

# **World Chess Plc**

## **Annual Report & Financial Statements for the year ended 31 December 2022**

**Company Registration No. 10589323  
(England and Wales)**

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**COMPANY INFORMATION**

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<b>Directors</b>	Ilya Merenzon (Chief Executive Officer) Matvey Shekhovtsov (Chief Operating Officer) Richard Collett (Chief Financial Officer) – appointed 6 April 2023 Graham Woolfman (Chairman) – appointed 6 April 2023 Jamison Reed Firestone (Non-Executive Director) Neil Rafferty (Non-Executive Director) – appointed 6 April 2023
<b>Company No.</b>	10589323 - incorporated in England and Wales
<b>Secretary and Registered Office</b>	MSP Corporate Services Ltd Eastcastle House 27/28 Eastcastle Street W1W 8DH
<b>Financial Adviser</b>	Novum Securities Limited 57 Berkeley Square London W1J 6ER
<b>Auditor</b>	Moore Kingston Smith LLP 6 <sup>th</sup> Floor 9 Appold Street London EC2A 2AP
<b>Legal advisers</b>	Marriott Harrison LLP 80 Cheapside London EC2V 6EE
<b>Registrar</b>	Share Registrars Ltd 3 The Millennium Centre Crosby Way Farnham GU9 7XX

**STRATEGIC REPORT**

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**Statement from the Chair**

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I joined the Board of World Chess plc (the 'Group' or the 'Company') as Chairman upon the formation of the expanded Board at the date of the Company's Admission to the Standard List of the London Stock Exchange, and I am pleased to provide my first contribution to the Annual Report.

Over the past 11 years World Chess has developed and established itself as a business providing several commercial products and platforms within the professional and amateur international chess arena. This includes organising top-level tournaments, operating the Fédération Internationale des Échecs ('FIDE') online gaming platform, chess merchandising and promotional activities.

For the year ended 31 December 2022, the Company has reported revenues of approximately €2.8m with an operating loss of approximately €2.5m. The financial results are set out in detail below within the Financial Statements and Notes on pages of 47 to 78 of the Annual Report.

The Board and Executive team entered the year with confidence despite the economic challenges and political turmoil in the latter part of the year.

Since the year end the Company has focused on developing its various lines of business, in particular setting up the World Chess Club in Berlin and launching the international Armageddon Chess tournament series.

The Board believes that the funds raised from the share placing at Admission will have a significant positive impact enabling the Company to invest over the medium term in the marketing and development of the business.

The Board is conscious of the business and economic uncertainties faced over the shorter-term and the subsequent challenges that they represent for the executive management in predicting when substantive increased revenues, and related profits will be earned, including for the current financial year in particular. However, the Board is confident that market demand for the Company's products, experiences, and events continue to be well received, and will translate to significant revenues in the years ahead.

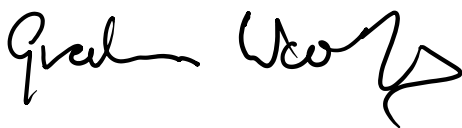
The Company would have been and continues to be, unable to achieve its success without the considerable efforts of the management and staff. I thank them for their hard work and commitment both throughout the last year, and in the period leading to the admission of the Company's shares to the London Stock Exchange.

**Outlook**

A detailed commentary on the business strategy is set out within the Chief Executive's Statement and the Strategic and Financial Review on pages 5 to 13.

Despite the current economic headwinds, the Board remain confident of the Company's progress in the current financial year.

It is apparent that 2023 will be a year of challenges to steadily develop partnership relationships, and customer participation, whilst delivering on the development and expansion of the business models. The Company has adequate financial resources to meet this objective and the Board is confident of building value over the longer term for shareholders.



Graham Woolfman

Chair

28 April 2023

## **STRATEGIC REPORT**

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### **Statement from the Chief Executive**

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I am very happy to present the first annual report of World Chess as a listed Company.

Listing on the London Stock Exchange brings a new opportunity for the Group to grow, but with that opportunity comes greater responsibility, which is why I feel that it's important to include in this report our vision for the Company and what we hope to achieve.

