grupa pracuj

Grupa Pracuj S.A. Group

Consolidated financial statements
for the year ended 31 December 2022

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All amounts in PLN thousand, unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONTINUING OPERATIONS	Note	2022	2021
Revenue from contracts with customers	2.2	**608,549**	**475,113**
Depreciation and amortisation		(15,812)	(12,037)
Cost of advertisements sold		(10,830)	-
Marketing expenses		(59,449)	(54,134)
Software as service		(8,890)	(5,099)
Other services		(39,171)	(24,543)
Employee benefits expense	7.5	(212,077)	(146,676)
Other costs		(8,100)	(6,044)
Other income	2.3	2,425	1,114
Other expenses	2.3	(3,177)	(328)
Expected credit losses		(914)	142
Operating profit		**252,554**	**227,508**
Finance income	2.4	6,407	90,922
Finance costs	2.4	(30,868)	(2,016)
Net finance income / (costs)		**(24,461)**	**88,906**
Share of profit/(loss) of equity-accounted investees	6.5	(848)	3,133
Profit before tax		**227,245**	**319,547**
Income tax	3.1	(58,232)	(63,864)
Net profit from continuing operations		**169,013**	**255,683**
Net profit		**169,013**	**255,683**

OTHER COMPREHENSIVE INCOME	Note	2022	2021
Items that will not be reclassified to profit or loss		**(136)**	**268**
Actuarial gains/(losses) from remeasurement of provisions for employee benefits		(168)	331
Income tax on other comprehensive income		32	(63)
Items that may be reclassified to profit or loss		**599**	**(582)**
Exchange differences on translating foreign operations		599	(582)
Total other comprehensive income		**463**	**(314)**
TOTAL COMPREHENSIVE INCOME		**169,476**	**255,369**

	Note	2022	2021
Net profit attributable to:			
Owners of the Parent		171,040	254,693
Non-controlling interests		(2,027)	990
		169,013	**255,683**
Total comprehensive income attributable to:			
Owners of the Parent		171,503	254,379
Non-controlling interests		(2,027)	990
		169,476	**255,369**
Basic earnings per share (PLN) - continuing operations	7.1	**2.51**	**3.79**
Diluted earnings per share (PLN) - continuing operations	7.1	**2.47**	**3.78**

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

All amounts in PLN thousand, unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 December 2022	31 December 2021
Intangible assets	6.1	29,403	6,176
Property, plant and equipment	6.2	12,382	9,910
Right-of-use assets	6.3	15,093	20,854
Goodwill	6.4	532,432	-
Equity-accounted investees	6.5	27,407	32,484
Other financial assets	5.2	130,622	127,229
Other non-financial assets	6.7	944	227
Deferred tax assets	3.1	56,332	30,391
Non-current assets		**804,615**	**227,271**
Inventory	4.4	3,912	-
Trade receivables	5.4	73,121	55,739
Other financial assets	5.2	348	25,060
Other non-financial assets	6.7	31,139	6,799
Cash and cash equivalents	4.4	109,538	184,836
Current assets		**218,058**	**272,434**
Total assets		**1,022,673**	**499,705**

EQUITY AND LIABILITIES	Note	31 December 2022	31 December 2021
Share capital	4.2	341,325	340,521
Reserve capital		238,248	108,516
Share repurchase reserve		1,080	1,080
Share-based payment arrangements	6.9	57,416	29,256
Other reserves		(13,633)	(15,792)
Translation reserve		506	(94)
Merger reserve		(586,707)	(586,707)
Retained earnings/(losses) carried forward		277,146	372,365
Equity attributable to owners of the Parent		**315,381**	**249,145**
Non-controlling interests		**33**	**12**
Total equity		**315,414**	**249,157**
Bank borrowings	4.3	303,168	-
Lease liabilities	4.3	8,762	17,135
Other financial liabilities	5.3	9,138	13,481
Employee benefit obligations	6.7	1,847	1,451
Deferred tax liabilities	3.1	18,204	19,145
Non-current liabilities		**341,119**	**51,212**
Bank borrowings	4.3	63,492	-
Lease liabilities	4.3	10,942	9,191
Employee benefit obligations	6.7	23,618	14,860
Trade payables	5.4	32,809	15,770
Other non-financial liabilities	6.6	16,765	15,999
Other financial liabilities	5.3	4,171	7,097
Current tax liabilities	3.1	5,923	5,197
Contract liabilities	2.2	208,420	131,222
Current liabilities		**366,140**	**199,336**
Total liabilities		**707,259**	**250,548**
Total equity and liabilities		**1,022,673**	**499,705**

All amounts in PLN thousand, unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		**227,245**	**319,547**
Adjustments for:			
Share in (profit)/loss of equity-accounted investees		848	(3,133)
Depreciation and amortisation		15,812	12,037
Foreign exchange gains/(losses)		2,559	(136)
(Gain)/loss on interest		18,109	952
Gain/(loss) on investing activities		3,814	(87,309)
Impairment loss on equity-accounted investees	6.5	4,230	893
Measurement of equity-settled share-based payment arrangement	6.10	28,160	12,571
Settlement and measurement of derivative financial instruments	4.3	3,409	-
Income tax paid		(61,436)	(49,151)
Changes in working capital:			
Employee benefit obligations	6.8	(18,514)	(5,276)
Change in inventory	6.4	7,576	-
Trade receivables	5.3	2,033	(25,643)
Other non-financial assets	6.6	(670)	(2,596)
Trade payables	5.4	(12,974)	6,716
Other non-financial liabilities	6.7	(10,709)	8,264
Contract liabilities	2.2	29,290	30,921
Other adjustments		237	5
Net cash flows from operating activities		**239,019**	**218,662**
Cash flows from investing activities			
Expenditure on acquisition of subsidiaries less cash and cash equivalents in acquired subsidiaries	6.4	(514,047)	-
Purchase of financial assets	5.2	(58,441)	(98,239)
Proceeds from sale of financial assets		70,000	77,163
Dividends received		-	6,600
Proceeds from sale of property, plant and equipment and intangible assets		645	770
Purchase of property, plant and equipment and intangible assets		(15,807)	(8,078)
Interest received		-	4
Net cash flows from investing activities		**(517,650)**	**(21,781)**
Cash flows from financing activities			
Dividends paid	4.2	(136,530)	(106,789)
Purchase of own shares		-	(7,796)
Net proceeds from issue of shares	4.2	804	6,307
Proceeds from bank borrowings	4.3	400,000	-
Payment of bank borrowings	4.3	(32,000)	(29,181)
Payment of lease liabilities	4.3	(9,714)	(8,196)
Interest paid	4.3	(17,449)	(1,159)
Commissions on bank borrowings	4.3	(2,000)	-
Settlement of derivative financial instruments	4.3	221	-
Net cash flows from financing activities		**203,332**	**(146,814)**
Total net cash flows		**(75,299)**	**50,068**
Cash and cash equivalents at beginning of period		**184,836**	**135,227**
Exchange differences on cash and cash equivalents		1	(459)
Cash and cash equivalents at end of period		**109,538**	**184,836**
Cash and cash equivalents in the statement of financial position	**4.4**	**109,538**	**184,836**

All amounts in PLN thousand, unless otherwise stated

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Share repurchase reserve	Share-based payment arrangements	Other reserves	Translation reserve	Merger reserve	Retained earnings/ (losses) carried forward	Equity attributable to owners of the Parent	Non-controlling interests	**Total equity**
1 January 2022	**340,521**	**108,516**	**1,080**	**29,256**	**(15,792)**	**(94)**	**(586,707)**	**372,365**	**249,145**	**12**	**249,157**
Net profit / (loss) for the period	-	-	-	-	-	-	-	171,040	171,040	(2,027)	169,013
Other comprehensive income for period	-	-	-	-	(136)	599	-	-	463	-	463
Total comprehensive income for period	**-**	**-**	**-**	**-**	**(136)**	**599**	**-**	**171,040**	**171,503**	**(2,027)**	**169,476**
Issue of shares	804	-	-	-	-	-	-	-	804	-	804
Share-based payments	-	-	-	28,160	-	-	-	-	28,160	-	28,160
Distribution of retained earnings	-	129,731	-	-	-	-	-	(129,731)	-		-
Valuation of put option	-	-	-	-	2,295	-	-	-	2,295	2,048	4,342
Dividends	-	-	-	-	-	-	-	(136,530)	(136,530)	-	(136,530)
Transactions with owners of the Parent	**804**	**129,731**	**-**	**28,160**	**2,295**	**-**	**-**	**(266,261)**	**(105,270)**	**2,048**	**(103,222)**
31 December 2022	**341,325**	**238,248**	**1,080**	**57,416**	**(13,633)**	**506**	**(586,707)**	**277,146**	**315,381**	**33**	**315,414**

All amounts in PLN thousand, unless otherwise stated

	Share capital	Reserve capital	Share repurchase reserve	Share-based payment arrangements	Other reserves	Translation reserve	Merger reserve	Retained earnings/ (losses) carried forward	Equity attributable to owners of the Parent	Non-controlling interests	**Total equity**
1 January 2021	**334,867**	**107,247**	**2,960**	**16,685**	**37,812**	**488**	**(586,707)**	**189,839**	**103,191**	**(216)**	**102,975**
Net profit / (loss) for the period	-	-	-	-	-	-	-	254,693	254,693	990	255,683
Other comprehensive income for period	-	-	-	-	268	(582)	-	-	(314)	-	(314)
Total comprehensive income for period	**-**	**-**	**-**	**-**	**268**	**(582)**	**-**	**254,693**	**254,379**	**990**	**255,369**
Issue of shares	6,307	-	-	-	-	-	-	-	6,307	-	6,307
Cancellation of treasury shares	(653)	-	653	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	(7,796)	-	-	-	-	-	(7,796)	-	(7,796)
Distribution of retained earnings	-	-	6,532	-	-	-	-	(6,532)	-	-	-
Share-based payments	-	-	-	12,571	-	-	-	-	12,571	-	12,571
Transfer of capital reserve to statutory reserve funds	-	1,269	(1,269)	-	-	-	-	-	-	-	-
Valuation of put option	-	-	-	-	(15,832)	-	-	-	(15,832)	2,352	(13,480)
Dividends	-	-	-	-	(38,040)	-	-	(65,635)	(103,675)	(3,114)	(106,789)
Transactions with owners of the Parent	**5,654**	**1,269**	**(1,880)**	**12,571**	**(53,872)**	**-**	**-**	**(72,167)**	**(108,425)**	**(762)**	**(109,187)**
31 December 2021	**340,521**	**108,516**	**1,080**	**29,256**	**(15,792)**	**(94)**	**(586,707)**	**372,365**	**249,145**	**12**	**249,157**

All amounts in PLN thousand, unless otherwise stated

1. GENERAL INFORMATION

1.1 General information about the Parent

Name	Grupa Pracuj spółka akcyjna
Legal form	joint stock company
Registered office	ul. Prosta 68, 00-838 Warszawa
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.', the 'Company' or the 'Parent') is the parent of the Grupa Pracuj S.A. Group (the 'Group').

