STANDALONE FINANCIAL STATEMENT

OF TEN SQUARE GAMES S.A.

AS AT 31 DECEMBER 2019

Wrocław, 23.03.2020

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STANDALONE FINANCIAL STATEMENT

1. SELECTED FINANCIAL DATA

Specification	01/01/2019 - 31/12/2019		01/01/2018 - 31/12/2018	
	PLN	EUR	PLN	EUR
STATEMENT OF COMPREHENSIVE INCOME				
Net revenues	237,365,349	55,178,146	113,885,544	26,690,465
Cost of sales	11,347,016	2,637,737	6,705,812	1,571,589
Operating profit (loss)	81,341,152	18,908,632	44,454,586	10,418,474
Gross profit (loss)	81,470,679	18,938,742	45,291,248	10,614,556
Net profit (loss)	73,796,395	17,154,771	37,022,951	8,676,780
CASH FLOW STATEMENT				
Net operating cash flow	62,702,110	14,575,785	42,051,487	9,855,278
Net cash flow from investment activities	-3,543,312	-823,681	-1,765,709	-413,815
Net cash flow from financial activity	-27,184,000	-6,319,215	-5,953,273	-1,395,222

Description	31/12/2019		31/12/2018	
	PLN	EUR	PLN	EUR
STATEMENT OF FINANCIAL SITUATION				
Fixed assets	4,941,261	1,160,329	2,706,316	629,376
Current assets	97,732,820	22,950,058	51,019,639	11,865,032
Equity	88,821,386	20,857,435	41,350,580	9,616,414
Long-term liabilities	548,722	128,853	370,540	86,172
Short-term liabilities	13,303,973	3,124,098	12,004,835	2,791,822

EUR/PLN exchange rate	2019	2018
- for the balance-sheet data	4.2585	4.3000
- for the data from the profit and loss statement and cash flow statement	4.3018	4.2669

In order to convert the balance-sheet data, the average exchange rate quoted by the National Bank of Poland at the balance sheet date was adopted.

In order to convert the positions under the comprehensive income statement and the cash flow statement, the exchange rate which is the arithmetical average of the exchange rates quoted by the National Bank of Poland at the last day of each month of a given period was adopted.

2. STANDALONE COMPREHENSIVE INCOME STATEMENT

STANDALONE COMPREHENSIVE INCOME STATEMENT	note	for the period 01/01/2019 - 31/12/2019	for the period 01/01/2018 - 31/12/2018
Revenues from the sales of services	**1**	**237,365,349**	**113,885,544**
Costs of goods and services sold	**2**	**11,347,016**	**6,705,812**
Gross profit (loss) on sales		**226,018,333**	**107,179,732**
Other operating revenues	3	146,155	35,826
Selling costs	2	136,742,530	58,205,676
General and administrative costs	2	6,965,245	3,953,040
Other operating costs	3	1,115,561	602,256
Operating profit (loss)		**81,341,152**	**44,454,586**
Financial revenues	4	339,918	836,819
Financial costs	4	210,391	157
Profit (loss) before taxation		**81,470,679**	**45,291,248**
Income tax	5	7,674,284	8,268,297
Net profit (loss) on continued activity		**73,796,395**	**37,022,951**
Profit (loss) on discontinued activity		**0**	**0**
Net profit (loss)		**73,796,395**	**37,022,951**
Items for requalification for the profit and loss statement in the subsequent periods		**0**	**0**
Items which will not be subject to requalification for the profit and loss statement in the subsequent periods		**0**	**0**
Total comprehensive income		**73,796,395**	**37,022,951**

Calculation of profit per share	01/01/2019-31/12/2019	01/01/2018 - 31/12/2018
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic profit per share (in units)	7,239,381	7,275,000
The weighted average number of shares for the purpose of calculating the value of diluted profit per share (in units)	7,239,381	7,275,000
Net profit	73,796,395	37,022,951
Net profit per share per shareholders		
Basic net profit for the trading period	PLN 10.19	PLN 5.09
Diluted net profit for the trading period	PLN 10.19	PLN 5.09

3. STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	note	31/12/2019	31/12/2018
Fixed assets		**4,941,261**	**2,706,316**
Tangible fixed assets	8	568,568	246,799
Intangible assets	9	3,397,515	2,186,675
Other fixed assets		0	68,053
Investments in subsidiaries	10	5,000	5,000
Other financial assets	11	590,589	0
Deferred income tax assets	5	379,589	199,789
Current assets		**97,732,820**	**51,019,639**
Trade receivables	12	23,565,939	11,105,963
Other receivables	13	1,690,236	172,365
Pre-payments and accruals	14	1,558,867	799,659
Loans granted		80,914	0
Cash and cash equivalents	15	70,836,864	38,941,652
Assets classified as intended for sale		**0**	**0**
TOTAL ASSETS		**102,674,081**	**53,725,955**

EQUITY AND LIABILITIES	note	31/12/2019	31/12/2018
Equity		**88,821,386**	**41,350,580**
Share capital	16	724,125	727,500
Reserve capital from the sales of shares above their nominal value	17	496,100	496,100
Reserve capital created from net result	7	10,713,413	995,962
Capital from the settlement of the incentive scheme	28	1,764,034	780,748
Undistributed financial result	18	1,327,319	1,327,319
Financial result of the current period		73,796,395	37,022,951
Long-term liabilities		**548,722**	**370,540**
Deferred income tax provisions	6	548,722	370,540
Short-term liabilities		**13,303,973**	**12,004,835**
Trade liabilities	22	4,633,152	2,736,123
Current income tax liabilities		6,083,371	7,710,249
Other liabilities	23	329,881	161,120
Other provisions	26	254,054	176,602
Pre-payments and accruals	14	2,003,515	1,220,741
Liabilities directly connected with the assets intended for sale		**0**	**0**
TOTAL EQUITY & LIABILITIES		**102,674,081**	**53,725,955**

4. STANDALONE STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity	Share capital	Reserve capital from the sales of shares above their nominal value	Reserve capital created from net result	Capital from the settlement of the incentive scheme	Undistributed financial result	Financial result of the current period	Total equity
12 months ending on 31/12/2019							
Equity as at 01/01/2019	**727,500**	**496,100**	**995,962**	**780,748**	**38,350,270**	**0**	**41,350,580**
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	**727,500**	**496,100**	**995,962**	**780,748**	**38,350,270**	**0**	**41,350,580**
Payment of share capital	1,625						1,625
Share-based payments				1,187,441			1,187,441
Reduction of the share capital in accordance with a resolution of the GSM	-5,000		5,000				0
Adjustment of share-based payments in a merger with a reduction in share capital				-204,155			-204 155
Distribution of net profit			9,712,451		-9,712,451		0
Payment of dividends					-27,310,500		-27 310 500
Total comprehensive income						73,796,395	73 796 395
Equity as at 31/12/2019	**724,125**	**496,100**	**10,713,413**	**1,764,034**	**1,327,319**	**73,796,395**	**88,821,386**
12 months ending on 31/12/2018							
Equity as at 01/01/2018	**727,500**	**496,100**	**0**	**544,420**	**8,632,161**	**0**	**10,400,181**
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	**727,500**	**496,100**	**0**	**544,420**	**8,632,161**	**0**	**10,400,181**
Share-based payments				236,328			236,328
Distribution of net profit			995,962		-995,962		0
Payment of dividends					-6,308,880		-6,308,880
Total comprehensive income						37 022 951	37,022,951
Equity as at 31/12/2018	**727,500**	**496,100**	**995,962**	**780,748**	**1,327,319**	**37,022,951**	**41,350,580**

5. STANDALONE CASH FLOW STATEMENT

STANDALONE CASH FLOW STATEMENT	for the period 01/01/2019 - 31/12/2019	for the period 01/01/2018 - 31/12/2018
OPERATING ACTIVITY		
Profit/loss before taxation	**81,470,679**	**45,291,248**
Total corrections:	**-9,521,317**	**-1,561,720**
Depreciation	1,150,242	672,553
Exchange profit/loss	79,586	-917
Interest and share in profits (dividends)	-124,875	-355,607
Change in provisions and accruals (without a deferred tax provision)	860,227	1,286,724
Change in receivables	-14,568,437	-5,091,750
Change in liabilities, excluding loans and credits, CIT liabilities and dividends	2,010,261	1,605,619
Change in prepayments (excluding the short-term prepayments for share-based payments)	-940,680	-474,207
Write-offs on intangible assets	987,572	566,106
Share based payments (part not included in the acquisition of intangible assets)	1,025,701	230,820
Other corrections	-914	-1,061
Cash on operating activity	**71,949,362**	**43,729,528**
Income tax (paid) / refunded	-9,247,252	-1,678,041
A. Net operating cash flow	**62,702,110**	**42,051,487**
INVESTMENT ACTIVITY		
Income	**0**	**0**
Costs	**3,543,312**	**1,765,709**
Purchase of intangible and tangible fixed assets	3,463,312	1,765,709
Loans granted	80,000	0,00
B. Net cash flow from investment activities	**-3,543,312**	**-1,765,709**
FINANCIAL ACTIVITY		
Income	**126,500**	**355,607**
Dividends from subsidiaries	124,875	355,607
Net proceeds from issue of shares and other capital instruments and additional payments to capital	1,625	0
Costs	**27,310,500**	**6,308,880**
Dividends and other payments to owners	27,310,500	6,308,880
C. Net cash flow from financial activity	**-27,184,000**	**-5,953,273**
D. Total net cash flow	**31,974,798**	**34,332,505**
E. Balance-sheet change in cash, including	**31,895,212**	**34,333,423**
- change in cash due to exchange losses/gains	-79,586	917
F. Cash at the beginning of the period	**39,017,889**	**4,685,383**
G. Cash at the end of the period	**70,992,686**	**39,017,888**

GENERAL INFORMATION

1. ENTITY'S DATA

Name	Ten Square Games S.A.
Legal form	Spółka Akcyjna
Registered seat	ul. Traugutta 45, 50-416 Wrocław
Registration country	Poland
Core business activity	publishing activity with regard to computer games (58.21.Z)
Authority keeping the register	District Court, VI Commercial Division of the National Court Register
KRS no	0000704863
Statistical REGON no	021744780
Tax identification number	8982196752
Company duration	indefinite

Ten Square Games Sp. z o.o. was registered on 21 October 2011, under the no. 0000399940. Ten Square Games S.A. was established through the transformation of Ten Square Games Sp. z o.o., which was registered by the District Court on 20 November 2017.

2. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The interim condensed standalone financial statement is presented in Polish zlotys (PLN), which is the functional currency and the presentation currency of the Company and the Capital Group.

3. PRESENTED PERIODS

The standalone financial statement includes data for the period from 1 January 2019 to 31 December 2019. Comparative data are presented as at 31 December 2018 for the standalone statement of financial condition and for the period from 1 January 2018 to 31 December 2018 for the standalone statement of comprehensive income, standalone statement of cash flows and statement of changes in equity.

4. CONTINUITY ASSUMPTION

The standalone financial statement has been prepared assuming that the Entity shall continue their activities for the period of at least 12 months after the last balance-sheet date, i.e. 31/12/2019. The Management Board of the Entity, as at the date of signing the statement, was not aware of any facts or circumstances which could indicate a threat to the continuation of activity for the period of at least 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.

5. COMPOSITION OF THE ENTITY’S BODIES AS AT 31/12/2019

The Management Board:

Maciej Popowicz – President of the Management Board;

Arkadiusz Pernal – Vice-President of the Management Board.

Magdalena Jurewicz – Member of the Management Board.

There were no changes in the composition of the body during the reporting period and thereafter until the date of preparation of the standalone financial statements.

Supervisory Board:

Maciej Zużałek – Chairman of the Supervisory Board;

Rafał Olesiński – Vice-Chairman of the Supervisory Board;

Marcin Chruszczyński – Member of the Supervisory Board;

Tomasz Drożdżyński – Member of the Supervisory Board;

Maciej Marszałek – Member of the Supervisory Board;

Milena Olszewska-Miszuris – Member of the Supervisory Board;

Wiktor Schmidt – Member of the Supervisory Board.

During the reporting period and thereafter until the date of preparation of the standalone financial statements the following change took place: Mrs. Milena Olszewska-Miszuris joined the Supervisory Board as Member of the Supervisory Board on 14/01/2019.

6. SHAREHOLDERS STRUCTURE

6.1. List of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the issuer's general meeting

Shareholder	number of shares as at 23/03/2020	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Agreement[1]	3,631,526	50.15%	3,631,526	50.15%
Others (none of which holds above 5% of shares)	3,609,719	49.85%	3,609,719	49.85%
TOTAL	**7,241,245**	**100.00%**	**7,241,245**	**100.00%**

[1] Agreement of the Company's shareholders of 21.10.2019 concerning a permanent policy towards the Company and consistent exercise of voting rights from the Company's shares (current report No 30/2019). The parties to the shareholders' agreement are, among others, Maciej Popowicz and Arkadiusz Pernal - Members of the Management Board, whose shares are shown in the following tables.

