WORLD CHESS PLC

GROUP STRATEGIC REPORT,

REPORT OF THE DIRECTORS AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2020

# CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

## COMPANY INFORMATION
## FOR THE YEAR ENDED 31ST DECEMBER 2020

| | |
|---|---|
| **DIRECTORS:** | I Merenzon<br>M Shekhovtsov<br>Ms E Chalykh<br>J R Firestone |
| **SECRETARY:** | M Shekhovtsov |
| **REGISTERED OFFICE:** | No 1 Royal Exchange<br>London<br>EC3V 3DG |
| **REGISTERED NUMBER:** | 10589323 (England and Wales) |
| **AUDITORS:** | HW East Midlands Audit LLP<br>Statutory Auditors<br>Woburn Court, 2 Railton Rd<br>Woburn Road Ind Est<br>Kempston<br>Bedfordshire<br>MK42 7PN |

## GROUP STRATEGIC REPORT
## FOR THE YEAR ENDED 31ST DECEMBER 2020

The directors present their strategic report of the company and the group for the year ended 31st December 2020.

**REVIEW OF BUSINESS**

The Group business includes the organization of top-level chess events, operation of an online chess gaming and broadcasting platform, manufacturing and sale of chess products, and other chess related activities. The unique proposal of the company is based largely on the strong established brand, attention to design, wide line of chess products and services, strong network of partners and exclusive commercial arrangements with the International Chess Federation ("FIDE").

Due to the COVID-19 pandemic most of the 2020 event activities were moved to the years 2021-2022. The company focused on the development of its digital offerings, including launching several joint projects in this area. The company continues to dedicate significant resources on development of its online offerings and has successfully launched a beta version of its own gaming platform in 2020 (the full launch happened in April 2021).

The pandemic's impact on the 2020 results was seen in an operating loss of €0.7m. The loss after tax was €3.2m largely caused by net financing costs of €2.9m. Included in the financing costs was a one-off €3.2m cost in relation to a share incentive connected to a loan repayment. Details are included in Note 28 to the financial statements.

For the year 2021, the company will focus on further development and marketing of its online offerings, and will make fundraising efforts for the purpose of market expansion. As the pandemic subsides , the company expects income from profit-sharing arrangement of the 2021 FIDE events and then significant income in relation to the FIDE Grand Prix Series to be organized in Q1-Q2 2022.

The company will expand its Berlin office to improve the logistics of working with EU counterparties and authorities due to Brexit as well as to take advantage of the growing popularity of chess in Germany.

**Key Performance Indicators**

The Company uses a number of KPI's within the business. The principal financial metrics are Revenue, Gross profit and Profit before tax which are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. There are two principal non-financial KPI's that the Company uses:

Number of Events held. This relates to the number of Chess events in the FIDE biennial world championship cycle held during the year as well as other events organised by World Chess. In 2020, due to the Covid pandemic there was only one event held and that was started, suspended and then postponed to 2021. By comparison in 2019 there had been 5 events (4 FIDE Grand Prix events and the new format Armageddon event, a fast paced event suited for TV developed by World Chess).

Number of Online paid subscribers. At the end of 2020 there were 4,117 paying subscribers to the FIDE Online Arena (FOA) the official online gaming platform of FIDE which World Chess operates through the World Chess website. There is no meaningful comparative number for 2019 as the FOA, in its current format, was only launched in late 2020.

Going forward the Company intends to continue the use of these KPI's and will regularly review whether further KPI's should be added as the business grows.

## GROUP STRATEGIC REPORT
## FOR THE YEAR ENDED 31ST DECEMBER 2020

**PRINCIPAL RISKS AND UNCERTAINTIES**

Competitive risks

The Group is exposed to competitive risks in the market as there are other companies involved in the organisation of chess tournaments, online gaming and provision of auxiliary services. However, due to an established brand and a strong partner network, as well as a direct contractual relationship with FIDE, it holds a unique position to develop and market products aimed at the broad chess audience.

Financial risks

The Group has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives.

Going concern risks

COVID-19 still continues to be a factor impeding the Group's offline activities. Still, the focus on the online products in 2020 has allowed it to significantly mitigate these risks and secure the cash flow for the ongoing activities.

## GROUP STRATEGIC REPORT
## FOR THE YEAR ENDED 31ST DECEMBER 2020

**SECTION 172(1) STATEMENT**
**Promoting the success of the company**
As the Board of Directors of World Chess plc, we have a legal responsibility under section 172 of the Companies Act 2006 to act in the way we consider, in good faith, would be most likely to promote the company's success for the benefit of its members as a whole, and to have regard to the long-term effect of our decisions on the company and its stakeholders. This statement addresses the ways in which we as a Board fulfil this responsibility.

**Promoting the company's success for its members**. As World Chess Plc is competing in the developing chess market, the current focus is on the increase of market share to ensure the company's ability to grow profits and contribute to the shareholder value in future.

**The interests of the World Chess employees**. Our employees' interests are always taken into consideration when decisions are made by the board. We help to engage with team members by providing training and career development support and there is formal and informal workplace communication. Staff are regularly consulted and provide valuable input into management decisions.

Our customers. We invest heavily in product development and staff training to make sure that our customers (both corporate and individual) receive the best value for their money in the market and we are always ready to go the extra mile for them.

**Our suppliers**. Throughout the years, we have built a highly effective network of suppliers and associate consultants in all the key areas of our business. We are fortunate to be supported by extremely talented professionals from all backgrounds and from various markets. We value these relationships and consider our long-term suppliers and associates part of the World Chess family and an extension of our internal workforce.

**Our community**. We strive to create strong ties with the communities where our activities take place, be it in London, New York, Moscow or Berlin. We try to make sure that local authorities, charities, volunteer and community projects become part of our activities and are able to benefit from such cooperation.

The environment. We recognize our environmental responsibilities and are committed to reducing our carbon footprint, recycling waste materials and improving the efficiency of energy consumption. Where possible, we always try to keep our training materials, contracts, invoices and other documents purely in electronic form.

**ON BEHALF OF THE BOARD:**

........................................................................
I Merenzon - Director

Date: 24.09.21

# REPORT OF THE DIRECTORS
# FOR THE YEAR ENDED 31ST DECEMBER 2020

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2020.

