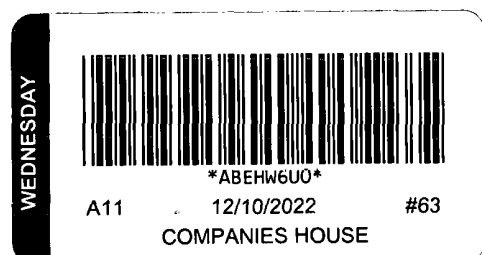


Registered number: 10589323

WORLD CHESS PLC

**GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021**



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WORLD CHESS PLC

COMPANY INFORMATION

Registered number 10589323

Directors I Merenzon
M Shekhovtsov
J R Firestone

Company Secretary MSP Corporate services Ltd

Registered office Eastcastle House, 27/28 Eastcastle Street
London
W1W 8DH

Auditors HW East Midlands Audit LLP
Statutory Auditors
Woburn Court, 2 Railton Rd
Woburn Road Ind Est
Kempston
Bedfordshire
MK42 7PN

WORLD CHESS PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report of the company and the group for the year ended 31 December 2021.

Review of business

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

The COVID-19 pandemic had a significant effect on the Group's offline activities, which resulted in the World Chess Grand Prix tournaments being postponed until H1 2021.

The company continued its focus on the development of its digital offerings, which included the full launch of the FIDE Online Arena gaming platform and the addition of a significant number of new features. The company has managed to secure significant income from the platform through paid subscriptions and online sponsorship/partnerships totaling €905,174 for the year ended.

A successful fundraising campaign, coupled with favorable currency rates during the year has allowed the company to significantly decrease its reliance on borrowings with the company debt decreased to €1,426,161 in 2021 as compared to € 2,083,706 at the end of 2020.

The company was also able to increase the merchandise sales by launching the new products and actively promoting the existing ones. Merchandise sales for year 2021 totaled €903,725 as compared to €381,716 in 2020.

The company has secured a long-term contract for a venue in Berlin to establish World Chess Club Berlin as a permanent venue to stage its own activities and events and significantly increasing its outreach within the German chess community, which is considered one of the most active and numerous worldwide.

In 2022, the company will focus on further development and marketing of its online offerings, increasing the opportunities for the cross-promotion of its products and market expansion.

Key performance indicators

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

The Company has reviewed its non-financial KPIs. Henceforth, the Company will track the following indicators in order to gather a better understanding of its progress:

Number of registered users

The Company had a total of 497,981 registered users at the end of 2021.

Number of paid subscriptions

The Company had a total of 5,214 paid users at the end of 2021.

Combined social media followings

The Company had a total of 255,260 combined social media followings at the end of 2021.

The company also sees customer satisfaction index and customer churn rate as important KPIs, however due to the fact that the full launch of the online gaming platform only took place in 2021, more time is required to properly assess these KPIs.

WORLD CHESS PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Principal risks and uncertainties

Competitive risks

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

Financial risks

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

WORLD CHESS PLC

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

Going concern risks

COVID-19 still continues to be a factor impeding the Group's offline activities, even though management sees this factor as fading away as vaccination rates keep increasing and proper measures to stop the pandemic are being implemented. However, the focus on the online products throughout the pandemic has allowed it to significantly mitigate these risks and secure the cash flow for the ongoing activities

The geopolitical crisis emerged as an additional risk-factor in 2022. Still, the management considers that the Group has the necessary resources to successfully overcome the resulting challenges.

Section 172(1) statement**Promoting the success of the company**

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

Promoting the company's success for its members

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

The interests of the World Chess employees

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

Our customers

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

Our suppliers

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

Our community

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

The environment

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

ON BEHALF OF THE BOARD:

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I Merenzon – Director

28-Sep-22

Date:

WORLD CHESS PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2021.

Dividends

No dividends will be distributed for the year ended 31 December 2021

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements

Directors

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report. Ekaterina Chalykh held office from 01.01.2021 until her resignation on 12.04.2022.