World Chess has a long history at the heart of the chess community. However, this is the beginning for many of our new investors and I would like to welcome the new shareholders and partners to the Company and the chess community. We hope you benefit from and enjoy what we have to offer as the Company grows and realises its potential.

Chess has been a passion and profession for decades, but until relatively recently, it was not considered a business but rather an art and or hobby. The commercial aspects were secondary and chess events were often dependent on the patronage of wealthy donors, whilst being represented by a select group of chess stars and luminaries who were adored.

We intend to build a company that is one of the premier brands in chess, whilst reinventing the game for a modern consumer. This evolution will see us accommodate and satisfy customers' growing interests and offer them compelling products to build their passion for chess. Our range of products, from the official chess gaming platform to a concept chess club with a cocktail bar (visit it in Berlin if you have a chance!) can be accessed through different channels: online, retail, corporate, social and more. All sales channels are carefully curated to fit with the overall brand message and values and to be aspirational in terms of design.

World Chess will develop the sport based on the factors that we believe will put our organisation on the map: creativity, pushing the conventional (and sometimes outmoded) boundaries, and challenging the status quo, while respecting and enjoying the sport we love.

### **London Stock Exchange Listing**

On 6 April 2023 the entire issued share capital of World Chess PLC was admitted to trading on the Main Market of the London Stock Exchange.

As part of the admission the Company completed a subscription and retail offer issuing 49,650,972 new ordinary shares for total cash consideration of €3,475,568 and a further 14,861,840 new ordinary shares on the conversion of a loan totalling €1,040,329.

The entire issued share capital, comprising 666,905,501 ordinary shares were admitted for trading on the main market of the London Stock Exchange with ticker symbol CHSS.

### **World Chess Russia LLC**

Following the Russian invasion of Ukraine in March 2022, the Group ceased its Russian operations and relocated its Russian-based personnel from Russia, disposing of its Russian subsidiary including the World Chess Club in Moscow on 14 April 2022.

### **Board Changes**

Following admission, the Company welcomed Richard Collett (Chief Financial Officer), Graham Woolfman (Non-Executive Chair) and Neil Rafferty (Non-Executive Director) to the board.

Ekaterina Chalykh resigned as a director on 13 April 2022.

### **Current trading and outlook**

The World Chess Armageddon Series commenced in March 2023 with the Americas Regionals, and was subsequently followed by the Asia and Oceania Regionals in April 2023. The upcoming months will see the Women's Armageddon Week in May 2023, the Europe and Africa Regionals in June 2023 and the Grand Finale in September 2023.


The Series has been well received, generating a strong brand presence with live or highlights covered on 30 broadcast channels across over 20 countries and territories.

**STRATEGIC REPORT**

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Through their support of the Armageddon Series we continue our partnership with Kaspersky, with whom we have a long relationship through our involvement with tournament organised under the auspices of FIDE, the governing body for international chess tournaments. We have also begun a new partnership with it.com who have supported the Armageddon Series.

We completed the initial soft launch of the World Chess Club in Berlin during the commencement of the Armageddon Series, with the official opening planned for May 2023. The full launch and the publicity around the Armageddon Series will form the basis for increased promotion of the FIDE Online Arena.



Ilya Merenzon  
Chief Executive Officer  
28 April 2023

## STRATEGIC REPORT

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### Our Vision, Mission, and Values

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#### Our vision

A world where everyone can easily become an active member of the vibrant international chess community and grow intellectually and socially through involvement with this beautiful game and exciting sport.

#### Our mission

To reinvent how people discover, play, and enjoy chess.

#### Our core values and principles

**Customer satisfaction** – We treat each member as an important part of the chess community, support them on their chess journey and provide them with the environment for long-term enjoyment and growth.

**360-degree approach** – Chess is placed uniquely at the intersection of sport, gaming and culture. This fusion of competition, fun, challenge, creativity, timelessness and beauty is something that we strive to incorporate in all our products, while also seeking to provide all members and friends with recognisable and beautiful touch points through all of our products and services.