## DIVIDENDS
No dividends will be distributed for the year ended 31st December 2020.

## EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

## DIRECTORS
The directors shown below have held office during the whole of the period from 1st January 2020 to the date of this report.

I Merenzon
M Shekhovtsov

Other changes in directors holding office are as follows:

Ms E Chalykh - appointed 24th August 2020
J R Firestone - appointed 10th August 2020

## STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

WORLD CHESS PLC (REGISTERED NUMBER: 10589323)

**REPORT OF THE DIRECTORS**
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**AUDITORS**
The auditors HW East Midlands Audit LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

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I Merenzon - Director

Date: 24.09.21

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WORLD CHESS PLC

**Opinion**

We have audited the financial statements of World Chess PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31st December 2020 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included in the accounting policies.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

The financial statements have been prepared on a going concern basis and this is further detailed in the accounting policies.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WORLD CHESS PLC

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WORLD CHESS PLC

**Auditors' responsibilities for the audit of the financial statements**

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and the sector in which they operate. We determined that the following laws and regulations were most significant: The Companies Act 2006 and UK, US, Russian and Hong Kong Corporate tax laws.

- We have inquired with management as to any known instances of fraud or irregularity, and

- We have devised audit tests to target the areas which may be most susceptible to misstatement, including; revenue recognition (review of contracts for sponsorship) and management override (review of journal entries).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

HW East Midlands Audit LLP.

Alberto Di Lorenzo FCA (Senior Statutory Auditor)
for and on behalf of HW East Midlands Audit LLP
Statutory Auditors
Woburn Court, 2 Railton Rd
Woburn Road Ind Est
Kempston
Bedfordshire
MK42 7PN

Date: 28/09/2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2020

| | Notes | 31/12/20<br>€ | 31/12/19<br>as restated<br>€ |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 3 | 2,516,858 | 4,476,523 |
| Cost of sales | | (967,741) | (2,484,389) |
| **GROSS PROFIT** | | 1,549,117 | 1,992,134 |
| Other operating income | | 19,059 | 174,723 |
| Administrative expenses | | (2,262,067) | (2,007,224) |
| Other operating expenses | | (7,637) | (50,324) |
| **OPERATING (LOSS)/PROFIT** | | (701,528) | 109,309 |
| Finance costs | 5 | (3,491,355) | (382,692) |
| Finance income | 5 | 607,427 | 136,755 |
| **LOSS BEFORE INCOME TAX** | 6 | (3,585,456) | (136,628) |
| Income tax | 7 | 424,764 | 22,073 |
| **LOSS FOR THE YEAR** | | (3,160,692) | (114,555) |
| **OTHER COMPREHENSIVE INCOME** | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | (3,160,692) | (114,555) |
| Prior year adjustment | 9 | 203,002 | |
| **TOTAL COMPREHENSIVE INCOME SINCE LAST ANNUAL REPORT** | | (2,957,690) | |
| Loss attributable to: | | | |
| Owners of the parent | | (3,160,692) | (114,555) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | (2,957,690) | (114,555) |

The notes form part of these financial statements

WORLD CHESS PLC (REGISTERED NUMBER: 10589323)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## 31ST DECEMBER 2020

| | Notes | 31/12/20 € | 31/12/19 as restated € |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Goodwill | 10 | 142,474 | 142,474 |
| Owned | | | |
| Intangible assets | 11 | 2,030,192 | 1,919,592 |
| Property, plant and equipment | 12 | 70,701 | 95,759 |
| Right-of-use | | | |
| Property, plant and equipment | 12, 23 | 56,832 | 190,777 |
| Investments | 13 | - | - |
| Loans and other financial assets | 14 | - | 6,100 |
| Trade and other receivables | 16 | 585,379 | 9,341 |
| Deferred tax | 25 | 451,098 | 27,757 |
| | | 3,336,676 | 2,391,800 |
| **CURRENT ASSETS** | | | |
| Inventories | 15 | 58,598 | 82,407 |
| Trade and other receivables | 16 | 479,935 | 522,638 |
| Tax receivable | | - | 123 |
| Investments | 17 | - | 159,263 |
| Cash and cash equivalents | 18 | 521,327 | 1,011,334 |
| | | 1,059,860 | 1,775,765 |
| **TOTAL ASSETS** | | 4,396,536 | 4,167,565 |
| **EQUITY** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 19 | 64,219 | 64,219 |
| Share premium | 20 | 3,552,069 | 3,552,069 |
| Translation reserve | 20 | 52,465 | 16,663 |
| Retained earnings | 20 | (7,175,495) | (4,014,803) |
| **TOTAL EQUITY** | | (3,506,742) | (381,852) |

The notes form part of these financial statements



continued...

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
## 31ST DECEMBER 2020

| | Notes | 31/12/20<br>€ | 31/12/19<br>as restated<br>€ |
|---|---|---|---|
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Financial liabilities - borrowings | | | |
| Interest bearing loans and borrowings | 22 | 2,083,706 | 2,400,477 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 21 | 5,749,387 | 1,427,136 |
| Financial liabilities - borrowings | | | |
| Interest bearing loans and borrowings | 22 | 70,185 | 717,838 |
| Tax payable | | - | 3,966 |
| | | 5,819,572 | 2,148,940 |
| **TOTAL LIABILITIES** | | 7,903,278 | 4,549,417 |
| **TOTAL EQUITY AND LIABILITIES** | | 4,396,536 | 4,167,565 |

The financial statements were approved by the Board of Directors and authorised for issue on 24.09.21 and were signed on its behalf by:

I Merenzon - Director

**WORLD CHESS PLC (REGISTERED NUMBER: 10589323)**

## COMPANY STATEMENT OF FINANCIAL POSITION
## 31ST DECEMBER 2020

| | Notes | 31/12/20<br>€ | 31/12/19<br>as restated<br>€ |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Goodwill | 10 | - | - |
| Owned | | | |
| Intangible assets | 11 | - | - |
| Property, plant and equipment | 12 | - | - |
| Right-of-use | | | |
| Investments | 13 | 151,616 | 51,616 |
| Loans and other financial assets | 14 | - | - |
| Trade and other receivables | 16 | 597,926 | 1,059,834 |
| | | 749,542 | 1,111,450 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 16 | 137 | - |
| Tax receivable | | - | 123 |
| Cash and cash equivalents | 18 | 100,044 | 59,745 |
| | | 100,181 | 59,868 |
| **TOTAL ASSETS** | | 849,723 | 1,171,318 |
| **EQUITY** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 19 | 64,219 | 64,219 |
| Share premium | 20 | 3,552,069 | 3,552,069 |
| Retained earnings | 20 | (5,995,540) | (2,482,191) |
| **TOTAL EQUITY** | | (2,379,252) | 1,134,097 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 21 | 3,228,975 | 37,221 |
| **TOTAL LIABILITIES** | | 3,228,975 | 37,221 |
| **TOTAL EQUITY AND LIABILITIES** | | 849,723 | 1,171,318 |

The financial statements were approved by the Board of Directors and authorised for issue on 24.09.21 and were signed on its behalf by:

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I Merenzon - Director

The notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2020

| | Called up share capital € | Retained earnings € | Share premium € | Translation reserve € | Total equity € |
|---|---|---|---|---|---|
| **Balance at 1st January 2019** | 64,219 | (3,900,248) | 3,552,069 | 24,916 | (259,044) |
| **Changes in equity** | | | | | |
| Total comprehensive income | - | (317,557) | - | (8,253) | (325,810) |
| **Balance at 31st December 2019** | 64,219 | (4,217,805) | 3,552,069 | 16,663 | (584,854) |
| Prior year adjustment | - | 203,002 | - | - | 203,002 |
| As restated | 64,219 | (4,014,803) | 3,552,069 | 16,663 | (381,852) |
| **Changes in equity** | | | | | |
| Total comprehensive income | - | (3,160,692) | - | 35,802 | (3,124,890) |
| **Balance at 31st December 2020** | 64,219 | (7,175,495) | 3,552,069 | 52,465 | (3,506,742) |

The notes form part of these financial statements

## COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31ST DECEMBER 2020

| | Called up share capital € | Retained earnings € | Share premium € | Total equity € |
|---|---|---|---|---|
| **Balance at 1st January 2019** | 64,219 | (3,399) | 3,552,069 | 3,612,889 |
| **Changes in equity** | | | | |
| Total comprehensive income | - | (2,478,792) | - | (2,478,792) |
| **Balance at 31st December 2019** | 64,219 | (2,482,191) | 3,552,069 | 1,134,097 |
| **Changes in equity** | | | | |
| Total comprehensive income | - | (3,513,349) | - | (3,513,349) |
| **Balance at 31st December 2020** | 64,219 | (5,995,540) | 3,552,069 | (2,379,252) |

The notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31ST DECEMBER 2020

| | Notes | 31/12/20<br>€ | 31/12/19<br>as restated<br>€ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 1 | 121,201 | 2,283,518 |
| Interest paid | | (291,355) | (382,692) |
| Tax paid | | (2,422) | (3,484) |
| Net cash from operating activities | | (172,576) | 1,897,342 |
| **Cash flows from investing activities** | | | |
| Purchase of goodwill | | - | (160,999) |
| Purchase of intangible fixed assets | | (389,827) | (440,056) |
| Purchase of tangible fixed assets | | - | (35,751) |
| Sale of tangible fixed assets | | 42,648 | - |
| Sale of fixed asset investments | | 165,363 | - |
| Interest received | | 607,427 | 136,755 |
| Net cash from investing activities | | 425,611 | (500,051) |
| **Cash flows from financing activities** | | | |
| New loans in year | | 46,987 | 4,635,481 |
| Loan repayments in year | | (628,131) | (5,142,662) |
| New loans issued in year | | - | (57,644) |
| Payment of lease liabilities | | (136,432) | (41,863) |
| Amount introduced by directors | | 126,029 | 38,151 |
| Amount withdrawn by directors | | (14,035) | (3,244) |
| Net cash from financing activities | | (605,582) | (571,781) |
| **(Decrease)/increase in cash and cash equivalents** | | (352,547) | 825,510 |
| **Cash and cash equivalents at beginning of year** | 2 | 1,011,334 | 185,824 |
| Effect of foreign exchange rate changes | | (137,460) | - |
| **Cash and cash equivalents at end of year** | 2 | 521,327 | 1,011,334 |

The notes form part of these financial statements

WORLD CHESS PLC (REGISTERED NUMBER: 10589323)

## COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31ST DECEMBER 2020

| | Notes | 31/12/20<br>€ | 31/12/19<br>as restated<br>€ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 1 | (335,973) | (2,522,719) |
| Tax paid | | - | (1,900) |
| Net cash from operating activities | | (335,973) | (2,524,619) |
| **Cash flows from investing activities** | | | |
| Purchase of fixed asset investments | | (100,000) | (50,000) |
| Loan repayments from related parties | | 461,908 | 2,565,500 |
| Interest received | | 14,364 | 68,396 |
| Net cash from investing activities | | 376,272 | 2,583,896 |
| **Decrease in cash and cash equivalents** | | 40,299 | 59,277 |
| **Cash and cash equivalents at beginning of year** | 2 | 59,745 | 468 |
| **Cash and cash equivalents at end of year** | 2 | 100,044 | 59,745 |

The notes form part of these financial statements

WORLD CHESS PLC (REGISTERED NUMBER: 10589323)

## NOTES TO THE STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED 31ST DECEMBER 2020

### 1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

**Group**

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Loss before income tax | (3,585,456) | (136,628) |
| Depreciation charges | 333,181 | 313,658 |
| Other reserves | 35,802 | (8,290) |
| Finance costs | 3,491,355 | 382,692 |
| Finance income | (607,427) | (136,755) |
| | (332,542) | 414,677 |
| Decrease in inventories | 23,809 | 37,690 |
| (Increase)/decrease in trade and other receivables | (533,335) | 672,360 |
| Increase in trade and other payables | 963,270 | 1,158,791 |
| **Cash generated from operations** | 121,201 | 2,283,518 |