I Merenzon
M Shekhovtsov
J R Firestone

Statement of directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

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

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

Statement as to disclosure of information to auditors

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


WORLD CHESS PLC

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

Auditors

HW East Midlands Audit LLP

ON BEHALF OF THE BOARD:

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I Merenzon – Director
Date: 28-Sep-22

WORLD CHESS PLC

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

Opinion

We have audited the financial statements of World Chess PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31st December 2021 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting and, as regards the parent company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international standards;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

WORLD CHESS PLC

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WORLD CHESS PLC (CONTINUED)

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the companies act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditors' responsibilities for the audit of the financial statements

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

WORLD CHESS PLC

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WORLD CHESS PLC (CONTINUED)**

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

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

- We have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and the sector in which they operate. We determined that the following laws and regulations were most significant: The Companies Act 2006 and UK, US, Russian and Hong Kong Corporate tax laws.
- We have inquired with management as to any known instances of fraud or irregularity, and
- We have devised audit tests to target the areas which may be most susceptible to misstatement, including; revenue recognition (review of contracts for sponsorship) and management override (review of journal entries).
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (ie. gives a true and fair view).

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

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

Use of our report

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

WORLD CHESS PLC

Alberto Di Lorenzo FCA (Senior Statutory Auditor)

For and on behalf of HW East Midlands Audit LLP

Statutory Auditors

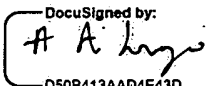
Woburn Court, 2 Railton Rd

Woburn Road Ind Est

Kempston

Bedfordshire

MK42 7PN

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Date: 28-Sep-22

WORLD CHESS PLC

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 €	2020 €
Continuing operations			
Revenue	4	3,216,400	2,516,858
Cost of sales		<u>(1,321,180)</u>	<u>(967,741)</u>
Gross profit		1,895,220	1,549,117
Other operating income		17,939	19,059
Administrative expenses		(2,972,329)	(2,262,067)
Goodwill impairment	10	(142,474)	-
Other operating expenses		<u>(441,502)</u>	<u>(7,637)</u>
Operating profit/(loss)		(1,643,146)	(701,528)
Finance costs	6	(308,299)	(3,491,355)
Finance income	6	2,242,382	607,427
Other finance income	6	5,605,551	-
Profit/(loss) before income tax		5,896,488	(3,585,456)
Income tax	8	<u>(436,914)</u>	<u>424,764</u>
Profit/(loss) for the year		5,459,574	(3,160,692)
Other comprehensive income		-	-
		5,459,574	(3,160,692)
Total comprehensive income for the year			
Prior year adjustment	32	<u>(1,312,016)</u>	<u>(1,109,014)</u>
Total comprehensive income since last annual report		4,147,558	(4,269,706)
Profit/(loss) attributable to:			
Owners of parent		<u>5,459,574</u>	<u>(3,160,692)</u>
Total comprehensive income attributable to: owners of the parent		<u>4,147,558</u>	<u>(4,269,706)</u>

The notes form part of these financial statements

WORLD CHESS PLC

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Consolidated 2021 €	As restated Consolidated 2020 €	Company 2021 €	Company 2020 €
ASSETS					
Non-current assets					
Goodwill	10	-	142,474	-	-
Owned					
Intangible assets	12	2,381,445	2,030,192	-	-
Property, plant and equipment	13	126,809	70,701	-	-
Right-of-use					
Property, plant and equipment	13,24	22,034	56,832	-	-
Investments		-	-	26,616	151,616
Loans and other financial assets	15,24	-	-	-	-
Trade and other receivables	17	-	585,379	272,545	597,926
Deferred tax	26	15,733	451,098	-	-
		<u>2,546,021</u>	<u>3,336,676</u>	<u>299,161</u>	<u>749,542</u>
Current Assets					
Inventories	16	218,393	58,598	-	-
Trade and other receivables	17	3,362,514	479,935	3,188,193	137
Tax receivable		-	-	-	-
Investments		-	-	-	-
Cash and cash equivalents	19	1,520,599	521,327	34,107	100,044
		<u>5,101,506</u>	<u>1,059,860</u>	<u>3,222,300</u>	<u>100,181</u>
Total Assets		<u>7,647,527</u>	<u>4,396,536</u>	<u>3,521,460</u>	<u>849,723</u>
EQUITY AND LIABILITIES					
Equity					
Shareholders' Equity					
Called up share capital	20	66,996	64,219	66,996	64,219
Share premium	21	5,520,114	3,552,069	5,520,114	3,552,069
Translation reserve	21	85,728	52,465	-	-
Retained earnings	21	(3,027,937)	(8,487,511)	(4,750,727)	(5,995,540)
Total Equity		<u>2,644,901</u>	<u>(4,818,758)</u>	<u>836,383</u>	<u>(2,379,252)</u>
Liabilities					
Non-current Liabilities					
Financial liabilities – borrowings					
Interest bearing loans and borrowings	23	76,253	2,083,706	-	-
Current liabilities					
Trade and other payables	22	3,576,465	7,061,403	2,685,077	3,228,975
Financial liabilities – borrowings					
Interest bearing loans and borrowings	23	1,349,908	70,185	-	-
Tax payable		-	-	-	-
		<u>4,926,373</u>	<u>7,131,588</u>	<u>2,685,077</u>	<u>3,228,975</u>
Total Liabilities		<u>5,002,626</u>	<u>9,215,294</u>	<u>2,685,077</u>	<u>3,228,975</u>
Total Equity and Liabilities		<u>7,647,527</u>	<u>4,396,536</u>	<u>3,521,460</u>	<u>849,723</u>