Shareholder	number of shares as at 31/12/2019	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Agreement[1]	4,603,750	63.58%	4,603,750	63.58%
Others (none of which holds above 5% of shares)	2,637,495	36.42%	2,637,495	36.42%
TOTAL	**7,241,245**	**100.00%**	**7,241,245**	**100.00%**

Shareholder	number of shares as at 31/12/2018	share in basic capital	number of votes at GSM	% share in the number of votes
Maciej Popowicz[2]	2,852,500	39.21%	2,852,500	39.21%
Arkadiusz Pernal[3]	1,365,000	18.76%	1,365,000	18.76%
NN PTE[4*]	565,000	7.77%	565,000	7.77%
Others	2,492,500	34.26%	2,492,500	34.26%
TOTAL	**7,275,000**	**100.00%**	**7,275,000**	**100.00%**

[2]State according to current report no. 8 of 11 May 2018

[3]State according to current report no. 9 of 11 May 2018

[4]State according to current report no. 10 of 11 May 2018

Changes in the shareholding structure between 31 December 2018 and 23 March 2020 result from:

1) reduction in the share capital by 50 000 shares as a result of a motion of a shareholder aimed at voluntary redemption of shares (resolutions of the Extraordinary General Meeting of Shareholders of 14 January 2019 and 17 January 2019), which was recorded by the District Court on 22 February 2019.

2) the conclusion of the Shareholders' Agreement on 21.10.2019, as a result of which, as at the date of conclusion of the Agreement, the Members of the Agreement held a total of 4,603,750 shares in the Company, constituting 63.58% of the share capital, entitled to 4,603,750 votes at the General Meeting of Shareholders of the Company, constituting 63.58% of the total number of votes at the General Meeting of Shareholders of the Company, of which the Company informed in current report No. 30/2019;

3) receipt of a notification from Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. with its registered office in Warsaw, according to which, as a result of disposal of the Company's shares in transactions on the Warsaw Stock Exchange, on 23 December 2019, Nationale - Nederlanden Otwarty Fundusz Emerytalny decreased its holding of the Company's shares below 5% of votes at the Company's General Meeting of Shareholders, of which the Company informed in current report no. 1/2020;

4) receipt on 31 January 2020 of notifications concerning the change in the holding of the Company's shares submitted by the Company: Maciej Popowicz; Arkadiusz Pernal; and Arkadiusz Pernal on behalf of the members of the Company's shareholders' agreement concluded on 21 October 2019, of which the Company informed in current report no. 10/2020.

6.2. List of shares owned by members of the Management Board and Supervisory Board of the Issuing Party

Shareholder	Number of shares as at 23/03/2020	share in the share capital	number of votes at the GMS	% share in the number of votes
President of the Management Board - Maciej Popowicz	2,200,788	30.39%	2,200,788	30.39%
Vicepresident of the Management Board - Arkadiusz Pernal	1,053,138	14.54%	1,053,138	14.54%
Member of the Management Board - Magdalena Jurewicz	25,000	0.35%	25,000	0.35%
Prsident of the Supervisory Board - Maciej Zużałek	50,000	0.69%	50,000	0.69%
Member of the Supervisory Board - Maciej Marszałek	52,500	0.73%	52,500	0.73%
Member of the Supervisory Board - Rafał Olesiński	669	0.01%	669	0.01%
Others	*3,859,150*	*53.29%*	*3,859,150*	*53.29%*
TOTAL	**7,241,245**	**100.00%**	**7,241,245**	**100.00%**

Shareholder	Number of shares as at 31/12/2019	share in the share capital	number of votes at the GMS	% share in the number of votes
President of the Management Board - Maciej Popowicz	2,852,500	39.39%	2,852,500	39.39%
Vicepresident of the Management Board - Arkadiusz Pernal	1,365,000	18.85%	1,365,000	18.85%
Member of the Management Board - Magdalena Jurewicz	25,000	0.35%	25,000	0.35%
Prsident of the Supervisory Board - Maciej Zużałek	75,000	1.04%	75,000	1.04%
Member of the Supervisory Board - Maciej Marszałek	52,500	0.73%	52,500	0.73%
Member of the Supervisory Board - Rafał Olesiński	669	0.01%	669	0.01%
Others	*2,870,576*	*39.64%*	*2,870,576*	*39.64%*
TOTAL	**7,241,245**	**100.00%**	**7,241,245**	**100.00%**

Shareholder	**Number of shares as at 31/12/2018**	**share in the share capital**	**number of votes at the GMS**	**% share in the number of votes**
President of the Management Board - Maciej Popowicz	2,852,500	39.39%	2,852,500	39,39%
Vicepresident of the Management Board - Arkadiusz Pernal	1,365,000	18.85%	1,365,000	18,85%
Member of the Management Board - Magdalena Jurewicz	25,000	0.35%	25,000	0,35%
Prsident of the Supervisory Board - Maciej Zużałek	75,000	1.04%	75,000	1,04%
Member of the Supervisory Board - Maciej Marszałek	52,500	0.73%	52,500	0,73%
Member of the Supervisory Board - Rafał Olesiński	669	0.01%	669	0,01%
Others	*2,904,331*	*40.11%*	*2,904,331*	*40.11%*
TOTAL	**7,275,000**	**100.00%**	**7,241,245**	**100%**

Changes in the structure of shares held by Members of the Management Board and Supervisory Board between 31 December 2018 and 23 March 2020 result from:

1) receipt, on 15 January 2020, of a notification concerning the change in the ownership of the Company's shares submitted by Maciej Zużałek, of which the Company informed in current report no. 4/2020.
2) receipt on 31 January 2020 of notifications concerning changes in the ownership of the Company's shares submitted by: Maciej Popowicz; Arkadiusz Pernal; and Arkadiusz Pernal on behalf of the members of the Company's shareholders' agreement concluded on 21 October 2019, of which the Company informed in current report no. 10/2020.

6.3. **Series of shares**

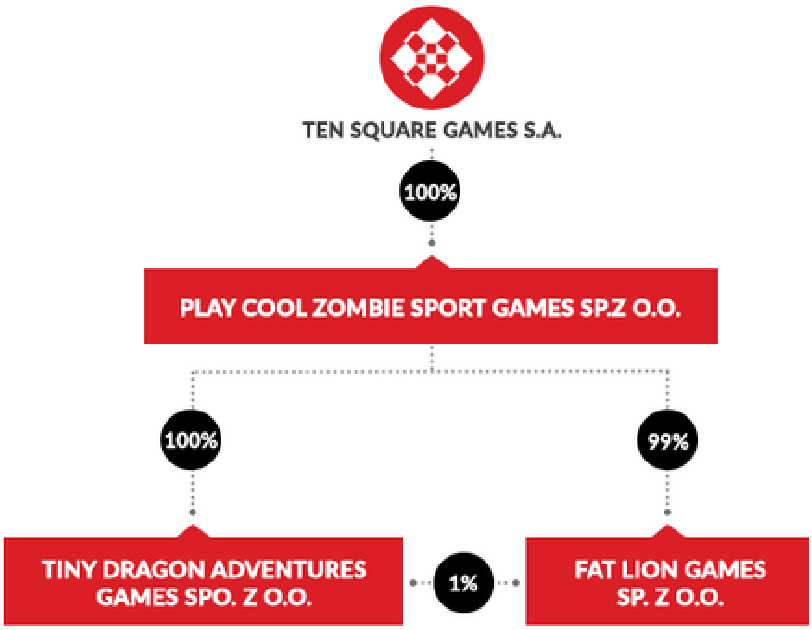
Series of shares	**Number of shares as of 23/03/2020 and as of 31/12/2019**	**Nominal value of shares**	**Total nominal value of shares**
A	7,225,000	PLN 0.1	722,500.00
B	16,245	PLN 0.1	1,624.50

Series B shares are related to the Company's incentive scheme, and the share capital increase was communicated in current reports No. 23/2019 and 25/2019.

Series of shares	**Number of shares as of 31/12/2018**	**Nominal value of shares**	**Total nominal value of shares**
A	7,225,000	PLN 0.1	722,500.00

7. CAPITAL GROUP

As at 31/12/2019 and 23/03/2020:



On 14 October 2015, the first subsidiary company, Play Cool Zombie Sport Games Sp. z o.o., was registered.

On 29 August 2016, Tiny Dragon Adventure Games Sp. z o.o. was registered.

On 17 November 2017, Fat Lion Games Sp. z o.o. was registered.

8. INFORMATION ON CONSOLIDATION

Ten Square Games S.A. is the Parent Entity in the Capital Group, which prepares standalone financial statements. The subsidiaries are subject to the standalone financial statement from the date of a given company's establishment till the date of discontinuation of exercising control.

9. AUDITING COMPANY

PKF Consult Spółka z ograniczoną odpowiedzialnością Sp.k.

ul. Orzycka 6 lok. 1B

02 -695 Warszawa

10. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of the Entity declares that, to the best of its knowledge, this standalone financial statement and the comparative data have been prepared in accordance with the accounting provisions of Ten Square Games S.A. and that they reflect a true and fair view of the property and financial situation of the Company and its financial results.

The Management Board also declares that the report on the Company's activities gives a true picture of the Company's development, achievements and situation, including a description of the main threats and risks.

11. MANAGEMENT BOARD INFORMATION

The Management Board of the Company informs that the selection of an audit firm to audit the annual separate and standalone financial statements for the financial year 2019 was made by the Company's Supervisory Board in the form of a resolution adopted on 17 May 2019 based on the recommendation presented by the Audit Committee. The Supervisory

Board appointed an auditing firm PKF Consult Sp. z o.o. sp. k. to review the semi-annual financial statements of Ten Square Games S.A. and the semi-annual standalone financial statements of Ten Square Games S.A. Capital Group for the periods from 01/01/2019 to 30/06/2019, from 01/01/2020 to 30/06/2020 and from 01/01/2021 to 30/06/2021, as well as audit of the annual separate financial statements of Ten Square Games S.A. and annual standalone financial statements of Ten Square Games S.A. Capital Group for the years 2019, 2020 and 2021 and thus decided to extend the agreement with PKF Consult Sp. z o.o. sp.k.

The audit firm and the members of the team auditing the annual separate and standalone financial statements for the financial year 2019 fulfilled the conditions for the preparation of an impartial and independent report on the audit of the annual financial statements in accordance with the applicable regulations, professional standards and professional ethics;

Ten Square Games S.A. complies with applicable laws relating to the rotation of the audit firm and the key statutory auditor, as well as mandatory grace periods;

Ten Square Games S.A. (parent entity) has a policy for selecting an audit firm and a policy for the provision to the issuer by the audit firm, an entity affiliated with the audit firm or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition on the provision by the audit firm.

BASIS OF PREPARATION AND ACCOUNTING POLICY

1. COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The standalone financial statement prepared as at 31 December 2019 has been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union, hereinafter referred to as “EU IFRS”.

The EU IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), approved for application in the EU.

In preparing the standalone financial statements as at 31 December 2019, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Accounting Standards Interpretation Committee and approved for application in the EU, applicable to its operations and binding in the reporting periods from 1 January 2019.

In preparing the standalone financial statement as at 31 December 2019, the Company did not make use of the possibility of earlier application of standards and amendments to standards approved by the European Union, which are binding for reporting periods beginning on or after 1 January 2020:

According to the estimates of the Parent Company, the above-mentioned standards, interpretations and amendments to standards will not have a significant impact on the Company's financial statements.

- Amendments to IFRS 9, IAS 39 and IFRS Reform of the interest rate reference index. They result from changes in the European Union regulations concerning the principles of setting reference indices for financial instruments and allow for temporary and narrow deviations from the requirements of hedge accounting in IAS 39 and IFRS 9 and require additional disclosures concerning the impact of this reform. As a result of the amendments, entities may apply the assumption that the existing interest rate benchmarks are not changed following the interbank deposit reform.

The amendments apply to annual periods beginning on or after 1 January 2020.

- Amendments to IAS 1 and IAS 8 Material Definition. The amendments introduced information opaqueness as a new aspect of materiality. Information is opaque if it is provided in a way that has similar effects for major users of financial statements to omitting or distorting it. It also clarifies the disclosure of material events after the balance sheet date, including restructuring.

The amendments apply to annual periods beginning on or after 1 January 2020.

- Changes in references to Conceptual Assumptions in IFRS (replacement of references to previous assumptions):

-IAS 8 Accounting policies, changes in accounting estimates and corrections of errors

-IASB 34 Interim financial reporting

-IAS 37 Provisions, contingent liabilities and contingent assets

-IAS 38 Intangible assets

-IFRS 2 Share-based payments

-IFRS 3 Business combinations

-IFRS 6 Exploration for and evaluation of mineral resources

-IFRIC 12 Service concession contracts

-IFRIC 19 Extinguishing financial liabilities with equity instruments

-IFRIC 20 Stripping costs at the production stage in opencast mines

-IFRIC 22 Foreign currency transactions and remuneration paid or received in advance

-SKI-32 Intangible assets - cost of website

The changes will be effective from the first financial year starting on or after 1 January 2020.