**Company**

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Loss before income tax | (3,513,349) | (2,478,792) |
| Finance income | (14,364) | (68,396) |
| | (3,527,713) | (2,547,188) |
| Increase in trade and other receivables | (14) | - |
| Increase in trade and other payables | 3,191,754 | 24,469 |
| **Cash generated from operations** | (335,973) | (2,522,719) |

## NOTES TO THE STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED 31ST DECEMBER 2020

### 2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

| | Group | | Company | |
|---|---|---|---|---|
| **Year ended 31st December 2020** | | | | |
| | 31/12/20 | 1/1/20 | 31/12/20 | 1/1/20 |
| | € | € | € | € |
| Cash and cash equivalents | 521,327 | 1,011,334 | 100,044 | 59,745 |
| **Year ended 31st December 2019** | | | | |
| | 31/12/19 | 1/1/19 | 31/12/19 | 1/1/19 |
| | as restated | | as restated | |
| | € | € | € | € |
| Cash and cash equivalents | 1,011,334 | 185,824 | 59,745 | 468 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31ST DECEMBER 2020

### 1. STATUTORY INFORMATION

World Chess PLC is a public company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

### 2. ACCOUNTING POLICIES

**Basis of preparation**
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Euro which is the functional currency of the company and rounded to the nearest €.

**Going concern**

The financial statements have been prepared on a going concern basis. The Directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the Directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

Reliance is placed on the following considerations:
a) the majority shareholder has provided a letter continue to support the entity.
b) the interest of the investors in the project and fundraising activities of the Company.
c) share subscription and marketing agreements concluded in Q1 2021.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

**Basis of consolidation**
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intra-group balances and transactions are eliminated on consolidation. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.



continued...

## 2. ACCOUNTING POLICIES - continued

**Critical accounting judgements and key sources of estimation uncertainty**
The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The material areas in which estimates and judgements are applied as follows:

- Goodwill and other intangible assets impairment
The Group is required to test, on an annual basis, whether goodwill and other intangible assets have suffered any impairment. Determining whether there has been any impairment requires an estimation of the fair value in use of the cash-generating units. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

- Crypto currency valuation
The group does not trade in crypto currency and as such does not recognise crypto assets as inventory. The group has the objective of converting crypto currencies into cash, predominately US Dollars or Euros at the earliest opportunity available. The decision at the time of conversion of cryptocurrency into cash to best estimate the highest value receivable is the predominant key source of uncertainty and estimation. The crypto assets are shown within cash and cash equivalents on the balance sheet date converted at the spot rate prevailing at that date with the carry amount being €211,872.

- Legal proceedings provisions
Provisions for legal proceedings are recognised as other expenses when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be measured reliably. At the balance sheet date there is an ongoing claim with one supplier. See note 25.



continued...

## 2. ACCOUNTING POLICIES - continued

**Revenue recognition**
Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognised when control of the goods has transferred to the customer. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:
- The Company has transferred the significant risks and rewards of ownership to the buyer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of turnover can be measured reliably; It is probable that the Company will receive the consideration due under the transaction; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:
- The amount of turnover can be measured reliably;
- It is probable the company will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

Sponsorship income

Per IFRS 15 revenue from contract with customers, turnover is recognised in the period to which the sponsorship relates. Any sponsorship income received in advance of tournaments gives rise to contract liabilities which is deferred and included in accruals and deferred income. The carrying amount of the deferred sponsorship income included in creditors being €1,653,551.

Promotion income

Turnover is recognised over the period contracted for. Any income received/receivable in crypto-currency is converted at the spot rate at the prevailing date that the risk and reward has passed to the company. Where the exchange rate of the crypto-currency has a guaranteed minimum floor price, a debtor is recognised for any short-fall.

Interest receivable

The Company was entitled to the interest receivable on collateral provided by a partner to secure a loan. The interest receivable was in exchange for share options provided to the partner. The share options were exercised shortly after the year end.

**Goodwill**
Goodwill is recorded as an intangible asset and is the surplus of the cost of acquisition over the fair value of identifiable net assets acquired. Goodwill is reviewed annually for impairment. Any impairment identified as a result of the review is charged in the statement of profit or loss and other comprehensive income.



continued...

2. **ACCOUNTING POLICIES - continued**

**Other intangible assets**
Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

They are amortised over their estimated life of ten years using the straight-line method.

The Group have exclusive rights to organise and host top level chess events in association with FIDE. The Group also has developed and capitalised website costs. Both these assets are amortised over a straight line period over the useful life until 2027.

During 2020 the Group also capitalised a licence which is amortised over its useful life of 5 years.

**Property, plant and equipment**
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

| | | |
|---|---|---|
| Fixtures and fittings | - | Straight line over 5 years |
| Computer equipment | - | Straight line over 3 years |

**Financial instruments**
Financial instruments
The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently, are amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of trade debt deferred beyond normal business terms or financed at a rate of interest that is not market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.



continued...

2. **ACCOUNTING POLICIES - continued**

**Inventories**
Inventories of finished goods are valued at the lower of cost and net realisable value (the estimated selling price less the estimated costs to sell), after making due allowance for obsolete and slow moving items.

**Taxation**
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Commercial legislation within the Russian Federation in which the Group operates, including tax legislation, is subject to varying interpretations and frequent changes.

The Group's management is confident that all necessary tax accruals have been made and, accordingly, no additional provision is required in the accounts.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

**Foreign currencies**
Assets and liabilities in foreign currencies are translated into euro at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into euro at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Leases**
Leases are recognised as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.


continued...