WORLD CHESS PLC

**CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)**

The consolidated and Company financial statements were approved and authorised for issue on
28-Sep-22
..... and were signed by:

DocuSigned by:

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I Merenzon

Director

Date: 28-Sep-22

The notes form part of these financial statements.

WORLD CHESS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

	Called up share capital	Retained Earnings	Share Premium	Translation reserve	Total equity
	€	€	€	€	€
Balance at 1 January 2020	64,219	(4,217,805)	3,552,069	16,663	(584,854)
Prior year adjustment	-	(1,109,014)	-	-	(1,109,014)
Balance at 1 January 2020 (as restated)	64,219	(5,326,819)	3,552,069	16,663	(1,693,868)
Changes in equity					
Total comprehensive income	-	(3,160,692)	-	35,802	(3,124,890)
Balance at 1 January 2021 (as previously restated)	64,219	(7,175,495)	3,552,069	52,465	(3,506,742)
Prior year adjustment	-	(1,312,016)	-	-	(1,312,016)
As at 1 January 2021 (as restated)	64,219	(8,487,511)	3,552,069	52,465	(4,818,758)
Changes in equity					
Total comprehensive income	-	5,459,574	-	33,263	5,492,837
Shares issued during the year	2,777	-	1,968,045	-	1,970,822
As at 31 December 2021	66,996	(3,027,937)	5,520,114	85,728	2,644,901

WORLD CHESS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

	Called up share capital	Retained earnings	Share premium	Total equity
	€	€	€	€
Balance at 1 January 2020	64,219	(2,482,191)	3,552,069	1,134,097
Changes in equity				
Total comprehensive income	-	(3,513,349)	-	(3,513,349)
Balance at 31 December 2020	64,219	(5,995,540)	3,552,069	(2,379,252)
Changes in equity				
Total comprehensive income	-	1,244,815	-	1,244,815
Shares issued during the year	2,777	-	1,968,045	1,970,822
Balance at 31 December 2021	66,996	(4,750,725)	5,520,114	836,383

WORLD CHESS PLC

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2021

	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Cash flows from operating activities				
Cash generated from operations	1,792,611	121,201	(1,903,279)	(335,973)
Interest paid	(308,299)	(291,355)	-	-
Tax paid	-	(2,422)	-	-
Net cash from operating activities	<u>1,484,312</u>	<u>(172,576)</u>	<u>(1,903,279)</u>	<u>(335,973)</u>
Cash flows from investing activities				
Purchase of intangible fixed assets	(691,285)	(389,827)	-	-
Purchase of tangible fixed assets	(91,966)	-	-	-
Sale of tangible fixed assets	-	42,648	-	-
Sale of fixed asset investments	-	165,363	-	-
Loans issued	-	-	(272,544)	-
Purchase of fixed asset investments	-	-	(100,000)	(100,000)
Loan repayment from related parties	-	-	597,926	461,908
Interest received	-	-	6,792	14,364
Net cash from investing activities	<u>(783,251)</u>	<u>(181,816)</u>	<u>232,174</u>	<u>376,272</u>
Cash flows from financing activities				
New loans in year	-	46,987	-	-
New share issue	1,970,822	-	1,970,822	-
Amounts owed to group undertakings	-	-	2,626,134	-
Amounts owed by group undertakings	-	-	(2,991,786)	-
Collateral rewards received	2,242,382	607,427	-	-
Cancellation of share options	(3,200,000)	-	-	-
Loan repayments in year	(677,378)	(628,131)	-	-
Payment of lease liabilities	(50,352)	(136,432)	-	-
Amount introduced by directors	-	126,029	-	-
Amount withdrawn by directors	-	(14,035)	-	-
Net cash from financing activities	<u>285,474</u>	<u>1,845</u>	<u>1,605,170</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents	986,535	(352,547)	(65,937)	40,299
Cash and cash equivalents at beginning of year	521,327	1,011,334	100,044	59,745
Effect of foreign exchange rate changes	<u>12,737</u>	<u>(137,460)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>1,520,599</u>	<u>521,327</u>	<u>34,107</u>	<u>100,044</u>

