. The Company incurred expenditures of PLN 1,501 thousand to upgrade its hosting infrastructure.

Based on the assessments performed, the Company did not identify any objective indications of impairment of non-current assets as of the end of the reporting periods presented in these separate financial statements.

Reconciliation of the carrying amount of property, plant and equipment

	Buildings and premises	Plant and equipment	Vehicles	Other	Total
Gross carrying amount as at 1 January 2021	**4,153**	**7,581**	**3,462**	**1,866**	**17,062**
Increase	-	1,753	53	27	1,832
Other changes	-	273	-	(273)	-
Sale / liquidation	-	(885)	(1,132)	-	(2,018)
Gross carrying amount as at 31 December 2021	**4,153**	**8,722**	**2,382**	**1,620**	**16,877**
Gross carrying amount as at 1 January 2022	**4,153**	**8,722**	**2,382**	**1,620**	**16,877**
Increase	-	3,597	408	212	4,217
Other changes	-	27	-	(27)	-
Sale / liquidation	-	(2,038)	(666)	(156)	(2,860)
Gross carrying amount as at 31 December 2022	**4,153**	**10,308**	**2,124**	**1,649**	**18,234**

	Buildings and premises	Plant and equipment	Vehicles	Other	Total
Accumulated depreciation as at 1 January 2021	**(2,009)**	**(5,440)**	**(1,162)**	**(930)**	**(9,541)**
Depreciation	(548)	(1,287)	(448)	(190)	(2,473)
Sale / liquidation	-	885	615	-	1,500
Accumulated depreciation as at 31 December 2021	**(2,557)**	**(5,842)**	**(995)**	**(1,120)**	**(10,514)**
Accumulated depreciation as at 1 January 2022	**(2,557)**	**(5,842)**	**(995)**	**(1,120)**	**(10,514)**
Depreciation	(543)	(1,620)	(210)	(186)	(2,559)
Sale / liquidation	-	2,031	387	155	2,573
Accumulated depreciation as at 31 December 2022	**(3,100)**	**(5,431)**	**(818)**	**(1,151)**	**(10,500)**

	Buildings and premises	Plant and equipment	Vehicles	Other	Total
Net carrying amount as at 31 December 2021	**1,597**	**2,880**	**1,386**	**499**	**6,363**
Net carrying amount as at 31 December 2022	**1,053**	**4,877**	**1,306**	**498**	**7,734**

4.3 Right-of-use assets

Accounting policies

Recognition and measurement

Right-of-use assets are recognised at cost at the inception of the lease, i.e. the date on which the asset is made available for use by the lessee. The purchase price of the right-of-use asset includes:

- the amount of the initial measurement of the lease liability,
- lease payments made at or before the commencement date (e.g. initial payment in car lease agreements), less any lease incentives received,
- initial direct costs incurred by a lessee.

Following initial recognition, the Company measures right-of-use assets using the cost model, i.e. at cost less total depreciation and impairment losses and adjustment for any revaluation of the lease liability (due to a reassessment or modification of the lease or revaluation of in-substance fixed payments).

Depreciation

The depreciation methods for right-of-use assets are consistent with the depreciation methods used by the Company with respect to its own assets.

If the Company obtains ownership of an asset at the end of the lease term or if the cost of the right-of-use asset takes into account the Company's exercise of a call option, the depreciation of such right-of-use asset is recognised from the lease commencement date until the end of the useful life of the underlying asset. Otherwise, in the case where there is no reasonable certainty that the Company will obtain title at the end of the lease term, the right-of-use asset is depreciated from the date of the commencement date of the lease until the end of its useful life or the end of the lease period, whichever is earlier.

Significant estimates and judgements

Useful life

At the end of each reporting period, the Company verifies whether the estimate of the useful life of the right-of-use asset adopted at the inception of the lease is still reasonable, taking into account its intentions regarding the continued use of the asset in its business operations. For all lease contracts open as of 31 December 2021 and as of 31 December 2022, the Company assumed that the depreciation period of right-of-use assets is equal to the lease term.

Impairment of right-of-use assets

Similarly to property, plant and equipment and intangible assets (with a finite useful life), the Company tests its right-of-use assets for impairment whenever there is any indication that those assets may be impaired.

All amounts in PLN thousands, unless otherwise stated

Lease term, discount rate and assessment of exercise of purchase option

The significant estimates and judgments made in connection with the recognition and valuation of right-of-use assets and relating to the lease term, discount rate, and evaluation of the exercise of the purchase option are described in Note 4.12.

Based on the assessments performed, the Company did not identify any objective indications of impairment of right-of-use assets as of the end of the reporting periods presented in these separate financial statements.

The Company acts as a lessee in contracts involving the use of office space leased for business purposes and car lease contracts.

Reconciliation of the carrying amount of right-of-use assets

	Buildings and premises	Vehicles	Total
Carrying amount at 1 January 2021	**16,602**	**353**	**16,955**
Increases – new contracts	-	332	332
Increases – lease modifications	744	(6)	738
Depreciation for period	(4,375)	(186)	(4,561)
Carrying amount as at 31 December 2021	**12,971**	**493**	**13,464**
Carrying amount as at 1 January 2022	**12,971**	**493**	**13,464**
Increases – new contracts	-	729	729
Increases – lease modifications	606	58	664
Depreciation for period	(4,486)	(318)	(4,804)
Carrying amount as at 31 December 2022	**9,091**	**962**	**10,053**

4.4 Investments in subsidiaries and equity-accounted shares

Accounting policies

The Company holds shares in domestic and foreign subsidiaries. The Company accounts for interests in associates, i.e. entities over which the Company exercises significant influence, as equity-accounted investees.

Subsidiaries

A subsidiary is an entity that is controlled by another entity. The Company controls an investee if it:

- exercises power over the investee,
- is exposed to variable financial results or has the right to variable financial results from its involvement with the investee,
- has the ability to use the power over the investee to affect the amount of the investor's returns.

The Company verifies its control of other entities if there is an indication of change in one or more of the above conditions for exercising control.

If the Company holds less than a majority of voting rights in an investee, but the voting rights held are sufficient to direct the relevant activities of the investee unilaterally, this means that the Company has control of the investee. When assessing whether the Company's voting rights at an investee are sufficient to give the control, the Company considers all relevant circumstances, including:

- the size of its holding of voting rights relative to the size and dispersion of other voting rights holdings;
- the potential voting rights held by the Company, other shareholders or other parties,
- rights resulting from other contractual agreements,
- any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made.

Interests in subsidiaries are measured at cost less accumulated impairment losses. The purchase price includes the amount due to the seller net of deductible value added tax. The Company considers its capital contributions in subsidiaries as part of its investment, as it assumes that such contributions cannot be returned.

In case of impairment, the impairment loss is charged to finance costs. If the reason for the impairment loss on an investment no longer exists, the Company will reverse the loss by transferring the amount of the reversal to the finance income account, which will restore the investment's original value. The reversal can be full or partial.

Associates

Associates are entities in which the Company holds significant influence but not control or common control. This usually involves holding 20% to 50% of the total number of voting rights in the governing bodies of these entities, regardless of the share of the entity's share capital.

Significant influence is the ability to participate in the financial and operational policy decisions of a business; However, it does not mean exercising control or joint control over that policy.

Interests in associates are accounted for using the equity method and are initially recognised at cost.

The excess of the consideration paid over the fair value of identifiable net assets of the associate acquired as at the acquisition date is recognised as goodwill. Goodwill is included in the carrying amount of the investment, and its impairment is tested on the carrying amount of the investment as a whole. Any excess of the Company's share in the fair value of identifiable assets, liabilities and contingent liabilities over the consideration paid is recognised immediately in profit or loss for the current period.

The Company's share in the financial result of associates from the date of acquisition is recognised in profit or loss for the current period, and its share in other comprehensive income generated from the date of acquisition – in other comprehensive income. The carrying amount of the investment is adjusted by the Company's share in the total change in the associate's equity from the date of acquisition. If the Company's share in losses of an associate equals or exceeds its interest in the associate, including any long-term receivables constituting part of the Company's net investment in this entity, the Company ceases to recognise further losses.

Significant estimates and judgements

Existence of significant influence and control

The Company evaluates its investments in other entities to determine their recognition in the separate financial statements. This evaluation is conducted by analysing the provisions of IFRS 10 and IAS 28 and categorising the investments into the following categories:

All amounts in PLN thousands, unless otherwise stated

- investments in subsidiaries, where the Company exercises control;
- investments in associates, where the Company exercises significant influence;
- and investments that are financial instruments, which are measured in accordance with IFRS 9, for insignificant shareholdings with no control or significant influence.

Impairment on investments

The Company tests equity-accounted investees for impairment if there is any indication that they may be impaired. In addition, the Company also tests investments for which goodwill was recognised at initial recognition.

The recoverable amount of an investment is determined at its value in use and is calculated using the discounted cash flow method.

If the value of the shares measured using the equity method exceeds the recoverable amount resulting from the impairment test, the Company recognises an impairment loss in the amount of the excess of the previous carrying amount of the investment over its recoverable amount and presents it in finance costs.

The results of the tests depend on the assumptions used regarding future cash flows, the discount rate applied in a detailed forecast period (at the weighted average cost of capital) and the discount rate applied in the residual period. Changes in the assumptions may affect the carrying amounts of the shares in the future.

A summary of subsidiaries and associates, together with the Company's interest in the share capital of these entities, during the periods covered by these separate financial statements, is presented in Note 1.3.

The table below presents the carrying amounts of investments in subsidiaries measured at historical cost:

	31 December 2022	31 December 2021
Gross shares in subsidiaries	**580,685**	**23,846**
Foreign companies	566,993	14,074
Polish companies	13,692	9,772
Impairment loss on shares in subsidiaries	**2,360**	**2,360**
Polish companies	2,360	2,360
Total	**578,325**	**21,486**

	31 December 2022	31 December 2021
Impairment loss on shares in subsidiaries		
At beginning of period	**2,360**	**10,497**
Impairment loss recognised in period	-	760
Impairment loss reversed in period	-	(8,897)
At end of period	**2,360**	**2,360**

On 14 June 2022, the Company, as the buyer, entered into an agreement with Eden Investment S.à r.l. (a company controlled by Investcorp, an alternative investment company) and Stefan Schüffler Beteiligungs UG (haftungsbeschränkt), as the sellers, to acquire 25,000 shares, representing 100% of the share capital in Spoonbill Holding GmbH and indirectly 100% of shares in Spoonbill GmbH, softgarden e-recruiting GmbH, and absence.io GmbH. The closing of the transaction, including the payment of the final total price of PLN 552,488,195.69 (EUR 117,602,664) and the transfer of title to the acquired shares to the Company, was confirmed by the parties with the signing of a relevant protocol

All amounts in PLN thousands, unless otherwise stated

on 24 June 2022. The sale price was partly financed through a term loan of PLN 399,999,999, while the remaining amount of PLN 152,488,196.69 was financed with the Company's own funds. Softgarden e-recruiting GmbH (‘Softgarden’) is the owner of a leading Talent Acquisition System (TAS), which supports and automates the management of recruitment processes, offered through a subscription model (‘SaaS’). Softgarden's offerings also include multiposting features, allowing job offers to be posted simultaneously on several job portals in a specific country. The company operates mainly in the German market, while also building presence in several European markets. Absence.io GmbH (‘Absence.io’) offers, through a SaaS model, dedicated HR Tech software for the SME sector to support efficient and transparent time and absence management. Absence.io operates mainly in the German market, but also has customers in other countries. In the case of German companies, the assessment of the existence of indications of impairment was based on an analysis of budgets and forecasts for a five-year period. The Company took into account important internal and external factors affecting the expected dynamics of demand for services supporting recruitment processes. Based on its analysis of the current labour market in segment Germany, the Management Board does not anticipate any significant risk of the underlying assumptions being erroneous. During the reporting period ended 31 December 2022, the Company did not recognise an impairment loss on the shares of German companies.