## 2. ACCOUNTING POLICIES - continued

**Adoption of new and revised standards**
The following changes to the IFRS conceptual framework and accounting standards were adopted at the beginning of 2020. The following changes did not have an impact on the financial statements:

| New of amended standard or interpretation | Issue date - effective for accounting periods beginning on or after 1 January 2020 |
|---|---|
| Amendments to References to Conceptual Framework in IFRS Standards | |
| Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform | |
| Annual improvements to IFRS Standards 2015-2017 Cycle | 12 December 2017 |
| Amendments to IAS 19: Plan Amendment, Curtailment or settlement | 7 February 2018 |
| Amendments to IAS 28: Long term Interests in Associates and Joint Ventures | 12 October 2017 |
| IFRIC 23: Uncertainty over Income Tax Treatments | 7 June 2017 |
| Amendments to IFRS 9: Prepayment Features with Negative Compensations | 12 October 2017 |
| New and revised IFRSs in issue but not yet effective | |

The following amended stândards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to references to Conceptual framework in IFRS Standards, effective from 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- IFRS 3: Definition of a Business, effective from 1 January 2020
- IAS 1 and IAS 8: Definition of Material, effective from 1 January 2020
- Amendments to IAS 21 and IAS 29
- Amendments to IFRS 16 Leases: COVID-19 Related Rent Concessions

**New standards for 2021**

The following amendments are expected to be issued:

- Amendments to IFRS 17: Insurance Contracts
- Amendments to IAS 1: Presentation of financial instruments; effective for periods beginning on or after 1 January 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 in relation to interest rate benchmark reform - phase 2, effective for periods beginning on or after 1 January 2021.

The above amendments and interpretations are not expected to have a significant effect impact on the Group's results.

**Cash and cash equivalents**
Included within cash and cash equivalents are crypto-currencies held in separate wallets. The crypto-currencies are not held for a long time period and not determined to be intangible assets or inventories.



continued...

## 2. ACCOUNTING POLICIES - continued

**Financial liabilities**
The Group does not have financial liabilities that would be classified as fair value through the profit or loss. Therefore, all financial liabilities are classified as other financial liabilities.

The Group use the amortised cost method for financial liabilities include borrowings, trade and other payables and are recognised at their original amount.

## 3. REVENUE

**Revenue from contracts with customers**

**Turnover by business class**

| | 2020 | 2019 |
|---|---|---|
| | € | € |
| Product sales and sales of tickets | 482,162 | 539,997 |
| Sponsorship received | 2,027,081 | 3,927,817 |
| Royalties Received | 7,615 | 8,709 |
| Total Revenue | 2,516,858 | 4,476,523 |

By geographical area

| | 2020 | 2019 |
|---|---|---|
| | € | € |
| United Kingdom | 2,257,369 | 3,927,386 |
| Russia | 165,758 | 434,581 |
| United States of America | 8,071 | 33,141 |
| Other | 85,660 | 81,415 |
| Total Revenue | 2,516,858 | 4,476,523 |

## 4. EMPLOYEES AND DIRECTORS

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Wages and salaries | 177,028 | 310,037 |

The average number of employees during the year was as follows:

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| Group - average employee numbers | 11 | 19 |

Wages and salaries of €150,804 (2019: €234,785) included in the figure above are included in cost of sales.

The directors received consultancy fees for 2020 of €149,874.



continued...

## 4. EMPLOYEES AND DIRECTORS - continued

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Directors' remuneration | 6,658 | 11,332 |

## 5. NET FINANCE COSTS

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Finance income: | | |
| Loan interest received | 4,399 | 16,274 |
| Other interest receivable | 603,028 | 120,481 |
| | 607,427 | 136,755 |
| Finance costs: | | |
| Other loan interest | 291,355 | 382,692 |
| Fair value of share incentives provided | 3,200,000 | - |
| | 3,491,355 | 382,692 |
| Net finance costs | 2,883,928 | 245,937 |

## 6. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Cost of inventories recognised as expense | 967,741 | 2,484,389 |
| Depreciation - owned assets | 18,613 | 30,397 |
| Depreciation - assets on finance leases | 35,341 | 78,356 |
| Exclusive FIDE rights amortisation | 110,529 | 110,529 |
| Licence amortisation | 5,000 | - |
| Website amortisation | 163,698 | 100,833 |
| Auditors' remuneration | 31,574 | 21,872 |
| Foreign exchange differences | 311,807 | (30,188) |



continued...

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

## 7. INCOME TAX

**Analysis of tax income**

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Current tax: | | |
| Corporation tax | 4,860 | 3,976 |
| Deferred tax | (429,624) | (26,049) |
| Total tax income in consolidated statement of profit or loss and other comprehensive income | (424,764) | (22,073) |

**Factors affecting the tax expense**
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Loss before income tax | (3,585,456) | (136,628) |
| Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%) | (681,237) | (25,959) |
| Effects of: | | |
| Deferred tax | (432,351) | (26,049) |
| Depreciation in excess of capital allowances | 78,096 | 29,935 |
| Non taxable expenses | 610,728 | - |
| Tax income | (424,764) | (22,073) |

The deferred tax represents tax losses available to carry forward against future trading profits.

## 8. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was €(3,513,349) (2019 - €(2,478,792)).

## 9. PRIOR YEAR ADJUSTMENT

A prior year adjustment has been made to the financial statements of World Chess Events Limited for the year ended 31 December 2019 to reflect a crypto-currency balance of €203,001 held in a crypto wallet that had previously been omitted.



continued...

## 10. GOODWILL

**Group**

| | € |
|---|---|
| **COST** | |
| At 1st January 2020 | |
| and 31st December 2020 | 142,474 |
| **NET BOOK VALUE** | |
| At 31st December 2020 | 142,474 |

| | € |
|---|---|
| **COST** | |
| At 1st January 2019 | 6,728 |
| Additions | 160,999 |
| Impairments | (25,253) |
| At 31st December 2019 | 142,474 |
| **NET BOOK VALUE** | |
| At 31st December 2019 | 142,474 |

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The carrying value of the goodwill arose on the acquisition of World Chess US Inc, World Chess RUS LLC and World Chess Digital Limited.

The key assumptions in assessing the recoverable amount of this goodwill are the growth in the total ticket sales from chess events worldwide and online gaming chess players within both online and offline markets. These assumptions have been determined by using a combination of long term trends, industry forecasts and in-house estimates.