New standards and amendments to existing standards issued by the IASB but not yet approved for use in the EU:

- Amendment to IAS 1 "Presentation of Financial Statements" Classification of Short and Long-term Liabilities (effective for annual periods beginning on or after 1 January 2022).

- Amendment to IFRS 3 "Business Combinations" definition of a business (applicable to combinations where the adoption date falls at the beginning of the first annual period beginning on 1 January 2020 or later and to the acquisition of assets that took place at the beginning of the aforementioned annual period or later)

- IFRS 14 "Deferred balances from regulated activities" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to initiate the process of approving this temporary standard for use within the EU until the final version of IFRS 14 is issued

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021)

- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" - Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (the effective date of the amendments has been deferred until the completion of research work on the equity method).

According to the estimates of the Company, the above-mentioned standards, interpretations and amendments to standards will not have a significant impact on the Company's financial statements.

2. CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

Starting from 1 January 2019, the Group applies new standard for the comparative periods: IFRS 16: Leasing.

IFRS 16 sets out recognition rules for leases in respect of valuation, presentation and disclosure. The fundamental change in the approach to leasing resulting from the new regulations is a departure for the lessee from the division into financial and operating leases. According to the new rules, all agreements meeting the definition of lease agreements or agreements containing a lease are presented in accordance with the model that was previously provided for finance lease agreements.

With regard to IFRS 16 "Leasing", the Group is a party to lease agreements concerning the lease of office space. The operating leases held as at 1.01.2019 (date of first application of IFRS 16) met the definition of short-term leases (i.e. less than 12 months of the agreement's term), therefore the Group did not decide to present the asset and liability resulting from these agreements (simplification allowed by the standard).

Upon introducing IFRS 16, the Group adjusted its accounting policy, whereas the implementation of the standard itself had no value impact on the Group's financial data.

3. DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

3.1. Revenues and costs of operating activity

Revenues are gross inflow of economic benefits of a given period, arising in the course of (ordinary) economic activity of the Company and resulting in an increase of equity, other than an increase of equity resulting from the contributions of shareholders.

Revenues include only gross inflows of economic benefits received and receivable by the Company. Sales income is understood as due or received amounts from the sales of material elements and services, minus the effective VAT tax. The revenue is measured at the fair value of the received or due payment, taking into account the amounts of trade discounts granted by the Company. Sales of services are recognized in the accounting period in which the services were provided.

The specific nature of the Company's companies' activity is based mainly on retail to the end customer (natural person). Upon concluding an agreement with the user, concerning the purchase of objects or services in a game, the transfer of the goods takes place immediately through the channels of Internet distribution upon receiving payment through a financial intermediary (payment aggregator). In the course of ongoing activities of the Company's Companies, concluding agreements with customers takes place on a continuous basis, with the use of remote agreements (i.e. the acceptance of the terms and conditions of the provision of services and making payment on the terms defined by the Group's Companies).

The Company distinguishes three main sources of revenues:

1) revenues from additional functionalities purchased by the players (micro-payments);
2) revenues from advertisements displayed in games (advertisements);
3) revenues from the users' activity in games which are shared with the Company's commercial partners on the basis of license agreements (licenses).

Revenues from additional functionalities purchased by the players (micro-payments)

With regard to the games, premium packages, including, for instance, notes and pearls (virtual currency), are available to users. Players can convert their virtual game currency into virtual durables, such as rods, lures or other accessories, to improve the performance of the equipment and thus the results achieved in the game, or into consumables - e.g. amplifiers (+x% of fish weight) or another chance to draw a card. The Company verifies an average estimated conversion period of virtual currency into goods in a game for a group of paying users and subsequently estimates the amount of potential liability due to the realization of premium packages. The amount of such a liability reduces the revenue of a given period and is recognised as an accrued income settlement (balance sheet item).

The Company does not analyse the use of durables in time (i.e. it does not identify how long the item is used by the player). This is related to the monetization mechanics used in games and the various ways of converting goods already in possession into other goods. Therefore, the Company does not estimate the amount of potential liability for the provision of durables in the game.

In the case of the games shared through Facebook and shared on digital distribution platforms, such as Google Play and App Store, the payments for additional functionalities received from users are decreased by commissions due for distributors. In the case of games shared through own website, the payments for additional functionalities received from users are decreased by commissions due for payment aggregators. Both the commissions of distributors and aggregators shall be recognized by the Company in the costs of sales.

Revenues from advertisements displayed in games (advertisements)

Revenues due to advertisements displayed by players shall be recognized by the Company in the amount resulting from the sales report, received from an advertising intermediary.

Revenues from the users' activity in games which are shared with the Company's commercial partners on the basis of license agreements (licenses)

Revenues due to the users' activity in games shall be recognized by the Company in the amount due resulting from the sales report, received from a partner (a part of revenues due to users' payment, after deduction of applicable taxes, commissions, returns and discounts).

Costs of goods and services sold shall be recognized by the Company in the same period as revenues from sales of these components, according to the principle of matching revenues and costs. In this item, the Company shall recognize the costs of manufacturing services, direct costs and a reasonable proportion of indirect costs related to the maintenance of games after their launch, i.e. after the so-called soft launch. In this item, the following positions shall be recognized: costs of server maintenance, personnel costs of design departments as well as the depreciation of (games) development costs and depreciation of IT equipment.

Selling costs – include mainly costs connected with advertising, marketing and promotion of games as well as commissions for intermediation in the execution of transactions, set off by a payment aggregator or an on-line shop.

General and administrative costs – in this item, the following positions shall be grouped: personnel costs concerning the Management Board and departments related to design, costs of administration and maintenance of the office's usability.

3.2. Revenues and costs of financial activity

Financial revenues include mainly interest on free resources on bank accounts, commissions and interest on granted loans, interest due to delay in settling receivables, the amount of released provisions concerning financial activity, revenues on sales of securities, exchange gains, restoration of lost value of investments, the value of cancelled credits and loans as well as profits from settlement of derivative instruments.
Financial costs include mainly interest on credits and loans, interest for delay in the payment of receivables, created provisions for certain or probable losses on financial operations, acquisition value of sold shares, stocks, securities, commissions and handling fees, value of short-term investments, discount and exchange rate differences, losses on settlement of derivative instruments, and, in the case of financial leasing, other fees, excluding capital instalments.

3.3. Income tax

Income tax includes: current tax payable and deferred tax.

Current tax
Current tax is calculated on the basis of tax result (tax base) of a given trading year.
Tax profit (loss) is different than balance-sheet profit (loss) due to the exclusion of revenues subject to taxation and costs which constitute tax-deductible revenues in the subsequent years as well as the revenues and costs which will never be subject to taxation. The current tax value is calculated on the basis of tax rate applicable in a given trading year.
Ten Sqaure Games S.A. as a company carrying out research and development activities and earning income from qualified intellectual property rights applies a preferential income tax rate. In order to take advantage of the IP BOX tax relief, the Company:
- divides the tax income into income from qualified intellectual property rights (in the case of the company, these are games meeting the definition of computer programs) and other sources;
- for income from qualified intellectual property rights, the nexus ratio is calculated in accordance with the rules set out in the Corporate Income Tax Act;
- the nexus index is used to calculate the tax for each source of income.
In the case of other sources of income, the Company benefits from a research and development relief, which is a reduction of taxable income.

Deferred tax

Deferred tax is a tax payable in the future, recognized in full value with the use of the balance sheet method, due to temporary differences between the tax value of assets and liabilities and their balance-sheet values in the financial statement.

The deferred income tax asset is a tax refundable in the future, calculated with the use of the balance-sheet method, due to temporary differences between the tax value of assets and liabilities and their balance-sheet values in the financial statement. Deferred income tax assets are recognized when it is probable that in the future the Group shall achieve the revenue subject to taxation, which enables the use of temporary differences.

Basic temporary differences concern different depreciation of the games created by the Group.

Deferred income tax is calculated with the use of tax rates, legally or actually binding as at the balance-sheet date, which will be applicable upon their implementation.

Deferred tax is recognized in the profit and loss statement, and if it concerns transactions settled with equity, it is recognized in equity.

Deferred income tax assets are recognized when it is probable that in the future the Group shall achieve the revenue subject to taxation, which enables the use of temporary differences. Deferred tax liabilities or assets are recognized as long-term liabilities or assets in the balance sheet.

Uncertainty connected with the recognition of income tax

With the introduction in 2019 of "IFRIC 23: Uncertainty Related to the Recognition of Income Tax", which clarifies the recognition of income tax when it is uncertain whether the tax treatment applied by an entity will be accepted by the tax authorities, the Company assesses each time the possible approach of the authorities to the tax return prepared by the Company. If it is probable that the tax authorities will accept the applied tax approach, the Company will recognise the taxes in the financial statements consistently with the tax returns without reflecting the uncertainty in the recognition of current and deferred tax. Otherwise, the tax base (or tax loss), tax values and unused tax losses are recognised by the Company in an amount that better reflects the resolution of the uncertainty, using the single most probable result or the expected value method (the probability-weighted amounts of possible solutions). In the assessment of the probability of acceptance, the Company assumes that the tax authorities will verify the uncertain tax treatment and have full knowledge of this issue.

3.4. Tangible fixed assets

The Company recognizes fixed assets as separate objects, suitable for use, meeting the criteria for fixed assets specified in IAC 16 Tangible fixed assets, if the purchase price (manufacturing cost) amounts to at least PLN 3,500. Fixed assets with the value below 3,500 PLN undergo one-off amortization and they are recognized as costs in the month of purchase.

Tangible fixed assets are recognized according to the cost (purchase price or manufacturing cost) reduced in the subsequent periods by write-downs and impairment write-offs. External financing costs directly related to the acquisition or production of assets requiring a longer period of time in order to be fit for use or resale are added to the costs of production of such fixed assets until the moment of putting such fixed assets into use. The costs of modernization are included in the balance sheet value of fixed assets when it is probable that they will yield economic gains, and the costs incurred for modernization can be reliably measured. All other expenses for repairing and maintaining fixed assets are recognized in the profit and loss statement for the reporting periods in which they occurred.

Amortization is calculated for all fixed assets, excluding land and fixed assets under construction, by estimated period of economic utility of those assets, using the straight-line method. The Company, using the significance rule, decided that amortization shall start in the month of the asset’s acceptance for use.

The Company, no later than at the end of the financial year, conducts a periodical verification of the adopted economic useful life periods for fixed assets, final value and depreciation methods, and the effects of changes in these estimates are reflected in the following and subsequent financial years (prospectively). As at the balance-sheet date, the Company shall also evaluate tangible fixed assets for impairment and evaluates a necessity of preparing impairment write-downs. This takes place when the Company is sufficiently assured that a given asset shall not generate the expected economic benefits or the achieved benefits shall be significantly lower. The impairment loss shall be recognized in the amount by which the balance-sheet value exceeds the recoverable amount. The recoverable amount is the higher of two amounts: fair value less selling costs or value in use.

The write-downs shall be recognized as other costs relevant for the property functions of fixed assets in the period during which the impairment was determined, no later than at the end of the financial year. If it has been established, with sufficient certainty, that the reasons for which a write-down on the value of assets had been made have stopped, the Company shall introduce the reversal of the conducted impairment write-down, in full or in part, by recognition of revenues.

Profits or losses resulting from sales/liquidation or disposal of fixed assets shall be determined as the difference between sales revenues and net value of these fixed assets, and they shall be recognized in the profit and loss statement.

3.5. Intangible assets

Intangible assets are valuated at acquisition or construction cost less amortization and impairment write-downs. Depreciation is made with a straight-line method.

The Company, no later than at the end of the financial year, conducts a periodical verification of the adopted economic useful life periods for intangible assets, final value and depreciation methods, and the effects of changes in these estimates are reflected in the following and subsequent financial years (prospectively). As at the balance-sheet date, the Company shall also evaluate intangible assets for impairment and evaluate a necessity of preparing impairment write-downs. This takes place when the Company is sufficiently assured that a given asset shall not generate the expected economic benefits or the achieved benefits shall be significantly lower. The impairment loss shall be recognized in the amount by which the balance-sheet value exceeds the recoverable amount. The recoverable amount is the higher of two amounts: fair value less selling costs or value in use.

The write-downs shall be recognized as other costs relevant for the property functions of intangible assets in the period during which the impairment was determined, no later than at the end of the financial year. If it has been established, with sufficient certainty, that the reasons for which a write-down on the value of assets had been made have stopped, the Company shall introduce the reversal of the conducted impairment write-down, in full or in part, by recognition of revenues.

Intangible assets of the Group with the depreciation rates:

1) Computer software – from 2 to 5 years,
2) Development costs – up to 5 years.