The investment agreement for Robota International TOV and Work Ukraine TOV includes written and vested put and call options on shares in both entities, which become exercisable upon the occurrence of events specified in the agreement. The options are derivative financial instruments and are recognised as financial assets or liabilities with measurement changes recognised in the statement of comprehensive income. As per the investment agreement and the Management Board's assessment of the entities' value, the estimated share purchase price is not significantly different from the fair value of the shares in these entities at the exercise of each option. Therefore, the Company valued these instruments at a fair value of zero as at each reporting date.

The table below presents the carrying amount of equity-accounted investments in associates.

	31 December 2022	31 December 2021
Carrying amount of equity-accounted associates		
WorkIP Ltd	13,708	16,390
Work Ukraine TOV	1,605	2,954
Fitqbe sp. z o.o.	11,960	13,045
Other associates	134	95
Total	**27,407**	**32,484**

Changes in the carrying amount of equity-accounted investees

	31 December 2022	31 December 2021
Equity-accounted investees at beginning of period	**32,484**	**23,945**
Purchase/acquisition of shares	-	13,105
Dividends received	-	(6,619)
Share of profit/(loss) of equity-accounted investees	(848)	3,133
Exchange differences on translating share of profit of equity-accounted investees	-	(187)
Impairment loss	(4,230)	(893)
Equity-accounted investees at end of period	**27,407**	**32,484**

On 28 May 2021, an agreement was signed regarding investment in Fitqbe, under which on 2 August 2021, the Company acquired 44 shares, with a par value of PLN 50.00 per share. In accordance with the provisions of the agreement, the Company has a call option on further shares. On 7 October 2021, the Company entered into a preliminary share purchase agreement with Pracuj Ventures sp. z o.o. ASI sp.k. (‘Pracuj Ventures’) to purchase an additional 33 shares in the share capital of Fitqbe. As a result, the Company recognised a liability of PLN 2,590 thousand as of 31 December 2021. The liability is presented under other financial liabilities in correspondence with the investment measured using the

equity method. On 22 December 2021, the Company accepted offers to sell shares and acquired an additional 39 shares in Fitqbe. The shares were paid in full on 11 January 2022.

On 13 December 2022, the Company signed the final agreement for the sale of 29 shares, which were sold for a total price of PLN 2,276 thousand. This sale was effected in fulfilment of the preliminary share sale agreement of 7 October 2021. Upon completion of the acquisition of the additional 4 shares, the Company will hold a total of 116 shares representing 35% of Fitqbe's share capital.

WorkIP Ltd and Work Ukraine TOV are assessed jointly for the presence of impairment indicators due to the significant operational relationships between the two companies. The Company believes that it cannot consider the cash flows generated by these companies as largely independent of each other. WorkIP Ltd owns trademarks and domains, and its main revenue source is license fees paid by Work Ukraine TOV for the use of these rights. In contrast, Work Ukraine TOV generates operating revenue by using licenses from WorkIP Ltd. Impairment indicators, which result mainly from the armed conflict in Ukraine, are described in Note 7.6.

In the period ended 31 December 2022, the Company recognised an impairment loss of PLN 4,230 thousand on financial assets classified as equity-accounted financial assets, due to the failure to achieve the business objectives that were assumed at the time the Company made the investment in these entities (in 2021, an impairment loss of PLN 893 thousand was recognised on financial assets). The Company applied discount rates between 30-40% to the current and previous estimates of value in use. This range represents an increase from the previous period's range of 25-35%.

No reversals of impairment losses were recorded on equity-accounted investees during the periods covered by these separate financial statements.

4.5 Trade receivables and other financial assets

Accounting policies

Trade receivables

The Company's trade receivables do not contain a significant financing component and are initially recognised at the transaction price, in accordance with IFRS 15, i.e. the amount to which the Company expects to be entitled in exchange for the transfer of goods or services to the customer.

After initial recognition, receivables are measured at amortised cost using the effective interest rate, taking into account any impairment loss - in accordance with the principles described in Note 6.1.

Other financial assets

Other financial assets include shares in entities that are not listed on active market, cash deposits paid as security for bank guarantees and contracts for leases of office space, short-term commercial bonds and loans.

The Company invests its free cash in short-term bonds, which are held to maturity. These bonds typically mature within six months from the date of purchase.

Other financial assets are recognised and measured in accordance with the accounting policies described in Note 6.1 for financial instruments.

All amounts in PLN thousands, unless otherwise stated

Significant estimates and judgements

For information on significant estimates necessary to measure allowances for expected credit losses for financial assets see Note 6.1.

Valuation of unlisted shares

The Company measures unlisted shares at fair value classified as level 3 of the fair value hierarchy. The Company uses its own estimates for this valuation, based on the assumption that there is a lack of reasonably available information indicating that market participants would make different assumptions in their valuations.

Trade receivables

	31 December 2022	30 December 2021
Trade receivables		
- from related entities	131	205
- from other entities	48,593	45,782
Total	**48,724**	**45,987**

Other financial assets

	31 December 2022	31 December 2021
Non-current	**129,916**	**127,229**
Unlisted shares	126,507	122,172
Cash deposits	3,409	2,908
Other financial assets	-	2,149
Current	**83**	**31,801**
Bonds	-	24,978
Cash deposits	83	83
Dividends receivable	-	6,740
Total	**129,999**	**159,030**

Changes in the carrying amount of unlisted shares in each of the reporting periods presented in these separate financial statements

	31 December 2022	31 December 2021
Unlisted shares measured at fair value through profit and loss at beginning of period	**122,172**	**32,089**
Purchase of unlisted shares measured at fair value	6,084	3,614
Changes in fair value measurement recognised in net finance income / (costs)	(1,749)	86,469
Unlisted shares measured at fair value through profit and loss at end of period	**126,507**	**122,172**
including shares in:		
Beamery Inc.	107,730	107,730
Pracuj Ventures sp. z o.o. ASI sp. k.	18,777	14,442

The Group measures unlisted shares at fair value classified as level 3 of the fair value hierarchy. The Group uses its own estimates for this valuation, based on the assumption that there is a lack of reasonably available information indicating that market participants would make different assumptions in their valuations.

Pursuant to Resolution No. 2 of passed by the General Meeting of Pracuj Ventures on 16 February 2022, the Company provided an additional cash contribution of PLN 6,084 thousand to Pracuj Ventures as part of a capital increase. The payment was made on 21 February 2022.

The Management Board undertakes regular analysis of the factors that could potentially affect the fair value measurement of the shares. In the opinion of the Company's Management Board, as of the reporting date of 31 December 2022 the fair value of unlisted shares was lower by PLN 1,749 thousand, not including the above-described cash contribution of PLN 6,084 thousand.

Valuation of unlisted shares

The Company determines the fair value of the shares in Beamery Inc. by reference to the valuations of the shares issued by the entity in subsequent funding rounds. As a result of the funding round in June 2021, the fair value of shares in Beamery Inc. was revalued by the Company by PLN 86,222 thousand. On 13 December 2022, Beamery Inc. completed another funding round (Series D) without external investors, in which the Company did not participate. In light of the expected increased discounting by potential investors in the future, the Company decided to maintain the current valuation of Beamery in its accounting books. This valuation is based on the valuation of the company in the C funding round and on the offer received in 2021 for Pracuj Group's interest in Beamery. Considering the upward adjustment in the discount rate on the per-share price, from 35.5% to 40% post D funding round, and accounting for the fluctuations in USD exchange rates, the valuation of the Company's interest has been maintained at the same level as reported in the previous year's separate financial statements for the year ended 31 December 2021.

Assessment of the Company's involvement in Pracuj Ventures sp. z o.o. ASI sp.k.

As of 31 December 2022, the Company continued to classify its contribution of 71.96% in Pracuj Ventures as an investment, despite its majority interest in the entity. This is consistent with the classification as of 31 December 2021, when the Company held a 72.60% interest. The Company determined that its interest in Pracuj Ventures is subject to the variable financial performance of the entity, but the Company's Management Board does not have the ability to influence the direction and decision-making of the entity's investment activities. As a result, the Company's Management Board has no control over Pracuj Ventures, and therefore, it does not have any influence over the investment returns achieved by Pracuj Ventures.

The Company's judgement of not having a significant influence on Pracuj Ventures is primarily based on the decision-making process and the key management personnel's composition in Pracuj Ventures, as revealed by the analysis. The Company does not have a representative on the key management personnel of Pracuj Ventures, nor does it have any influence on its composition. Investment decisions are made by an investment committee, consisting of a number of shareholders identified in the Pracuj Ventures Articles of Association. The investment committee does not include Grupa Pracuj S.A. Ownership rights, i.e. voting rights arising from shares held, are not taken into account in the decision-making processes. For resolutions that concern matters beyond ordinary management, including key operational activities, the Pracuj Ventures Articles of Association dictate that unanimity is necessary among Przemysław Gacek, Maciej Noga, Ataraxy Ventures Man sp. z o.o., and Paweł Leks. This implies that the significant control over the investment activities, which includes the major operational activities of Pracuj Ventures, is vested with Przemysław Gacek as an individual investor rather than as the President of the Management Board of Grupa Pracuj S.A. In addition, day-to-day supervision of Pracuj Ventures' operations is exercised by the management of Pracuj Ventures' general partner, Pracuj Ventures sp. z o.o., with which the Company has no capital ties.

Other financial assets

Pursuant to the provisions of the agreement concerning investment in Fitqbe (Note 4.4), the Company holds call options on its shares in Fitqbe, while the other shareholders of Fitqbe hold put options on their shares in the Company. These options were valued using a Monte-Carlo simulation model at the time when the investment agreement was signed. The valuation of the shares in Fitqbe and the option exercise price were determined using the simulation model. To correlate the two simulation processes, a correlation coefficient was determined based on a group of similarly sized companies quoted on stock exchanges, using historical prices as a reference. The volatilities of the share price and the price formula were determined using observable historical stock market prices for comparable listed companies. The most significant unobservable variable affecting the option valuation is the price of Fitqbe shares as at the option valuation date. The Company estimated this price using a formula for the option exercise price, which was applied as of the valuation date and took into account the balance of cash held by Fitqbe.

The options were recognised as financial instruments at fair value through profit or loss on the reporting date, in correspondence with other financial liabilities. Due to their combined nature and method of exercise, the value of the options amounting to PLN 2,778 thousand was initially recognised at net amount and presented in other financial assets. The Company recognises a gain resulting from the difference between the transaction price and the fair value of the option at the time of acquisition, up to the point at which the option can no longer be exercised. Due to the fulfilment of one of the conditions of the Fitqbe investment agreement, the period has been shortened and will end on 30 April 2023. Financial instruments measured at fair value through profit or loss are measured at each reporting date and revaluations to fair value are recognised in profit or loss. As at 31 December 2021, a financial asset was recognised for options held in the amount of PLN 2,149 thousand, and the effect of option revaluation was recognised in finance income.
The fair value of the options as at 31 December 2022 was PLN 259 thousand. The effect of the option revaluation, amounting to PLN 4,112 thousand, was recognised in finance costs and presented in the statement of comprehensive income. This amount was adjusted to reflect the settlement of the gain resulting from the difference between the transaction price and the fair value of the option on the date of acquisition, which was PLN 1,746 thousand, as mentioned above. As of the reporting date of 31 December 2022, the options were classified as current financial liabilities due to their exercise period, which runs until 30 April 2023, at PLN 227 thousand (Note 4.15).

The sensitivity analysis for options is presented in the table below:

	Option value at the reporting date	Effect on valuation of financial asset	
		Increase in share price by 10pp	Decrease in share price by 10pp
31 December 2022	(227)	142	(102)
31 December 2021	2,149	1,490	(1,405)

On 15 December 2022, the Company signed a loan agreement with Fitqbe, wherein it agreed to provide Fitqbe a cash loan of up to PLN 3,000 thousand until 28 February 2023. The purpose of the loan was to support the provision of a Benefit Cafeteria service to Fitqbe's customers and their employees. The cafeteria offers single-use or multi-purpose vouchers for a fee.