## 11. INTANGIBLE ASSETS

**Group**

| | Exclusive FIDE rights € | Licence € | Website € | Totals € |
|---|---|---|---|---|
| **COST** | | | | |
| At 1st January 2020 | 1,105,291 | - | 1,341,460 | 2,446,751 |
| Additions | - | 25,000 | 364,827 | 389,827 |
| At 31st December 2020 | 1,105,291 | 25,000 | 1,706,287 | 2,836,578 |
| **AMORTISATION** | | | | |
| At 1st January 2020 | 331,587 | - | 195,572 | 527,159 |
| Amortisation for year | 110,529 | 5,000 | 163,698 | 279,227 |
| At 31st December 2020 | 442,116 | 5,000 | 359,270 | 806,386 |
| **NET BOOK VALUE** | | | | |
| At 31st December 2020 | 663,175 | 20,000 | 1,347,017 | 2,030,192 |



continued...

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

11. **INTANGIBLE ASSETS - continued**

**Group**

| | Exclusive FIDE rights € | Website € | Totals € |
|---|---|---|---|
| **COST** | | | |
| At 1st January 2019 | 1,105,291 | 901,404 | 2,006,695 |
| Additions | - | 440,056 | 440,056 |
| At 31st December 2019 | 1,105,291 | 1,341,460 | 2,446,751 |
| **AMORTISATION** | | | |
| At 1st January 2019 | 221,058 | 94,739 | 315,797 |
| Amortisation for year | 110,529 | 100,833 | 211,362 |
| At 31st December 2019 | 331,587 | 195,572 | 527,159 |
| **NET BOOK VALUE** | | | |
| At 31st December 2019 | 773,704 | 1,145,888 | 1,919,592 |

12. **PROPERTY, PLANT AND EQUIPMENT**

**Group**

| | Right of use asset € | Fixtures and fittings € | Computer equipment € | Totals € |
|---|---|---|---|---|
| **COST** | | | | |
| At 1st January 2020 | 411,942 | 143,391 | 1,698 | 557,031 |
| Disposals | - | (42,648) | - | (42,648) |
| Exchange differences | - | 36,203 | - | 36,203 |
| At 31st December 2020 | 411,942 | 136,946 | 1,698 | 550,586 |
| **DEPRECIATION** | | | | |
| At 1st January 2020 | 221,165 | 48,198 | 1,132 | 270,495 |
| Charge for year | 35,341 | 18,046 | 566 | 53,954 |
| Exchange differences | 98,604 | - | - | 98,604 |
| At 31st December 2020 | 355,110 | 66,244 | 1,698 | 423,053 |
| **NET BOOK VALUE** | | | | |
| At 31st December 2020 | 56,832 | 70,702 | - | 127,533 |



continued...

## 12. PROPERTY, PLANT AND EQUIPMENT - continued

**Group**

| | Right of use asset € | Fixtures and fittings € | Computer equipment € | Totals € |
|---|---|---|---|---|
| **COST** | | | | |
| At 1st January 2019 | 411,942 | 107,640 | 1,698 | 521,280 |
| Additions | - | 28,208 | - | 28,208 |
| Exchange differences | - | 7,543 | - | 7,543 |
| At 31st December 2019 | 411,942 | 143,391 | 1,698 | 557,031 |
| **DEPRECIATION** | | | | |
| At 1st January 2019 | 174,058 | 18,367 | 566 | 192,991 |
| Charge for year | 78,356 | 29,831 | 566 | 108,753 |
| Exchange differences | (31,249) | - | - | (31,249) |
| At 31st December 2019 | 221,165 | 48,198 | 1,132 | 270,495 |
| **NET BOOK VALUE** | | | | |
| At 31st December 2019 | 190,777 | 95,193 | 566 | 286,536 |

## 13. INVESTMENTS

**Company**

| | Shares in group undertakings € |
|---|---|
| **COST** | |
| At 1st January 2020 | 51,616 |
| Additions | 100,000 |
| At 31st December 2020 | 151,616 |
| **NET BOOK VALUE** | |
| At 31st December 2020 | 151,616 |
| At 31st December 2019 | 51,616 |



continued...

13. **INVESTMENTS - continued**

**Company**

| | Shares in group undertakings € |
|---|---|
| **COST** | |
| At 1st January 2019 | 1,616 |
| Additions | 50,000 |
| At 31st December 2019 | 51,616 |
| **NET BOOK VALUE** | |
| At 31st December 2019 | 51,616 |

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

**Subsidiaries**

**World Chess Events Limited**
Registered office: The Pinnacle, 170 Midsummer Boulevard, Milton Keynes, Buckinghamshire, United Kingdom, MK9 1BP
Nature of business: Organising chess events (Worldwide)

| Class of shares: | % holding |
|---|---|
| Ordinary | 100.00 |

**World Chess US, Inc**
Registered office: 1201 N. Orange Street, Suite 762, Wilmington, New Castle County, DE, USA 19801
Nature of business: Organising chess events (USA), online chess

| Class of shares: | % holding |
|---|---|
| Ordinary | 100.00 |

**World Chess Rus LLC**
Registered office: 123242, Moscow, Kudrinskaya Square, 1 room XIIB
Nature of business: Organising chess events, chess club activities

| Class of shares: | % holding |
|---|---|
| Ordinary | 100.00 |

**World Chess Digital Limited**
Registered office: 21st Floor, Tay Chau Building, 262 Des Voeux Road Central, Hong Kong
Nature of business: Operation of online chess platform

| Class of shares: | % holding |
|---|---|
| Ordinary | 100.00 |

During the year, World Chess PLC provided a capital contribution to World Chess RUS LLC for €100,000.



continued...

## 14. LOANS AND OTHER FINANCIAL ASSETS

**Group**

| | Loans to other participating interests |
|---|---|
| | € |
| At 1st January 2020 | 6,100 |
| Repayment in year | (6,100) |
| At 31st December 2020 | - |

| | Loans to other participating interests |
|---|---|
| | € |
| At 1st January 2019 | 101,281 |
| Repayment in year | (95,181) |
| At 31st December 2019 | 6,100 |

## 15. INVENTORIES

| | Group | |
|---|---|---|
| | 31/12/20 | 31/12/19 as restated |
| | € | € |
| Stocks | 58,598 | 82,407 |

## 16. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 31/12/20 | 31/12/19 as restated | 31/12/20 | 31/12/19 as restated |
| | € | € | € | € |
| Current: | | | | |
| Trade debtors | 15,337 | 495,563 | - | - |
| Other debtors | 64,422 | 3,638 | 137 | - |
| Prepayments and accrued income | 400,176 | 23,437 | - | - |
| | 479,935 | 522,638 | 137 | - |



continued...