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

Grupa Pracuj S.A. is a leading technology platform in the HR industry in Central and Eastern Europe offering online job announcements and providing recruitment, staff retention and employee development support to a variety of organisations. The Group 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 market. The Group's brands form an advanced digital ecosystem for the HR industry, with Pracuj.pl, Robota.ua, eRecruiter and softgarden as the mainstays of the portfolio.

1.2 Composition of the Management Board and Supervisory Board of the Parent

In 2022 and as of 31 December 2022, the composition of the Parent's 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.

The composition of the Parent's Management Board remained unchanged as of the date of authorisation of these consolidated financial statements.

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 Composition of the Group and basis for consolidation

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

These consolidated financial statements of the Group include financial information of the Parent and all its subsidiaries.

The subsidiaries are consolidated on a full consolidation basis. The Group also holds shares in associates, which are measured using the equity method.

The financial statements of all subsidiaries and associates have been prepared for the same reporting periods as those of the Parent, using consistent accounting policies.

The Parent prepared separate financial statements for the year ended 31 December 2022. The statements were authorised for issue on 3 April 2023.

Subsidiaries

A subsidiary is an entity that is controlled by another entity. The investor controls the investee if and only if the investor:

- 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.

Subsidiaries are fully consolidated from the date on which control over them is transferred to the Group until the date on which the control ceases. Upon loss of control over a subsidiary, the Parent derecognises from its consolidated statement of financial position the assets and liabilities of that entity, any related non-controlling interests and the components of other comprehensive income allocated to them, recognises the fair value of the payment received and any resulting gain or loss associated with the loss of control is recognised in profit or loss for the current period.

Taking control over a business is accounted for using the acquisition method. As at the acquisition date, the identifiable assets acquired as well as liabilities and contingent liabilities assumed are initially measured at fair value. The excess of the acquisition cost determined as the sum of the fair value of the consideration transferred and the value of non-controlling interests measured at the value of their proportionate share of the net assets of the acquiree over the fair value of the net assets acquired is recognised as goodwill. Gain on bargain purchase is recognised in the profit or loss for the period when the acquisition occurred.

The Group measures non-controlling interests at their proportionate share of the acquiree's identifiable net assets at the acquisition date. In subsequent periods, the non-controlling interests are adjusted for changes in the subsidiary's equity based on their proportional share of the net assets. Comprehensive income is allocated to non-controlling interests even if it results in a negative value of these interests.

Changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for as transactions with the owners and recognised directly in equity.

Transactions, balances and any unrealised gains arising from transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Associates

Associates are those entities in which the Group has significant influence, but not control or common control, which usually accompanies holding from 20% to 50% of the total voting rights in the governing bodies of these entities (share in the entity's share capital is not decisive). 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 Group'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 Group'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 Group's share in the total change in the associate's equity from the date of acquisition. If the Group's share in losses of an associate equals or exceeds its interest in the associate, including any long-term receivables constituting part of the Group's net investment in this entity, the Group ceases to recognise further losses.

Unrealised gains on transactions between the Group and its associates are eliminated proportionally to the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies applied by the Group.

As of 31 December 2022 and 31 December 2021, the Group's ownership interests in its subsidiaries were equal to the voting interests held by the Group in these entities.

Changes in the Group's structure

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 117,602,664.00) and the transfer of title to the acquired shares to the Company, was confirmed by the parties with the signing of a relevant protocol on 24 June 2022 (Note 6.4).

The table below provides a list of the subsidiaries and associates of the Group.

All amounts in PLN thousand, 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	activities of holding companies excluding holding financial holdings	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. o.o.	Poland	IT services	35%	35%

1.4 Basis of accounting used in preparing the consolidated financial statements

The consolidated statement of financial position of the Group as at 31 December 2022, along with comparative data as at 31 December 2021, as well as the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the years ended 31 December 2022 and 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 date of transition of the Group to IFRSs was 1 January 2018. The accounting policies applied by the Group prior to the transition were consistent with the provisions of the Polish Accounting Act of 29 September 1994. The decision to prepare consolidated financial statements in accordance with IFRSs was made by way of a resolution of the Extraordinary General Meeting on 11 August 2021 pursuant to Art. 45.1a and 45.1c of the Accounting Act.

These consolidated 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 (Note 5.3).

The Management Board of the Parent represents that, to the best of its knowledge, these consolidated financial statements have been prepared in accordance with the applicable accounting principles, and give a true, fair and clear view of the Group's assets and financial position.

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

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in unchanged form and scope in the foreseeable future. As at the date of authorisation of these consolidated 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 Group's business is analysed and described in detail in Note 7.8

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 consolidated 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 Group makes judgements and assumptions relating to the future. The resulting accounting estimates will rarely match actual results, as they are subject to uncertainties and assumptions. 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 consolidated financial statements. The uncertainty regarding these assumptions and estimates may result in adjustments to the carrying amounts of assets and liabilities in future periods.

All amounts in PLN thousand, unless otherwise stated

Line items in the financial statements to which significant estimates and judgments pertain	Note
Revenue from contracts with customers	2.2
Deferred tax assets	3.1
Intangible assets	6.1
Property, plant and equipment	6.2
Right-of-use assets	0
Taxes payables/receivables	3.1
Lease liabilities	4.3
Financial assets measured at amortised cost	5.1
Trade receivables	5.2
Unlisted shares	5.2
Equity-accounted investees	6.5
Employee benefit obligations	6.9
Share-based payments	6.10

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 from *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 Group 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 Group's consolidated 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 consolidated financial statements of the Group.

1.7 Functional currency and foreign currency transactions

Accounting policies

Functional currency and presentation currency

Financial statements of individual Group companies are prepared in the currency of the primary economic environment in which the company operates, i.e. in its functional currency.

The Polish zloty (PLN) is the functional currency of the Parent and of some of the Group companies (except for the foreign operations listed below) as well as the presentation currency of these consolidated financial statements.

All amounts in these consolidated 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.

Financial statements of subsidiaries and associates prepared in functional currencies other than PLN

For the purpose of preparing consolidated financial statements in the presentation currency of the Group, i.e. the Polish zloty, individual items of the financial statements of foreign operations for which the functional currency is a currency other than PLN are translated as follows:

- all items of assets and liabilities – at the closing rate, i.e. the mid-rate effective as at the end of the reporting period announced by the National Bank of Poland for a given currency,
- all items of the statement of comprehensive income and the statement of cash flows – at the arithmetic mean of the mid rates quoted for a given currency by the National Bank of Poland for the last day of each month in the reporting period. Where the exchange rate fluctuates significantly during the period, the relevant items in the statement of comprehensive income are translated at the rates prevailing on the date of the transaction,
- items of equity are translated at historical exchange rates.

All amounts in PLN thousand, unless otherwise stated

The difference resulting from the translation of equity of a foreign operation at the historical exchange rates different from the closing rate for the reporting period used to translate the other components of assets, equity and liabilities is recognised in the Group's equity as 'Translation reserve', to the extent attributable to the owners of the Parent. Exchange differences on translation for a given period are recognised in other comprehensive income of the period.

The foreign operations of the Group, whose functional currency is other than the Polish zloty, are Robota International TOV, eRecruitment Solutions Ukraine TOV, and Work Ukraine TOV, with the functional currency of the Ukrainian hryvnia (UAH), and Snowless Global Ltd, WorkIP Ltd, Spoonbill Holding GmbH, Spoonbill GmbH, softgarden e-recruiting GmbH, and absence.io GmbH, with the functional currency of the euro (EUR).

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	
currency	**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	
currency	**2022**	**2021**
EUR	4.6883	4.5674
USD	5.4900	3.8629
UAH	0.1354	0.1418

1.8 Corrections for errors and changes in accounting policies

The Group did not make any corrections for errors or changes in accounting principles during the reporting period.

2. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2.1 Operating segments

In accordance with IFRS 8 *Operating Segments* ('IFRS 8'), an operating segment is a distinguishable part of the Group's business activities for which separate financial information is available and whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The Group has identified the following operating segments:

- Segment Poland – this segment comprises entities that earn revenues on the Polish market and whose results are regularly reviewed by the Management Board of the Parent as the chief decision-making body. This segment includes the following entities: Grupa Pracuj S.A., eRecruitment Solutions sp. z o.o., HumanWay sp. z o.o. w likwidacji, and BinarJobs sp. z o.o. The particular entities included in this segment offer comprehensive recruitment, branding and advertising projects;

All amounts in PLN thousand, unless otherwise stated

- Segment Ukraine – this segment comprises entities that earn revenues from contracts with customers on the Ukrainian market. Results of the segment entities are periodically reviewed by the Management Board of the Parent. This segment includes the following entities: Robota International TOV, eRecruitment Solutions Ukraina TOV and Snowless Global Ltd (an entity registered in Cyprus, providing licensing services for Robota International TOV). The companies operating on the Ukrainian market offer, similarly to the companies operating in Poland, end-to-end recruitment projects.
- Germany Segment – this segment comprises companies that primarily generate revenue in the German market. Results of the segment entities are periodically reviewed by the Management Board of the Parent. This segment includes the following entities: Spoonbill Holding GmbH, Spoonbill GmbH, softgarden e-recruiting GmbH and absence.io GmbH. The companies operating in the German market offer a wide range of services related to recruitment processes, as well as support services for time and absence management, and recruitment advertising on online portals mainly in the DACH region.

The Group has chosen to disclose selected data on profit or loss in individual reporting periods by operating segments. The Group has elected not to disclose the allocation of assets and liabilities to operating segments using the exemption permitted under IFRS 8, as the Management Board of Grupa Pracuj S.A. (i.e. the chief operating decision maker within the meaning of IFRS 8) does not analyse the segment data in terms of allocation of the assets and liabilities.

Selected data on income and expenses analysed by the Management Board of the Parent for both operating segments are presented in the tables below.

2022	Segment Poland	Segment Ukraine	Segment Germany	Intersegment eliminations	Total
Revenue from external customers	508,633	25,919	73,997	-	608,549
Other income	1,323	86	1,015	-	2,425
Intersegment revenue	60	125	-	(184)	-
Total segment revenue	**510,016**	**26,130**	**75,012**	**(184)**	**610,974**
Depreciation and amortisation	(9,490)	(2,327)	(3,995)	-	(15,812)
Operating expenses other than depreciation and amortisation	(249,872)	(30,796)	(62,124)	184	(342,608)
Operating profit	**250,654**	**(6,993)**	**8,893**	**-**	**252,554**

2021	Segment Poland	Segment Ukraine	Intersegment eliminations	Total
Revenue from external customers	424,579	50,534	-	475,113
Other income	1,071	43	-	1,114
Intersegment revenue	34	173	(206)	-
Total segment revenue	**425,684**	**50,750**	**(206)**	**476,227**
Depreciation and amortisation	(8,550)	(3,487)		(12,037)
Operating expenses other than depreciation and amortisation	(194,416)	(42,473)	206	(236,682)
Operating profit	**222,718**	**4,790**	**-**	**227,508**

2.2 Revenue from contracts with customers

Accounting policies

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

The main sources of the Group's revenue are:

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

- sale of recruitment projects (job postings published on the Pracuj.pl, Robota.ua and softgarden.io websites, as well as ad-supporting products aimed at increasing the number of page views),

- multiposting – i.e., resale of job advertisements purchased from online recruitment services – revenue from contracts with clients relating to multiposting is recognised either on a gross basis or a net basis, depending on the company's role as an agent or principal. Recognition on a net basis applies to purchases made on customer's specific orders, while recognition on a gross basis pertains applies purchases made for subsequent resale.