Related entity (borrower)	Maximum loan amount (PLN thousand)	Maturity date	Security	Financial terms (interest)
Fitqbe sp. z o.o.	3,000	31 March 2023	The borrower's statement of voluntary submission to enforcement in accordance with the procedure set forth in Article 777 (1) (5) of the Code of Civil Procedure, on the terms and conditions set forth in the Agreement, with the wording of the statement specified by Grupa Pracuj S.A., and assignment of all current and future receivables (trade receivables) due to Grupa Pracuj S.A. from and under the Project.	10% per annum

Fitqbe did not use the loan during the period of availability.

In 2022, the Company did not provide loans to other entities.

All amounts in PLN thousands, unless otherwise stated

4.6 Other non-financial assets

Accounting policies

Other non-financial assets include accruals and other non-financial assets, in particular prepayments for intangible assets and property, plant and equipment, taxes and public charges receivable (other than corporate income tax receivable) and assets of the Company Social Benefit Fund.

Accrued expenses are recognised as assets when the following conditions are met:

- costs arise from past events and they do not constitute capital expenditures,
- their amount can be reliably estimated,
- the relate to future reporting periods and it is probable that the future economic benefits associated with the expenses will flow to the Company.

Other non-financial assets are initially recognised at nominal value and measured at the end of the reporting period at amounts due, except for prepayments for property, plant and equipment and intangible assets, which are recognised at the nominal value of the amounts paid. The assets and liabilities of the Company Social Benefit Fund are netted off in the statement of financial position. If there is a non-zero balance after netting, it is presented as either other non-financial assets or other non-financial liabilities in the statement of financial position.

	31 December 2022	31 December 2021
Non-current	**733**	**-**
Other	733	-
Current	**4,241**	**4,568**
Prepaid services	**3,957**	**2,531**
Prepaid marketing expenses	608	232
Prepaid hardware and software maintenance services	2,547	1,745
Prepaid other services	694	489
Other	108	65
Other assets	**284**	**2,037**
Prepayments for intangible assets and property, plant and equipment	259	10
Assets of Company Social Benefits Fund	-	310
Settlements with shareholders	-	1,704
Other	25	13
Total	**4,974**	**4,568**

4.7 Cash and cash equivalents

Accounting policies

Cash and cash equivalents

Cash and cash equivalents presented in the statement of financial position include cash held in bank accounts and bank deposits that have a maturity date of up to three months.

Cash in bank accounts and bank deposits that are due or payable within three months of being received, issued, acquired or established are measured at their nominal value at each reporting date.

All amounts in PLN thousands, unless otherwise stated

The nominal value is adjusted for interest accrued up to the end of the reporting period and for any allowance for expected credit losses.

The balance of cash and cash equivalents presented in the statement of cash flow consists of the cash and cash equivalents specified below.

Cash and cash equivalents

	31 December 2022	31 December 2021
Cash in current accounts	6,733	8,752
Bank deposits	52,402	132,944
Cash in transit (transfers between accounts)	131	119
Total	**59,266**	**141,815**

4.8 Equity

Accounting policies

Share capital

Share capital is recognised at the par value of the issued shares, pursuant to the Articles of Association of the Company and the relevant entry in the National Court Register.

Statutory reserve funds

Statutory reserve funds of the Company consists of the share premium resulting from the issuance of shares by the Parent for the purposes of the merger in 2016 between Grupa Pracuj S.A. as the acquiring entity (formerly known as Grupa Pracuj Holding sp. z o.o.) and the acquired entity operating at the time under the name Grupa Pracuj S.A. Statutory reserve funds of the Company are also comprised of accumulated profits from prior years that have not been distributed as dividends, and have been transferred to the reserve funds.

Share repurchase reserve

The special-purpose fund was established by resolutions of the General Meeting. It is funded through profit distributions and its purpose is to finance repurchase (buyback) of Company shares.

Treasury shares are measured at their purchase price at the end of the reporting period.

Share-based payment arrangements

Equity-settled share-based payment arrangements are recognised in the Company's equity.

Note 4.14 provides details of the equity-settled share-based payment arrangements of the Parent.

Other reserves

Other reserves arise mainly from the distribution of retained earnings, if so resolved by the General Meeting. Other reserves also include effects of changes in the valuation of provisions for employee benefits resulting from changes in actuarial assumptions.

Merger reserve

This line item comprises the effect of accounting for the 2016 merger transaction (Note 1.8).

All amounts in PLN thousands, unless otherwise stated

Retained earnings/(losses) carried forward

The balance of retained earnings/(losses) carried forward is calculated as the sum of the net profit/(loss) for the current period and the accumulated net profit (loss) from previous years that was neither distributed as dividends nor transferred to statutory reserve funds, other reserves or other components of equity. Retained earnings/(losses) carried forward also include corrections for errors found in the current year that were made in previous periods and the impact of changes in accounting policies made in the current year.

Share capital

As at 31 December 2022, the share capital consisted of 68,265,026 shares with a par value of PLN 5.00 per share. All shares issued and outstanding as at 31 December 2022 have a par value of PLN 341,325,130 and have been fully paid for. As of the reporting date, the share capital was fully paid up.

As at 31 December 2022 and 31 December 2021, the Company's shareholder structure was as follows:

Shareholder	31 December 2022		
	Number of shares held	Par value of shares (PLN)	Ownership interest %
Przemysław Gacek*	36,130,187	180,650,935	52.93
TCV Luxco Perogie S.à r.l	8,638,861	43,194,305	12.65
Maciej Noga	5,799,227	28,996,135	8.50
Other members of the Management Board	1,013,550	5,067,750	1.48
Others	16,683,201	83,416,005	24.44
Total	**68,265,026**	**341,325,130**	**100.00**

Shareholder	31 December 2021		
	Number of shares held	Par value of shares (PLN)	Ownership interest %
Przemysław Gacek*	36,130,187	180,650,935	53.05
TCV Luxco Perogie S.à r.l	7,246,348	36,231,740	10.64
Maciej Noga	5,799,227	28,996,135	8.51
Other members of the Management Board	1,013,550	5,067,750	1.49
Others	17,914,938	89,574,690	26.31
Total	**68,104,250**	**340,521,250**	**100.00**

** Directly and indirectly through Frascati Investments sp. z o.o., controlled by Przemysław Gacek, and considering the shares held by individuals presumed to be party to an agreement referred to in Article 87(1)(5) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies.*

4.9 Changes in equity

Changes in equity in 2022

On 23 May 2022, the Management Board of the Company adopted a resolution to increase the Company's share capital within the limits of authorised capital by issuing 160,776 Series D ordinary bearer shares (‘Series D Shares’). Under the resolution, the Management Board decided to increase the share capital from PLN 340,521,250.00 to PLN 341,325,130.00, i.e. by PLN 803,880.00.

On 8 July 2022, the District Court for the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered amendments to Article 5.1 of the Company's Articles of Association adopted pursuant to the resolution of the Management Board dated 23 May 2022. The Company's share capital was increased under the framework of authorised capital, and the Company's authorised capital remaining to be issued now amounts to PLN 5,155,235.

On 12 August 2022, 160,776 Series D Shares were registered with the Central Securities Depository of Poland.

All of the newly issued Series D Shares were offered privately by the Management Board to employees and associates of the Company and its subsidiaries as part of the incentive schemes established by Resolutions No. 4 and No. 5 of the Extraordinary General Meeting on 29 October 2021, which outlined the rules for Incentive Schemes No. 2 and No. 3 designed for key personnel employed by the Group. The eligible employees and associates acquired Series D Shares at an issue price of PLN 5.00 per share. The Series D shares were subject to a temporary lock-up until 9 September 2022.

Under Resolution No. 8 of the General Meeting held on 22 June 2022, the net profit earned by the Company in the year ended 31 December 2021, of PLN 266,261,411.34, was approved for distribution as follows:

- the amount of PLN 129,731,359.34 was allocated to the Company's reserve fund,
- the amount of PLN 136,530,052.00 was allocated to dividend payment.

Changes in equity in 2021

Under Resolution No. 6 of the General Meeting held on 28 June 2021, the net profit earned by the Company in the year ended 31 December 2020, of PLN 72,166,652.66, was approved for distribution as follows:

- the amount of PLN 6,531,777.71 was allocated to the share repurchase reserve,
- the amount of PLN 65,634,874.95 was allocated to dividend payment.

By Resolution No. 7 of the General Meeting held on 28 June 2021, the reserve capital established by Resolution No. 6 of the General Meeting of Grupa Pracuj sp. z o.o. on 7 July 2020 was dissolved, and the accumulated funds of PLN 38,039,901.81 were allocated to dividend.

By Resolution No. 9 of the General Meeting held on 28 June 2021, the amount of PLN 1,269,250.00 was transferred from the share repurchase reserve to the statutory reserve funds.

On 11 August 2021, the Company entered into an agreement with its shareholders to acquire 130,520 shares from them for cancellation at a total consideration of PLN 7,795,959.60. Out of this amount, PLN 6,609,721.80 was paid to the Company's key management personnel.

On 5 October 2021, the share capital of the Company was reduced by PLN 652,600.00 through the cancellation of 130,520 treasury shares with a par value of PLN 5.00 per share, which were acquired by the Company in accordance with the resolution of the Extraordinary General Meeting held on 11 August 2021.

On 5 October 2021, in connection with the resolution of the Extraordinary General Meeting of 11 August 2021 and the settlement of the incentive scheme of 5 December 2017, the share capital was increased by PLN 6,307,000.00, to PLN 340,521,250.00, through the issue of 1,261,400 Series C ordinary registered shares with a par value of PLN 5.00 per share. The shares were acquired through cash contributions by eligible participants of the scheme, with shares worth PLN 5,363,950.00 acquired by members of the Management Board.

All amounts in PLN thousands, unless otherwise stated

4.10 Dividends paid and restrictions on dividend payments

Under the Polish Commercial Companies Code, the Company is required to create statutory reserve funds to cover losses. At least 8% of profit for the year disclosed in the Company's separate financial statements is to be transferred to the reserve funds until its amount reaches at least one-third of the share capital of the Company. The use of reserve funds and other reserves is at the discretion of the General Meeting. Nevertheless, a portion of the reserve fund equivalent to one-third of the share capital is solely reserved to cover losses stated in the financial statements and cannot be disbursed for other purposes.

Dividends are recognised when the shareholder's right to receive payment is established.

The dividend for the year ended 31 December 2021 was PLN 136,530,052 (Note 4.9). The dividend record date was set for 16 September 2022, and all of the Company shares in existence on that date carried the right to the dividend. The dividend payment date was set for 30 September 2022, and the Company fulfilled the payment obligation on that date.
In accordance with the Commercial Companies Code, the reserve fund equivalent to 1/3 of the share capital may not be distributed to shareholders. As at 31 December 2022 there were no restrictions on dividend payments.

4.11 Earnings per share

Basic earnings per share is determined by dividing the net profit for the financial year by the weighted average number of ordinary shares of Grupa Pracuj S.A. outstanding throughout the reporting period.

Diluted earnings per share is calculated by dividing the net profit for a given period by the weighted average number of ordinary shares outstanding during the period, adjusted proportionately for the effect of the change in the number of shares outstanding as a result of the transformation of the legal form of the Company from a limited liability company to a joint stock company (Note 4.13), assuming no concurrent change in resources.

The calculation of basic earnings per share for the periods covered by these separate financial statements took into account the dilution caused by equity instruments. These instruments resulted from the acquisition of rights under the share-based payment arrangement described in Note 4.13. The number of shares with a dilutive effect on earnings per share was calculated using the weighted average prices of the Company shares. These prices were established by taking into account the Company's share purchases in 2022 and 2021, which were executed in connection with transactions to acquire and cancel the Company's own shares.