WORLD CHESS PLC

NOTES TO THE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. RECONCILIATION OF PROFIT /(LOSS) BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Profit/loss before income tax	5,896,488	(3,585,456)	1,244,815	(3,513,349)
Depreciation charges	396,425	333,181	-	-
Goodwill impairment	142,474	-	-	-
Investment impairment		-	225,000	
Other reserves	33,263	35,802	-	-
Finance costs	308,299	3,491,355	-	-
Finance income	(2,242,405)	(607,427)	(6,792)	(14,364)
	4,534,544	(332,542)	1,463,023	(3,527,713)
(Increase)/decrease in inventories	(159,795)	23,809	-	-
(Increase) in trade and other receivables	(2,297,200)	(533,335)	(196,270)	(14)
(Decrease)/Increase in trade and other payables	(284,938)	963,270	(3,170,032)	3,191,754
Cash (used in) /generated from operations	1,792,611	121,201	(1,903,279)	(335,973)

WORLD CHESS PLC

**NOTES TO THE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

2. CASH AND CASH EQUIVALENTS

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

	Consolidated 2021 €	Consolidated 2020 €	Company 2021 €	Company 2020 €
Year ended 31 December 2021				
	31/12/21	1/1/21	31/12/21	1/1/21
Cash and cash equivalents	<u>1,520,599</u>	<u>521,327</u>	<u>34,107</u>	<u>100,044</u>
Year ended 31 December 2020				
	31/12/20	1/1/20	31/12/20	1/1/20
Cash and cash equivalents	<u>521,327</u>	<u>1,011,334</u>	<u>100,044</u>	<u>59,745</u>

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Statutory Information

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

2. Accounting Policies

Basis of preparation

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

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

Basis of consolidation

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

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

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

2. Accounting Policies (Continued)

Going concern

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

Reliance is placed on the following considerations:

- a) the interest of the investors in the project and fundraising activities of the Company.
- b) share subscription and marketing agreements concluded in Q1 2022.

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

2. Accounting Policies (Continued)**Financial Instruments**

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

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

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

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

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

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

Foreign currencies

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

2. Accounting Policies (Continued)**Taxation and deferred taxation**

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

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

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

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

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

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

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

Cash and cash equivalents

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

Inventories

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

2. Accounting Policies (Continued)**Revenue recognition**

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

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

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

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of turnover can be measured reliably;
- It is probable the company will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

Sponsorship income

Per IFRS 15 revenue from contract with customers, turnover is recognised in the period to which the sponsorship relates. Any sponsorship income received in advance of tournaments gives rise to contract liabilities which is deferred and included in accruals and deferred income. The carrying amount of the deferred sponsorship income included in creditors being €1,418,686.

Promotion income

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

Online income

Turnover from online subscriptions is recognized monthly during the subscription period of one year.

Interest receivable

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

2 Accounting Policies (Continued)**Goodwill**

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

Other intangible assets

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

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

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

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

Property, plant and equipment

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

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

Leases

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

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

Financial liabilities

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

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

2 Accounting Policies (Continued)**Adoption of new and revised standards**

The following changes to the IFRS conceptual framework and accounting standards were adopted at the beginning of 2021.

New or amended standard or interpretation	Issue date - effective for accounting periods beginning on or after 1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2	1 January 2021
Amendment to IFRS 16 Covid -19 Related Rent Concessions beyond 30 June 2021	Beyond 30 June 2021

New standards for 2022-2023

The following amendments are expected to be issued:

- Amendments to IFRS 16: Property, Plant and Equipment – Proceeds Before Intended Use, effective for periods beginning on or after 1 January 2022.
- Amendments to IFRS 3 (May 2020) References to the Conceptual Framework, effective for periods beginning on or after 1 January 2022.
- Amendments to IAS 37 (May 2020), effective for periods beginning on or after 1 January 2022.
- Amendments to IAS 1: Classification of liabilities as current or non-current – Deferral of Effective date, effective for periods beginning on or after 1 January 2023.
- Amendments to IAS 1 and IFRS Practice Statement 2, effective for periods beginning on or after 1 January 2023.
- Amendments to IAS 10 and IAS 28 Sale on Contribution Assets between an Investor and its Associate or Joint Venture Disclosure of accounting policies, effective for periods beginning on or after 1 January 2023.
- Amendments to IAS 8 Definition of accounting estimates, effective for periods beginning on or after 1 January 2023.
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective for periods beginning on or after 1 January 2023.
- IFRS 17 and Amendments to IFRS 17 Insurance contracts, effective for periods beginning on or after 1 January 2023.

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

3. Critical accounting judgements and key sources of estimation uncertainty

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

Goodwill and other intangible assets impairment

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

Crypto currency valuation

The group does not trade in crypto currency and as such does not recognise crypto assets as inventory. The group has the objective of converting crypto currencies into cash, predominately US Dollars or Euros at the earliest opportunity available. The decision at the time of conversion of cryptocurrency into cash to best estimate the highest value receivable is the predominant key source of uncertainty and estimation. The crypto assets are shown within cash and cash equivalents on the balance sheet date converted at the spot rate prevailing at that date with the carry amount being €1,367,907.

Legal proceedings provisions

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

4. Revenue

	2021	2020
	€	€
Turnover by business class		
Events	1,407,501	402,067
Online	905,174	1,802,870
Merchandise/clubs	<u>903,725</u>	<u>311,921</u>
Total revenue	<u><u>3,216,400</u></u>	<u><u>2,516,858</u></u>
By geographical area		
United Kingdom	2,589,719	2,257,369
Russia	329,114	165,758
United States of America	257,508	8,071
Other	<u>40,059</u>	<u>85,660</u>
Total revenue	<u><u>3,216,400</u></u>	<u><u>2,516,858</u></u>

5. Employees and directors

	2021	2020
	€	€
Wages and salaries	<u>71,235</u>	<u>177,028</u>

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

	2021	2020
Group - average employee numbers	<u>9</u>	<u>11</u>

Wages and salaries of €56,278 (2020: €150,804) included in the figure above are included in cost of sales.

The directors received consultancy fees for 2021 of €228,429.

	2021	2020
	€	€
Directors' remuneration	<u>9,461</u>	<u>6,658</u>

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

6. Net finance costs

	2021	2020
	€	€
Finance income		
Loan interest received	-	4,399
Other interest receivable	2,242,382	603,028
Other finance income	5,605,551	-
	<u>7,847,933</u>	<u>607,427</u>
Finance costs		
Other loan interest	308,299	291,355
Fair value of share incentives Provided	-	3,200,000
	<u>308,299</u>	<u>3,491,355</u>
Net finance costs	<u>7,539,634</u>	<u>2,883,928</u>

During the year crypto-currency appreciated significantly, ALGO rate increased from €0.27 in January 2021 to €1.53 in December 2021. In Q4 2021 the Group exchanged a vast portion of its crypto balances.

7. Loss before income tax

	2021	2020
	€	€
Cost of inventories recognised as expense	1,321,180	967,741
Depreciation – owned assets	16,335	18,613
Depreciation – assets on finance leases	37,451	35,341
Exclusive FIDE rights amortisation	110,529	110,529
License amortisation	5,000	5,000
Website amortisation	224,503	163,698
Auditors' remuneration	16,626	31,574
Foreign exchange differences	(5,072)	311,807
	<u>(5,072)</u>	<u>311,807</u>

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

8. Income tax

	2021 €	As restated 2020 €
Analysis of tax income		
Current tax		
Corporation tax	45	4,860
Foreign tax	190	
Deferred tax	<u>436,679</u>	<u>(429,624)</u>
Total tax income in consolidated statement of profit or loss and other comprehensive income	<u>436,914</u>	<u>(424,764)</u>
Factors affecting the tax expense		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:		
Profit/(loss) before income tax	<u>5,896,488</u>	<u>(4,897,472)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)	(1,120,333)	(930,520)
Effects of		
Corporation tax and foreign tax	235	
Losses from previous years	861,205	
Deferred tax	436,679	(432,351)
Depreciation in excess of capital allowances	12,411	78,096
Non taxable expenses	<u>246,717</u>	<u>610,728</u>
Tax income	<u>436,914</u>	<u>(424,764)</u>

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

9. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was €1,244,815 (2020 – (loss of €3,513,349)).