- sale of branding products (e.g. employer profiles on the Pracuj.pl and Robota.ua websites, publications in the Employer's Guide, etc.),

- access to recruitment systems, in particular eRecruiter and softgarden.

Transaction price

When determining the transaction price, the Group 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 Group 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 and Robota.ua websites,

- publication of employer profiles on the Pracuj.pl and Robota.ua websites,

- access to the eRecruiter and softgarden systems.

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.

Access to the eRecruiter and softgarden systems is offered on a SaaS (Software as a Service) basis, where the customer simultaneously receives and benefits from the Group's services.

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 with customers for additional products supporting the sale of job announcements, branding products and multiposting is recognised at a point in time by the Group, 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 Group measures progress towards complete satisfaction of a performance obligation to date based on the time elapsed.

Contract assets

Contract assets are recognised when the Group 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 Group 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 Group recognises a contract liability which is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If a customer has paid or is obligated to pay the Group for goods or services before the transfer of the goods or services, the Group 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 Group 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 recognises incremental costs of obtaining a contract with a customer as an asset if the costs are expected to be recovered. Incremental costs of obtaining a contract are those costs incurred by an entity to obtain a contract with a customer which the entity would not have incurred if the contract had not been concluded. Incremental costs of obtaining a contract include sales commission. An asset is amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The Company adjusts the amortisation period to reflect a significant change in the expected timing of the transfer to the customer of goods or services to which the asset relates.

In practice, the Group 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.

The costs the Group incurs for obtaining contracts include, in particular, sales bonuses and are reported in employee benefit expenses in the statement of comprehensive income. The capitalised costs of obtaining contracts are presented in other non-financial assets.

The Group recognises assets arising from the cost of obtaining a SaaS contract, which are amortised over time according to the average expected customer retention period, i.e. 60 months.

The Group 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 Group's resources that will be used to satisfy (or continue to satisfy) performance obligations in the future.

Significant judgements and assumptions

The Group 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 Group 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 Group generally do not contain variable remuneration elements, and therefore the Group 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 Group:

- 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.

- Multiposting – job advertisements published on more than 300 job portals in the DACH region by softgarden e-recruiting GmbH,
- Branding products – a range of services such as featuring employer profiles on Pracuj.pl and Robota.ua (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).
- Access to recruitment systems – the service consists in providing clients mainly in Poland with access to eRecruiter, a recruitment management system that supports recruiters in collecting

All amounts in PLN thousand, unless otherwise stated

applications and communicating with candidates, and clients outside Poland – to softgarden's innovative recruitment system solution. This service is offered on a SaaS (Software as a Service) basis, i.e. in a subscription model. There are two components of consideration for the access: an activation fee and a subscription fee. The Group considers activation fees as an immaterial revenue stream and recognises them only when the related performance obligation is satisfied. Subscription fees are recognised over the period when the customer has access to the recruitment system.

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	382,582	312,942
At a point in time	225,967	162,171
Total	**608,549**	**475,113**

Revenue from contracts with customers by region

Revenue from contracts with customers segmented by geography	2022	2021
Poland	494,464	412,165
Ukraine	25,919	50,534
DACH region	73,997	-
Other countries	14,169	12,414
Total	**608,549**	**475,113**

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.

Contract liabilities	31 December 2022	31 December 2021
Current	208,420	131,222
Total	**208,420**	**131,222**

The Group 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 Group uses the practical expedient permitted by IFRS 15 whereby the Group need not 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.

2.3 Other income and expenses

Accounting policies

The Group's financial result for the reporting period is impacted by other income and expenses that are indirectly related to the Group's principal business activities. The most significant items of other income and other expenses are:

- gains or losses on disposal of non-financial non-current assets,
- rental income – income from rental of office space is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease contract. Any discounts granted are an integral part of total rental income,
- penalties and damages paid or received,
- donations made to unrelated parties.

All amounts in PLN thousand, unless otherwise stated

Other income

	2022	2021
Gain on disposal of non-current non-financial assets	240	188
Income from lease modifications	8	-
Income from sublease of office space	345	-
Other income	1,832	926
Total	**2,425**	**1,114**

Other expenses

	2022	2021
Donations	2,587	142
Costs of lease modifications	176	5
Other expenses	414	181
Total	**3,177**	**328**

The Group donated PLN 1,000 thousand to organisations acting for Ukraine in Poland, including the Polish Humanitarian Action and the Ukrainian House in Warsaw. Robota International TOV donated UAH 9,726 thousand to the Ukrainian Red Cross, among other organisations, as part of their charitable contributions.

2.4 Finance income and finance costs

Finance income and finance costs are related to financing activities carried out in the Group, including the sale and purchase of securities and shares, contracting borrowings, and use of lease contracts. The most significant items of finance income and finance costs are:

- interest expense on debt, calculated using the effective interest rate,
- allowances for impairment of financial assets,
- interest income on cash invested by the Group (bank deposits and bank accounts, receivables) – recognised in the statement of profit or loss on an accrual basis using the effective interest rate method,
- dividend income – recognised in the statement of profit or loss when the Group obtains the right to receive the dividend,
- gains or losses from foreign exchange differences,
- gains or losses on the sale of financial assets,
- gains or losses on derivatives.

Finance income

	2022	2021
Interest income	6,407	1,175
Remeasurement of investments measured at fair value through profit or loss	-	86,469
Remeasurement of financial instrument at fair value and settlement of deferred gain on first-day measurement of options	-	2,149
Exchange differences and other gains/(losses)	-	1,129
Total	**6,407**	**90,922**

In the year ended 31 December 2021, the Group measured its investment in Beamery Inc. at fair value and recognised the effects in finance income for an amount of PLN 86,222 thousand (Note 5.2).

All amounts in PLN thousand, unless otherwise stated

In 2021, the Group also recognised in finance income the effects of valuation of the call option on the shares in Fitqbe Ltd., which was measured at fair value through profit or loss (Note 5.2).

Finance costs

	2022	2021
Interest expense on bank borrowings	17,452	82
Interest expense on lease contracts	704	964
Impairment of equity-accounted investees	4,230	893
Remeasurement of investments measured at fair value through profit or loss	1,749	-
Remeasurement of financial instrument at fair value and settlement of deferred gain on first-day measurement of options	2,375	-
Measurement of derivative financial instruments	3,409	-
Exchange differences and other gains/(losses)	949	77
Total	**30,868**	**2,016**

Changes in allowances for impairment of equity-accounted investees are presented in Notes 6.5 and 7.8.

Changes between the opening and closing balances of investments measured at fair value through profit or loss are presented in Note 5.2.

In 2022, the Group recognised in finance costs the effects of valuation of the option to buy shares in Fitqbe Ltd. (Note 5.2) as a financial instrument measured at fair value through profit or loss in correspondence with other financial liabilities.

In the year ended 31 December 2022, the Group recognised in finance costs the effects of the fair value measurement of derivative financial instruments (instruments not designated for hedge accounting purposes) used to hedge the interest rate of a credit facility (Note 4.3).

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.

Uncertainty of tax settlements

The Group operates in Poland, Ukraine, Germany and Cyprus. The regulations governing value added tax, corporate income tax, and social security contributions are subject to frequent changes and amendments, which can result in a lack of clear reference points, conflicting interpretations, and a scarcity of established precedents to follow. Additionally, the lack of clarity in the applicable tax laws results in varying opinions and interpretations among different public authorities, as well as between public authorities and businesses.

Tax settlements and other activities, such as customs or foreign exchange control, may be subject to inspections by authorities with the power to impose significant fines and penalties. Any additional tax liabilities resulting from such inspections must be paid with high interest. Therefore, the tax risk in Poland is generally considered to be higher than in countries with more mature tax systems.

The amounts presented and disclosed in these financial statements may change in the future due to a final decision made by a tax inspection authority.

Deferred tax

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

The Group 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 Group 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.

All amounts in PLN thousand, unless otherwise stated

Judgements related to recognised amounts of tax settlements

The Group 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.

	2022	2021
Current income tax	63,250	51,617
Deferred tax	(4,077)	(4,182)
Net deferred tax liability related to investments measured at fair value	(941)	16,429
Total tax expense in the statement of comprehensive income	**58,232**	**63,864**

Reconciliation of effective tax rate

	2022	2021
Profit before tax	227,245	319,547
Income tax at 19%	**43,177**	**60,714**
Impact of tax rates applicable in foreign operations	(731)	(36)
Effect of taxable income from dividends received by Grupa Pracuj S.A. from Robota International TOV and Work Ukraine TOV	-	610
Non-taxable income	(350)	
Permanently non-deductible expenses	3,578	783
Permanently non-deductible expenses for share-based payment arrangement	5,350	2,388
Current year tax losses for which no deferred tax asset is recognised	4,262	-
Revaluation of financial assets	451	-
Share of profit/(loss) of equity-accounted investees	161	(595)
Revaluation of equity-accounted investees	804	-
Acquisition-related costs	1,530	-
Total tax expense in the statement of comprehensive income	**58,232**	**63,864**

Tax rates

	Tax rates
Poland	19%
Ukraine	18%
Germany	30%-33%
Cyprus	13%

All amounts in PLN thousand, unless otherwise stated

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.

	31 December 2022	31 December 2021
Deferred tax assets arising from other sources		
Contract liabilities	29,561	23,973
Other liabilities	802	279
Other non-financial assets	1,288	363
Trade receivables	484	274
Right-of-use assets and lease liabilities	881	453
Employee benefit obligations	2,868	3,560
Tax losses carried forward	28,216	-
Deductible temporary differences between the carrying amounts of property, plant, and equipment and intangible assets in the recognised in the account and their tax bases	-	946
Other deductible temporary differences	354	658
Total deferred tax assets arising from other sources	**64,454**	**30,506**

	31 December 2022	31 December 2021
Deferred tax liabilities arising from other sources		
Temporary differences between the carrying amounts of property, plant, and equipment and intangible assets recognised in the accounts and their tax base	5,437	-
Capitalised costs of obtaining contracts	3,328	-
Remeasurement of derivatives	(690)	-
Taxable temporary differences	47	115
Total deferred tax liabilities arising from other sources	**8,122**	**115**
Deferred tax liabilities from capital gains		
Deferred tax liabilities arising from revaluation of investments measured at fair value	18,813	19,145
Tax loss on capital gains	(609)	-
Total deferred tax liabilities arising from capital gains	**18,204**	**19,145**

Net deferred tax assets arising from other sources	**56,332**	**30,391**
Net deferred tax liabilities arising from capital gains	**18,204**	**19,145**

Unrecognised deferred tax asset

The Group chose not to recognise deferred tax assets amounting to PLN 428 thousand related to tax losses of certain subsidiaries. This decision was based on the Group's projections for the future operations of these subsidiaries, which do not justify the recognition of deferred tax assets, as it is unlikely that these subsidiaries will generate sufficient taxable income in the future to utilise these losses.