	2022	2021
Net profit	**164,766**	**266,261**
CONTINUING OPERATIONS	164,766	266,261
Net profit adjusted for dilution effect	**164,766**	**266,261**
Weighted average number of ordinary shares* – for the purpose of calculation of basic earnings per share – after transformation into a joint-stock company	68,265,026	67,222,215
Effect of dilution (share-based payment arrangement)	1,046,123	158,518
Weighted average number of ordinary shares* – for the purpose of calculation of diluted earnings per share – after transformation into a joint-stock company	69,311,149	67,380,733
Basic earnings per share (PLN) – continuing operations	***2.41***	***3.96***
Diluted earnings per share (PLN) – continuing operations	***2.38***	***3.95***

* The transformation resulted in a total of 66,973,370 shares, based on a conversion ratio of 1 share for every 10 shares. The weighted average number of shares in each period was converted into the number of Company shares after the transformation – proportionally using the above conversion ratio.

4.12 Debt liabilities

Accounting policies

Bank borrowings

Upon initial recognition, bank borrowings are recognised at fair value, less costs associated with obtaining the financing.

After initial recognition, bank borrowings are measured at amortised cost using the effective interest rate method. When determining the amortised cost of bank borrowings, the costs directly attributable to obtaining the financing, as well as any discounts or premiums obtained on the settlement of the liability, are taken into account.

Lease liabilities

Recognition and measurement

At the commencement date of the lease, the Company, as lessee, measures the lease liability at the present value of future lease payments, which include:

- fixed lease payments (including essentially fixed lease payments) less any financial incentives due;
- variable lease payments dependent on an index or a rate, initially valued using that index or that rate according to their value at the commencement date;
- amounts expected to be paid by the Company under the guaranteed residual value;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- lease termination fees if the lessee is entitled to exercise the option to terminate the lease and it is highly probable that the option will be exercised.

The present value of future lease payments is calculated using the interest rate implicit in the lease, if it can be readily determined. Otherwise, the Company uses its incremental borrowing rate relevant for the given lease agreement. For all lease contracts recognised in the periods covered by these financial statements, the Company applied its incremental borrowing rate.

At the end of each reporting period, the Company measures its lease liability by:

- increasing the carrying amount to reflect the accrued interest on the lease liability determined using the effective interest method;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any lease reassessment or modification.

Reassessment of the lease liability

The carrying amount of the lease liability may be revised if there are changes in the lease term or in the assessment of an option to purchase the underlying asset (using a revised discount rate), or if there are changes in the value of lease payments due to events other than interest rate changes, such as rent indexation (using the existing discount rate). When the carrying amount of the lease liability is revised, a corresponding adjustment is made to the carrying amount of the related right-of-use asset.

All amounts in PLN thousands, unless otherwise stated

Applied exemptions

The Company applies exemptions and does not apply the requirements of IFRS 16 to measure the lease liability and right-of-use asset for the following contracts:

- short-term leases, i.e., leases for which the contract term does not exceed 12 months and which do not include a purchase option;
- leases in which the underlying asset is of low value. The Company considers assets as low-value when their value is not more than PLN 20,000 (the value of new assets).

Accounting policies and disclosures for right-of-use assets are presented in Note 4.3.

Significant estimates and judgements

Lease term

The measurement of right-of-use assets and lease liabilities involves the use of estimates and judgments, particularly in determining the lease term for contracts with indefinite or definite terms that include options to renew on existing terms. The Company considers all relevant factors and circumstances that create an economic incentive to exercise the option to extend the lease or not to exercise the option to terminate the lease when determining the lease term. The periods that may result from such options are included in the lease term only if it is reasonably certain that the Company will exercise the renewal option or will not exercise the termination option. A reassessment of the lease term is performed only if there are significant events that are within the Company's control and that affect the previous assessment of the lease term (such as significant changes in business decisions).

Underlying asset	Lease term
Premises	13-88 months
Vehicles	24-67 months

Assessment of an option to purchase the underlying asset

At the lease commencement date of the car leases, the Company assesses whether it is reasonably certain to exercise the purchase option relating the underlying asset. To determine the likelihood of exercising the purchase option, the Company considers the terms and conditions associated with the exercise of such an option, including the offered rate by the lessor compared to current market rates, as well as the significance of the underlying assets to the Company's operations. For car leases that were in effect at 31 December 2022, the Company assessed that there was insufficient certainty regarding the exercise of the purchase option, and thus the exercise price of the purchase option was not included in the measurement of the lease liability.

Discount rate

The Company applies the incremental borrowing rate as it does not have information regarding the interest rate implicit in the lease. The incremental borrowing rate represents the rate at which the lessee would borrow funds, on a collateralised basis, in a similar economic environment to obtain financing to purchase an asset of similar value as the right-of-use asset, for a similar lease term, and with similar terms and conditions. The Company applies the incremental borrowing rate to measure all its leases, computed based on the risk-free rate (government bond rates are considered to best reflect the characteristics of the lease payments in a given contract, taking into account the currency and maturity of the bonds) plus a margin that reflects the risk of the Company.

All amounts in PLN thousands, unless otherwise stated

The following table presents the ranges of discount rates used to measure lease liabilities based on the currency of lease payments:

Currency	Discount rate
PLN	3%-9.3%
EUR	1.90%

Identification of non-leasing components

In its office leases, the Company has identified non-lease components associated with the provision of services, such as service charges and charges for the use of common areas. The Company has elected not to separate the charges for the use of common areas from the lease payments, whereas charges for the service components are accounted for separately from the lease components. In car leases, non-lease components, such as service charges, are not included in the measurement of the lease liability.

Debt liabilities

	31 December 2022	31 December 2021
Bank borrowings	**366,660**	-
- long-term	303,168	-
- short-term	63,492	-
Lease liabilities	**13,470**	**18,298**
- long-term	6,535	11,804
- short-term	6,935	6,494
Total	**380,130**	**18,298**

Upon initial recognition, bank borrowings are recognised at fair value, less costs associated with obtaining the borrowings. After initial recognition, interest-bearing bank borrowings are measured at amortised cost using the effective interest rate method. Amortised cost includes the cost of obtaining the borrowing and any discounts or premiums received in connection with the borrowing.

Bank borrowings – terms, payment schedules

Bank borrowings	Currency	Nominal value (PLN)	Credit limit (PLN)	Interest rate	Maturity
Term credit facility from BNP Paribas Bank Polska S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A.	PLN	399,999,999	400,000,000	3M WIBOR + margin 1.2-1.9%; *for periods shorter than 3M the linear interpolation rate	14 June 2027

On 14 June 2022, the Company entered, as borrower, into a credit facility agreement with BNP Paribas Bank Polska S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. (the 'Banks') as the lenders (the 'Credit Facility Agreement'). Under the Agreement, the Banks provided the Company with a term loan of up to PLN 400,000,000.00 thousand to finance general corporate purposes, including planned future investments and further development of the Company. The facility repayment date is 14 June 2027. The facility bears interest at a variable rate plus the Banks' margin.

All amounts in PLN thousands, unless otherwise stated

Debt covenants

The credit agreements entered into with the Banks impose standard legal and financial obligations (covenants) on the Company, as is typical in transactions of this kind. Some of the key covenants in the facility agreement include the following financial ratios: Debt Coverage Ratio (equal to or greater than 1.20); Interest Coverage Ratio (equal to or greater than 2.0), Leverage Ratio (less than 3.50). As of 31 December 2022, the Company was in compliance with all the ratios.

Execution of interest rate risk hedging transactions

Grupa Pracuj S.A. entered into framework agreements with banks on 11 July 2022 to govern the execution and settlement of forward financial transactions, as provided for in Article 85.2 of the Bankruptcy Law. These agreements aim to mitigate the risk of negative impact on finance costs of variable interest rates on financial debt. Under the agreements, the Company secured the variable interest rate on the 3M WIBOR loan with an interest rate swap (IRS) that guarantees a fixed interest rate of 6.94% for a period of 3 years, i.e., until 30 September 2025. As at 31 December 2022, the derivative financial instruments not covered by interest rate hedges had a negative value of PLN 3,630 thousand (Note. 6.2.5).

Settlement and net valuation of derivative financial instruments related to credit exposures

	2022	2021
Measurement of derivative financial instruments		
IRS – Interest Rate Swap	(3,630)	-
Settlement of derivative financial instruments		
IRS – Interest Rate Swap	221	-
Total	**(3,409)**	**-**

Collateral for repayment of the credit facility

In order to provide additional security for the repayment of the Company's liabilities under the Credit Facility Agreement of 14 June 2022, the Company entered into agreements with the Banks for the establishment of registered pledges on trademarks and the Internet domain, as well as an agreement for the establishment of registered pledges and financial pledges on Grupa Pracuj S.A.'s bank accounts.

As of 31 December 2022, the following assets were pledge as collateral:

- registered pledge on a set of Company’s assets up to PLN 852,450 thousand,
- registered pledge on the word and graphic mark 'pracuj.pl' up to PLN 852,450 thousand,
- registered pledge on the word mark 'pracuj.pl' up to PLN 852,450 thousand,
- registered pledge on the Internet domain 'pracuj.pl' up to PLN 852,450 thousand,
- registered pledges and financial pledges on bank accounts up to PLN 852,450 thousand each,
- the Company's statement of voluntary submission to enforcement pursuant to Article 777 of the Code of Civil Procedure.

The Company remained in compliance with all payment and other terms of its credit facility agreements during the period covered by these consolidated financial statements, and there were no events of default in repayment of principal or interest by the Group.

Lease liabilities – lease expenses recognised in reporting period

	2022	2021
Depreciation of right-of-use assets	4,804	4,560
Interest on lease liabilities	336	413

The following table shows the reconciliation of debt liabilities to cash flows from financing activities, including total cash outflows from leases.

All amounts in PLN thousands, unless otherwise stated

Reconciliation of movements in debt liabilities to cash flows arising from financing activities in the separate statements of cash flows

	Borrowings	Lease liabilities	Total
1 January 2022	**-**	**18,298**	**18,298**
Changes in cash flows from financing activities			
New credit agreements	400,000	-	400,000
Payment of bank borrowings	(32,000)	-	(32,000)
Payment of commissions on bank borrowings	(2,000)	-	(2,000)
Payment of interest on bank borrowings	(16,791)	-	(16,791)
Payment of lease liabilities	-	(6,537)	(6,537)
Payment of lease interest	-	(336)	(336)
Net cash flows from financing activities	**349,209**	**(6,873)**	**342,336**
Other changes			
New lease contracts	-	729	729
Lease modifications	-	656	656
Accrued interest	17,452	336	17,788
Effect of changes in foreign exchange rates	-	321	325
Total other changes	**17,452**	**2,045**	**19,497**
31 December 2022	**366,660**	**13,470**	**380,130**

	Borrowings	Lease liabilities	Total
1 January 2021	**29,294**	**23,375**	**52,669**
Changes in cash flows from financing activities			
Payment of bank borrowings	(29,181)	-	(29,181)
Interest paid on borrowings	(195)	-	(195)
Payment of lease liabilities	-	(6,043)	(6,043)
Payment of lease interest	-	(413)	(413)
Net cash flows from financing activities	**(29,376)**	**(6,456)**	**(35,832)**
Other changes			
New lease contracts	-	332	332
Lease modifications	-	748	748
Accrued interest	82	410	492
Effect of changes in foreign exchange rates	-	(111)	(111)
Total other changes	**82**	**1,379**	**1,461**
31 December 2021	**-**	**18,298**	**18,298**

For information on the Company's exposure to interest rate risk, currency risk, and liquidity risk see Note 6.2. For information on fair value see Note 6.1

4.13 Share-based payment arrangements and employee incentive schemes

Accounting policies

Share-based payment arrangements

The value of an equity-settled share-based payment arrangement is measured at the fair value of the equity instruments at their grant date, which is the date on which the Company and its employees concluded the share-based payment arrangement, i.e. the date on which both parties accepted the agreed terms and conditions of the arrangement. The expense is recognised as an employee benefit expense with a corresponding increase in equity (under Share-based payment arrangements) and is spread evenly over the option's vesting period (the period of time an employee must be employed by the Company to vest and for which the Company's and employees' performance targets are set, conditioning the vesting).

The total amount to be recognised as expense is determined without the effects of any non-market vesting conditions.

Non-market conditions (achievement of a predetermined level of EBIT) are reflected in the assumptions concerning the expected number of vested shares. There are no market vesting conditions in the scheme and non-market vesting conditions are not recognised in the valuation.