Development works

The Company's intangible assets also include tangible assets in progress (games) if they can be qualified as development works, in accordance with IAC 38 Intangible assets, i.e. they meet all of the following conditions:

a) it is technically possible to complete an intangible asset so that it is suitable for sale or use,

b) it is possible to prove the intent of completing an asset and its use and sale,

c) an asset will be suitable for use or sale,

d) it is known in what way an asset will generate future economic benefits,

e) technical and financial measures will be provided in order to complete development works and the asset's use and sale,

f) it is possible to reliably establish the expenditures incurred during development works.

If the above conditions are not met, the Company shall treat the expenditures as research works and recognize them in a current period.

Development works in progress, as unamortized intangible assets, are subject to impairment testing not less frequently than once a year.

The Company shall treat the expenditures on games as completed and it shall requalify them to the development costs upon the so-called soft launch, which is the release of a game on a few chosen markets.

3.6. Leasing

In accordance with IFRS 16 on recognition, valuation, presentation and disclosure of leases, the Company presents assets and liabilities arising from the agreements described in IFRS 16.

At the beginning of an agreement, an entity assesses whether the agreement is or contains a lease. An agreement is a lease or contains a lease if it gives the right to control the use of an identified asset for a given period in exchange for remuneration.

At the date of commencement of the agreement, the Company recognises an asset under the right of use and a liability under the lease. An asset under the right of use is valued based on the cost, while a liability under the lease is recognized at the present value of the lease payments outstanding at that date.

The cost of the debt is the average market interest rate of PLN loans to enterprises published by the NBP.

After the commencement date, the Company valuates an asset by virtue of the right of use, using the cost model, while the liability is valuated through:

a) increasing the balance sheet value to reflect interest on the lease liability,

(b) reducing in the carrying amount to reflect the lease payments made; and

(c) revaluing the carrying amount to reflect any reassessment or change in the lease, or to reflect revalued substantially fixed lease payments.

Interest on the lease obligation at any time during the lease term is the amount by which a fixed periodic rate of interest is obtained on the outstanding balance of the lease obligation. The interest element of the finance charge is charged to the profit or loss for the current period.

3.7. Financial instruments

The Company shall recognize a financial asset or financial liability in the statement of financial situation only when it becomes bound by the provisions of the instrument agreement. Unconditional receivables and liabilities shall be recognized as assets or liabilities when the Company becomes a party to the agreement, and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

With the exception of trade receivables, which shall be valued on the basis of the amortized costs, on initial recognition, the Company shall valuate a financial asset or financial liability at its fair value, which in the case of financial assets or financial liabilities not valuated at fair value by financial result shall be increased or decreased by transaction costs that are directly attributable to the acquisition or issue of such financial assets or financial liabilities.

The Company classifies a financial asset as valuated, after initial recognition, at amortized cost or at fair value by other comprehensive income or at fair value by financial result, on the basis of:

a) the entity’s business model with regard to the management of financial assets, and

b) the characterization of cash flows for a financial asset, resulting from an agreement.

A financial asset shall be valuated at amortized costs if it meets both of the following conditions:

a) a financial asset is maintained in accordance with the business model whose aim is maintaining financial assets for the purpose of obtaining cash flows resulting from the agreement;

b) the provisions of the agreement concerning a financial asset result in the creation of cash flows, within specified periods, which are only the repayment of main amount and interest on the outstanding amount.

A financial asset shall be valuated at fair value by other comprehensive income if it meets both of the following conditions:

a) a financial asset is maintained in accordance with the business model whose aim is maintaining financial assets for the purpose of obtaining cash flows resulting from the agreement and the sales of financial assets; and

b) the provisions of the agreement concerning a financial asset result in the creation of cash flows, within specified periods, which are only the repayment of main amount and interest on the outstanding amount.

A financial asset shall be valuated at fair value by financial result unless it is valuated at amortized cost (due to meeting the conditions specified above) or at fair value by comprehensive income (due to meeting the conditions specified above).

The Company classifies all financial liabilities as valuated, after initial recognition, at amortized cost, excluding: financial liabilities valuated at fair value by financial result (one-off decision on initial recognition, if it is allowed by

IFRS 9), financial liabilities arising from transferring a financial asset, financial guarantee agreements, commitments to provide loans at below-market interest rates, contingent considerations recognized by the acquiring entity under a merger.

As at each reporting date, the Company shall valuate a write-down on expected credit losses due to financial instrument, in the amount equal to the expected credit losses during a life cycle if credit risk connected with a given financial instrument has significantly increased since initial recognition.

In order to conduct the analysis of statistical receivables, the Company shall apply the division into the following categories of recipients:

1) International payment intermediaries (online shops, payment aggregators);
2) Advertising intermediaries;
3) Licensees.

3.8. Transactions in foreign currencies

Items included in the financial statement are presented in Polish zloty ("PLN") which is a functional currency of the Company.

Valuation

As at the balance-sheet date, financial assets and liabilities denominated in foreign currencies are converted according to the rates applicable as at that date. Assets and liabilities valuated at fair value and denominated in foreign currencies are valuated according to the rates applicable at the date when fair value was determined. Non-financial items are valuated at historical cost.

Exchange rate differences are recognized in the comprehensive income statement during the period in which they arise, excluding exchange rate differences which constitute external financing costs relating to assets in progress, intended for future operating use, which shall be included in these assets and treated as corrections of interest costs.

Transactions during the year

Transactions denominated in currencies other than zloty shall be converted to zloty at the exchange rate actually applied at the date of concluding a transaction and if applying such a rate is not possible, at the average exchange rate for a given currency, announced by the National Bank of Poland on the previous day. The disbursement of cash in a foreign currency from own accounts shall be conducted according to the FIFO principle.

Exchange rate differences are recognized in the comprehensive income statement during the period in which they arise, excluding exchange rate differences which constitute external financing costs relating to assets in progress, intended for future operating use, which shall be included in these assets and treated as corrections of interest costs.

3.9. Pre-payments and accruals

The Group shall recognize prepaid expenses if they concern future reporting periods. Accrued expenses shall be recognized in the amount of probable liabilities for a given reporting period.

3.10. Capitals

Share capital is recognized in the amount specified in the Company's Articles of Association and entered into the court register. If shares are recognized at a price higher than their nominal value, such excess amount shall be recognized in supplementary capital. In the item "Other capitals", the Company shall recognize the profit from the period which shall be allocated to other capitals, according to the resolution of shareholders.

3.11. Share-based payments

In the case of share-based payments in transactions with employees and other people providing similar services, the unit shall valuate the fair value of received services by reference to the fair value of the equity instruments. It is a consequence of the fact that it is usually not possible to reliably estimate the fair value of the received services. The fair value of equity instruments shall be determined at the date of granting such instruments.

3.12. Payment of dividends

Dividends shall be recognized at the time of establishment of the Company’s shareholders’ rights to the dividends.

3.13. Provisions

Provisions shall be recognized if the Company is under an existing liability (legal or customary), resulting from past events and if it is probable or highly probable that fulfilment of this liability will require expending of funds that form economic benefits and if it is possible to reliably estimate the value of such liability. The amount of the created provisions shall be verified and updated at the end of the reporting period in order to adjust the estimates to the values prepared in accordance with the Company’s best knowledge as at that date. In the financial statement, provisions shall be recognized as long-term and short-term provisions.

3.14. Liabilities

Liabilities are the Company's present obligation resulting from past events, the fulfilment of which will result in an outflow from the Company of funds embodying economic benefits.

Long-term liabilities include liabilities whose maturity date, counting from the end of the reporting period, falls in the period longer than 12 months. Long-term liabilities include liabilities whose maturity date, counting from the end of the reporting period, falls in the period shorter than 12 months. Trade liabilities are recognized at nominal value. Any interest is recognized at the moment of receiving notes from suppliers.

3.15. Significant values based on professional judgement and estimates

The preparation of a standalone financial statement requires from the Management Board of the Entity conducting estimates and assumptions which are reflected in this statement and additional information and explanations to the statement.

Accounting judgements and estimates are derived from previous events and other factors, including but not limited to the forecasts on the future events that are likely to occur.

Although the adopted assumptions and estimates are based on the best knowledge of the Management Board concerning current activities and events, actual results might differ from the expected outcome. Estimates and assumptions connected with them are subject to verification. The change of accounting judgements shall be recognized in the period during which it occurred or in the current or future periods, if a conducted change of estimates concerns both the current period and future periods.

Basic judgements conducted by the Management Board of the Parent Entity in the process of applying the accounting principles of the entity and having the most significant impact on the values recognized in the financial statement are provided below.

Professional judgement:

Moment of activation of development costs

The Company commences the activation of expenditures on development works when it is possible to prove that the specified works shall generate future economic profits and under the condition that the Company possesses sufficient resources necessary to complete, use and achieve profits from an intangible asset. Meeting both of the criteria, i.e. a possibility of achieving future economic benefits and possessing sufficient resources is based on the Management Board’s estimates, resulting from the analysis of market and financials situation of the Company.

Depreciation period of activated intangible assets

The Management Board specifies the estimated periods of use and depreciation rates for the amounts of incurred development costs of activated intangible assets. This estimate is based on the expected period of economic utility of such assets. In the case of the occurrence of circumstances which change the expected period of economic utility (e.g.

technological changes, withdrawal from use, etc.), the depreciation rates may change. As a consequence, the value of write-offs and net book value of activated costs of development works may also change.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are valuated in accordance with tax rates, which are expected to apply at the moment when the assets are realized or the liabilities are released, adopting as a basis the tax regulations which were legally or actually effective at the end of the reporting period. The probability of realizing deferred income tax assets with future tax income is based on the Company's plans.

Fair value of share-based payments

Fair value is the amount that a given asset could be exchanged for and liability settled, through a transaction effected on market terms, between the interested, well-informed, not affiliated parties. For transactions made before the Company's debut on the Warsaw Stock Exchange, i.e. until May 2018, the fair value of Company's shares was determined using the comparative method. The comparison involved public companies with a similar business profile to the Group and it shall be conducted on the basis of the Company's best judgment. Since May 2018, i.e. when the Company became a public entity, the fair value of the Company's shares has been determined on the basis of the market value of the shares.

Nature of sales of services in the Google Play store in the European Economic Area

On 26 February 2018, Google Play amended part of the distribution agreement with respect to sales in the EEA. "Assuming that Google acts as a representative of the Developer (i.e. the Company) and the Developer as a principal of Google, Google is the ultimate seller of Products sold and made available to users in the European Economic Area (EEA). The Developer is the ultimate seller of Products that it sells or makes available to all other users in Google Play. The amount of payment he receives depends on the price of the Product as stated by the Developer".

(full text of the agreement: https://play.google.com/intl/ALL_pl/about/developer-distribution-agreement.html)

In the opinion of the Management Board, the change in the wording of the type of sale in the EEA does not affect the economic content of the transaction, i.e. the Company is still obliged to deliver virtual goods in return for the money received by Google Play. The above implies recognition of 100% of the net payment amount in sales revenue and 30% of the commission amount in sales costs.

<u>Uncertainty of estimates</u>

Impairment of assets

As at each balance-sheet date, the Company shall verify the assets for impairment and evaluate a necessity of preparing impairment write-downs. This takes place when the Company is sufficiently assured that a given asset shall not generate the expected economic benefits or the achieved benefits shall be significantly lower. In the case of completed development works (the Company's games), the estimate shall be based on the verification of several quality parameters of a game, which, in the Management Board's opinion, can influence the ability to generate future economic benefits for the Company. However, taking into account the changes on the market, the Management Board's estimates are uncertain.

The use of consumables in the game over time

As at the reporting date, the Company shall estimate a number of unused premium packages (banknotes and pearls) for active players. The basis for determining a number of unused packages shall be their turnover rate (average period of using a package by active users) and average revenues from sales of premium packages. The average period of using a package amounts to up to 7 days, according to the analysis.

If the estimated amounts of commitments to provide services in return for the realization of premium packages are significant, the Company shall recognize the amount of liabilities in the statement of financial situation.

When the estimated amount of the obligation to provide services is deemed significant (material), the Company also recognises in the assets commission expenses related to deferred income. Under agreements concluded with major intermediaries (e.g. mobile shops), commissions usually amount to 30% of the payment amount.

*The Company defines an active user as one who has ever made at least one payment until the balance sheet date and has been active in the game (i.e. has logged in at least once) within 30 days:

- preceding the balance sheet date and/or
- after the balance sheet date.

The use of durables in the game over time

As a rule, virtual goods offered in video games fall into two main categories: durable (durable virtual goods that do not wear out under normal use in the virtual world, and the player can use them as long as the game is played) and consumable virtual goods that wear out under normal use in the virtual world. Revenue from the second category is recognized at the moment of or in the course of consumption as described in the paragraph above. For the recognition of revenue from sales of so-called durables, models based on game statistics are used in the market, e.g. on the life expectancy of a given good and/or group of players. As at the date of issue of these financial statements, the Company does not have any statistical models allowing it to estimate the value of durables. The Company's game economics is based, among others, on

1) the possibility of converting some goods into other goods;

2) the possibility of receiving selected goods for free

3) the possibility of purchasing goods both with the use of pearls received free of charge (e.g. by winning a competition) and those purchased for so-called hard currency.