	31 December 2022		31 December 2021	
	Gross amount	Tax effect	Gross amount	Tax effect
Tax losses	6,530	1,241	2,226	423
Total	**6,530**	**1,241**	**2,226**	**423**

Unused tax losses for which no deferred tax assets have been recognised, and expiration dates of those losses

	31 December 2022		31 December 2021	
	Gross amount	Year of expiry	Gross amount	Year of expiry
BinarJobs sp. z o.o.	2,208	until 2028	2,180	until 2026
HumanWay sp. z o.o. w likwidacji	44	until 2028	46	until 2026
Robota International TOV	4,278	-	-	-
Total	**6,530**	**-**	**2,226**	**-**

All amounts in PLN thousand, unless otherwise stated

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

	31 December 2022	
	Gross amount	Year of expiry
Grupa Pracuj S.A. (from sources of capital gains)	3,205	until 2028
softgarden e-recruiting GmbH	93,248	-
absence.io GmbH	806	-
Total	**97,260**	**-**
Recognised deferred tax asset	**28,825**	**-**

The Group's subsidiary companies that have recognised deferred tax assets for tax losses anticipate, based on tax budgets, that sufficient taxable income will be generated in the future period to utilise these losses and realise the deferred tax asset.

4. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS AND DEBT OF THE GROUP

4.1 Capital management policy and net debt

The Group's capital management policy aims to support the continuous operations of the Group 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 Group 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 Group's capital management policy considers various factors, including:

- the Group'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 Group. As at 31 December 2022, the Group had financial liabilities arising from the credit facility agreement (Note 4.3).

The Group 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 bank borrowings, option liabilities, derivative liabilities, and lease liabilities. Equity comprises equity attributable to owners of the Parent.

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

	31 December 2022	31 December 2021
Bank borrowings	366,660	-
Lease liabilities	19,704	26,326
Other financial liabilities	13,309	20,578
Less: cash and cash equivalents	(109,538)	(184,836)
Net debt	**290,135**	**(137,932)**
Equity	315,414	249,157
Leverage (net debt to equity)	**0.92**	**(0.55)**

4.2 Equity

Accounting policies

Share capital

The share capital of the Group represents the share capital of the Parent and is recognised at the amount stated and recorded in the National Court Register.

Statutory reserve funds

Statutory reserve funds of the Group 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 Group are also comprised of accumulated profits from prior years that have not been distributed as dividends, and have been transferred to the reserve funds.

The share capital and the statutory reserve funds presented in the consolidated financial statements represent components of the Parent's equity.

Share repurchase reserve

The share purchase reserve was created by resolutions of the General Meeting, after the Parent changed its legal form on 2 August 2021. The reserve is funded through profit distributions and designated for the cancellation of the Parent's treasury shares.

The 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 Parent's equity.

Note 6.10 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 actuarial gains/losses from remeasurement of provisions for employee benefits and capital related to liabilities arising from the put option.

Translation reserve

Translation reserve comprises foreign exchange differences from the translation of financial statements of foreign operations whose functional currencies are other than the Polish zloty.

Merger reserve

The merger reserve accounts for the effect of the 2016 merger transaction at carrying amounts, as recognised by the Group. Further information on the accounting treatment of the merger can be found in the first consolidated financial statements prepared in accordance with IFRS, which are presented in the Historical Financial Information for the years 2018-2020.

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 any changes in accounting policies made in the current year.

All amounts in PLN thousand, unless otherwise stated

Dividends are recognised as a liability in the period in which they are declared.

Dividends from profits earned prior to the acquisition of control do not reduce the purchase price of the shares, but may be an indication of impairment.

The consolidated net profit/(loss) attributable to owners of the Parent is presented in equity in the line item 'Retained earnings'. It represents the sum of the net profit/(loss) of the Parent, as well as the share of net profit/(loss) of equity-accounted subsidiaries and the share of net profit/(loss) of fully consolidated entities.

Non-controlling interests

Non-controlling interests refer to the equity in a subsidiary that belongs to parties other than the Parent and cannot be attributed directly or indirectly to the Parent.
Non-controlling interests are measured at the proportionate share in the net assets of the subsidiary or at fair value, separately for each business combination, at the time of initial recognition.

The carrying amount of non-controlling interests should be calculated consistently by adding changes in the carrying amount during the current period to the current amount of non-controlling interests at the end of the previous period. These changes may result from:

- changes in the percentage of shares held by non-controlling shareholders – this may include purchases, sales, or changes in share capital;
- changes in the value of equity that are unrelated to changes in the percentage of shares held – this may include capital increases or decreases that do not change the percentage of shares held, capital contributions made by non-controlling shareholders, the current year's result, transactions recognised directly in other comprehensive income, and dividend payments.

Profits, losses, and each component of other comprehensive income are attributed to both the owners of the Parent and the non-controlling interests, regardless of whether the non-controlling interests have a negative value as a result of this attribution.

Share capital

As of 31 December 2022, the share capital consisted of 68,265,026 shares with a par value of PLN 5.00 each. 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. The ownership interests of the shareholders listed below in the share capital of the Parent are proportional to their voting interests at the General Meeting.

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**

All amounts in PLN thousand, unless otherwise stated

	31 December 2021		
Shareholder	**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.*

Changes in equity in 2022

On 23 May 2022, the Management Board of the Parent 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 set forth 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.

The dividend payment of PLN 136,530,052.00 was made in September 2022.

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.

4.3 Debt liabilities

Accounting policies

Bank borrowings

At the time of initial recognition, bank borrowings are recognised at cost, which corresponds to the fair value of the cash received, less transaction costs directly related to 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 Group, 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 Group under the guaranteed residual value;
- the exercise price of a purchase option if the Group 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 Group uses its incremental borrowing rate relevant for the given lease agreement. For all lease contracts recognised in the periods covered by these consolidated financial statements, the Group applied its incremental borrowing rate.

At the end of each reporting period, the Group 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.

Applied exemptions

The Group 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 Group 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 0.

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 Group 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 Group 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 Group'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

All amounts in PLN thousand, unless otherwise stated

Assessment of an option to purchase the underlying asset

At the lease commencement date of the car leases, the Group 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 Group 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 Group's operations. For car leases that were in effect at 31 December 2022, the Group 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 Group 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 Group 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 individual Group companies.

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%-2.5%
USD	5%
UAH	7.7%-11%

Identification of non-leasing components

In its office leases, the Group has identified non-lease components associated with the provision of services, such as service charges and charges for the use of common areas. The Group 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	**19,704**	**26,326**
- long-term	8,762	17,135
- short-term	10,942	9,191
Total	**386,364**	**26,326**

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.

All amounts in PLN thousand, unless otherwise stated

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, Grupa Pracuj S.A. 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 Credit Facility Agreement, the Banks provided the Company with a term facility of up to PLN 400,000 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.

Debt covenants

The credit agreements entered into with the Banks impose standard legal and financial obligations (covenants) on the Parent, 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 Parent secured the variable interest rate on the 3M WIBOR facility 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.

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 Parent 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,

All amounts in PLN thousand, unless otherwise stated

- 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 Group 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	7,897	6,750
Interest on lease liabilities	703	874
Costs related to short-term leases	11	-
Costs related to leases of low-value assets (excluding short-term leases of such assets)	83	92

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

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

	Bank borrowings	Lease liabilities	Total
1 January 2022	**-**	**26,326**	**26,326**
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	-	(9,687)	(9,687)
Payment of lease interest	-	(704)	(704)
Net cash flows from financing activities	**349,209**	**(10,391)**	**338,818**
Other changes			
Acquisition-related leases	-	4,598	4,598
New lease contracts	-	946	946
Lease modifications	-	(2,366)	(2,366)
Accrued interest	17,452	704	18,156
Effect of changes in foreign exchange rates	-	(113)	(113)
Total other changes	**17,452**	**3,769**	**21,221**
31 December 2022	**366,660**	**19,704**	**386,364**

All amounts in PLN thousand, unless otherwise stated

	Bank borrowings	Lease liabilities	Total
1 January 2021	**29,294**	**32,146**	**61,440**
Changes in cash flows from financing activities			
Payment of bank borrowings	(29,181)	-	(29,181)
Payment of interest on bank borrowings	(195)	-	(195)
Payment of lease liabilities	-	(8,196)	(8,196)
Payment of lease interest	-	(964)	(964)
Net cash flows from financing activities	**(29,376)**	**(9,160)**	**(38,536)**
Other changes			
New lease contracts	-	1,049	1,049
Lease modifications	-	743	743
Accrued interest	82	964	1,046
Effect of changes in foreign exchange rates	-	584	584
Total other changes	**82**	**3,340**	**3,422**
31 December 2021	**-**	**26,326**	**26,326**

For information on the Group's exposure to interest rate risk, currency risk and liquidity risk see Note 5.4. For information on fair value see Note 5.1.

4.4 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. 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 above.

Cash and cash equivalents

	31 December 2022	31 December 2021
Cash in current accounts	33,127	24,105
Bank deposits	75,918	160,612
Cash in transit	493	119
Total	**109,538**	**184,836**

The Group holds restricted cash in banks in Ukraine, whose limited availability results from restrictions imposed by the National Bank of Ukraine. A moratorium on cross-border foreign exchange payments was also imposed on 24 February 2022. The total value of cash held in Ukrainian bank accounts as at 31 December 2022 was PLN 11,965 thousand. While the Group's cash holdings in Ukrainian banks are subject to restrictions imposed by the National Bank of Ukraine, the subsidiary Robota International TOV has the capacity to meet its financial obligations and manage its cash balances, as its liabilities are largely limited to the domestic market.