Significant estimates and judgements

Expected lifetime of options

Many holders of stock options opt to exercise them as soon as they are able, due to a range of considerations. Typically, options granted are non-transferable, meaning that the holder cannot liquidate their position in the options other than by exercising them. In addition, in the event of termination of employment, employees may be required to exercise options immediately (if they have previously vested), otherwise the options will be forfeited. Another factor may be risk aversion.

Expected share price volatility

Expected volatility is a measure that represents the degree of expected variation of an asset's price over a specified period. The volatility measure used in option pricing models is typically the annualised standard deviation of stock returns over a specific time period. The rate of return is expressed as an annual interest rate with continuous capitalisation (annual continuous interest rate).

Factors to consider when estimating expected volatility include:

- implied volatility from traded options on the entity's shares or other traded instruments that include optional features (such as convertible debt), if available;
- historical volatility of the share price over a period that is generally consistent with the expected term of the option, taking into account the remaining contractual life of the option and the potential impact of expected early exercise;
- the length of time an entity's shares has been publicly traded; Newly listed entities might have a high historical volatility, compared with similar entities that have been listed longer;

- the tendency of volatility to revert to its mean, i.e. its long-term average;
- appropriate and regular intervals for price observations.

Expected dividend yield

The Company pays dividends per share. During the period in which the participants of the scheme do not hold any shares, they will not receive the dividend amount directly or through any other form, as the exercise price or conversion into shares is fixed. Under IFRS 2, future dividend payments must be included in the valuation of such options.

Expected option exercise date

Incentive schemes are a form of option provided by the Company to eligible individuals, designed to provide additional compensation for their services. Therefore, it should be assumed that these options will be exercised sooner than other types of options. Furthermore, in the case of the share-based payment arrangement, all eligible participants exercised their vested rights under this arrangement on 11 August 2021, and the corresponding increase in share capital resulting from the issuance of shares by the Company was officially recorded on 5 October 2021 (Note 4.9).

Expected share price volatility at the valuation date

As the shares covered by the scheme are not traded in an active market, the Company cannot use market data to determine volatility information. In the absence of market data for the shares covered by the scheme, the Company estimated volatility based on volatility data of comparable companies. The Company identified five companies that meet the criteria of having a similar nature of business and risk profile, and being listed since at least 2014:

- Recruit Holdings Co Ltd, listed on the Tokyo Stock Exchange,
- Seek, listed on the Australian Stock Exchange,
- Info Edge (India) Ltd, listed on the Indian Stock Exchange,
- 51job Inc. listed on NASDAQ,
- New Work SE, listed on the Xetra stock exchange.

Probability of meeting the condition of achieving a certain level of EBIT and remaining in the employment relationship

At each reporting date, the Company estimates the number of options that are likely to vest in order to determine the amortisation schedule for the scheme.

The Company applied the Black-Scholes-Merton model to estimate the fair value of the options.

Share-based payment arrangements

Shareholder agreements regarding the possibility of taking up shares were signed on 5 December 2017. Pursuant to these agreements, eligible individuals were entitled to receive options that can be converted into shares in exchange for a predetermined cash contribution.

The Company's then-effective incentive scheme for members of the Management Board was amended by the Extraordinary General Meeting on 11 August 2021. The effects of the change to this scheme, totalling PLN 11,317 thousand, were recognised as employee benefits expense in 2021. The total cost of this scheme recognised in the Group' equity amounted to PLN 28,002 thousand.

Furthermore, all eligible participants exercised their vested rights under this program on 11 August 2021, and the corresponding increase in share capital resulting from the issuance of shares by the Company was officially recorded on 5 October 2021.

Incentive Scheme 1

On 29 October 2021 the Extraordinary General Meeting of the Parent adopted a resolution establishing incentive scheme No. 1 ('Incentive Scheme 1') for members of the Management Board, the Supervisory Board and key employees (persons employed under an employment contract or mandate contract, regardless of the applicable law governing the contract). The Incentive Scheme 1 is based on shares issued under the authorisation granted to the Management Board to increase the share capital within the authorised share capital ('Bonus Shares 1'). To implement Incentive Scheme 1, the Management Board is authorised to issue not more than 1,021,563 Bonus Shares 1, representing not more than 1.5% of the share capital, and to disapply shareholders' pre-emptive with respect to the shares, subject to approval from the Supervisory Board. Two main objectives behind Incentive Scheme 1 are to support the delivery of the Company long-term business goals and to retain talents who play a key role in shaping and executing the Company's strategy. The Incentive Scheme 1 will be implemented in 2022-2024. A participant's entitlement to receive Bonus Shares 1 will be conditionally vested at the end of each calendar year during the term of the Incentive Scheme 1 and will be subject to the fulfilment of the following conditions as determined by the Management Board:

- delivery of a specific financial result in a given performance period (proportion 80%),
- delivery of a specific business objective in a given performance period (20%).

Each participant will pay the issue price per Bonus Share 1 determined as:

- a PLN-equivalent of 33% of the final price per share in the retail tranche of the initial public offering, rounded down to the nearest grosz (PLN 1/100), or
- the par value per share, that is PLN 5.00.

As of 31 December 2022, the Group's employees were invited to participate in, and joined, the portion of Incentive Scheme 1 that is linked to the 2022 results. The vesting period runs from 1 June 2022 to 31 March 2025. The Management Board assesses that the risk of participants leaving or being excluded from the portion of Incentive Scheme 1 linked to the 2023 and 2024 results is very low. The total cost of the scheme, which was recognised in the Company's equity as at 31 December 2022 amounted to PLN 4,795 thousand. Additionally, a value of PLN 3,834 thousand was recognised in employee benefits expense of the reporting period. The scheme has an estimated maximum total cost of PLN 23,278 thousand, which may be recognised in the Company's equity during the scheme's term.

The following table shows the key assumptions used for the scheme valuation and terms of the scheme.

Fair value measurement of the scheme at the grant date, i.e. 1 June 2022	
Fair value of a single option at the grant date (PLN)	32.48 (tranche 1) 19.22 (tranches 2 and 3)
Number of priced options	1,021,563
Total fair value of the scheme (PLN thousand)	23,278
Key inputs used in the fair value measurement	
Option exercise price (PLN)	24.42 or 5.00
Expected option exercise date	31 March 2025
Expected dividend yield	4.52%
Model used	Black-Scholes-Merton

Incentive Schemes 2 and 3

On 29 October 2021, the Extraordinary General Meeting of the Company adopted resolutions establishing the rules for Incentive Schemes 2 and 3 (separately 'Incentive Scheme 2' and 'Incentive Scheme 3,' and collectively 'Incentive Schemes 2 and 3').

Two main objectives behind Incentive Schemes 2 and 3 are to support the delivery of the Company long-term business goals and to retain talents who play a key role in shaping and executing the Company's strategy. Incentive Schemes 2 and 3 were founded on shares issued under the authorisation granted to the Management Board to increase the share capital within the authorised share capital pursuant to Resolution No. 5 of the Extraordinary General Meeting of 22 October 2021, and to disapply shareholders' pre-emptive rights with respect to the issued shares, subject to approval from the Supervisory Board. Incentive Scheme 2 was intended for employees (persons employed under an employment contract or contract of mandate (regardless of the applicable law governing the contract)) of the Group, members of the Management Board and the Supervisory Board of the Company. Incentive Scheme 3 was intended for the Group's associates (independent contractors who provide services to the Group under a separate service contract (regardless of the applicable law governing the contract)). To implement Incentive Schemes 2 and 3, the Management Board was authorised to issue a maximum of 163,113 bonus shares 2 ('Bonus Shares 2') and 7,147 bonus shares 3 ('Bonus Shares 3'), representing a total of no more than 0.25% of the Company's share capital.

The number of shares each participant in Incentive Schemes 2 and 3 was to receive was determined at the discretion of the Management Board based on two factors:

- total length of service or cooperation with the Group, and
- the amount of remuneration of a participant in Incentive Programs 2 and 3, which reflects their contribution to the development of the Company.

The vesting period under these schemes ended in the first half of 2022. The Management Board offered a total of 160,776 shares, which were admitted to trading on the regulated market of the Stock Exchange on 9 August 2022 (Note 4.9).

Bonus Shares 2 and Bonus Shares 3 were subject to a lock-up until 9 September 2022. Incentive Schemes 2 and 3 were implemented in 2021-2022. On 17 December 2021, each program participant was notified of their allocation of Bonus Shares 2 and Bonus Shares 3, along with the specific number of shares they would receive. The price of each granted equity instrument was calculated by subtracting the par value per share from the share price on the Warsaw Stock Exchange as of 17 December 2021. Each participant in schemes took up shares at par. As at 31 December 2021, employee benefit expenses amounting to PLN 1,112 thousand were recognised for the period from the date of share allocation to 31 December 2021. The total value of the schemes, of PLN 10,658 thousand, was recognised in the Company's equity. The total cost of the schemes, expensed as employee benefit expense in 2022, was PLN 8,341 thousand.

On 22 October 2021, the Company's Extraordinary General Meeting authorised the Management Board to issue up to 1,191,823 new bearer shares with a par value of PLN 5.00 per share, and a total par value not more than PLN 5,959,115. Within the limits of the authorised capital, the Management Board is authorised to increase the Company's share capital once or multiple times for the purposes of Incentive Schemes 2 and 3 and Incentive Scheme 1. The authorisation will expire three years after the registration of the relevant amendment to the Company's Articles of Association by the competent registry court, i.e., the amendment made in accordance with Resolution No. 5 of the General Meeting held on 22 October 2021. As the allotment of Bonus 1 Shares is scheduled no earlier than 31 March 2025, the Annual General Meeting passed a resolution to extend the Management Board's authorisation to increase the authorised share capital. The Management Board is also authorised to disapply the pre-emptive rights to shares issued within the authorised capital, either wholly or in part, subject to approval from the Supervisory Board. This extension enables the share capital increase and the issuance of Bonus 1 Shares in 2025.

Free transfer of part of the Company shares

In January 2023, the following shareholders of the Company: Przemysław Gacek, Maciej Noga, Gracjan Fiedorowicz, Rafał Nachyna, Oksana Świerczynska, and Paweł Leks transferred a total of 341,325 shares in the Company to a group of 18 members of senior management from the Company and selected Group companies. The transfer aimed to acknowledge each individual's contribution to the Company and Group's development while providing motivational incentives. The shares were existing ordinary bearer shares held by each of the named shareholders, issued by the Company and listed on the regulated market operated by the Warsaw Stock Exchange.
The fair value of the transferred shares was determined based on the market share price of PLN 40.90 per share. The total value of the transferred shares was PLN 13,960,192.50, out of which the Company incurred a cost of PLN 11,633,473.30 as employee benefit expense. The remaining amount of PLN 2,327,719.20 increased the value of investments in subsidiaries.
As the senior executives had provided services to the Company prior to the grant date of 5 January 2023 and were employed in 2022, the cost of the scheme was recognised in 2022 when the employee services were rendered. This is because there were no additional service conditions that would have affected a different timing of recognition of the equity-settled share-based payment transaction.

The following table presents the key assumptions used for the fair value measurement:

Fair value measurement of Company shares transferred free of charge as at the grant date, i.e. 5 January 2023	
Fair value per share at the grant date (PLN)	40.90
Number of priced options	341.325
Total fair value of the transferred shares (PLN thousand)	13.960

For details of the free transfer of shares see Note 7.7.

4.14 Employee benefit obligations

Accounting policies

Employee benefit obligations include provisions for employee benefits and other obligations to employees.

Provisions

Provisions are recognised when the Company a present obligation (legal or constructive) resulting from past events, and it is certain or highly probable that the settlement of which is expected to result in an outflow of resources, which represent the economic benefit, and it is possible to reliably estimate the amount of this liability.

The Company recognises provisions for employee benefits, such as:

- retirement and disability pensions,
- death gratuity,
- incentive schemes bonuses for key employees.