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

10. Goodwill

Group	€
Cost	
At 1 January 2021	142,474
Impairment	<u>(142,474)</u>
At 31 December 2021	-
Net book value	
At 31 December 2021	<u>-</u>
	€
Cost	
At 1 January 2020 and 31 December 2020	<u>142,474</u>
Net book value	
At 31 December 2020	<u>142,474</u>

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

In 2022 the Group disposed of World Chess RUS LLC and World Chess Digital Limited was under liquidation. The Group has therefore written off the goodwill at of 31.12.21.

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

12. Intangible assets

	Exclusive FIDE rights €	License €	Website €	Totals €
Cost				
At 1 January 2021	1,105,291	25,000	1,706,287	2,836,578
Additions	-	90,000	601,285	691,285
At 31 December 2021	<u>1,105,291</u>	<u>115,000</u>	<u>2,307,572</u>	<u>3,527,863</u>
Amortisation				
At 1 January 2021	442,116	5,000	359,270	806,386
Amortisation for the year	<u>110,529</u>	<u>5,000</u>	<u>224,503</u>	<u>340,032</u>
At 31 December 2021	<u>552,645</u>	<u>10,000</u>	<u>583,773</u>	<u>1,146,418</u>
Net book value				
At 31 December 2021	<u>552,646</u>	<u>105,000</u>	<u>1,723,799</u>	<u>2,381,445</u>
Cost				
At 1 January 2020	1,105,291	-	1,341,460	2,446,751
Additions	-	25,000	364,827	389,827
At 31 December 2020	<u>1,105,291</u>	<u>25,000</u>	<u>1,706,287</u>	<u>2,836,578</u>
Amortisation				
At 1 January 2020	331,587	-	195,572	527,159
Amortisation for the year	<u>110,529</u>	<u>5,000</u>	<u>163,698</u>	<u>279,227</u>
At 31 December 2020	<u>442,116</u>	<u>5,000</u>	<u>359,270</u>	<u>806,386</u>
Net book value				
At 31 December 2020	<u>663,175</u>	<u>20,000</u>	<u>1,347,017</u>	<u>2,030,192</u>

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13. Property, plant and equipment

	Right of use asset €	Fixtures and fittings €	Computer equipment €	Total €
Cost				
At 1 January 2021	441,942	136,946	1,698	550,586
Additions	-	91,966	-	91,966
Exchange differences	-	(16,676)	-	(16,676)
At 31 December 2021	441,942	212,236	1,698	625,876
Depreciation				
At 1 January 2021	355,110	66,244	1,698	423,053
Charge for year	37,711	18,046	-	56,893
Exchange differences	(2,913)	-	-	(2,913)
At 31 December 2021	389,908	85,427	1,698	477,033
Net book value				
At 31 December 2021	22,034	126,809	-	148,843
Cost				
At 1 January 2020	411,942	143,391	1,698	557,031
Disposals	-	(42,648)	-	(42,648)
Exchange differences	-	36,203	-	36,203
At 31 December 2020	411,942	136,946	1,698	550,586
Depreciation				
At 1 January 2020	221,165	48,198	1,132	270,495
Charge for year	35,341	18,046	566	53,954
Exchange differences	98,604	-	-	98,604
At 31 December 2020	355,110	66,244	1,698	423,053
Net book value				
At 31 December 2020	56,832	70,702	-	127,533

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

14. Investments
Company

Shares in
group
undertakings
€

Cost

At 1 January 2021

151,616

Additions

100,000

Impairment

(225,000)

At 31 December 2021

26,616

Net book value

At 31 December 2021

26,616

At 31 December 2020

151,616

Company

Shares in
group
undertakings

Cost

€

At 1 January 2020

51,616

Additions

100,000

At 31 December 2020

151,616

Net book value

At 31 December 2020

151,616

Investment in subsidiaries	Nature of business	Class of shares	Total
World Chess events limited	Various chess related activities	Ordinary	100
World Chess US, Inc	Organising chess events (USA), online chess	Ordinary	100
World Chess Digital limited	Operation of online chess platform	Ordinary	100
World Chess Europe	Various chess related activities	Ordinary	100

During the year, World chess PLC provided a capital contribution to World Chess Europe Ltd for €25,000