The above possibilities make it much more difficult to carry out an analysis of the average use of the goods over time, hence the Company took advantage of the possibility of not valuing durables. In accordance with IFRS 15 par. 44 An entity shall recognise revenue from the obligation to provide benefits over time only when it can reasonably measure the extent to which the obligation to provide benefits is met in full. If an entity is unable to measure reasonably the extent to which the obligation to perform is met in full, ie it does not have reliable information that is necessary to apply an appropriate measurement method, it may choose not to make an estimate.

The Company's intention is ultimately to build a statistical model to valuate durables.

Determination of materiality

When preparing financial statements, the Company applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property and financial situation and financial result. The Company has adopted the amount of PLN 3 million as the materiality level in the preparation of the financial statement (according to the accounting policy, not more than 5% of the gross result).

ADDITIONAL NOTES AND EXPLANATIONS TO THE STANDALONE FINANCIAL STATEMENT

1. SALES REVENUES

In accordance with IFRS 15, revenues from the sale of services, less value added tax, discounts and rebates are recognised when the obligation to provide the service by handing over the service to the contractor is met.

Description	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Sales of services	237,365,349	113,885,544
TOTAL revenues from sales of services	**237,365,349**	**113,885,544**
Other operating revenues	146,155	35,826
Financial revenues	339,918	836,819
TOTAL revenues from continuing operations	**237,851,422**	**114,758,189**
TOTAL revenues	**237,851,422**	**114,758,189**

Revenues from discontinued operations did not occur.

1.1. Information on operating segments

The Management Board does not separate operating segments that meet the definition of IFRS 8 par. 5, including revenues, costs, assets and liabilities, for which separate financial information would be prepared and on the basis of which decisions concerning the allocation of resources by the chief operating decision maker were made. The analysis is carried out exclusively on the level of revenues.

1.2. Revenues – source

The Company's operations are based on the production and distribution of Free to Play (F2P) games. The Company generates sales revenues related to in-game advertising, in-game micropayments and on the basis of licence agreements.

type of revenue	payments 2019*	share in payments in 2019	payments 2018*	share in payments in 2018
micro-payments	227,918,485	95.7%	104,951,856	91.2%
advertisements	37,623	0.0%	118,447	0.1%
licences	10,192,017	4.3%	10,035,980	8.7%
PAYMENTS TOTAL	**238,148,125**	**100.0%**	**115,106,283**	**100.0%**
Deferred revenue	-782,776	N/A	-1,220,739	N/A
REVENUES TOTAL	**237,365,349**	N/A	**113,885,544**	N/A

** Under the concept of payments, the Company discloses revenue not reduced by deferred revenue (i.e. in the case of micropayments, payments made by users during the indicated period). The amount of deferred income results from the estimation that active players do not use the virtual currency as at the balance sheet date. The amount of such deferred income is recognised in the financial statements under the balance sheet item "Deferred income".*

Revenues from micropayments and licenses are entirely generated by natural persons, while the flow of funds to the Company takes place through payment aggregators, mobile shops or licensees. Users purchase certain packages in the game, e.g. a package of pearls, a package of lures (in fishing games), improved rods. The price of the package is fixed and determined by the Company. The goods are handed over to the user at the moment of registration of payment by the indicated entities. Although in the case of purchase of premium packages, i.e. packages containing e.g. virtual currency, the transfer of currency to the user's account takes place immediately after the payment is made, the very use of the virtual currency in the game may be postponed in time – this depends on the decision of the player, who may individually, within the framework of an agreement between the parties, choose the moment of exchange of the virtual currency for other virtual goods.

In the case of advertising revenue, advertisements in games are displayed to users (natural persons). The display of an advertisement is also the moment when the revenue is booked. The advertiser pays for the display of the advertisement, while the due part of this revenue goes to the Company through advertising intermediaries on the basis of advertising reports.

Settlement with intermediaries takes place on the basis of monthly sales reports, and the payment is made in accordance with the deadline specified in the contract, usually between 1 and 60 days from the end of the calendar month.

1.3. Revenues – games

types of games	payments 2019	share in payments in 2019	payments 2018	share in payments in 2018
Fishing,Clash	206,500,718	86.7%	88,763,750	77.1%
Let's,Fish	15,213,995	6.4%	16,453,098	14.3%
Wild,Hunt	9,626,317	4.0%	4,880,169	4.2%
Others	6,807,094	2.9%	5,009,266	4.4%
PAYMENTS TOTAL	**238,148,125**	**100.0%**	**115,106,283**	**100,0%**
Deferred revenue	-782,776	N/A	-1,220,739	N/A
REVENUES TOTAL	**237,365,349**	N/A	**113,885,544**	N/A

Deferred revenue by game in 2019:

Fishing Clash: -834,384 PLN;

Let’s Fish: +64,170 PLN;

Wild Hunt: -12,562 PLN.

TOTAL: -782,776 PLN

Deferred revenue (cumulative) by game in reference to the whole deferred revenue:

Fishing Clash: -1.834.516 PLN;

Let’s Fish: +84.274 PLN;

Wild Hunt: -84.725 PLN.

TOTAL: -2.003.515 PLN.

Distribution of revenues after quarters for the main titles:

game	1Q 2019	2Q 2019	3Q 2019	4Q 2019
Fishing Clash	37,524,342	43,146,664	57,896,490	67,933,223
Let's Fish	4,095,505	3,316,451	3,600,089	4,201,949
Wild Hunt	2,439,365	2,094,188	2,343,769	2,748,995
other	796,232	909,377	2,772,593	2,328,893
PAYMENTS TOTAL	**44,855,444**	**49,466,680**	**66,612,941**	**77,213,060**
Deferred revenue	16,544	-48,092	-416,592	-334,636
REVENUES TOTAL	**44,871,988**	**49,418,588**	**66,196,349**	**76,878,424**

game	1Q 2018	2Q 2018	3Q 2018	4Q 2018
Fishing Clash	7,559,687	17,527,268	28,846,155	34,830,640
Let's Fish	3,704,913	3,748,715	4,317,775	4,681,695
Wild Hunt	668,209	926,445	1,264,693	2,020,821
other	2,013,711	1,355,711	728,793	911,051
PAYMENTS TOTAL	**13,946,520**	**23,558,140**	**35,157,416**	**42,444,208**
Deferred revenue	0	0	0	-1,220,739
REVENUES TOTAL	**13,946,520**	**23,558,140**	**35,157,416**	**41,223,469**

1.4. Revenues – by counterparty

counterparty	payments 2019*	share in payments in 2019	payments 2018*	share in payments in 2018
Google Inc.	136,321,809	57.2%	62,886,367	54.6%
Apple Distribution International	72,399,680	30.4%	29,564,377	25.7%
Others (none of which above 10%)	29,426,636	12.4%	22,655,540	19.7%
PAYMENTS TOTAL	**238,148,125**	**100.0%**	**115,106,283**	**100.0%**
Deferred revenue	-782,776	N/A	-1,220,739	N/A
REVENUES TOTAL	**237,365,349**	N/A	**113,885,544**	N/A

1.5. Revenues – distribution channel

distribution channel	payments 2019*	Share of payments 2019	payments 2018*	Share of payments 2018
Mobile	215,563,426	90.5%	97,131,424	84.0%
Browser	22,584,699	9.5%	17,974,859	16.0%
PAYMENTS TOTAL	**238,148,125**	**100.0%**	**115,106,283**	**100.0%**
Deferred revenue	-782,776	N/A	-1,220,739	N/A
REVENUES TOTAL	**237,365,349**	N/A	**113,885,544**	N/A

1.6. Revenues – geographical breakdown

The Company assigns payments from users on the basis of their IP number, using external databases and sales reports in countries available on selected distribution platforms.

region	payments 2019*	share in payments in 2019	payments 2018*	share in payments in 2018
North America	97,725,354	41.0%	45,277,651	39.3%
Europe	100,287,588	42.1%	52,331,295	45.5%
i) including Poland	*21,571,311*	*9.1%*	*13,481,392*	*11.7%*
ii) including revenues from subsidiaries (Poland)	*6,483,266*	*2.7%*	*4,562,233*	*4.0%*
Asia	29,963,773	12.6%	11,050,380	9.6%
South America	4,165,151	1.7%	2,573,789	2.2%
Australia and Oceania	3,915,691	1.6%	2,303,940	2.0%
Africa	2,090,568	0.9%	1,569,227	1.4%
PAYMENTS IN TOTAL	**238,148,125**	**100.0%**	**115,106,283**	**100.0%**
Deferred income	-782,776	N/A	-1,220,739	N/A
REVENUES IN TOTAL	**237,365,349**	N/A	**113,885,544**	N/A

2. OPERATING COSTS

Description	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Depreciation	1,150,242	672,553
Consumption of materials and energy	652,928	337,686
Third-party services	144,454,268	62,601,081
Taxes and fees	608,817	299,201
Remuneration	9,398,878	5,611,490
Social insurance and other benefits	1,644,328	872,159
Other costs by type	149,902	138,666
Total costs by type, including:	**158,059,363**	**70,532,835**
Change in products	0	0
Costs of manufacturing goods for internal purposes (negative value)	-3,004,572	-1,668,308
Selling costs (negative)	-136,742,530	-58,205,676
General and administrative costs (negative)	-6,965,245	-3,953,040
Costs of goods and services sold	**11,347,016**	**6,705,812**

Split of selling costs:

Description	01.01.2019 - 31/12/2019	01.01.2018 - 31/12/2018
Selling costs	**136,742,530**	**58,205,676**
marketing:	64,571,112	24,014,654
- Fishing Clash	*63,265,403*	*23,409,155*
- Wild Hunt	*1,042,257*	*502,339*
- other games, events	*263,452*	*103,160*
provisions	66,463,686	30,128,605
revenue share	1,517,915	1,619,525
salaries, subcontractor services	2,942,528	1,835,567
others	1,247,289	607,325

Description	1Q 2019	2Q 2019	3Q 2019	4Q 2019
Selling costs	**29,586,178**	**29,376,323**	**40,938,091**	**36,841,938**
marketing:	15,461,797	14,260,511	21,184,539	13,664,266
- Fishing Clash	*15,060,121*	*14,014,231*	*20,966,520*	*13,224,531*
- Wild Hunt	*383,148*	*222,937*	*181,426*	*254,746*
- other games, events	*18,527*	*23,342*	*36,594*	*184,989*
provisions	12,543,776	13,991,491	18,324,412	21,604,007
revenue share	441,691	331,973	347,491	396,760
salaries, subcontractor services	824,671	597,855	660,948	859,054
others	314,243	194,492	420,702	317,851

Description	1Q 2018	2Q 2018	3Q 2018	4Q 2018
Selling costs	**5,643,579**	**12,086,373**	**19,444,260**	**21,031,465**
marketing:	1,719,515	4,933,309	8,756,639	8,605,191
- Fishing Clash	*1,619,894*	*4,829,482*	*8,609,506*	*8,350,273*
- Wild Hunt	*87,552*	*87,459*	*130,327*	*197,001*
- other games, events	*12,069*	*16,368*	*16,806*	*57,917*
provisions	3,035,466	6,101,737	9,659,223	11,332,179
revenue share	372,292	385,063	414,537	447,634
salaries, subcontractor services	348,530	492,659	461,582	532,796
others	167,776	173,605	152,280	113,664

Components of the cost of production of services for the entity's own needs	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Basic remuneration	1,674,352	899,054
Third party services	849,849	487,066
Social insurance and other benefits	273,260	95,206
Share-based payments (part of remuneration)	207,111	186,982
Total	**3,004,572**	**1,668,308**

Breakdown of costs of salaries and other employee benefits (excluding amounts shown in the production cost components)	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Basic remuneration	6,491,714	4,294,636
Share-based payments (part of remuneration) Social insurance and other benefits	1,025,701	230,818
Social insurance and other benefits	1,371,068	776,952
Total costs of employee benefits, including:	**8,888,483**	**5,302,406**
Items included in the cost of goods sold	4,500,200	3,273,034
Items included in the selling costs	778,009	732,116
Overhead costs	3,610,273	1,297,257

Distribution of depreciation costs	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Items included in the cost of goods sold:	**1,018,940**	**624,000**
Amortization of fixed assets	173,040	52,619
Amortization of intangible assets	845,900	571,381
Items included in the selling costs	**74,797**	**23,481**
Amortization of fixed assets	61,692	13,847
Amortization of intangible assets	13,105	9,634
Items included in overhead costs	**56,505**	**25,072**
Amortization of fixed assets	46,746	14,938
Amortization of intangible assets	9,759	10,134

3. OTHER OPERATING INCOME AND EXPENSES

Other operating revenues	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Other	146,155	35,825
Total	**146,155**	**35,826**

Other operating costs	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Creation of revaluation write-offs for intangible assets	987,572	566,106
Donations	6,300	5,000
Write-down of uncollectible receivables	1,495	4,163
Other	120,194	26,987
Total	**1,115,561**	**602,256**

In 2019, due to the lack of anticipated application of the betting engine in the nearest future, PLN 0.241m was written off, i.e. its entire balance sheet value. In turn, due to the decision to rebuild the graphic layer and interface of the Golf Rush game, it was decided to create a write-down for part of the capitalized costs of the game - the amount of the write-down amounted to PLN 0.746M (out of the total net value of 1.066M as at the date of the write-down).