All amounts in PLN thousand, unless otherwise stated

4.5 Other notes to the consolidated statement of cash flows

	2022	2021
Change in trade receivables in the consolidated statement of financial position	**(17,382)**	**(25,564)**
Exchange differences on translating foreign operations	11	(79)
Acquisition-related changes	19,404	-
Change in trade receivables in the consolidated statement of cash flows	**2,033**	**(25,643)**
Change in inventories in the consolidated statement of financial position	**(3,912)**	**-**
Acquisition-related changes	11,488	-
Change in contract inventories in the consolidated statement of cash flows	**7,576**	**-**
Change in employee benefit obligations in the consolidated statement of financial position	**9,154**	**(5,545)**
Actuarial gains/losses from remeasurement of provisions for employee benefits	(136)	268
Acquisition-related changes	(27,532)	-
Change in employee benefit obligations in the consolidated statement of cash flows	**(18,514)**	**(5,277)**
Change in other non-financial assets in the consolidated statement of financial position	**(25,057)**	**(2,596)**
Acquisition-related changes	24,387	-
Change in other non-financial assets in the consolidated statement of cash flows	**(670)**	**(2,596)**
Change in trade payables in the consolidated statement of financial position	**17,039**	**6,752**
Change in liabilities due to purchase of property, plant and equipment	(189)	216
Change in liabilities due to purchase of intangible assets	(466)	(252)
Acquisition-related changes	(29,358)	-
Change in trade payables in the consolidated statement of cash flows	**(12,974)**	**6,716**
Change in contract liabilities in the consolidated statement of financial position	**77,198**	**(30,921)**
Acquisition-related changes	(47,908)	-
Change in contract liabilities in the consolidated statement of cash flows	**29,290**	**(30,921)**
Change in non-financial liabilities in the consolidated statement of financial position	**766**	**8,264**
Acquisition-related changes	(11,475)	-
Change in non-financial liabilities in the consolidated statement of cash flows	**(10,709)**	**8,264**

The acquisition-related changes follow from the acquisition by the Company of 25,000 shares representing 100% of the share capital in Spoonbill Holding GmbH and indirectly 100% of the shares in Spoonbill GmbH, softgarden e-recruiting GmbH and absence.io GmbH.

5. FINANCIAL INSTRUMENTS AND MANAGEMENT FINANCIAL RISK

5.1 Financial instruments and fair value

Accounting policies

Initial recognition

The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group at each reporting date using the effective interest rate method, and any expected credit losses are accounted for through impairment charges.

- Financial assets measured 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 Group's shares in entities that are not listed on active markets and that are not subsidiaries nor associates of the Group.

- 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 Group classified 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 Group 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 Group 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 Group 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 Group 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 Group does not apply hedge accounting.

Impairment of trade receivables and other financial assets

At the end of each reporting period, the Group 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 Group to make significant estimates.

The Group is exposed to credit risk and currency risk arising from financial assets. The management of these risks is described in the Notes 5.4.2 and 5.4.4.

Significant estimates and judgements

Allowance for expected credit losses

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

The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 consolidated financial statements, the Group did not recognise expected credit losses in respect of financial assets measured at amortised cost other than trade receivables.

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

All amounts in PLN thousand, unless otherwise stated

	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	73,121	55,739	
Cash and cash equivalents	109,538	184,836	
Cash security deposits	4,463	2,991	
Bonds	-	24,977	
Total	**187,122**	**268,543**	
Other financial liabilities			
Bank borrowings	366,660	-	Level 2
Lease liabilities	19,704	26,326	
Trade payables	32,809	15,770	
Liability arising from put option	9,365	13,481	
Other financial liabilities	3,944	7,097	Level 3
Total	**432,482**	**62,674**	

Due to the short-term nature of trade receivables, cash and cash equivalents, cash security deposits, bonds, trade payables, and other financial liabilities, the Group 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 Group has assessed that the value of bank borrowings at the end of each of the periods presented is a reliable approximation of their fair value.

5.2 Trade receivables and other financial assets

Accounting policies

Trade receivables

The Group'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 Group 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 5.1.

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 issued by mLeasing sp. z o.o. and share purchase options held.

The Group 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.

All amounts in PLN thousand, unless otherwise stated

Other financial assets are recognised and measured in accordance with the accounting policies described in Note 5.1 for financial instruments.

Significant estimates and judgements

For information on significant estimates necessary to measure allowances for expected credit losses for financial assets see Note 5.1.

Valuation of unlisted shares

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.

Trade receivables

	31 December 2022	31 December 2021
Trade receivables		
- from related entities	19	2
- from other entities	73,102	55,737
Total	**73,121**	**55,739**

Other financial assets

	31 December 2022	31 December 2021
Non-current	**130,622**	**127,229**
Unlisted shares	126,507	122,172
Cash deposits	4,115	2,908
Other financial assets	-	2,149
Current	**348**	**25,060**
Bonds	-	24,977
Cash security deposits	348	83
Total	**130,970**	**152,289**

Call options on shares

Pursuant to the provisions of the agreement concerning investment in Fitqbe Ltd. ('Fitqbe') (Note 5.3), 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 Group 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.

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

	Option value at the reporting date	Effect on option value	
		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, where in 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.

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

	2022	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 passed by the General Meeting of Pracuj Ventures spółka z ograniczoną odpowiedzialnością ASI sp.k. ('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 Group 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. There was no change to the valuation of the asset as at the reporting date, which remains the same as that presented in the consolidated financial statements for the year ended 31 December 2021.

Assessment of the Group'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.

All amounts in PLN thousand, unless otherwise stated

5.3 Trade payables and other financial liabilities

Accounting policies

Trade payables and other financial liabilities

The Group 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 5.1.

Trade payables

	31 December 2022	31 December 2021
Trade payables		
- to related entities	536	434
- to other entities	32,273	15,336
Total	**32,809**	**15,770**

Other financial liabilities

	31 December 2022	31 December 2021
Non-current liabilities		
Non-current liabilities arising from put option	9,138	13,481
Current liabilities		
Current liability arising from acquisition of shares in associate	314	7,097
Liability arising from put option on shares in associate	227	-
Derivative liabilities	3,630	-
Total	**13,309**	**20,578**

Liabilities arising from put option

The non-current liabilities arising from a put options are related to the estimated value of potential future payments to non-controlling shareholders of Robota International TOV. The liability, in the amount of PLN 9,623 thousand, was recognised in correspondence with equity (other reserves) in accordance with the accounting policies described below.

If the Group holds liabilities arising from put options allowing non-controlling shareholders to sell their interests to the Group, the Group recognises the non-controlling interests as if it had acquired them at the end of each reporting period. The Group recognises a financial liability for the put option during the period when it remains unexercised. The liability is calculated as the present value of future cash outflows related to the exercise of the option, estimated at the reporting date. The estimated cash outflows are calculated as if the option had been exercised and the non-controlling interests were acquired by the Group on that date. Any differences between the fair value of the acquired non-controlling interests as of the reporting date and the amount of the recognised financial liability related to the put option are charged to other reserve capital. At the end of each reporting period, the Group allocates profits or losses earned during the period (as well as other changes in equity) to non-controlling shareholders based on their actual shareholding for the year.

Liability arising from acquisition of shares in associate

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 to purchase an additional 33 shares in the share capital of Fitqbe. As a result, the Group 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. In 2022, the financial liability was partially settled in the amount of PLN 2,276 thousand. The remaining part of the liability was PLN 314 thousand as of 31 December 2022.

All amounts in PLN thousand, unless otherwise stated

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, for a total amount of PLN 4,507 thousand. After completing the acquisition of an additional 33 shares, the Company now owns a total of 116 shares, which represent 35% of Fitqbe's share capital.

Derivative liabilities

The carrying amount of derivative financial instruments used for hedging interest rate risk and not covered by hedge accounting was PLN 3,630 thousand as of 31 December 2022 (Note 4.3).

5.4 Financial risk management

5.4.1 Principles of financial risk management

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

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

This note provides information about the Group's exposure to each of the risks identified above and describes the Group'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 Group's financial results.

5.4.2 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 Group recognises, in particular, short-term bonds and cash deposits.

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

	31 December 2022	31 December 2021
Trade receivables	73,121	55,739
Other financial assets	4,463	27,968
Cash and cash equivalents	109,538	184,836
Total	**187,122**	**268,543**

Credit risk related to cash

The Group 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 Group conducts transactions with banks that have high ratings and a stable market position. The Group has estimated that the expected credit loss is minimal, and therefore, it has not recognised any allowance for this loss.

All amounts in PLN thousand, unless otherwise stated

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	Net carrying amount
31 December 2022	3.49%	75,769	2,648	73,121
31 December 2021	3.10%	57,520	1,781	55,739

Changes in the amount of allowance for expected credit losses for trade receivables during the periods covered by these consolidated financial statements were as follows:

	2022	2021
Opening balance	**1,781**	**2,283**
Net change in allowance for expected credit loss	914	(142)
Net change arising from acquisition	413	-
Amounts written off	(449)	(353)
Translation reserve	(11)	(7)
Closing balance	**2,648**	**1,781**

The following tables present gross carrying amounts of receivables and the allowance for expected credit losses for each period past due of trade receivables measured at amortised cost.

	31 December 2022		
	Weighted-average loss rate	Gross carrying amount	Allowance for expected credit loss
Not past due	0.09%	61,313	55
Past due from 1 to 30 days	3.43%	10,808	371
Past due from 31 to 60 days	9.90%	1,344	133
Past due from 61 to 90 days	58.17%	184	107
Past due from 91 to 180 days	74.45%	536	399
Past due from 181 to 360 days	100%	242	241
Past due over 361 days	100%	1,342	1,342
Total	**3.49%**	**75,769**	**2,648**

	31 December 2021		
	Weighted-average loss rate	Gross carrying amount	Allowance for expected credit loss
Not past due	0.08%	44,891	38
Past due from 1 to 30 days	0.68%	9,799	67
Past due from 31 to 60 days	2.01%	997	20
Past due from 61 to 90 days	26.99%	163	44
Past due from 91 to 180 days	48.21%	112	54
Past due from 181 to 360 days	100%	63	63
Past due over 361 days	100%	1,495	1,495
Total	**3.10%**	**57,520**	**1,781**

Given the nature of its business, the Group 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 Group's established policies, procedures, and controls relating to customer credit risk management. The Group actively monitors outstanding receivables from customers on a regular basis.

The Group'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 Group'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).

In monitoring customer credit risk, the Group 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 Group 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 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 Group if there is a justifiable reason. The total amounts of individual allowances for expected credit loss at the end of each financial year, included in the amounts shown in the tables above, were as follows:

31 December 2022 – PLN 1,499 thousand,

31 December 2021 – PLN 1,513 thousand.

Credit risk related to the bonds

The Group 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 Group deems the credit risk associated with this financial asset to be low and has therefore not recognised any loss allowance.

Credit risk related to derivative instruments

The counterparties with which the Group enters into derivative transactions to hedge interest rate and exchange rate risks operate in the financial sector. These are banks with investment-grade ratings. The Company diversifies the banks with which it enters into derivative transactions.

5.4.3 Liquidity risk

The Group faces liquidity risk, which refers to its ability to meet its financial obligations in a timely manner. The Group 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 Group compares its cash requirement with the available sources of funds and assesses its free funds to manage liquidity risk. In addition, the Group has a policy of diversifying its funding sources.

All amounts in PLN thousand, unless otherwise stated

In managing liquidity risk, the Group'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 of Group companies,
- monitoring and optimising the level of working capital,
- ongoing monitoring of the Group's compliance with the terms of credit facility agreements and timely payment of principal and interest.