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

15. Loans and other financial assets
Group

	Loans to other participating interests
	€
At 1 January 2021	-
Repayment in year	-
	<hr/>
At 31 December 2021	-
	<hr/>
	Loans to other participating interests
	€
At 1 January 2020	6,100
Repayment in year	(6,100)
	<hr/>
At 31 December 2020	-
	<hr/>

16. Inventories

	Group	
	31/12/21	31/12/20
	€	€
Stocks	<u>218,393</u>	<u>58,598</u>

17. Trade and other receivables

	2021	As restated 2020	2021	2020
	€	€	€	€
	Group	Group	Company	Company
Current:				
Trade debtors	317,665	15,337	-	-
Other debtors	2,910,064	64,422	178,878	137
Amounts owed by group undertakings			2,991,786	
Prepayments and accrued income	<u>134,785</u>	<u>400,176</u>	<u>17,529</u>	<u>-</u>
	<u>3,362,514</u>	<u>479,935</u>	<u>3,188,193</u>	<u>137</u>
Non-current:				
Amounts owed by group undertakings	-	-	272,545	597,926
Other debtors	<u>-</u>	<u>585,379</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>585,379</u>	<u>272,545</u>	<u>597,926</u>
Aggregate amounts	<u>3,362,514</u>	<u>1,065,314</u>	<u>3,460,737</u>	<u>598,063</u>

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

18. Investments

	Group	
	31/12/21	31/12/20
		As restated
	€	€
Other	-	159,263

19. Cash and cash equivalents

	2021	2020	2021	2020
	€	€	€	€
	Group	Group	Company	Company
Cash in hand	-	121	-	-
Bank accounts	1,520,599	521,206	34,007	100,044
	<u>1,520,599</u>	<u>521,327</u>	<u>34,007</u>	<u>100,044</u>

20. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31/12/21	31/12/20
			€	€
591,640,000	Ordinary	£0.0001	66,996	64,219

21. Reserves

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

Share premium represents funds generated from shareholders as a return for their partial ownership of the company.

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

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

22. Trade and other payables

	2021 Group €	As restated 2020 Group €	2021 Company €	2020 Company €
Current:				
Trade creditors	262,910	145,213	37,372	10,379
Amounts owed to participating interests	-	46,987	2,626,134	-
Social security and other taxes	9,541	7,849	-	-
Other creditors	9,494	3,218,727	1,376	3,201,376
Net wages outstanding	-	-	-	-
Accruals and deferred income	3,294,281	2,037,404	19,956	16,982
Directors' current accounts	239	112,232	239	238
VAT	-	180,975	-	-
	<u>3,576,465</u>	<u>5,749,387</u>	<u>2,685,077</u>	<u>3,228,975</u>

23. Financial liabilities – borrowings

	Group 2021 €	2020 €
Current:		
Other loans	1,349,908	18,037
Leases	-	52,148
	<u>1,349,908</u>	<u>70,185</u>
Non-current:		
Other loans – 1-2 years	54,987	2,064,236
Leases	21,266	19,470
	<u>76,253</u>	<u>2,083,706</u>

Terms and debt repayment schedule

Group

	1 year or less €	1-2 years €	Totals €
Other loans	1,349,908	54,987	1,404,895
Leases	-	21,266	21,296
	<u>1,349,908</u>	<u>76,253</u>	<u>1,426,191</u>

In 2021 Loans due less than one year, €1,349,908 with accrued interest of 14%. The loans are secured by collateral provided by a partner. The loan was repaid and the collateral returned in January 2022. In 2021 Loans greater than one year is €54,987 (2020: €2,064,236) represent a loan from a partner to the US subsidiary which accrues interest at 10%.

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

24. Leasing**Group****Right-of-use assets****Property, plant and equipment**

	2021	2020
	€	€
Cost		
At 1 January 2021	<u>411,942</u>	<u>411,942</u>
Depreciation		
At 1 January 2021	355,110	221,165
Charge for year	37,711	35,341
Exchange differences	<u>(2,913)</u>	<u>98,604</u>
	<u>389,908</u>	<u>355,110</u>
Net book value	<u><u>22,034</u></u>	<u><u>56,832</u></u>

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

	2021	2020	2019
	€	€	€
Right-of-use asset	22,034	56,832	190,777
Financial liability	21,266	71,619	208,050

Right of use asset recognised under IFRS 16 is for a lease term of 5 years ending on 30/04/2022 with an effective interest rate of 10.65%. Total finance lease interest for 2021: €1,312 (2020: €7,450).