4. REVENUES AND FINANCIAL COSTS

Financial revenues	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Dividends received	124,875	355,607
Interest-based income	215,043	82,777
Excess of positive exchange rate differences	0	398,435
Total	**339,918**	**836,819**

Financial costs	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Excess of negative exchange rate differences	209,417	0
Interest costs	974	157
Total	**210,391**	**157**

5. INCOME TAX AND DEFERRED TAX

Income tax disclosed in the statement of comprehensive income	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Current income tax	**7,675,904**	**8,340,124**
Concerning the financial year	7,675,904	8,340,124
Deferred income tax	**-1,620**	**-71,827**
Related to the origination and reverse of temporary differences	-1,620	-71,827
Tax disclosed in the standalone statement of comprehensive income	**7,674,284**	**8,268,297**

Specification	01/01/2019 - 31/12/2019	01/01/2018 - 31/12/2018
Gross financial result (profit, loss)	**81,470,679**	**45,291,248**
Exchange rate differences – balance, not subject to taxation, not constituting tax deductible costs	102,471	-133,233
Dividends received	-124,875	-355,607
Write-down of receivables not constituting tax deductible costs	1,494	4,163
Creation and discontinuation of provision for leaves	77,451	65,985
Creation of provision for other costs	42,761	20,400
Social Insurance – costs excluded from the order at the turn of periods	0	-6,456
Donations (subsequently deducted from income)	6,300	5,000
Other non-tax-deductible costs	236,321	123,290
Amortization of intangible assets	808,591	534,140
Capitalisation of game costs	-3,004,572	-1,668,308
Creation of revaluation write-offs for intangibles	987,572	566,106
Share-based payments	1,232,812	417,802
Revenue (and related cost) deferred in the balance sheet	547,941	854,517
Taxable income	**82,384,946**	**45,719,047**
Including income taxed at the rate of 5% (IP Box)	*54,280,076*	*0*
Including income taxed at the rate of 19%	*28,104,870*	*45,719,047*

The Company took advantage of the so-called IP Box relief for the first time in 2019. This relief allows taxation of income obtained from qualified property rights at the rate of 5% instead of standard 19%. However the law concerning value added tax, corporate income tax, personal income tax or social security contributions are subject to frequent changes, as a result of which there is often no reference to well-established regulations or legal precedents. The current regulations also contain ambiguities, which cause differences in legal interpretations of tax regulations both between state authorities and between state authorities and enterprises. Tax and other settlements (e.g. customs or foreign exchange settlements) may be subject to control by authorities which are entitled to impose high penalties, and additional amounts of liabilities determined as a result of control must be paid together with high interest. These phenomena mean that the tax risk in Poland is higher than usually existing in countries with developed tax system. Tax settlements may be audited within a period of five years. As a result, the amounts disclosed in the financial statement may be subject to change at a later date after they are finally determined by the tax authorities.

Structure of a deferred income tax asset

Specification	as at 31/12/2019	as at 31/12/2018
Clearing of pearls over time	266,467	162,358
Provision for leaves	48,270	33,554
Provision for audit costs	8,125	3,877
Valuation of settlements	56,727	0
Total	**379,589**	**199,789**

Structure of deferred income tax provision

Specification	as at 31/12/2019	as at 31/12/2018
Depreciation of games	548,722	358,401
Valuation of settlements	0	12,139
Total	**548,722**	**370,540**

6. DISCONTINUED ACTIVITY

The Company did not discontinue any activities during the financial year.

7. DISTRIBUTION OF PROFIT FOR 2018

The General Meeting of Shareholders of the Company on 24/05/2019 adopted a resolution on the distribution of the Company's net profit for 2018 in the amount of PLN 37,022,951.00 (say: thirty-seven million twenty-two thousand nine hundred and fifty-one zloty) in the following manner:

1) the amount of PLN 27,310,500.00 (say: twenty seven million three hundred and ten thousand and five hundred zlotys) was allocated for distribution among the shareholders in the form of dividend payment in the amount of PLN 3.78 (say: three zlotys and seventy-eight groszy) per share;

2) the amount of PLN 9,712,451.00 (nine million seven hundred and twelve thousand four hundred and fifty-one zloty) was allocated to the Company's reserve capital.

The dividend day was set for 5 June 2019 and the dividend payment date for 19 June 2019.

8. TANGIBLE FIXED ASSETS

Changes in fixed assets (by type) - for the period 01/01/2019-31/12/2019.

Description	Machines and devices	Other fixed assets	TOTAL
Gross balance sheet values at 01/01/2019	**456,047**	**94,083**	**550,130**
Increases, due to:	582,928	20,320	603,247
- purchase of fixed assets	582,928	20,320	603,247
Decreases	0	0	0
Gross balance sheet values at 31/12/2019	0	0	0
Redemption as at 01/01/2018	**1,038,975**	**114,403**	**1,153,377**
Increases, due to:	**228,217**	**75,114**	**303,331**
- depreciation	271,172	10,307	281,479
Decreases, due to:	271,172	10,307	281,479
- reversal of depreciation - cost of the entity over which the Control Group lost control during the year	0	0	0
Redemption as at 31/12/2019	**499,389**	**85,421**	**584,810**
Revaluation write-offs as at 01/01/2019	**0**	**0**	**0**
Increases	0	0	0
Decreases	0	0	0
Revaluation write-offs as at 31/12/2019	**0**	**0**	**0**
Net balance sheet value as at 31/12/2019	**539,586**	**28,982**	**568,568**

Changes in fixed assets (by type) - for the period 01/01/2018-31/12/2018.

Description	Machines and devices	Other fixed assets	TOTAL
Gross balance sheet values at 01/01/2018	**198,701**	**94,083**	**292,784**
Increases, due to:	257,346	0	257,346
- purchase of fixed assets	257,346	,0	257,346
Decreases	0	0	0
Gross balance sheet values at 31/12/2018	**456,047**	**94,083**	**550,130**
Redemption as at 01/01/2018	**150,715**	**71,212**	**221,927**
Increases, due to:	77,502	3,902	81,404
- depreciation	77,502	3,902	81,404
Decreases	0	0	0
Redemption as at 31/12/2018	**228,217**	**75,114**	**303,331**
Revaluation write-offs as at 01/01/2018	**0**	**0**	**0**
Increases	0	0	0
Decreases	0	0	0
Revaluation write-offs as at 31/12/2018	**0**	**0**	**0**
Net balance sheet value as at 31/12/2018	**227,830**	**18,969**	**246,799**

Property, plant and equipment – ownership structure

Description	31/12/2019	31/12/2018
Owned	568,568	246,799
Used under a lease, tenancy or other agreement, including a lease agreement	0	0
Total	**568,568**	**246,799**

The Company does not own land in perpetual usufruct.

The Company does not have any liabilities towards the state budget or local government authorities arising from the acquisition of ownership rights to buildings.

Depreciation of fixed assets in 2018 and 2017 was charged to own costs of sales, selling costs and overheads as presented in note 2.

9. INTANGIBLE ASSETS

Changes in intangible (by type) - for the period 01/01/2019-31/12/2019.

Description	Development costs	Computer software	Intangible assets in progress	TOTAL
Gross balance sheet values at 01/01/2019	**4,261,440**	**493,542**	**1,036,376**	**5,791,359**
Increases, due to:	3,733,637	62,604	3,004,572	6,800,813
- purchase	0	62,604	3,004,572	3,067,176
- reclassification	3,733,637	0	0	3,733,637
Decreases, due to:	0	0	3,733,637	3,733,637
- reclassification	,0	,0	3,733,637	3,733,637
Gross balance sheet values at 31/12/2019	**7,995,077**	**556,146**	**307,310**	**8,858,535**
Redemption as at 01/01/2019	**1,895,075**	**448,224**	**0**	**2,343,299**
Increases, due to:	808,201	60,563	0	868,764
- depreciation	808,201	60,563	0	868,764
Decreases	0	0	0	0
Redemption as at 31/12/2019	**2,703,276**	**508,786**	**0**	**3,212,063**
Revaluation write-offs as at 01/01/2019	**1,261,386**	**0**	**0**	**695,280**
Increases	987,572	0	0	0
Decreases	,0	0	0	0
Revaluation write-offs as at 31/12/2019	**2,248,958**	**0**	**0**	**2,248,958**
Net balance sheet value as at 31/12/2019	**3,042,843**	**47,360**	**307,310**	**3,397,514**

The item “Development costs” as at 31/12/2019 consists of the following Group's games:

1) Fishing Clash – net value: 255,111.56 PLN, the amortisation period ends in: 18 months;
2) Wild Hunt – net value: 124,122.40 PLN, the amortisation period ends in: 16 months;
3) Golf Rush – net value: 304,224.98 PLN, the amortisation period ends in: 39 months;
4) SoliTales – net value: 453,708.35 PLN, the amortisation period ends in: 45 months;
5) Flip This House - net value: 562,528.59, the amortisation period ends in: 45 months;
6) Hunting Clash – net value: 1,343,146.89, the amortisation period ends in: 46 months.

The item "intangible assets under construction" as at 31/12/2019 consists of capitalised costs of the modified version of Golf Rush - the Group treats this game as a new production.

In 2019, due to the fact that the betting engine is not expected to be used in the near future, PLN 0.241 million was written off, i.e. its entire capitalized value. In turn, due to the decision to rebuild the graphical layer and interface of the Golf Rush game, it was decided to create a write-down for part of the capitalized production costs of this game - the amount of the write-down amounted to PLN 0.746 million (out of the total net value of 1.066 million on the date of the write-down).

Changes in intangible (by type) - for the period 01/01/2018-31/12/2018.

Description	Development costs	Computer software	Intangible assets in progress	TOTAL
Gross balance sheet values at 01/01/2018	**3,267,546**	**464,775**	**361,962**	**4,094,284**
Increases, due to:	993,894	28,767	1,668,308	2,690,969
- purchase	0	28,767	1,668,308	1,697,075
- reclassification	993,894	0	0	993,894
Decreases, due to:	0	0	993,894	993,894
- reclassification	,0	,0	993,894	993,894
Gross balance sheet values at 31/12/2018	**4,261,440**	**493,542**	**1,036,376**	**5,791,359**
Redemption as at 01/01/2018	**1,361,714**	**390,436**	**0**	**1,752,150**
Increases, due to:	533,361	57,788	0	591,149
- depreciation	533,361	57,788	0	591,149
Decreases	0	0	0	0
Redemption as at 31/12/2018	**1,895,075**	**448,224**	**0**	**2,343,299**
Revaluation write-offs as at 01/01/2018	**695,280**	**0**	**0**	**695,280**
Increases	566,106	0	0	566,106
Decreases	,0	0	0	0
Revaluation write-offs as at 31/12/2018	**1,261,386**	**0**	**0**	**1,261,386**
Net balance sheet value as at 31/12/2018	**1,104,979**	**45,318**	**1,036,376**	**2,186,675**

Intangibles – ownership structure

Description	31/12/2019	31/12/2018
Own	3,397,514	2,186,675
Used under a rental, lease or other agreement, including a lease agreement	0	0
TOTAL	**3,397,514**	**2,186,675**

The Group does not hold any intangible assets with limited use rights.

The Group does not have any bank loans which would be secured with intangible assets.

Redemption of intangible assets in 2019 and 2018 was charged to own costs of sales, selling costs and overheads as presented in note 2.

10. INVESTMENTS IN AFFILIATES

Description	31/12/2019	31/12/2018
Shares of Play Cool Zombie Sport Games Sp. z o.o.	5,000	5,000

11. INFORMATION ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Balance value		Fair value	Category of financial instruments
	31/12/2019	31/12/2018	2019/2018	
Other financial assets (long-term), including:	590,589	0	N/A	Financial assets valuated according to amortized costs
deposit	*590,589*	*0*	*N/A*	*Financial assets valuated according to amortized costs*
Trade receivables and other receivables	25,256,175	11,278,328	*N/A*	Financial assets valuated according to amortized costs
Cash and cash equivalents	70,836,864	38,941,652	70,836,864 / 38,941,652	Financial assets valuated according to the fair value
FINANCIAL LIABILITIES	**Balance value**		**Fair value**	**Category of financial instruments**
	31/12/2019	**31/12/2018**	**2019/2018**	
Trade liabilities and other liabilities	4,963,033	2,897,243	N/A	Financial liabilities valuated according to amortized costs

12. TRADE RECEIVABLES

Description	31/12/2019	31/12/2018
Trade receivables	**23,565,939**	**11,105,963**
– from affiliates	4,284,715	1,177,568
– from other parties	19,281,224	9,928,395
Revaluation write-offs	0	0
Gross trade receivables	**23,565,939**	**11,105,963**

Users' payments are aggregated by intermediaries (online shops, payment aggregators, licensees). Payments due to displayed advertisements are accumulated by advertising intermediaries. In the structure of receivables, the biggest balance is created by:

Google Inc – 44% as at 31/12/2019, compared to 48% as at 31/12/2018;

Apple Distribution International – 26% as at 31/12/2019, compared to 22% as at 31/12/2018;

No other entity exceeded the 10% share in total receivables as at 31/12/2019.