The following tables show the maturity of the Group's financial liabilities. The table below presents the maturity profile of the Group's 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
Bank borrowings	366,660	92,748	169,734	192,968	-	455,450
Lease liabilities	19,704	10,867	9,579	361	-	20,807
Trade payables	32,809	32,809	-	-	-	32,809
Financial liabilities	17,480	8,342	12,604	-	-	20,946
Total	**436,653**	**144,766**	**191,916**	**193,329**	**-**	**530,012**

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	26,326	8,942	18,465	19	-	27,426
Trade payables	15,770	15,770	-	-	-	15,770
Other financial liabilities	20,578	7,097	15,527	-	-	22,624
Total	**62,674**	**31,809**	**33,992**	**19**	**-**	**65,820**

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 consolidated 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	218,058	272,434
Current liabilities	(366,140)	(199,336)
Working capital	**(148,082)**	**73,098**

5.4.4 Currency risk

The Group's exposure to transactional currency risk arises when there is a mismatch between the currencies used for sales, purchases, receivables, and payables and the respective functional currencies of its subsidiaries.

The Group's financial statements are reported in the Polish zloty, but its foreign subsidiaries operate in different functional currencies. The Group is exposed to currency risk arising from transactions denominated in currencies other than the functional currency of the respective Group company. The Group regularly assesses currency risk by analysing transactions conducted in currencies other than the functional currency of each respective entity, and monitors the impact of exchange rate fluctuations on these transactions.

All amounts in PLN thousand, unless otherwise stated

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

	31 December 2022	
Amounts in currency	**EUR**	**USD**
Trade receivables	3,708	23
Cash and cash equivalents	3,702	38
Cash security deposits	207	-
Lease liabilities	(3,561)	(953)
Trade payables	(3,832)	(45)
Net exposure in currency	**224**	**(937)**
Net exposure converted into PLN	**1,054**	**(4,125)**

	31 December 2021	
Amounts in currency	**EUR**	**USD**
Trade receivables	535	86
Cash and cash equivalents	1,055	11
Cash deposits	83	-
Lease liabilities	(3,678)	(1,502)
Trade payables	(227)	(35)
Net exposure in currency	**(2,232)**	**(1,440)**
Net exposure converted into PLN	**(10,270)**	**(5,850)**

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.

	31 December 2022			
	Currency appreciation	**Effect on profit or loss**	**Currency depreciation**	**Effect on profit or loss**
EUR	10%	84	-10%	(84)
USD	10%	(308)	-10%	308

	31 December 2021			
	Currency appreciation	**Effect on profit or loss**	**Currency depreciation**	**Effect on profit or loss**
EUR	10%	(832)	-10%	832
USD	10%	(474)	-10%	474

5.4.5 Interest rate risk

The Group 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 Group aims to minimise the impact of interest rate fluctuations on items that bear variable-rate interest through its interest rate risk management strategy.

The profile of the Group'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.

All amounts in PLN thousand, unless otherwise stated

	31 December 2022	31 December 2021
Interest-bearing financial instruments		
- fixed-rate instruments	**(23,875)**	**(1,349)**
Lease liabilities	(19,704)	(26,326)
Bonds	-	24,977
Derivatives recognised in financial liabilities	(4,171)	-
- variable-rate instruments	**(252,995)**	**187,492**
Bank borrowings	(366,660)	-
Cash security deposits	4,127	2,656
Cash and cash equivalents	109,538	184,836
Net exposure to interest rate risk (in relation to variable-rate instruments)	**(252,995)**	**187,492**

The table below illustrates how changes in interest rates impact the Group's profit or loss with respect to variable-rate instruments.

	Net exposure to interest rate risk	Effect on profit or loss	
		1bp increase in interest rate	1bp decrease in interest rate
31 December 2022	(252,995)	(2,049)	2,049
31 December 2021	187,492	1,519	(1,519)

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 Group.

The Group does not apply hedge accounting.

The Parent took steps to minimise the risk of interest rate fluctuations by hedging the variable interest rate risk on the 3M WIBOR-based term facility obtained in June 2022. This was done by entering into an interest rate swap (IRS) transaction at a fixed rate of 6.94% for a period of three years until 30 September 2025. The transaction hedges debt worth PLN 368 million, amortised in accordance with the IRS transaction schedule (Note 4.3).

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

The Group 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 Group has not identified any significant risks. Neither has the Group 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 Group 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 Group 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 Group's exposure to WIBOR was PLN 366,660 thousand.

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 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 Group 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 Group 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 Group 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 Group's intangible assets is finite, and therefore, the Group 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 of the Parent.

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

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

Expenditures incurred for internally produced software represent the costs of development incurred before the software is used to generate revenue from contracts with customers.

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.

The Group distinguishes the following categories of intangible assets: acquired property rights, other intangible assets, and internally produced software. All categories mostly relate to software used in the Group's core operations. Expenditures incurred for internally produced software represent the costs of development incurred before the software is used to generate revenue from contracts with customers. As at 31 December 2022 capital expenditure for internally produced software that has not yet been completed was PLN 1,887 thousand, and the Group assessed the risk of their impairment as immaterial.

All amounts in PLN thousand, unless otherwise stated

Reconciliation of the carrying amount of intangible assets

	Property rights	Other intangible assets	Internally produced software	Total
Gross carrying amount as at 1 January 2021	**2,454**	**6,817**	**920**	**10,191**
Acquisition-related increase	1,087	515	3,117	4,719
Exchange differences	278	42	-	320
Gross carrying amount as at 31 December 2021	**3,819**	**7,374**	**4,037**	**15,230**
Gross carrying amount as at 1 January 2022	**3,819**	**7,374**	**4,037**	**15,230**
Acquisition-related increase	-	2,948	36,397	39,345
Increase	927	55	9,497	10,479
Liquidation	(446)	(2,679)	-	(3,125)
Other changes	-	-	(97)	(97)
Exchange differences	(396)	(58)	72	(381)
Gross carrying amount as at 31 December 2022	**3,904**	**7,640**	**49,906**	**61,450**

	Property rights	Other intangible assets	Internally produced software	Total
Accumulated amortisation and impairment losses as at 1 January 2021	**(1,598)**	**(5,727)**	**(116)**	**(7,441)**
Amortisation	(455)	(570)	(280)	(1,305)
Exchange differences	(271)	(37)	-	(308)
Accumulated amortisation and impairment losses as at 31 December 2021	**(2,324)**	**(6,334)**	**(396)**	**(9,054)**
Accumulated amortisation and impairment losses as at 1 January 2022	**(2,324)**	**(6,334)**	**(396)**	**(9,054)**
Acquisition-related increase	-	(2,529)	(20,420)	(22,949)
Amortisation	(767)	(427)	(2,438)	(3,632)
Liquidation	500	2,679	-	3,178
Exchange differences	396	54	(41)	409
Accumulated amortisation and impairment losses as at 31 December 2022	**(2,195)**	**(6,557)**	**(23,295)**	**(32,053)**

	Property rights	Other intangible assets	Internally produced software	Total
Net carrying amount as at 31 December 2021	**1,495**	**1,040**	**3,641**	**6,176**
Net carrying amount as at 31 December 2022	**1,709**	**1,083**	**26,611**	**29,403**

6.2 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 Group 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 of the Parent.

The depreciable amount of an asset is determined as its initial cost less the residual value if it is material. The Group 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 Group 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 Group 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 6.1. Based on the assessments performed, the Group did not identify any objective indications of impairment of property, plant and equipment as of the end of the reporting periods presented in these consolidated financial statements.

All amounts in PLN thousand, unless otherwise stated

The most significant item of the Group's property, plant and equipment is hardware infrastructure (computers, servers, telephones) and improvements in leased office space. The Group also has its own fleet of vehicles used for business purposes.

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

	Buildings and premises	Plant and equipment	Vehicles	Other	Total
Gross carrying amount as at 1 January 2021	**6,572**	**10,275**	**5,064**	**2,135**	**24,046**
Increase	-	2,147	289	486	2,922
Sale / liquidation	-	-	(540)	-	(540)
Other changes	-	273	-	(273)	-
Exchange differences	294	234	30	26	584
Gross carrying amount as at 31 December 2021	**6,866**	**12,929**	**4,843**	**2,374**	**27,012**
Gross carrying amount as at 1 January 2022	**6,866**	**12,929**	**4,843**	**2,374**	**27,012**
Acquisition-related increase	-	1,927	206	4,174	6,307
Increase	17	3,978	570	603	5,168
Increases – purchase of previously leased assets	-	27	-	(27)	-
Sale / liquidation	-	(2,325)	(919)	(428)	(3,672)
Exchange differences	(418)	(337)	(86)	(80)	(920)
Gross carrying amount as at 31 December 2022	**6,465**	**16,199**	**4,614**	**6,616**	**33,894**

	Buildings and premises	Plant and equipment	Vehicles	Other	Total
Accumulated depreciation and impairment losses as at 1 January 2021	**(2,445)**	**(7,094)**	**(2,094)**	**(1,199)**	**(12,832)**
Depreciation	(979)	(1,674)	(702)	(627)	(3,982)
Exchange differences	(74)	(139)	(26)	(49)	(288)
Accumulated depreciation and impairment losses as at 31 December 2021	**(3,498)**	**(8,907)**	**(2,822)**	**(1,875)**	**(17,102)**
Accumulated depreciation and impairment losses as at 1 January 2022	**(3,498)**	**(8,907)**	**(2,822)**	**(1,875)**	**(17,102)**
Acquisition-related increase	-	(1,154)	(172)	(2,663)	(3,989)
Depreciation	(972)	(2,303)	(359)	(649)	(4,283)
Sale / liquidation	-	2,294	584	366	3,244
Exchange differences	174	221	122	101	618
Accumulated depreciation and impairment losses as at 31 December 2022	**(4,296)**	**(9,849)**	**(2,647)**	**(4,720)**	**(21,512)**

	Buildings and premises	Plant and equipment	Vehicles	Other	Total
Net carrying amount as at 31 December 2021	**3,368**	**4,022**	**2,021**	**499**	**9,910**
Net carrying amount as at 31 December 2022	**2,169**	**6,349**	**1,967**	**1,897**	**12,382**

6.3 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 Group 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 Group with respect to its own assets.

If the Group 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 Group'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 Group 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.

Accounting policies for recognition and measurement of lease liabilities are described in Note 4.3.

Significant estimates and judgements

Useful life

At the end of each reporting period, the Group 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 2022 and as of 31 December 2021, the Group 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 Group tests its right-of-use assets for impairment whenever there is any indication that those assets may be impaired. The relevant accounting policies for the recognition of impairment losses are described in

All amounts in PLN thousand, unless otherwise stated

Note 6.1 Based on the assessments performed, the Group did not identify any objective indications of impairment of right-of-use assets as of the end of the reporting periods presented in these consolidated financial statements.

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 4.3.

The Group acts as a lessee in contracts involving the use of office space leased for business purposes and car lease contracts. Based on the assessments performed, the Group did not identify any objective indications of impairment of right-of-use assets as of the end of the reporting periods presented in these consolidated financial statements.