Provisions for retirement and disability pensions, and death gratuity

The provisions for retirement and disability pensions is recognised based on the estimated future cash flows to be paid to employees after they reach retirement age. The amount of the provision is determined based on various factors, including length of service, average gross salary rates, employee turnover rates, and other demographic data.

Provisions for retirement, pensions and death gratuities are estimated by an independent actuary using the projected unit credit method. Actuarial gains and losses on defined post-employment benefits are presented in other comprehensive income for the period and subsequently recognised in ‘Other reserves’.

Gains and losses related to other benefits paid during the period of employment are recognised in employee benefits expense in the statement of comprehensive income of the current reporting period.

Provisions for bonuses for key employees

A provision for bonuses is recognised in the amount equal to the cash flows to which employees are entitled at the time of payment. The amount of the provision depends on the level of achievement of the targets specified in the incentive scheme, such as the level of EBIT or special targets set for a given year. The Company recognises costs of the provision for incentive scheme bonuses for key employees in the line item ‘Employee benefits expense’ of the statement of comprehensive income.

Other obligations to employees

Other obligations to employees are recognised initially at nominal value and are measured at the end of the reporting period at amounts due. The Company's other obligations to employees include, in particular, accrued holiday entitlements and liabilities for sales-related bonuses and commission fees.

Significant estimates and judgements

The Company relies on judgments and estimates to determine the amount of the provision for employee benefits. The primary assumptions used to estimate the provision amount are the discount rate and the rate of wage growth. These assumptions are determined by an actuary based on the Company's historical data and market information.

The Company also evaluates the likelihood of potential liabilities arising. When the assessment shows that it is probable for a liability to occur (but the timing or amount of the future liability is uncertain), the Company recognises a provision. When the occurrence of a liability is possible, but not probable – a contingent liability is recognised (Note 7.5).

All amounts in PLN thousands, unless otherwise stated

Employee benefit obligations

	31 December 2022	31 December 2021
Non-current	**1,696**	**1,331**
Provisions	**1,696**	**1,331**
Death gratuities	868	700
Retirement benefits	723	544
Disability benefits	105	87
Current	**12,995**	**11,464**
Provisions	**53**	**1,243**
Death gratuities	26	19
Retirement benefits	14	1
Disability benefits	13	10
Bonuses	-	1,213
Other obligations to employees	**12,942**	**10,222**
Accrued holiday entitlements	3,389	2,382
Sales-related bonuses and commission fees payable to employees	9,553	7,840
Total	**14,691**	**12,796**

	Death gratuities	Retirement benefits	Disability benefits	Bonuses	Total provisions
1 January 2021	**694**	**651**	**94**	**9,367**	**10,806**
Recognised	25	1	5	1,213	1,244
Reversed	-	(107)	(2)	-	(109)
Amounts written off	-	-	-	(9,367)	(9,367)
31 December 2021	**719**	**545**	**97**	**1,213**	**2,574**
Non-current	*700*	*544*	*87*	-	*1,331*
Current	*19*	*1*	*10*	*1,213*	*1,243*
1 January 2022	**719**	**545**	**97**	**1,213**	**2,574**
Recognised	175	197	22	-	394
Reversed	-	(5)	(1)	-	(6)
Used	-	-	-	(1,213)	(1,213)
Exchange differences	-	-	-	-	-
31 December 2022	**894**	**737**	**118**	**-**	**1,749**
Non-current	*868*	*723*	*105*	-	*1,696*
Current	*26*	*14*	*13*	-	*53*

Actuarial assumptions used in calculating the provision for post-employment benefits (death gratuities, retirement and disability benefits)

	31 December 2022	31 December 2021
Discount rate	**Discount rate curve published by EIOPA**	**Discount rate curve published by EIOPA**
Wage growth rate		
- in the next 1-3 years	9.7%	7.5%
- in the next 4-10 years	6.4%	5.0%
- after further 10 years	5.0%	2.5%

Long-term incentive arrangements for key employees

In the years 2018-2020, the Company implemented a long-term employee incentive arrangement for selected key employees ('DPM 2018-2020'). Employees covered by the incentive arrangement were eligible to receive a bonus if they remained employed or under contract and were not on notice period as at 31 May 2021. The bonus could be equivalent to at least 60% of the employee's annual total salary. The amount of the DPM 2018-2020 bonus was determined based on two factors: 80% on the level of achievement of the EBIT target and 20% on the delivery of special targets specific to each year (2018, 2019, and 2020). The Management Board confirmed the entitlement to receive a bonus for each year based on the delivery of targets set for that year. Employees whose interruptions in the performance of duties under their contract with the Company exceeded 10% of the annual working time were ineligible to receive the bonus, except for those on maternity, paternity, or parental leave, for whom the bonus was calculated proportionally based on the time worked. Further, the scheme participants were ineligible to receive DPM bonuses if they acted against the interests of the Company or engaged in competitive activities. The Company recognised provisions for employee benefits under DPM 2018-2020. In July 2021, DPM 2018-2020 was paid in full to its participants.

All amounts in PLN thousands, unless otherwise stated

Selected employees were included in the long-term employee incentive scheme for key employees ('DPM 2021-2023') in the years 2021-2023. The employees participating in the incentive scheme were eligible to receive a bonus if they remained employed or under contract and were not on notice period as at 1 January 2024. The bonus could be equivalent to at least 60% of the employee's annual total salary. The amount of the DPM 2021-2023 bonus was determined based on two factors: 80% on the level of achievement of the EBIT target and 20% on the delivery of special targets specific to each year (2021, 2022, and 2023). The Management Board confirmed the entitlement to receive a bonus for each year based on the delivery of targets set for that year. Employees whose interruptions in the performance of duties under their contract with a Group company exceeded 10% of the annual working time were ineligible to receive the bonus, except for those on maternity, paternity, or parental leave, for whom the bonus is calculated proportionally based on the time worked. Further, the scheme participants were ineligible to receive DPM 2021-2023 bonuses if they acted against the interests of Group companies or engaged in competitive activities. The Management Board of the Company elected to terminate the scheme early in December 2021 and disburse the first-year bonus in December 2021, with the exception of PLN 1,213 thousand, which was paid in July 2022. The total cost of the scheme recognised in the statement of comprehensive income for 2021 was PLN 6,913 thousand.

4.15 Trade payables and other financial liabilities

Accounting policies

Trade payables and other financial liabilities

The Company classifies trade liabilities and other financial liabilities as financial instruments measured at amortised cost, and the recognition and measurement principles for this category are described in Note 6.1.

Trade payables

	31 December 2022	31 December 2021
Trade payables		
- to related entities	578	445
- to other entities	12,815	14,240
Total	**13,393**	**14,685**

Other financial liabilities

	31 December 2022	31 December 2021
Derivative liabilities	3,630	-
Liability arising from put option on shares in associate	227	-
Liability arising from acquisition of shares in associate	314	7,097
Total	**4,171**	**7,097**

The Company had a liability for the acquisition of shares in Fitqbe sp. z o.o. in the form of a deferred payment of PLN 4,507 thousand as at 31 December 2021, which was settled on 11 January 2022.

All amounts in PLN thousands, unless otherwise stated

Furthermore, pursuant to a preliminary agreement, the Company recognised a liability of PLN 2,590 thousand for the acquisition of financial assets. This amount was subsequently settled in 2022 for PLN 2,276 thousand, leaving a remaining liability of PLN 314 thousand as of 31 December 2022 (Note 4.4).

The details regarding derivatives are provided in Note 6.2.5, whereas the information related to option liabilities can be found in Note 4.4.

4.16 Other non-financial liabilities

Accounting policies

Other non-financial liabilities are initially recognised at nominal value and measured at the end of the reporting period at amounts due.

The Company's other non-financial liabilities include, in particular tax liabilities (other than corporate income tax (‘CIT’)) and social security liabilities.

	31 December 2022	31 December 2021
Tax liabilities (other than CIT) and social security liabilities	9,639	11,870
Other non-financial liabilities	884	383
Total	**10,523**	**12,253**

5 Capital management policy and net debt

The Company's capital management policy aims to support the continuous operations of the Company and increase value for shareholders and other stakeholders. It also seeks to maintain an optimal capital structure that balances the cost of capital with appropriate levels of credit ratings. The Company may modify the level of dividends paid to shareholders, conduct share buybacks, issue new shares, or sell assets as appropriate to maintain or adjust the capital structure and reduce the level of net debt.

The Company's capital management policy considers various factors, including:

- the Company's performance in relation to investment and development plans,
- the repayment schedule for financial debt,
- credit rating and capital ratios,
- and value creation for shareholders.

As at 31 December 2021, no external capital requirements were imposed on the Company. As at 31 December 2022, the Company had additional financial liabilities arising from the credit facility agreement (Note 4.12).

The Company uses the debt ratio as a metric to monitor its capital position, which is computed by dividing net debt by total equity. Net debt is determined by subtracting cash and cash equivalents from interest-bearing loans, option liabilities, derivative liabilities, and lease liabilities.

The following table presents the development of the net debt to equity ratio at the end of each reporting period covered by the financial statements.

All amounts in PLN thousands, unless otherwise stated

	31 December 2022	31 December 2021
Bank borrowings	366,660	-
Lease liabilities	13,470	18,298
Other financial liabilities	4,171	7,097
Less: cash and cash equivalents	(59,266)	(141,815)
Net debt	**325,035**	**(116,421)**
Equity	324,205	267,139
Leverage (net debt to equity)	**1.00**	**(0.44)**

6 Financial instruments and management financial risk

6.1 Financial instruments and fair value

Accounting policies

Initial recognition

The Company recognises a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Company initially recognises financial instruments at their fair value, taking into account any transaction costs incurred. However, trade receivables with a maturity of less than 12 months from recognition (i.e., those without a significant financing component) are recognised at the transaction price.

Classification and measurement after initial recognition

Financial instruments are initially classified by the Company into three categories: financial assets measured at amortised cost, financial assets measured at fair value through profit and loss, and other financial liabilities.

- Financial assets measured at amortised cost

  The Company classifies financial assets based on the business model for managing financial assets and the contractual cash flow characteristics of financial assets. Financial assets classified as measured at amortised cost include those financial assets that were not designated by the Company at initial recognition for measurement at fair value through profit or loss and meet both of the following two conditions:

  - the financial asset is held according to a business model whose objective is to hold financial assets to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (they meet the so-called SPPI test).

The Company performs business model and contractual cash flow tests (‘SPPI test’) for all material items of financial assets, based on facts and circumstances existing at their initial recognition and in subsequent periods.

Based on the results of the business model and SPPI tests, the Company has determined that trade receivables, cash security deposits, bonds (recognised as non-current financial assets held to maturity, usual 3 months), loans, and cash and cash equivalents are financial assets measured at amortised cost.

The Company reclassifies financial assets to another category only if the management model for such assets changes. In such a situation, the assets affected by the change in the business model are reclassified.

Financial assets measured at amortised cost are measured by the Company at each reporting date using the effective interest rate method, and any expected credit losses are accounted for through impairment charges.

- Financial assets at fair value through profit or loss

  Financial assets that are not classified as measured at amortised cost and are not classified as measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

  Financial assets at fair value through profit or loss include the Company's shares in entities that are not listed on active markets and that are not subsidiaries nor associates of the Company.

- Other financial liabilities

  Other financial liabilities are classified as financial instruments measured at amortised cost using the effective interest rate after initial recognition. Measurement changes are recognised in profit or loss in the current period. This category includes financial liabilities that are not classified as measured at fair value through profit or loss, i.e. are not held for trading and do not meet a definition of financial guarantee contracts.

  The Company classified all its financial liabilities, i.e. bank borrowings, lease liabilities, trade payables and other financial liabilities as other financial liabilities.

  Financial liabilities are not reclassified after initial recognition.

Derecognition

The Company derecognises a financial asset from the statement of financial position when the contractual rights to the cash flows from the financial asset expired (i.e. in particular, when there is a material modification of the terms of the contract relating to the financial asset) or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

The Company derecognises a financial liability (or a part of a financial liability) when the obligation specified in the contract is discharged or cancelled or expired.