As at the balance sheet dates of 31/12/2019 and 31/12/2018, the Company did not have any significant amounts of receivables which would be expected to result in credit losses.

Currency structure:

	31/12/2019			31/12/2018		
currency	**amount in currency**	**valuation**	**% share**	**amount in currency**	**valuation**	**% share**
PLN	11,184,314	11,184,446	47.46%	5,957,058	5,957,058	53.64%
USD	3,112,407	11,819,987	50.16%	1,214,539	4,566,304	41.12%
RUB	5,242,421	320,312	1.36%	4,893,413	264,734	2.38%
EUR	52,758	224,672	0.95%	59,107	254,159	2.29%
BRL	529	500	0.00%	38,269	37,071	0.33%
JPY	213,096	7,450	0.03%	574,227	19,595	0.18%
GBP	1,362	6,804	0.03%	1,024	4,905	0.04%
CHF	385	1,510	0.01%	332	1,268	0.01%
CAD	34	98	0.00%	222	614	0.01%
CZK	876	147	0.00%	1,484	248	0.00%
SEK	35	14	0.00%	16	7	0.00%
TOTAL	**----**	**23,565,939**	**100.00%**	**----**	**11,105,963**	**100.00%**

	31/12/2019	31/12/2018
age structure – overdue	**value of receivables**	**value of receivables**
From related parties:	**4,284,715**	**1,177,568**
not overdue	4,284,715	880,046
up to one month	0	93,797
1-3 months	0	203,725
From other parties:	**19,281,224**	**9,928,395**
not overdue	19,279,773	9,907,446
up to one month	526	12,386
1-3 months	733	8,563
3-6 months	60	0
6-12 months	0	0
Total receivables	**23,565,939**	**11,105,963**

13. OTHER RECEIVABLES

Description	31/12/2019	31/12/2018
Other receivables, including:	**1,690,236**	**172,365**
– deposit for office rental	207,831	171,535
– on account of taxes, except for corporate income tax	1,371,096	830
– other	111,309	0

Description	31/12/2019	31/12/2018
Other receivables, including:	**1,690,236**	**172,365**
– from related parties	0	0
– from other parties	1,690,236	172,365
Revaluation write-offs	0	0
Other gross receivables	**1,690,236**	**172,365**

Absence of court-enforced claims.

14. PRE-PAYMENTS AND ACCRUALS

Description	31/12/2019	31/12/2018
Activated commission expenses (in line with deferred income)	601,057	366,222
Share-based payments	0	181,473
Annual fee - a tool for tracking marketing campaigns	383,347	80,733
Registration fees for trade mark applications	43,881	32,938
Maintenance of software/subscriptions for programs	517,592	125,893
Insurance	10,134	7,480
Other pre-payments and accruals	2,856	4,920
Pre-payments and accrued expenses	**1,558,867**	**799,659**

Description	31/12/2019	31/12/2018
Deferred revenue – use of consumables	2,003,515	1,220,739
Accruals and deferred revenue	**2,003,515**	**1,220,739**

Deferred revenue by games as at 31/12/2019:
Fishing Clash: -1,834,516 PLN;
Let's Fish: +84.274 PLN;
Wild Hunt: -84,725 PLN.
TOTAL: -2,003,515 PLN.

15. CASH AND CASH EQUIVALENTS

Description	31/12/2019	31/12/2018
Cash at hand and in bank accounts:	**70,836,864**	**38,941,652**
cash on hand	1,879	3,430
cash in bank accounts:	70,834,985	38,938,222
including deposits up to 3 months	*0*	*7,895,370*
Total	**70,836,864**	**38,941,652**

16. SHARE CAPITAL

The share capital of Ten Square Games S.A. as at 31/12/2019 amounts to PLN 724,124.50 and is divided into 7,241,245 bearer shares with a nominal value of PLN 0.10 each.

17. RESERVE CAPITAL FROM THE SALES OF SHARES ABOVE THEIR NOMINAL VALUE

In 2012, the supplementary capital was created from the surplus of the issue value over the nominal value in the amount of PLN 544,800.
In 2017, the supplementary capital was increased by PLN 149,700 at the time of the share capital increase and acquisition of new shares by Mr Maciej Zużałek.
In the same year, the supplementary capital was reduced by PLN 198,400 due to the increase in the Company's share capital at the time of its transformation into a joint-stock company.
There were no changes in supplementary capital from the sale of shares above par in 2019.

18. UNDISTRIBUTED FINANCIAL RESULT

The item "Undistributed financial result" consists of amounts resulting from the transformation of data into IAS, which were not subject to distribution in a resolution of the Shareholders.

19. TRADE LIABILITIES

Description	31/12/2019	31/12/2018
Trade liabilities	**4,633,152**	**2,736,123**
– towards related parties	0	16,605
– towards other parties	4,633,152	2,719,518

Description	*Total*	*due date*			
		overdue:		*not overdue, payable to:*	
		31 - 90 days	0 - 30 days	0 - 30 days	31 - 60 days
31/12/2019	**4,633,152**	**0**	**0**	**2,690,363**	**1,942,789**
– towards related parties	0	0	0	0	0
– towards other parties	4,633,152	0	0	2,690,363	1,942,789
31/12/2018	**2,736,123**	**13,110**	**3,692**	**2,718,659**	**662**
– towards related parties	16,605	0	0	16,605	0
– towards other parties	2,719,518	13,110	3,692	2,702,054	662

20. OTHER LIABILITIES

Description	31/12/2019	31/12/2018
Liabilities due to other taxes, customs duties, social security and other, excluding corporate income tax:	**329,881**	**161,120**
VAT	0	0
Flat tax at source	362	1,739
PIT	53,819	32,947
Social insurance contributions (ZUS)	267,140	122,784
State Fund for Rehabilitation of Disabled People (pol. PFRON)	8,560	3,650
Other liabilities	**0**	**0**
Other liabilities in total	**329,881**	**161,120**

Description	*Total*	*Due date*			
		Overdue:		*Not overdue, payment within:*	
		31-90 days	0 - 30 days	0 - 30 days	31 - 60 days
31/12/2019	**329,881**	**0**	**0**	**329,881**	**0**
Liabilities on account of other taxes, customs, social security and other, except for corporate income tax:	329,881	0	0	329,881	0
Other liabilities	0	0	0	0	0
31/12/2018	**161,120**	**0**	**0**	**161,120**	**0**
Liabilities on account of other taxes, customs, social security and other, except for corporate income tax:	161,120	0	0	161,120	0
Other liabilities	0	0	0	0	0

21. SOCIAL ASSETS AND LIABILITIES OF THE COMPANY'S SOCIAL BENEFITS FUND

The Company did not have any company social benefits fund as at the balance sheet date 31/12/2019 and 31/12/2018.

22. CONTINGENT LIABILITIES

As at 31 December 2019 and as at 31 December 2018, the Group did not have any significant contingent liabilities, including guarantees and sureties granted, including bills of exchange.

23. PROVISIONS

Provisions disclosed in the financial statements relate to provisions for unused holidays.

In the reporting period covered by these financial statements, the following changes in provisions occurred:

Description	As at 1/01/2019	Chances during the year		As at 31/12/2019
		Assumption	Use	
Provision for leaves	176,602	254,054	176,602	254,054

In the previous reporting periods, the following changes in the balance of provisions took place:

Description	As at 01/01/2018	Chances during the year		As at 31/12/2018
		Assumption	Use	
Provision for leaves	110,617	176,602	110,617	176,602

24. EXPLANATIONS TO THE STATEMENT OF CASH FLOWS

Description	31/12/2019	31/12/2018
Cash in the balance sheet	**70,836,864**	**38,941,652**
Exchange differences on balance sheet valuation as at financial statement	155,822	76,236
Total cash and cash equivalents disclosed in the cash flow statement	**70,992,686**	**39,017,888**

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The Company's operations are exposed to the following financial risks:
(a) credit risk,

(b) liquidity risk,

(c) market risk.

Credit risk – - this is a risk that arises when one of the parties to a financial instrument causes the Company to incur financial losses, if it fails to meet its obligations towards the Company. Credit risk arises in the case of receivables, cash and cash equivalents, deposits, purchased bonds and deposits.
The Company's core business – the sale of games – due to its specific nature, is to a negligible extent exposed to this type of risk. The Company cooperates with a narrow group of customers (including aggregators of payments from individual users) and through long-established relationships and historical absence of problems with the repayment of receivables, exposure to a single credit risk is not high. The majority of receivables are repaid within 3 months after the receivables arise. The Company consistently monitors the inflow of receivables and keeps in touch with customers in case of payment delays. The Company invests its cash in reliable financial institutions (banks). Credit risk concerns the Company to an insignificant extent.
Liquidity risk – this is a risk that arises when the Company encounters difficulties in meeting its obligations related to financial liabilities. The Company cares about maintaining liquidity at an appropriate and safe level. Historically, the Company finances itself from its own resources and all new projects or significant purchases are verified for the possibility of timely repayment of the liability. Liquidity risk concerns the Company to an insignificant extent.

Market risk – is the risk that arises when the fair value of a financial instrument or future cash flows related to it will fluctuate due to changes in market prices. This risk comprises three types of risk: currency risk, interest rate risk, other price risk.

Currency risk – is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Due to the global nature of Ten Square Games's operations, where the majority of revenues are generated in USD and partly in EUR, the Company is exposed to the risk of rapid changes in foreign exchange rates, including in particular the strengthening of the Polish zloty against foreign currencies, mainly USD.

The majority of revenue contracts are settled in foreign currencies, mainly in USD and PLN. As a result, the strengthening of the Polish zloty against the USD is an undesirable phenomenon for the Company, which results in a decrease in the Company's sales revenues. In order to reduce foreign exchange risk, the Company partially mitigates the currency risk in its operations by adjusting the currency cost structure, however, it is not possible to eliminate the Company's foreign exchange risk completely. The Company does not use (and has not used) any instruments to hedge against currency risk.

Interest rate risk – the risk that arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests surplus funds in interest-bearing assets (interest-bearing bank accounts) to an insignificant extent, hence it is not significantly exposed to interest rate risk.

The main interest rate risk is related to debt instruments, however, in 2019 and 2018 the Company did not use external debt instruments with variable interest rates (loans and bonds), therefore it was not exposed to changes in cash flows as a result of interest rate changes.

Other price risks – these are risks that arise when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those resulting from interest rate or currency risk), regardless of whether these changes are caused by factors specific to individual financial instruments or to their issuer, or factors relating to all similar financial instruments traded on the market. The Company does not use financial instruments that carry a price risk. The Group is not exposed to any other price risk.

ANALYSIS OF EXPOSURE TO CURRENCY RISK

A significant share of sales in USD and EUR in the Company's revenue structure makes it possible for the Company's financial results to be materially influenced by the exchange rate of the Polish zloty against that currency. Net foreign currency exposure to which the Company was exposed as at the balance sheet date is presented in the table below.

	31/12/2019			
currency risk – exposure to currency risk	**USD**	**EUR**	**RUB**	**other currencies (excluding PLN)**
trade receivables in currency	3,112,407	52,758	5,242,421	--------
trade receivables valued at PLN	11,819,987	224,672	320,312	16,522
cash in foreign currency	3,384,089	55,979	8,964,935	--------
cash and cash equivalents valued at PLN	12,851,757	238,388	547,758	0
trade liabilities in currency	-1,070,961	-13,667	0	--------
trade liabilities valued at PLN	-4,067,190	-58,202	0	0
net exposure in currency	**5,425,535**	**95,071**	**14,207,356**	**--------**
net exposure in PLN	**20,604,554**	**404,858**	**868,069**	**16,522**

	31/12/2018			
currency risk – exposure to currency risk	**USD**	**EUR**	**RUB**	**other currencies (excluding PLN)**
trade receivables in currency	1,214,539	59,107	4,893,413	--------
trade receivables valued at PLN	4,566,304	254,159	264,734	63,708
cash in foreign currency	2,528,758	116,278	22,412,205	--------
cash and cash equivalents valued at PLN	9,507,370	499,993	1,212,500	,
trade liabilities in currency	-516,985	-18,820	0	--------
trade liabilities valued at PLN	-1,943,709	-80,925	0	-26
net exposure in currency	**3,226,312**	**156,565**	**27,305,618**	**--------**
net exposure in PLN	**12,129,965**	**673,227**	**1,477,234**	**63,682**

The table below presents the Company's sensitivity to a 10% increase in the zloty's exchange rate in relation to the above-mentioned currencies. A positive value indicates an increase in pre-tax profit due to an increase in the exchange rate (weakening of the Polish zloty).

currency risk – sensitivity analysis	31/12/2019	31/12/2018
change by +10% / -10%.	+ 2,189,400 / - 2,189,400	+1,434,411 / -1,434,411

26. CAPITAL MANAGEMENT

The main objective of the Company's capital management is to maintain a good credit rating and safe capital ratios that would support the Company's operations and increase the value for its shareholders.
At present, the Company finances its operations with profits and does not use debt financing. The Company manages its capital structure and may change it as a result of changes in the economic situation. In order to maintain or adjust the capital structure, the Company may change the payment of dividends to shareholders, return capital to shareholders or issue new shares. In the years ended 31 December 2019 and 31 December 2018, no changes were introduced to the objectives, principles and processes applicable in this area.