	Buildings and premises	Vehicles	Total
Carrying amount at 1 January 2021	**24,610**	**312**	**24,922**
Increases – new contracts	751	332	1,083
Increases – lease modifications	744	(6)	738
Depreciation for period	(6,564)	(186)	(6,750)
Translation reserve	861	-	861
Carrying amount as at 31 December 2021	**20,402**	**452**	**20,854**
Carrying amount as at 1 January 2022	**20,402**	**452**	**20,854**
Assets acquired in acquisitions	4,140	422	4,562
Increases – new contracts	-	906	906
Increases – lease modifications	707	56	763
Decreases – lease modifications	(3,235)	-	(3,235)
Decreases – purchase of previously leased assets	(65)	(2)	(68)
Depreciation for period	(7,435)	(462)	(7,897)
Translation reserve	(794)	1	(793)
Carrying amount as at 31 December 2022	**13,720**	**1,373**	**15,093**

6.4 Goodwill

Accounting policies

Goodwill arising on acquisition is initially recognised at cost, equal to the excess of:

- the consideration paid;
- the amount of any non-controlling interest in the acquiree; and
- in the case of a step acquisition – the fair value at the acquisition date of the share in the equity of the acquiree previously held by the acquirer,

over the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill is carried at cost less any accumulated impairment losses to date and reductions due to the disposal of a portion of the shares to which it was previously allocated. Impairment losses to the value of goodwill allocated to a cash-generating unit are not reversible.

Goodwill is tested for impairment before the end of the reporting period in which the business combination occurred, and then in each subsequent annual reporting period.

If there are indications of impairment, an impairment test is performed before the end of each reporting period in which such indications were identified.

An impairment loss is determined by estimating the recoverable amount of a cash-generating unit to which the goodwill has been allocated.

Purchase of shares in Spoonbill Holding GmbH

On 14 June 2022, Grupa Pracuj S.A., 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. From the date of acquisition to 30 June 2022, there were no material transactions at Spoonbill Holding GmbH or its subsidiaries.

The sale price was partly financed through a term loan of PLN 399,999,999.00, while the remaining amount of PLN 152,488,196.69 was financed with the Company's own funds.

The acquisition of Spoonbill Holding GmbH, which includes the indirectly acquired shares in Spoonbill GmbH, softgarden e-recruiting GmbH, and absence.io GmbH, marks a significant milestone for the Grupa Pracuj S.A. Group in executing its international expansion strategy. The acquisition is expected to enhance the Grupa Pracuj S.A. Group's position as a leading player in HR Tech within Central and Eastern Europe and the DACH region (Germany, Austria, Switzerland).

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.

As a result of this transaction, the Grupa Pracuj Group acquired the know-how and experience of one of the leading HR Tech companies. Access to a broad customer base can provide the basis for further growth in these markets by building the Group's ecosystem of HR Tech solutions.

The Group had not completed the process of purchase price allocation as of 31 December 2022. Therefore, the fair value of the acquired assets, liabilities, and goodwill recognised on the acquisition may change within 12 months of taking control over Spoonbill Holding GmbH. As part of the provisional accounting for the acquisition, as of 31 December 2022, the Company recognised an excess of the price paid over the value of the acquired net assets in the amount of PLN 532,432 thousand. This excess was recognised as goodwill.

The Group incurred transaction-related costs amounting to PLN 8,347 thousand, which were recognised as operating expenses in the 2022 consolidated statement of comprehensive income.

Revenue and net profit attributable to the acquired entities earned from the acquisition date to the end of the reporting period are presented in the consolidated statement of comprehensive income at PLN 73,997 thousand and PLN 6,190 thousand, respectively.

Revenue and net loss generated by Spoonbill Holding GmbH, Spoonbill GmbH, softgarden e-recruiting GmbH and absence.io GmbH for the reporting period, calculated as if the acquisition date were at the beginning of the reporting period, are PLN 153,958 thousand and PLN 5,713 thousand, respectively.

The following are the provisional amounts of the acquired identifiable assets and liabilities as of the acquisition date:

	Provisional amounts as at the acquisition date, EUR thousand	Provisional amounts as at the acquisition date, PLN thousand
Acquired assets		
Intangible assets	3,503	16,396
Property, plant and equipment	495	2,317
Right-of-use assets	975	4,562
Inventory	2,454	11,488
Trade receivables	4,146	19,404
Cash and cash equivalents	8,213	38,441
Other assets	5,210	24,387
Deferred tax assets	4,904	22,952
Total assets	**29,899**	**139,947**
Acquired liabilities		
Employee benefit obligations	5,882	27,532
Trade payables	6,272	29,358
Contract liabilities	10,235	47,908
Lease liabilities	982	4,598
Other liabilities and provisions	2,452	11,476
Total liabilities	**25,824**	**120,872**
Net assets	**4,075**	**19,075**
Acquired percentage of share capital	**100%**	**100%**
Purchase price	**117,603**	**552,488**
Provisional goodwill recognised as at 30 June 2022	**113,527**	**531,376**
Exchange differences on translation of goodwill	-	**1,056**
Provisional goodwill recognised as at 31 December 2022	**113,527**	**532,432**

As at 31 December 2022, the Group tested for impairment cash-generating units to which significant amounts of goodwill were allocated. For the purpose of impairment testing, the Group has identified one cash-generating unit – segment Germany.

The recoverable amount was determined using the value in use method, which was calculated using a DCF model based on a cash flow forecast derived from the five-year financial budgets approved by the senior management.

The main assumptions used to determine the value in use were:

- the cost of services sold,
- impact of changes in revenue on direct costs,
- the amount of investment expenditure,
- a 12% discount rate based on the weighted average cost of capital and reflecting the current market assessment of the time value of money and the business risk of the cash generating unit,
- a 3% growth rate used to extrapolate cash flows beyond the five-year period.

The test did not reveal any impairment.

The result of the test showed that 73% of the value is attributable to residual valuation.

The Group conducted an analysis of the DCF model's sensitivity to key parameters. The analysis revealed the limit levels of key parameters that would result in impairment:

- Increase in the WACC discount rate by 1.23%, to 13.24%.
- Decrease in the incremental growth rate by 52.62%, to 1.42%.
- Decrease in free cash flow in each year by 13.18%.

6.5 Equity-accounted investees

Accounting policies

The Group accounts for interests in associates, i.e. entities over which the Group exercises significant influence, as equity-accounted investees. The principles of accounting for these investments are described in Note 1.3.

Significant estimates and judgements

Existence of significant influence and control

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

- investments in subsidiaries, where the Group exercises control;
- investments in associates, where the Group exercises significant influence;
- and investments that are financial instruments, which are measured in accordance with IFRS 9 (see Note 5.1), for insignificant shareholdings with no control or significant influence.

Unification of accounting policies for associates' financial information

The financial data of WorkIP Ltd is prepared in accordance with IFRS. Other associates present their financial data in accordance with local accounting standards.

The Group analysed the need to unify the accounting policies applied by the associates with the accounting principles applied by the Group, i.e. with IFRS. Considering the components of net assets present in the financial statements of associates (mainly cash, receivables, trade payables), the Group did not identify any significant differences between the local accounting policies applied by the associates and IFRS. In case significant differences affecting the net assets of these entities are identified, adjustments are made accordingly to ensure compliance with IFRS.

Impairment of equity-accounted investees

The Group tests equity-accounted investees for impairment if there is any indication that they may be impaired.

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 Group 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.

All amounts in PLN thousand, unless otherwise stated

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.

The Group tested its investments in the associates specified below recognised impairment charges in response to identified impairment indicators.

– Resolutio sp. z o.o. – as a result of the tests, the carrying amount of the investment was written down to zero as of 31 December 2020 (with no changes made in subsequent reporting periods),

– Coders Lab sp. z o.o. – as a result of the tests carried out in the financial year ended 31 December 2021, the value of the investment was written down to zero (with no changes made in subsequent reporting periods).

A summary of associates, along with the Group's share in the equity of these companies, is presented in Note 1.3.

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**

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 (Note 5.3).

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 7.8.

Changes in the value of equity-accounted investees in each of the periods presented in these consolidated financial statements

	31 December 2022	2021
Equity-accounted investees at beginning of period	**32,484**	**23,945**
Acquisition of shares	-	13,105
Dividends received	-	(6,619)
Share of profit/(loss) of equity-accounted entities	(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**

In 2022, the Company recognised an impairment loss of PLN 330 thousand on financial assets classified as equity-accounted financial assets due to the non-attainment of business objectives that were assumed at the time of the Company's investment in these entities (segment Poland). In addition, the Company recognised an impairment loss of PLN 3,900 thousand in the same period, as described in Note 7.7, for reasons specific to segment Ukraine. In the previous year, a PLN 893 thousand impairment loss on financial assets was recognised in segment Poland. 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 year's range of 25-35%.

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

Summarised financial information of the associates

	WorkIP Ltd	Work Ukraine TOV	Fitqbe sp. z o.o.
As at 31 December 2022 (unaudited)			
Non-current assets	2	2,372	156
Current assets	4,907	16,042	23,947
Current liabilities	(84)	(656)	(20,808)
Net assets (100%)	**4,824**	**17,759**	**3,296**
Group's share of associate's equity (%)	*33.0%*	*33.0%*	*35.0%*
Group's share of net assets (PLN thousand)	1,525	2,385	1,154
Goodwill	15,303	-	10,806
Impairment loss	(3,120)	(780)	-
Carrying amount of equity-accounted associates	**13,708**	**1,605**	**11,960**
Revenue	1,115	28,958	60,850
Net profit/(loss)	1,017	(1,857)	(3,197)
Total comprehensive income	1,017	(1,857)	(3,197)
Group's share of total comprehensive income of associate	**438**	**(569)**	**(1,085)**

	WorkIP Ltd	Work Ukraine TOV	Fitqbe sp. z o.o.
As at 31 December 2021 (unaudited)			
Non-current assets	2	3,062	216
Current assets	2,500	23,838	13,180
Current liabilities	(80)	(3,870)	(6,865)
Net assets (100%)	**2,422**	**23,031**	**6,531**
Group's share of associate's equity (%)	33.0%	33.0%	35.0%
Group's share of net assets (PLN thousand)	1,087	2,954	13,045
Goodwill	15,303	-	-
Carrying amount of equity-accounted associates	**16,390**	**2,954**	**13,045**
Revenue	1,062	18,988	4,842
Net profit/(loss)	3,295	5,999	(1,219)
Total comprehensive income	3,295	5,999	(1,219)
Group's share of total comprehensive income of associate	**247**	**3,046**	**(60)**

The financial data of the associates that are used to determine the Group's share of the change in net assets of these entities from the date of the commencement of significant influence are prepared for the same reporting periods as those of the Group.