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

	€
At 31 December 2020	71,619
Payment of rent	(52,760)
Interest	1,132
Reduction due to renegotiation with landlord	18,927
Exchange differences	<u>(17,682)</u>
At 31 December 2021	21,266

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

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

24. Leasing – continued

Group
Lease liabilities

Minimum lease payments fall due as follows:

	2021	2020
	€	€
Gross obligations repayable:		
Within one year	21,411	58,557
Between one and five years	-	19,750
	<u>21,411</u>	<u>78,307</u>
Finance charges repayable:		
Within one year	145	6,409
Between one and five years	-	280
	<u>145</u>	<u>6,689</u>
Net obligations repayable:		
Within one year	21,266	52,148
Between one and five years	-	19,470
	<u>21,266</u>	<u>71,618</u>

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

25. Financial instruments

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

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

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

	2021	2020
	€	€
Other financial assets		
Loans and receivables		
Inventories	218,393	58,598
Trade and other receivables less than one year	3,362,514	1,065,313
Trade and other receivables greater than one year	-	-
Cash and cash equivalents	1,520,499	521,327
Total investments	-	-
Tangible and intangible fixed assets	2,508,258	2,243,369
Deferred tax	15,733	495,985
Total financial assets	7,625,397	4,384,592
Other financial liabilities		
Interest bearing loans and borrowings less than one year	1,371,174	70,185
Trade and other payables less than one year	3,576,465	2,549,385
Interest bearing loans and borrowings less than one year	54,987	2,083,706
Tax payable	-	-
Total financial liabilities	5,002,626	4,703,276

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

The following financial instruments are recognised at fair value

Right of use asset	22,034	56,832
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Financial risk management

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

Credit risk

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

WORLD CHESS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

25. Financial instruments - continuedLiquidity risk and interest rate risk

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

Foreign currency risk

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

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

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

Receivable impairments

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

26. Deferred tax asset

	Group	
	31/12/21	31/12/20
	€	€
Balance at 1 January	(451,098)	(27,757)
Movement in current year	<u>435,365</u>	<u>(423,341)</u>
Balance at 31 December	<u>(15,733)</u>	<u>(451,098)</u>

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

27. Contingent liabilities

The company has an ongoing legal claim, against an advertising company, for services that were not delivered in accordance with a contract (total amount of €1,140,000).

Following consultations with legal counsel, the director considered it unproductive to take further legal action. The company takes a view that the damages are settled against the respective invoice (up to its total amount) and will hold off with legal action unless new information comes up. The company further does not expect the counter legal action regarding the invoice as the company has not received any response to its claim from the supplier after 31 December 2019 (the date of the last communication from the company's legal counsel to the supplier).

28. Related party disclosures

The following represent transactions with shareholders of World Chess PLC - Included in other investments €Nil (2020: €Nil).

Included in trade and other payables are balances owing to; Public Space - €Nil (2020: €18,037), Interest was payable to Public Space for €67 (2020: €10,293). The balance was paid in full on 1 June 2021.

Included in amounts owing to participating interests is a loan from Prytek for €54,987

The key management of the Group includes the General Director of World Chess RUS LLC. The amount of remuneration for 2021 paid was 9,461 (2020: €6,658) plus social security of €2,876 (2020: €2,078).

29. Events after the reporting period

Due to changes in projects priorities and value of crypto-currency TON Crystal, Freeton community is unable to continue with the project to provide enhancement for our online product. As a result, the company has written off €84,265 in Fixed assets and further €333,523 from Prepayments. The directors do not see probability of receiving additional value and use of assets of this project.

Due to geopolitical situation in 2022 the Group has ceased the operations in Russia and disposed of World Chess RUS LLC. World Chess PLC recorded impairment on investment and the Group recognized goodwill's impairment.

WORLD CHESS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

30. Ultimate controlling party

The ultimate controlling party is I Merenzon.

31. Share-based payment transactions

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

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

32. Prior year adjustments

A prior year adjustment was made in the year ended 31 December 2021 to correct bookkeeping errors in the years ended 31 December 2018 and 2019. Income of €1,412,016 from sponsorship that had been previously recognised in years 2018-2019 should have been recognised as follows: 2019 €100,000, 2021 €606,608; 2022 €706,008.

A prior year adjustment was made in the year ended 31 December 2020 to reflect a crypto-currency balance of €203,001 held in a crypto wallet that had previously been omitted from the 2019 financial statements.