## 16. TRADE AND OTHER RECEIVABLES - continued

| | Group | | Company | |
|---|---|---|---|---|
| | 31/12/20 | 31/12/19 as restated | 31/12/20 | 31/12/19 as restated |
| | € | € | € | € |
| Non-current: | | | | |
| Amounts owed by participating interests | - | 9,341 | - | - |
| Amounts owed by group undertakings | - | - | 597,926 | 1,059,834 |
| Other debtor | 585,379 | - | - | - |
| | 585,379 | 9,341 | 597,926 | 1,059,834 |
| Aggregate amounts | 1,065,314 | 531,979 | 598,063 | 1,059,834 |

## 17. INVESTMENTS

| | Group | |
|---|---|---|
| | 31/12/20 | 31/12/19 as restated |
| | € | € |
| Other | - | 159,263 |

Please see note 26 for details.

## 18. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 31/12/20 | 31/12/19 as restated | 31/12/20 | 31/12/19 as restated |
| | € | € | € | € |
| Cash in hand | 121 | 999 | - | - |
| Bank accounts | 521,206 | 1,010,335 | 100,044 | 59,745 |
| | 521,327 | 1,011,334 | 100,044 | 59,745 |

## 19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 31/12/20 | 31/12/19 as restated |
|---|---|---|---|---|
| | | | € | € |
| 56,690 | Ordinary | £1 | 64,219 | 64,219 |



continued...

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
## FOR THE YEAR ENDED 31ST DECEMBER 2020

### 20. RESERVES

Retained earnings comprises of the brought forward cumulative profit and loss balances carried forward from previous accounting periods.

Share premium comprises of 56,690 nominal shares which represents funds generated from shareholders as a return for their partial ownership of the company.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

### 21. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 31/12/20 | 31/12/19 as restated | 31/12/20 | 31/12/19 as restated |
| | € | € | € | € |
| Current: | | | | |
| Trade creditors | 145,213 | - | 10,379 | 24,371 |
| Amounts owed to participating interests | 46,987 | - | - | - |
| Social security and other taxes | 7,849 | 18,322 | - | - |
| Other creditors | 3,218,727 | 15,048 | 3,201,376 | 1,376 |
| Net wages outstanding | - | 1,846 | - | - |
| Accruals and deferred income | 2,037,404 | 1,214,495 | 16,982 | 11,236 |
| Directors' current accounts | 112,232 | 238 | 238 | 238 |
| VAT | 180,975 | 177,187 | - | - |
| | 5,749,387 | 1,427,136 | 3,228,975 | 37,221 |

### 22. FINANCIAL LIABILITIES - BORROWINGS

| | Group | |
|---|---|---|
| | 31/12/20 | 31/12/19 as restated |
| | € | € |
| Current: | | |
| Other loans | 18,037 | 646,168 |
| Leases (see note 23) | 52,148 | 71,670 |
| | 70,185 | 717,838 |
| | | |
| Non-current: | | |
| Other loans - 1-2 years | 2,064,236 | 2,264,097 |
| Leases (see note 23) | 19,470 | 136,380 |
| | 2,083,706 | 2,400,477 |



continued...

## 22. FINANCIAL LIABILITIES - BORROWINGS - continued

Terms and debt repayment schedule

**Group**

| | 1 year or less | 1-2 years | Totals |
|---|---|---|---|
| | € | € | € |
| Other loans | 18,037 | 2,064,236 | 2,082,273 |
| Leases | 52,148 | 19,470 | 71,618 |
| | 70,185 | 2,083,706 | 2,153,891 |

Loans due greater than one year, €2,064,236 (2019:2,264,097) accrues interest charged at 11.5%. The loan is secured by collateral put up by a partner company. See note 29. The collateral is held in cryptocurrency and in accordance with contract, interest receivable on the collateral is recognised by World Chess Events Limited.

## 23. LEASING

**Group**
**Right-of-use assets**

**Property, plant and equipment**

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| **COST** | | |
| At 1st January 2020 | 411,942 | 411,942 |
| **DEPRECIATION** | | |
| At 1st January 2020 | 221,165 | 174,058 |
| Charge for year | 35,341 | 78,356 |
| Exchange differences | 98,604 | (31,249) |
| | 355,110 | 221,165 |
| **NET BOOK VALUE** | 56,832 | 190,777 |

 continued...

23. **LEASING - continued**

All leases are accounted for in accordance with IFRS 16 Leases.

| | 31/12/2020 | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| | € | € | € |
| Right-of-use asset | 56,832 | 190,777 | 237,884 |
| Financial liability | 71,619 | 208,050 | 249,912 |

Right of use asset recognised under IFRS 16 is for a lease term of 5 years ending on 30/04/2022 with an effective interest rate of 10.65%. Total finance lease interest for 2020: €7,450 (2019: €23,195).

In connection with the agreement reached with the lessor to reduce the fixed payments under the lease agreement from 1 April 2020 to 31 December 2021 due to COVID-19, the adjustments were made to the valuation of the financial obligation and asset in the form of rights of use in 2020.

The changes in leases in the year ended 31 December 2020 and 2019 are as follows:

| | |
|---|---|
| **Lease liabilities** | |
| At 31 December 2019 | 208,050 |
| Payment of rent | (37,010) |
| Interest | 7,450 |
| Reduction due to renegotiation with landlord | (167,387) |
| Exchange variation | (11,103) |
| At 31 December 2020 | 71,619 |

Right of use assets relating to lease properties are presented as property, plant and equipment and amortised to the end of the lease term.



continued...