Fair value

The Company classifies its financial assets and liabilities according to the level of the fair value hierarchy, which is determined based on the inputs used in the valuation. The three levels of the fair value hierarchy are:

- Level 1 – air value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value is determined based on observable market inputs other than quoted prices in active markets. These inputs may include direct market quotes for similar instruments or the use of models based on actual market transactions;

- Level 3 – fair value is based on unobservable inputs that are supported by little or no market activity.

Hedge accounting of financial instruments

The Company does not apply hedge accounting.

Impairment of trade receivables and other financial assets

At the end of each reporting period, the Company measures and recognises an allowance for expected credit losses in relation to financial assets measured at amortised cost. Changes in allowances for expected credit losses during the period are recognised in the statement of comprehensive income under the line item ‘Expected credit losses’ in operating activities.

Expected credit losses are credit losses weighted by the probability of default. The measurement of the allowance requires the Company to make significant estimates.

The Company is exposed to credit risk and currency risk arising from financial assets. The management of these risks is described in Note 6.2.

Significant estimates and judgements

Allowance for expected credit losses

Determination of expected credit losses requires assumptions and estimates to be performed by the Company, in particular to determine the weighted average loss rate for time-past-due periods.

The Company uses a simplified approach to estimate expected credit losses for trade receivables, which involves recognising allowances for the entire life of the instrument, from initial recognition to maturity, without taking into account changes in credit risk. In order to estimate the expected credit losses on trade receivables, the Company has established a provision matrix that takes into account historical information on payments of receivables from different time-past-due periods, categorised by groups of customers with different characteristics. Based on the provision matrix, the repayment rates are determined and used to estimate the expected credit losses for each time-past-due period. The Company has determined that there are no significant factors that could materially change the historical loss ratios in the future. Therefore, the historical loss ratios have not been adjusted for forward-looking information when determining the expected credit losses on trade receivables. The matrix is updated at least at the end of each reporting period. In assessing credit risk exposure for receivables, the Company factors in insurance coverage, if any, and the various methods of settlement, such as prepayments and mutual offsetting.

An individual risk assessment resulting in an allowance for the full amount of receivables is carried out for trade receivables that are past due by more than a year, counterparties that are placed in liquidation, and disputed receivables.

For other financial assets the Company assesses at each reporting date whether there has been a significant increase in credit risk for a given instrument since its initial recognition. If a significant increase in credit risk is identified, the allowance for expected credit loss is estimated over the instrument's remaining life horizon. Otherwise, the Company estimates the allowance at 12-month expected credit losses. For financial assets other than trade receivables, the allowance for expected credit loss is estimated individually. During the periods presented in these separate financial statements, the Company did not recognise expected credit losses in respect of financial assets measured at amortised cost other than trade receivables.

All amounts in PLN thousands, unless otherwise stated

The following table presents the carrying amounts of each financial instrument and its allocation to the levels of the fair value hierarchy.

	31 December 2022	31 December 2021	Fair value hierarchy
Financial assets measured at fair value through profit or loss			
Unlisted shares	126,507	122,172	Level 3
Other financial assets	-	2,149	Level 3
Total	**126,507**	**124,321**	
Financial assets measured at amortised cost			
Trade receivables	48,724	45,987	
Cash and cash equivalents	59,266	141,815	
Cash deposits	3,492	2,991	
Bonds	-	24,977	
Total	**111,482**	**215,770**	
Other financial liabilities			
Bank borrowings	366,660	-	Level 2
Lease liabilities	13,470	18,298	
Trade payables	13,393	14,685	
Derivatives recognised in financial liabilities	3,630	-	
Other financial liabilities	541	7,097	Level 3
Total	**397,694**	**40,080**	

Due to the short-term nature of trade receivables, cash and cash equivalents, cash security deposits, bonds, trade payables, and other financial liabilities, the Company assesses that their carrying amounts at the end of each reporting period covered by these consolidated financial statements are a reliable approximation of their fair value.

The fair value of interest-bearing bank borrowings is estimated based on a discounted cash flow model using a discount rate reflecting the bank’s interest rate. Based on this calculation, the Company has assessed that the value of bank loans at the end of each of the periods presented is a reliable approximation of their fair value.

6.2 Financial risk management

6.2.1 Principles of financial risk management

The Company is exposed to various financial instrument risks, including:

- credit risk,
- liquidity risk,
- currency risk,
- interest rate risk.

This note provides information about the Company's exposure to each of the risks identified above and describes the Company's risk management objectives and policies. The overall objective of the financial risk management policy is to minimise the negative impact of the identified financial risks on the Company's financial results.

All amounts in PLN thousands, unless otherwise stated

6.2.2 Credit risk

Credit risk is the potential risk of a credit event occurring in the future, which can take the form of counterparty insolvency, partial repayment of receivables, significant payment delays, unexpected deviations from contractual terms, or the risk of not recovering cash placed with banks. This risk primarily relates to trade receivables, cash and cash equivalents, and other financial assets, under which the Company recognises, in particular short-term bonds and cash deposits.

The following table presents the Company's maximum exposure to credit risk:

	31 December 2022	31 December 2021
Trade receivables	48,724	45,987
Other financial assets	83	25,060
Cash and cash equivalents	59,266	141,815
Total	**108,073**	**212,862**

Credit risk related to cash

The Company periodically places free cash in short-term deposits with banks to earn finance income from interest.

The credit risk associated with cash at bank and bank deposits is considered to be low since the Company conducts transactions with banks that have high ratings and a stable market position. The Company has estimated that the expected credit loss is minimal, and therefore, it has not recognised any allowance for this loss.

The maximum exposure to this risk is equal to the carrying amount of cash and cash equivalents as presented in the financial statements.

Credit risk related to trade receivables

The table below presents information on the gross carrying amount and allowance for expected credit losses for trade receivables measured at amortised cost.

	Weighted-average loss rate	Gross carrying amount	Allowance for expected credit loss
31 December 2022	3.54%	50,514	1,791
31 December 2021	3.10%	47,458	1,471

The following table shows the classification of gross trade receivables by length of time-past-due period.

Gross trade receivables	31 December 2022	31 December 2021
Not past due	42,051	37,612
Past due up to one year	7,357	7,149
Past due over one year	1,106	1,226
Total	**50,514**	**45,987**

Given the nature of its business, the Company may face credit risk associated with sales made on a deferred payment basis. Customer credit risk is managed by each business unit in accordance with the Company’s established policies, procedures, and controls relating to customer credit risk management. The Company actively monitors outstanding receivables from customers on a regular basis.

The Company's exposure to credit risk is primarily determined by the specific characteristics of each individual customer. In addition to the individual characteristics of each customer, the Company's management also considers the potential impact of industry and country-specific factors on the credit risk of the customer base. This includes the default risk associated with the industry and country in which customers operate. A simplified approach has been adopted to determine expected credit losses for trade receivables, which involves estimating lifetime expected losses (lifetime ECL).

All amounts in PLN thousands, unless otherwise stated

In monitoring customer credit risk, the Company identifies homogeneous portfolios, consisting of exposures with similar credit risk profiles. These portfolios were created based on segmentation of the receivables by their size and the number of days past due. The division of trade receivables into portfolios is periodically reviewed for homogeneity.

The Company considers the risk of concentration of trade receivables to be low, given the dispersion of its customer base and the diverse industries in which they operate.

The rate of expected credit loss is calculated for each business based on their outstanding arrears and actual credit losses. Customers are segmented according to their credit risk profiles, taking into account factors such as number of employees and credit history.

Additional allowances for specific counterparties may be established on a case-by-case basis by the Company if there is a justifiable reason.

Credit risk related to the bonds

The Company presents its holdings of commercial bonds issued by mLeasing sp. z o.o., a financial institution with an investment-grade rating, as current financial assets. The maximum exposure of this item to credit risk is equal to its amount recognised in the statement of financial position. The Company deems the credit risk associated with this financial asset to be low and has therefore not recognised any loss allowance.

6.2.3 Liquidity risk

The Company faces liquidity risk, which refers to its ability to meet its financial obligations in a timely manner. The Company monitors and manages its liquidity risk by regularly assessing payment dates and cash requirement for both short-term obligations and long-term cash needs. The Company compares its cash requirement with the available sources of funds and assesses its free funds to manage liquidity risk. In addition, the Company has a policy of diversifying its funding sources.

In managing liquidity risk, the Company's approach is to provide financing for its companies to meet obligations, prioritising the most advantageous financing options available. The following measures are applied to reduce liquidity risk:

- ongoing monitoring of the liquidity position,
- monitoring and optimising the level of working capital,
- ongoing monitoring of compliance with the terms of credit facility agreements and timely payment of principal and interest.

The following tables present the maturity of financial liabilities. The table below presents the maturity profile of the financial liabilities, including undiscounted cash flows with interest based on contractual terms.

31 December 2022	Carrying amount	Expected cash flows from financial liabilities				
		up to 1 year	1-3 years	3-5 years	over 5 years	Total
Borrowings	366,660	92,748	169,734	192,968	-	455,450
Lease liabilities	13,470	7,013	6,660	142	-	13,815
Trade payables	13,393	13,393	-	-	-	13,393
Derivatives recognised in financial liabilities	3,630	3,630	-	-	-	3,630
Other financial liabilities	541	541	-	-	-	541
Total	**397,694**	**117,324**	**176,394**	**193,109**	**-**	**486,829**

All amounts in PLN thousands, unless otherwise stated

31 December 2021	Carrying amount	Expected cash flows from financial liabilities				
		up to 1 year	1-3 years	3-5 years	over 5 years	Total
Lease liabilities	18,298	6,602	12,308	19	-	18,929
Trade payables	14,685	14,685	-	-	-	14,685
Liabilities arising from acquisition of shares in equity-accounted investees	2,590	2,590	-	-	-	2,590
Other financial liabilities	4,507	4,507	-	-	-	4,507
Total	**40,080**	**28,384**	**12,308**	**19**	**-**	**40,711**

The table below presents the working capital, which is the difference between the current assets and current liabilities, at the end of the reporting periods covered in these separate financial statements. The decrease in working capital in 2022 was primarily attributable to a reduction in cash and cash equivalents and an increase in liabilities arising from a credit facility. Contract liabilities are a significant component of current liabilities, representing the Company's obligation to provide services to customers for which it has already received payment (or payment is pending) from the customer.

	31 December 2022	31 December 2021
Current assets	112,314	224,171
Current liabilities	(254,567)	(152,753)
Working capital	**(142,253)**	**71,418**

6.2.4 Currency risk

The Company is exposed to the currency risk arising from its transactions. Such risk arises when an operating unit enters into a sale or purchase transaction or a financing transaction consisting of lease contracts in currencies other than PLN.

The Company's hedging strategy is periodically reviewed. The extent of foreign currency exposure is determined through a risk analysis of open positions in a specific currency, considering the historical trends of exchange rates over a specified time period and the financial market's expectations regarding future exchange rate fluctuations.

The following tables show the Company's exposure to currency risk:

amounts in currency	31 December 2022	
	EUR	USD
Trade receivables	178	23
Cash and cash equivalents	276	38
Lease liabilities	(2,501)	-
Trade payables	(225)	(42)
Net exposure in currency	**(2,272)**	**19**
Net exposure converted into PLN	**(10,654)**	**82**

amounts in currency	31 December 2021	
	EUR	USD
Trade receivables	535	78
Cash and cash equivalents	930	8
Cash deposits	83	-
Lease liabilities	(3,678)	-
Trade payables	(227)	(35)
Net exposure in currency	**(2,357)**	**51**
Net exposure converted into PLN	**(10,843)**	**207**

The tables below illustrate the potential impact on the measurement of financial instruments denominated in foreign currencies and profit or loss, in the event of a reasonable possible strengthening or weakening of those currencies by the amounts shown. This sensitivity analysis is based on the assumption that all other factors, particularly interest rates, will remain unchanged, and it does not account for any effects that changes may have on projected sales and purchases.