Group's share of net profit and total comprehensive income for the period of associates that are individually immaterial

	2022	2021
Group's share of total comprehensive income of other individually immaterial associates	40	98

All amounts in PLN thousand, unless otherwise stated

Unrecognised shares of losses of associates, due to the Group's lack of obligation to cover them in the future

	2022	2021
Losses of associates not recognised by the Group in the carrying amount of equity-accounted investees	-	(199)

6.6 Inventory

Accounting policies

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Purchase price includes all purchase costs and other costs of bringing the inventory to its current condition. Inventory outflows are recognised using the FIFO (First in, First out) method.

At each reporting date, the Group analyses whether the carrying amount of inventory is greater than or equal to the net realisable value. Inventory write-downs are recognised in operating expenses.

Inventory	31 December 2022	31 December 2021
Advertisements	3,912	-
Total	**3,912**	**-**

The Group includes in its inventory the value of advertisements purchased for resale from websites that mainly operate in the DACH region.

During the year and as at 31 December 2022, the Group did not recognise any inventory write-downs.

All amounts in PLN thousand, unless otherwise stated

6.7 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 Group.

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.

In other non-financial assets, the Group recognises incremental costs of obtaining a contract with a customer as an asset if the costs are expected to be recovered. An asset is amortised/depreciated on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The Group updates the amortisation/depreciation period to reflect a significant change in the expected period of delivering the goods or services to which the asset relates to the customer.

The assets and liabilities of the Company Social Benefit Fund are netted off in the consolidated 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	**944**	**227**
Other	944	227
Current	**31,139**	**6,799**
Prepaid services	**17,790**	**3,850**
Internet domains	155	156
Prepaid marketing expenses	1,081	519
including in segment Germany	*311*	-
Prepaid hardware and software maintenance services	3,393	1,820
including in segment Germany	*740*	-
Prepaid other services	1,259	1,193
Uninvoiced advertisement ordered by customer	11,650	-
Other	252	162
Other assets	**13,349**	**2,949**
Prepayments for intangible assets and property, plant and equipment	259	33
Assets of Company Social Benefits Fund	-	310
Taxes and public charges receivable	1,903	492
including in segment Germany	*1,211*	-
Incremental costs of obtaining a contract in segment Germany	11,067	-
Settlements with shareholders	-	1,704
Other	120	410
Total	**32,083**	**7,026**

All amounts in PLN thousand, unless otherwise stated

6.8 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 Group'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	13,180	14,923
Other non-financial liabilities	3,584	1,076
Total	**16,764**	**15,999**

6.9 Employee benefit obligations

Accounting policies

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

Provisions

Provisions are recognised when the Group has 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 Group 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'.

All amounts in PLN thousand, unless otherwise stated

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 Group 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 Group'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 Group 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 Group's historical data and market information.

The Group 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 Group recognises a provision. When the occurrence of a liability is possible, but not probable – a contingent liability is recognised (Note 7.7).

	31 December 2022	31 December 2021
Non-current	**1,847**	**1,451**
Provisions	**1,847**	**1,451**
Death gratuities	946	765
Retirement benefits	785	589
Disability benefits	116	97
Current	**23,618**	**14,860**
Provisions	**57**	**1,246**
Death gratuities	28	20
Retirement benefits	14	1
Disability benefits	15	12
Bonuses	-	1,213
Other obligations to employees	**23,561**	**13,614**
Accrued holiday entitlements	6,098	4,324
Sales-related bonuses and commission fees payable to employees	17,009	9,290
Other	454	
Total	**25,465**	**16,311**

All amounts in PLN thousand, unless otherwise stated

Actuarial assumptions used in calculating the provision for post-employment benefits (death, 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 schemes for key personnel

In the years 2018-2020, the Company implemented a long-term employee incentive scheme for selected key employees ('DPM 2018-2020'). 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 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 Parent 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.

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 Parent 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.

6.10 Share-based payment arrangements and employee incentive schemes

Accounting policies

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 Parent 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 Group to vest and for which the Group'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 Parent 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 Parent 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.

Expected share price volatility at the valuation date

As the shares covered by the scheme are not traded in an active market, the Group cannot use market data to determine volatility information. In the absence of market data for the shares covered by the scheme, the Group estimated volatility based on volatility data of comparable companies. The Parent 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 Group estimates the number of options that are likely to vest in order to determine the amortisation schedule for the scheme.

The Parent 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 are 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 the nine months ended 30 September 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 Parent 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). Incentive Scheme 1 is 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 ('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 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 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 personnel who play a key role in shaping and executing the Company's strategy. Incentive Schemes 2 and 3 will be 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 will be 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 will receive will be 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 Schemes 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.

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 of 31 December 2021, employee benefit expenses amounting to PLN 1,254 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 9,404 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 5,959,115.00. 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. 5/2021 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 Świerczyńska, 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 and was recognised as employee benefit expense in these consolidated financial statements.
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 7.9.

7. OTHER NOTES

7.1 Earnings per share

Earnings per share is calculated by dividing the profit for the financial year attributable to the owners of the Parent by the weighted average number of ordinary shares in the reporting period adjusted proportionally for the effect of the change in the number of shares occurring as a result of the transformation of the legal form of the Parent from a limited liability company into a joint-stock company, assuming no concurrent change in resources.

The calculation of basic earnings per share for the periods covered by these consolidated 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 6.10. 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 attributable to owners of the Parent		
CONTINUING OPERATIONS	171,040	254,693
Net profit attributable to owners of the Parent	**171,040**	**254,693**
Effect of dilution	-	-
Net profit attributable to the owners of the Parent Entity, adjusted for dilution effect	**171,040**	**254,693**
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	***2.51***	***3.79***
Diluted earnings per share (PLN) – continuing operations	***2.47***	***3.78***

**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 recalculated on a pro rata basis to account for the effect of the company's transformation.*

All amounts in PLN thousand, unless otherwise stated

7.2 Related-party transactions

During the periods covered by these consolidated financial statements, the Group 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
Associates	11	2	536	434
Other related entities[1]	9	2,846	314	4,849
Total	**20**	**2,848**	**850**	**5,283**

	Revenue from contracts with customers	
	31 December 2022	31 December 2021
Associates	268	35
Other related entities[1]	48	3,799
Total	**316**	**3,834**

	Other services	
	31 December 2022	31 December 2021
Associates	722	1,016
Other related entities[1]	1	78
Total	**723**	**1,094**

[1] The term ‘related entities’ encompasses not only entities directly related to the Company but also those in which a member of the Company's key personnel or a close family member has significant influence or holds a significant number of voting rights.

During the periods covered by these consolidated financial statements, there were no transactions between the Group and its related parties on other than arm's length terms. Members of the Parent's Management Board, Supervisory Board and close members of their families, or other related parties, did not engage in transactions with Group companies that had a significant impact on the profit or loss of the reporting period or the Group's financial position.

7.3 Remuneration and other transactions with key management personnel

Remuneration of key management personnel

The Group identifies the Management Board and the Supervisory Board of the Parent 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 Group'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.

All amounts in PLN thousand, unless otherwise stated

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)**

7.4 Auditor's fees

	2022	2021
Audit of separate financial statements of the Parent and consolidated financial statements of the Group	**752**	**1,427**
Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.		
Mandatory audit of financial statements	663	235
Other services	89	1,112
Deloitte Audyt spółka z ograniczoną odpowiedzialnością sp.k.		
Other services	-	80
Audit of financial statements of subsidiaries	**339**	**196**

7.5 Employee benefits expense

	2022	2021
Salaries and wages	140,478	81,051
Bonuses	15,981	34,243
Share-based payments	28,160	12,571
Social security contributions	21,923	15,095
Other employee benefits	5,535	3,716
Total	**212,077**	**146,676**

7.6 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	140	130
Other employees	828	720
Total	**971**	**853**

7.7 Contingent liabilities

Accounting policies

The Group considers contingent liability as:

- 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 Group's control;

  or

All amounts in PLN thousand, unless otherwise stated

- 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 Bank Polski S.A.	EUR	498	487
Total	**EUR**	**498**	**487**

The Group recognises bank guarantees issued on behalf of the Parent as contingent liabilities. These guarantees provide security for lease payments under office leases in which the Group is the lessee.

7.8 Impact of the armed conflict in Ukraine on the Group'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 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 to generate cash flows in Ukrainian Companies have been destroyed, and there are currently no restrictions on access to these assets, including those available through banking systems. However, due to regulatory restrictions, Ukrainian Companies are unable to make dividend payments outside of Ukraine. 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 recorded its share of the loss of entities that operate in Ukraine and are measured using the equity method. This loss, amounting to PLN 131 thousand, was reported in the statement of comprehensive income.

In the first half of 2022, due to the possibility of further escalation of the armed conflict, the constantly changing financial flow conditions, and the scope of applicable sanctions, the Management Board elected to recognise an impairment charge of PLN 3,900 thousand for the value of equity-accounted investees (WorkIP Ltd and Work Ukraine TOV).

The Management Board of the Parent 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.

The table below summarises assets of Robota International TOV, which are at risk of impairment, and the corresponding assets of the Group as reported in the consolidated statement of financial position as of 31 December 2022.

All amounts in PLN thousand, unless otherwise stated

	Robota's assets as at 31 December 2022	Group's assets as at 31 December 2022
Intangible assets	14	29,403
Property, plant and equipment	1,793	12,382
Right-of-use assets	1,857	15 93
Deferred tax assets	3,859	56,332
Trade receivables	3,774	73,121
Other non-financial assets	1,189	944
Cash and cash equivalents	11,965	109,538

As of 31 December 2022, the Group's assets included equity-accounted investees (WorkIP Ltd and Work Ukraine TOV), which also have operations in Ukraine, measured at PLN 15,313 thousand. As at 31 December 2021, the investees were measured at PLN 19,344 thousand.

The following table summarises the Group's liabilities related to its operations in Ukraine and the corresponding liabilities of the Group as reported in the consolidated statement of financial position as of 31 December 2022.

	Group's liabilities related to operations in Ukraine as at 31 December 2022	Group's liabilities as at 31 December 2022
Non-current lease liabilities	1,504	8,762
Current lease liabilities	1,501	10,942
Employee benefit obligations	2,223	23,618
Trade payables	403	32,809
Other non-financial liabilities	365	16,765
Contract liabilities	24,104	208,420

In addition, the Group has a put option liability to non-controlling shareholders in Robota International TOV. The carrying amount of the liability as at 31 December 2022 was PLN 9,138 thousand.

The Group has no direct significant transactions with customers or suppliers from Russia and Belarus.

The Management Board of the Parent 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.

7.9 Events after the reporting date

Free transfer of part of Parent's shares held by certain shareholders

On 5 January 2023, the Parent was informed that the following shareholders of the Company: Przemysław Gacek, Maciej Noga, Gracjan Fiedorowicz, Rafał Nachyna, Oksana Świerczyńska, 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 and provide 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 consolidated financial statements for the year ended 31 December 2022

The foregoing consolidated financial statements for the year ended 31 December 2022 were authorised for issue by the Management Board of the Parent on 3 April 2023.

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

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Gracjan Fiedorowicz
Member of the Management Board

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

grupa pracuj