23. **LEASING - continued**

**Group**
**Lease liabilities**

Minimum lease payments fall due as follows:

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Gross obligations repayable: | | |
| Within one year | 58,557 | 88,800 |
| Between one and five years | 19,750 | 144,698 |
| | 78,307 | 233,498 |
| Finance charges repayable: | | |
| Within one year | 6,409 | 17,130 |
| Between one and five years | 280 | 8,318 |
| | 6,689 | 25,448 |
| Net obligations repayable: | | |
| Within one year | 52,148 | 71,670 |
| Between one and five years | 19,470 | 136,380 |
| | 71,618 | 208,050 |



continued...

## 24. FINANCIAL INSTRUMENTS

All financial instruments are measured at amortised cost and financial instruments used by the Group, from which financial instrument risk arises are as follows:

- trade and other payables
- cash and cash equivalents; and
- trade and other receivables

The main purpose of these financial instruments is to finance the Group's operations.

| | 2020 | 2019 |
|---|---|---|
| | € | € |
| **Other financial assets** | | |
| **Loans and receivables** | | |
| Inventories | 58,598 | 82,407 |
| Trade and other receivables less than one year | 1,065,313 | 522,638 |
| Trade and other receivables greater than one year | - | 9,341 |
| Cash and cash equivalents | 521,327 | 1,011,334 |
| Total investments | - | 159,263 |
| Tangible and intangible fixed assets | 2,243,369 | 2,157,825 |
| Deferred tax | 495,985 | 27,757 |
| Total financial assets | 4,384,592 | 3,976,788 |

| | | |
|---|---|---|
| | € | € |
| **Other financial liabilities** | | |
| Interest bearing loans and borrowings less than one year | 70,185 | 717,838 |
| Trade and other payables less than one year | 2,549,385 | 1,427,136 |
| Interest bearing loans and borrowings less than one year | 2,083,706 | 2,400,477 |
| Tax payable | - | 3,966 |
| Total financial liabilities | 4,703,276 | 4,549,417 |

The Directors consider that the carrying value for each class of financial asset and liability, approximates to their fair value.

The following financial instruments are recognised at fair value

| | | |
|---|---|---|
| Right of use asset | 56,832 | 190,777 |

Financial risk management

The Group's activities expose it to a variety of risks, including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme, and , through this programme, the Board seeks to minimise the potential adverse effects on the Group's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its receivables and its cash deposits. It is Group policy to assess the credit risk of new customers before entering contracts.



continued...

Liquidity risk and interest rate risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Foreign currency risk

The Group's exposure to foreign currency risk is limited; as most of its invoicing and payments are denominated in Euro. The Group identifies and manages currency risks using an integrated approach that takes into account the possibility of natural (economic) hedging. For the purpose of short-term management of currency risk, the Group selects the currency to reduce the open currency position (the difference between assets and liabilities in foreign currencies).

Analysis of sensitivity of financial instruments to foreign currency exchange rate risk

Currency risk is assessed monthly using sensitivity analysis and maintained within parameters approved in accordance with the Group's policy. At the reporting date, the effect of the Euro's growth/(depreciation) against other currencies in the Group's profit/(loss) before tax is not significant.

Receivable impairments

Under IFRS 9, expected credit loss model, a loss allowance for lifetime expected credit losses is recognised for a financial instrument if there has been a significant increase in credit risk since initial recognition of the financial asset. The group has recognised a loss allowance within the year comprising of a balance of £430,008.

## 25.. DEFERRED TAX

**Group**

| | 31/12/20 | 31/12/19 as restated |
|---|---|---|
| | € | € |
| Balance at 1st January | (27,757) | (483) |
| Movement in current year | (423,341) | (27,274) |
| Balance at 31st December | (451,098) | (27,757) |

There are additional corporation tax losses available to the Group which at the current tax rate would provide an additional deferred tax asset of €349,788. This has not been recognised in the financial statements.

## 26. CONTINGENT LIABILITIES

The Group has an ongoing legal claim, against an advertising company, for services that were not delivered in accordance with a contract. The director has considered legal counsels view and deemed that the invoice is not payable. If the claim is unsuccessful then the invoice, amounting to €1,140,000, will become payable.

## 27. RELATED PARTY DISCLOSURES

The following represent transactions with shareholders of World Chess PLC - Included in other investments €nil (2019: 159,263 are balances owing from; Publishing Company Board of Directors - €nil (2019: €150,247), IE M.O. Shekhovtsov - €nil (2019: €3,655), A.V Gomanova - €nil (2019: €3,026), Shekhovtsov & Partners - €nil (2019: €2,336) and I.L. Merenzon - €nil (2019: €nil).

Included in trade and other receivables, non-current, there are balances owing of €nil (2019: €9,341) from World Chess BVI, a company with a common director and within loans and other financial assets a balance of €nil (2019: €6,100) from T Pretendentov.

Included in trade and other payables are balances owing to; Public Space - €18,037 (2019: €348,012), Interest was payable to Public Space for €10,293 (2019: €9,090). The balance was paid in full on 1 June 2021.

Included in amounts owing to participating interests is a loan from Prytek for €46,987.

The key management of the Group includes the General Director of World Chess RUS LLC. The amount of remuneration for 2020 paid was €6,658 (2019: 4,132) plus social security of €2,078 (2019: €1,280).

## 28. EVENTS AFTER THE REPORTING PERIOD

During the year, Prytek Investment Holdings PTE Ltd (Prytek) , were provided with the opportunity to acquire 7,731 shares at par, as part of an agreement to offset the repayment of a loan provided by Prytek with a sponsorship agreement. At the balance sheet date the fair value of the incentive (€3.2m) has been included in the profit and loss account and also in other creditors due in less than one year. Since the year end, World Chess PLC triggered a clause in the agreement between the two parties to cancel the share incentive and incur a penalty of €3.2m. This penalty was settled in full by the end of May 2021.

## 29. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is I Merenzon.

## 30. SHARE-BASED PAYMENT TRANSACTIONS

In exchange for providing collateral (of 33m Algo's) for a loan in World Chess Events Ltd, the Company had granted an option to Algorand Cayman SEZX to purchase 2,224 ordinary shares or c. 4% of the Company. The option had a vesting period up to February 2022.

After the reporting date, the option was exercised and World Chess Plc issued 2,474 shares (by mutual agreement the amount of shares was increased) in exchange for $2,400,275. At the balance sheet date this converts to €1,964,865.