All amounts in PLN thousands, unless otherwise stated

	31 December 2022			
	Currency appreciation	Effect on financial result	Currency depreciation	Effect on financial result
EUR	10%	(863)	-10%	863
USD	10%	7	-10%	(7)

	31 December 2021			
	Currency appreciation	Effect on financial result	Currency depreciation	Effect on financial result
EUR	10%	(878)	-10%	878
USD	10%	17	-10%	(17)

6.2.5 Interest rate risk

The Company faces the risk of cash flow volatility due to fluctuations in interest rates, which can affect assets and liabilities that are subject to variable interest rates, such as credit facilities and leases, resulting in changes in interest income and expenses. The Company aims to minimise the impact of interest rate fluctuations on items that bear variable-rate interest through its interest rate risk management strategy.

An increase in interest rates may lead to higher costs of financing, resulting in a decrease in the financial result and potentially reducing the financial effectiveness of investments made by the Company. The Company does not apply hedge accounting.

In 2022, the Company employed interest rate swaps to hedge against the variable interest rate associated with the term facility acquired in June 2022, thus mitigating the interest rate risk. The transaction hedges debt worth PLN 368 million, amortised in accordance with the IRS transaction schedule (Note 4.12).

The Company aims to negotiate the terms of hedging derivative instruments in a manner that aligns with the terms of the items being hedged, ensuring optimal hedge effectiveness.

The profile of the Company's exposure to interest rate risk is provided in the table below, which breaks down interest-bearing financial assets and liabilities according to whether they have fixed or variable interest rates.

	31 December 2022	31 December 2021
Interest-bearing financial instruments		
- fixed-rate instruments	**(17,100)**	**6,679**
Lease liabilities	(13,470)	(18,298)
Bonds	-	24,977
Derivatives recognised in financial liabilities	(4,171)	-
- variable-rate instruments	**(303,902)**	**144,806**
Bank borrowings	(366,660)	-
Cash deposits	3,492	2,991
Cash and cash equivalents	59,266	141,815
Net exposure to interest rate risk (in relation to variable-rate instruments)	**(303,902)**	**144,806**

The table below illustrates how changes in interest rates impact the Company's profit or loss with respect to variable-rate instruments over the horizon to the date of the next financial statements, assuming that other risk factors remain unchanged.

All amounts in PLN thousands, unless otherwise stated

	Net exposure to interest rate risk	Effect on financial result	
		1bp increase in interest rate	1bp decrease in interest rate
31 December 2022	(303,902)	(2,462)	2,462
31 December 2021	144,806	1,173	(1,173)

Interest rate benchmark reform

On 1 January 2018, Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and contracts ('IBOR Reform') entered into force. An amendment to the regulation was issued in February 2021. The regulation introduced a new standard for determining and applying benchmark rates used in the financial market. The National Working Group on Interest Rate Benchmark Reform (NGR) in Poland was established in connection with the planned reform, including the transition from the current interbank offered rate (WIBOR) to a new interest rate benchmark based on overnight (ON) transactions. The NGR's work is aimed at ensuring the credibility, transparency and reliability of the development and application of the new interest rate benchmark.

The Company has reviewed the impact of the IBOR Reform on its various business areas with regard to risk management, including operational and liquidity risks.

The Company has conducted a comprehensive analysis of its commercial and financial contracts to identify any risks related to the WIBOR Reform that could impact its business operations. Based on its review, the Company has not identified any significant risks. Neither has the Company identified the risk of incurring additional costs or incurring losses or lost benefits due to the lack of adequate provisions in existing commercial and financial contracts specifying the terms of continuation of these contracts in the event that the benchmark index is not published ('fallback clauses').

The current IBOR rates and the alternative benchmarks to be adopted by the Company differ significantly from each other. IBOR rates are set for a specific period (such as three months) at the beginning of that period and represent the expected rate for that period, taking into account credit spreads in the interbank market. Alternative benchmarks are usually risk-free overnight rates published at the end of the day that do not include a credit spread. The Company anticipates that these differences may create additional uncertainty regarding interest payments at variable interest rates, but does not expect them to have a significant impact on liquidity management. As at 31 December 2022, the Company's exposure to WIBOR was PLN 366,660 thousand.

7 OTHER NOTES

7.1 Related-party transactions

During the periods covered by these separate financial statements, the Company entered into transactions with related parties. The balances and turnover of these transactions are presented in the tables below.

	Receivables		Payables	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Subsidiaries	122	6,526	64	11
Associates	9	2	514	434
Other related entities[1]	1	2,846	314	4,849
Total	**132**	**9,374**	**892**	**5,294**

All amounts in PLN thousands, unless otherwise stated

	Revenue from contracts with customers		Other services	
	2022	2021	2022	2021
Subsidiaries	1,342	1,152	230	264
Associates	268	35	722	1,016
Other related entities[1]	48	3,799	1	78
Total	**1,658**	**4,986**	**953**	**1,358**

	Finance income	
	2022	2021
Subsidiaries	5,686	13,735
Associates	-	6,618
Total	**5,686**	**20,352**

[1] The term 'related entities' includes not only entities directly associated with the company but also those where a member of the Company's key personnel or a close family member exerts significant influence or possesses a substantial number of voting rights.

During the periods covered by these separate financial statements, there were no transactions between the Company and its related parties on other than arm's length terms.

Members of the Company's Management Board, Supervisory Board and close members of their families, or other related parties, did not engage in transactions with the Company that had a significant impact on the profit or loss of the reporting period or the Company's financial position.

7.2 Remuneration and other transactions with key management personnel

Remuneration of key management personnel

The Company identifies the Management Board and the Supervisory Board of the Company as members of the key management personnel.

	2022	2021
Short-term employee benefits	3,224	2,516
Post-employee benefits	59	55
Share-based payments	746	11,317
Total	**4,029**	**13,888**

Short-term employee benefits refer to the cost of salaries and bonuses, including overheads, for members of the Management Board and the Supervisory Board.

Non-monetary benefits received by members of the Company's key management personnel mainly consist of medical care packages, company cars, and company phones for private use. However, the value of these benefits is not significant.

Payments to key management personnel arising from their shareholdings in the Company

	2022	2021
Cash flows:		
- dividends paid	(86,110)	(68,887)
- remuneration paid due to acquisition of the Company shares by members of the Management Board	-	(6,610)
Total	**(86,110)**	**(75,497)**

All amounts in PLN thousands, unless otherwise stated

7.3 Auditor's fees

	2022	2021
Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.		
Mandatory audit of financial statements	663	235
Other services	89	1,112
Total	**752**	**1,347**

7.4 Employment structure

Information on the average number of employees, classified by occupational group and employed under a contract of employment, is presented in the table below.

	2022	2021
Management Board	3	3
Management personnel	83	72
Other employees	451	430
Total	**537**	**505**

7.5 Contingent liabilities

Accounting policies

The Company recognises as a contingent liability:

- a potential obligation resulting from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the Company's control; or
- a present obligation that arises from past events but is not recognised in the statement of financial position because it is not probable that there will be an outflow of resources embodying economic benefits to satisfy the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Guarantee provider	*Currency*	31 December 2022	31 December 2021
PKO BP S.A.	EUR	498	484
Total	**EUR**	**498**	**484**

The Company recognises bank guarantees issued on behalf of Grupa Pracuj S.A. as contingent liabilities. These guarantees provide security for lease payments under office leases in which the Company is the lessee.

7.6 Impact of the armed conflict in Ukraine on the Company's business

On 24 February 2022, martial law was declared in Ukraine due to the invasion of Russian troops into Ukraine and the onset of an armed conflict that has created new and unpredictable circumstances for the Ukrainian economy. The Company did not earn significant revenue from contracts with customers in Ukraine, Russia and Belarus, but it holds shares in entities conducting business operations in Ukraine ('Ukrainian Companies'). The Management Board of the Company continually monitors the military and economic situation in Ukraine and analyses its impact on the operations of Ukrainian Companies. Although the difficult and unstable situation has caused a significant decrease in revenue from customer contracts for these companies since 24 February 2022, they have managed to maintain business continuity.

All amounts in PLN thousands, unless otherwise stated

The armed conflict in Ukraine could potentially have a long-term adverse impact on the operational and financial performance of entities operating in the region. The most significant risk could stem from the prolonged economic downturn in Ukraine, potentially resulting in continued decline in revenues, challenges in receivables collection at Ukrainian Companies, and the potential loss of value for the Company's assets involved in Ukraine. To date, no assets used for generating cash flows in Ukrainian Companies have been damaged, and there are no restrictions on accessing these assets, including those available via banking systems. Nevertheless, Ukrainian companies cannot make dividend payments outside of Ukraine due to regulatory restrictions. In addition, Ukrainian Companies have sufficient cash resources to continue operations in the coming months. The risk of losing the use of Internet domains that Ukrainian Companies use for their operations under license agreements is either low or non-existent. These domains are registered by entities with their registered office in Cyprus in which the Company holds shares. In the reporting period, the Company recognised its share of the loss of entities that operate in Ukraine and are measured using the equity method. This loss, totalling PLN 131 thousand, was reported in the statement of comprehensive income.

Due to the escalating armed conflict, rapidly changing financial conditions, and the extent of imposed sanctions, the Management Board decided to recognise a PLN 3,900 thousand impairment loss on equity-accounted investees (i.e. WorkIP Ltd and Work Ukraine TOV), and to write-down the dividends receivable from Robota International TOV by PLN 6,650 thousand.

The assets of the Company at risk of impairment related to its operations in Ukraine as of 31 December 2022 and 31 December 2021, are as follows:

	31 December 2022	31 December 2021
Investments in subsidiaries	14,502	14,071
Equity-accounted investees	15,313	19,344
Dividends receivable from subsidiary	-	6,742
Total	**29,815**	**40,157**

The Management Board of the Company would like to emphasise that the effects of the ongoing armed conflict in Ukraine and its potential impact on the financial performance of the Ukrainian subsidiaries in future periods remain uncertain. Consequently, the Management Board is closely monitoring developments and potential indicators that could signify the loss of ability of the Ukrainian subsidiaries to continue as going concerns, and will take appropriate actions as necessary.

7.7 Events after the reporting date

Free transfer of part of Company shares held by certain shareholders

On 5 January 2023, the Company was informed that the following shareholders of the Company: Przemysław Gacek, Maciej Noga, Gracjan Fiedorowicz, Rafał Nachyna, Oksana Świerczynska, and Paweł Leks will transfer a total of 341,325 shares in the Company to a group of 18 members of senior management from the Company and selected Group companies. The transfer aimed to acknowledge each individual's contribution to the Company and Group's development while providing motivational incentives. The shares were existing ordinary bearer shares held by each of the named shareholders, issued by the Company and listed on the regulated market operated by the Warsaw Stock Exchange.
Based on their donation agreement with the shareholders specified above, each individual received shares free of charge in January 2023. Each person who receives shares based on a donation

agreement is obligated to the shareholders to observe a lock-up period. During this six-month period following the receipt of shares, which ends on 18 July 2023, the person receiving the shares must refrain from offering, selling, encumbering, or disposing of the shares or making a public announcement of any intention to do so. The only exceptions to this rule are as follows:

- disposal of shares in response to a tender offer to buy or exchange the Company shares, an invitation to tender the Company shares for sale, or an exchange offer. These offers must be addressed to all of the Company's shareholders and cover all of the Company shares;
- merger of the Company with another company as the acquirer;
- disposal of shares to an entity controlled by the person receiving the shares, provided that the entity enters into an undertaking with identical terms, covering the period from the date of acquisition of the shares up to and including the end of the Lock-Up Period;
- disposal by the person receiving the shares of no more than 25% of the shares received before the expiration of the Lock-Up Period.

Authorisation of the separate financial statements for the year ended 31 December 2022

These separate financial statements for the year ended 31 December 2022 were authorised for issue by the Company's Management Board on 3 April 2023.

…………………………………………
Przemysław Gacek
President of the Management Board

…………………………………………
Gracjan Fiedorowicz
Member of the Management Board

…………………………………………
Rafał Nachyna
Member of the Management Board

grupa pracuj