Description	31/12/2019	31/12/2018
Interest-bearing loans and borrowings	0	0
Trade liabilities and other liabilities	4,963,033	2,897,243
Cash and cash equivalents	70,836,864	38,941,652
Net debt	**-65,873,831**	**-36,044,409**
Equity	88,821,386	41,350,580
Total capital	**88,821,386**	**41,350,580**
Net equity and debt	**154,695,217**	**77,394,989**

27. EMPLOYEE BENEFIT PLANS

In 2019 and 2018, the Company did not run any employee benefit programs.

28. INCENTIVE SCHEME FOR 2018-2020

In March 2018, the Shareholders of the Parent Company adopted an incentive scheme for key employees and associates of the Group. As a result of the implementation of the programme, there may be potential changes in the proportions of shares held by the shareholders.

On the basis of the resolution on the programme, a conditional increase in the Company's share capital, excluding pre-emptive rights of the existing shareholders, was made by the amount not higher than PLN 6,547.50 through the issue of not more than 65,475 ordinary registered shares of series B with a nominal value of PLN 0.10 per share. Series B shares could be taken up by holders of registered subscription warrants of series A issued in a number not higher than 65,475 on the basis of the Programme Resolution.

In January 2019, the Extraordinary General Meeting of Shareholders adopted an amendment to the incentive scheme consisting in the following:

1) replacement of the conditional share capital with the target capital;
2) removal of subscription warrants – programme participants receive, after meeting the programme conditions, bearer shares with limited transferability (lock-up) for a period specified in the programme regulations;
3) increase of the pool of shares possible to be allocated in the years of the programme (programme pool after changes: 101,850 ordinary series B bearer shares with a par value of PLN 0.10).

The incentive scheme covers the years 2018-2020, and the shares may be subscribed for in three tranches – for the financial year 2018 (tranche I), 2019 (tranche II) and 2020 (tranche III). In order to offer shares, the Capital Group must reach a certain level of consolidated, adjusted for extraordinary events and costs of the programme itself, EBITDA. The Supervisory Board established the following levels of EBITDA:

- PLN 26 million for the financial year 2018;
- PLN 31.5 million for the financial year 2019;
- PLN 35 million for the financial year 2020;

If the required level is not reached in one year of the programme, shares for a given year may be granted in the next period if the cumulated EBITDA reached the required level and the EBITDA for the next period was reached.

Programme participants will have the right to sell shares acquired under Tranche I not earlier than 1 July 2020. Programme participants will have the right to sell shares acquired under Tranche II not earlier than 1 January 2021. Program participants will have the right to sell shares acquired in Tranche III not earlier than 1 September 2021.

In 2018, 2019 and 2020, the Issuer's Supervisory Board adopted resolutions on establishing the list of Programme Participants and made an initial allocation of 81,612 Warrants (currently shares): 16,245 under Tranche I, 26,915 under Tranche II and 38,452 under Tranche III.

The cost of the incentive scheme in 2018 amounted to PLN 236,328 and all the shares initially allocated in the first tranche were taken up by the programme participants (i.e. 16,245 shares) during 2019.
The cost of the incentive scheme in 2019 amounted to PLN 1,187,441 and at the time of issuing this financial statement, the Group's Management Board estimates that 25,460 shares will be taken up by the programme participants during 2020.

The estimated cost of the programme for the initially allocated shares in 2020 (35,582 shares as estimated by the Management Board) will amount to approximately PLN 3.6 million.

Reconciliation of the costs of the incentive scheme for share-based payments:

Description	**01/01/2019-31/12/2019**	**01/01/2018-31/12/2018**
Share-based payments - costs by type:	**1,232,812**	**417,802**
Costs of share-based payments related to 2017 contracts settled in 2017-2019	45,371	181,474
Costs of the incentive scheme for the period 2018-2020	1,187,441	236,328
Share-based payments - costs in the calculation system	**1,025,701**	**230,820**
Costs of goods and services sold	493,514	84,126
Selling costs	249,737	71,255
General and administrative costs	282,450	75,439
Capitalisation of share-based payment costs (production of games)	**207,111**	**186,982**

Reconciliation of the costs of the incentive scheme to the capital formed from the valuation of the incentive scheme:

Description	As at 31/12/2019	As at 31/12/2018
TOTAL Capital from the settlement of the incentive scheme	**1,764,034**	**780,748**
Including costs of the incentive scheme in 2019	1,187,441	0
Including costs of the incentive scheme in 2018	236,328	236,328
Including costs related to agreements concluded in 2017 (decrease in the value of the capital in 2019 results from the redemption of a part of shares, which was described in the General Information - note 6 "Shareholding")	340,265	544,420

29. INFORMATION ON AFFILIATED ENTITIES, INCLUDING INFORMATION ON REMUNERATION OF SENIOR MANAGEMENT AND THE SUPERVISORY BOARD

The tables below present total amounts of transactions conducted with affiliates for the current and previous reporting periods:

1. Management

Affiliate	Net purchase		Remuneration		Net dividend	
Period	**01/01/2019-31/12/2019**	**01/01/2018-31/12/2018**	**01/01/2019-31/12/2019**	**01/01/2018-31/12/2018**	**01/01/2019-31/12/2019**	**01/01/2018-31/12/2018**
Management Board	**288,000**	**96,000**	**320,610**	**341,740**	**12,989,687**	**4,249,713**
Maciej Popowicz:	162,000	54,000	57,600	161,400	8,733,785	2,862,410
- Ten Square Games S.A.	*162,000*	*54,000*	*54,000*	*158,000*	*8,733,785*	*2,862,410*
- Play Cool Zombie Sport Games Sp. z o.o.	*0*	*0*	*1,200*	*1,200*	*0*	*0*
- Tiny Dragon Adventure Games Sp. z o.o.	*0*	*0*	*1,200*	*1,200*	*0*	*0*
- Fat Lion Games Sp. z o.o.	*0*	*0*	*1,200*	*1,000*	*0*	*0*
Arkadiusz Pernal:	126,000	42,000	51,600	131,400	4,179,357	1,369,742
- Ten Square Games S.A.	*126,000*	*42,000*	*48,000*	*128,000*	*4,179,357*	*1,369,742*
- Play Cool Zombie Sport Games Sp. z o.o.	*0*	*0*	*1,200*	*1,200*	*0*	*0*
- Tiny Dragon Adventure Games Sp. z o.o.	*0*	*0*	*1,200*	*1,200*	*0*	*0*
- Fat Lion Games Sp. z o.o.	*0*	*0*	*1,200*	*1,000*	*0*	*0*
Magdalena Jurewicz:	0	0	211,410	48,940	76,545	17,561
- Ten Square Games S.A.	*0*	*0*	*211,410*	*48,940*	*76,545*	*17,561*
- Play Cool Zombie Sport Games Sp. z o.o.	*0*	*0*	*0*	*0*	*0*	*0*
- Tiny Dragon Adventure Games Sp. z o.o.	*0*	*0*	*0*	*0*	*0*	*0*
- Fat Lion Games Sp. z o.o.	*0*	*0*	*0*	*0*	*0*	*0*
Rada Nadzorcza (Ten Square Games S.A.)	**0**	**0**	**222,500**	**186,000**	**392,428**	**105,364**
Maciej Zużałek	0	0	12,000	12,000	229,635	52,682
Rafał Olesiński	0	0	42,000	42,000	2,048	0
Marcin Chruszczyński	0	0	42,000	42,000	0	0
Tomasz Drożdżyński	0	0	36,000	36,000	0	0
Maciej Marszałek	0	0	18,000	18,000	160,745	52,682
Milena Olszewska-Miszuris	0	0	36,500	0	0	0
Wiktor Schmidt	0	0	36,000	36,000	0	0
Key personnel (Ten Square Games)	**0**	**0**	**0**	**72,445**	**n/a**	**n/a**
Family members of key personnel / Management Board (Ten Square Games)	**255,153**	**108,830**	**0**	**0**	**n/a**	**n/a**

Since 1 September 2018, the Parent Company buys advisory services from Members of the Management Board.

The transactions between affiliates were conducted on terms equivalent to the ones applicable in the transactions conducted on market terms.

2. Other affiliated parties

Affiliated party	Net sales		Net purchase	
Period:	**1/01/2019-31/12/2019**	**1/01/2018-31/12/2018**	**1/01/2019-31/12/2019**	**1/01/2018-31/12/2018**
Subsidiaries:	**6,483,266**	**4,562,233**	**0**	**0**
Play Cool Zombie Sport Games Sp. z o.o.	487,144	784,375	0	0
Tiny Dragon Adventure Games Sp. z o.o.	4,360,343	3,454,089	0	0
Fat Lion Games Sp. z o.o.	1,635,778	323,769	0	0
Personally affiliated entities:	**0**	**0**	**97,918**	**104,484**
Olesiński i Wspólnicy Spółka komandytowa	0	0	97,918	104,484

Affiliated party	Net receivables		Net payables	
As of:	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Subsidiaries:	**4,284,715**	**1,177,568**	**0**	**0**
Play Cool Zombie Sport Games Sp. z o.o.	95,944	138,110	0	0
Tiny Dragon Adventure Games Sp. z o.o.	2,638,101	801,749	0	0
Fat Lion Games Sp. z o.o.	1,550,670	237,709	0	0
Personally affiliated entities:	**0**	**0**	**0**	**32,417**
Olesiński i Wspólnicy Spółka komandytowa	0	0	,0	32,417

30. EMPLOYMENT

The average employment in the financial year was 81 persons (42 in 2018). The main group of employees are specialists in information and communication technologies.

31. LEASE AGREEMENTS

The Company was in 2019 party to lease agreements for offices located in Wrocław at ul. Długosza 60. The agreements were concluded on market terms with an entity not affiliated with the Company, and the lease term expired on 31 January 2020. The Company was obliged to pay a deposit, which was disclosed in the balance sheet under the item “other receivables” in the group of current assets as at 31/12/2019 and 31/12/2018.

Due to the short-term nature of the agreements (up to 12 months), the Company decided to take advantage of the exemption from *IFRS 16 Lease* and not to recognize lease assets and liabilities in 2019. In such a case, the Company recognized lease payments in the profit and loss account on a straight-line basis over the term of the lease agreement.

On 11/02/2019 a lease agreement was concluded between the Issuer and Archicom Nieruchomości 5 Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław, concerning office space in the City One office and service building located in Wrocław at 45 Traugutta Street.

The agreement was concluded for a fixed period of 5 years. The lease period began on 02/01/2020, i.e. on the day of taking over the Leased Object and will end on 02/01.2025. On 2/01.2020, the Company recognized the liability resulting from the /concluded agreement in accordance with IFRS 16: Leasing and recognized a fixed asset in the form of the right to use the premises.

In connection with the concluded agreement, the Company had to pay a deposit in the amount of PLN 591 thousand, which was shown in the balance sheet under "other fixed assets" in the group of fixed assets as at 31/12/2019.

On 21.01.2020 another lease agreement was concluded between the Issuer and Archicom Nieruchomości 5 Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław, concerning office space in the City One office and service building located in Wrocław at 45 Traugutta Street. The anticipated date of taking over of the additional space is September 2020, and the agreement was concluded for a period of 5 years counting from the date of taking over of the premises (terms and conditions of the agreement analogous to the previously concluded agreement).

32. LITIGATIONS

The Company had no pending court cases in 2019 or 2018.

33. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that could affect the financial data included in the financial statements for the period ended 31 December 2019.

34. INFORMATION ON TRANSACTIONS WITH THE ENTITY AUDITING THE FINANCIAL STATEMENTS

Description	**costs in 2019**	**costs in 2018**
audit of the standalone and separate financial statements for 2019 (2018)	42,761	34,000
review of the standalone and separate financial statements for the first half of 2019 (2018)	25,202	22,000
other services related to the initial public offering	0	12,800
TOTAL	**67,963**	**68,800**

		date	**signature**
The Chairman of the Management Board	Maciej Popowicz	23/03/2020	
The Vice-President of the Management Board	Arkadiusz Pernal	23/03/2020	
Member of the Management Board	Magdalena Jurewicz	23/03/2020	
Person entrusted with keeping the books of accounts	Karolina Hoszowska-Dubaniowska	23/03/2020	