**Quality innovation** – We aim to constantly challenge the traditional fossilised approach to chess by creating next generation formats. We hope to revolutionise the game while retaining its deep historical and cultural roots that permeates much of society.

**Inclusivity and unity** – Chess is not defined by culture, age, class or gender. We seek to foster a more inclusive, more connected and more harmonious society with our products. This is why we lay such emphasis on combatting discrimination, and promoting empathy, both in our products and in the Group's internal operations.

**Being part of the society** – Wherever we find ourselves, we seek to be sensitive, relevant and contribute to the community around us.

## STRATEGIC REPORT

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### Operational review

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#### Principal Activities

The Company is the holding company of a group which aims to promote the mass market appeal of chess globally through the commercial offering of different chess related activities. This includes, but is not limited to, the organisation of top-level tournaments, the creation of chess-merchandise, the operation of the official online gaming platform of FIDE and other sport, lifestyle and social activities.

#### Our Market

The world, and chess, has changed dramatically in the last decade which has consequently altered the direction of the Group's development plan.

Recent World Chess Championship Matches held in New York (2016) and London (2018) notably reinvigorated excitement and attention towards the sport, with major media outlets highlighting these tournaments on their front pages. In addition to this, the online consumer chess experience improving through software development and the extraordinary growth of esports, paired with nations' ever-growing desire to display their intellectual dominance also massively contributed to growing excitement surrounding the sport.

Growing interest in chess from this point became a notable trend. The global lockdowns faced as result of COVID-19 in 2020 went on to exacerbate interest in chess, people unable to leave their homes increasingly began to play the game online. Moreover, the Queen's Gambit became an overnight Netflix hit changing the perceptions of many and reminding the masses that chess be beautiful, phenomenally captivating, and very sexy.

The combining effects of these events have seen an increased interest in chess from both the general public and corporations. This interest continues to build in a virtuous cycle, supported by more young people engaging with chess through school programs, online products, and social interactions.

The increasing attention surrounding chess makes the next few years an opportune time to expand our role and profile in the market while it undergoes a process of transformational growth. Reinvigorated interest has transformed a sport that had been forgotten into a vibrant and competitive social environment.

It should not be ignored, however, that the previous structure of official chess games and their promotion and accessibility, has resulted in a competition which currently resembles that of an oligopoly. The sport is currently dominated by several big players, with competition concentrated at this high level. World Chess acknowledges such players and aims to establish its own niche in this growing market. It hopes to build new products that avoid other platforms' mistakes of being too rigid, too boring, too conventional. Chess is not only a game, it is entertainment, it is art and World Chess is in the position to further develop it as such.

#### Our Business

##### *Online Platform*

In 2022, the Group continued to develop and promote FIDE Online Arena ([chessarena.com](https://chessarena.com)). Several important developments were made, including NightWatch, an anti-cheating suite, which uses advanced algorithms and machine learning techniques to detect and prevent cheating. This suite includes a variety of measures, such as anti-cheating algorithms, anti-bot measures and fair play policies, which ensure that games are played fairly. FOA introduced key moments — a free analysis tool that allows users to analyse key mistakes after each game. Additional updates include calorie tracker for online chess gaming, Arena (sit and go) tournaments and other features.

In 2022 the number of registered users grew from 497,981 to 650,473, an increase of 31%, and the number of paid subscribers from 5,214 to 7,380, an increase of 42%.

##### *Tournaments*

In 2022, World Chess successfully organised the FIDE Grand Prix Series: two of the tournaments took place in the Group's Berlin venue with the other being hosted in Belgrade. The events featured strong sponsorship



## **STRATEGIC REPORT**

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line-ups and served as additional marketing vehicles for the Group's portfolio of products. Building on from this momentum the Group will be organising its Armageddon Series launching in 2023 – and will host five tournaments at the World Chess Club Berlin, with top-level chess players from around the world specifically suited for television broadcasting.

### ***Merchandise***

In 2022, the Group introduced several new products, which included the Bauhaus boards — a new edition to the World Chess Set collection. Although the sales were notable in 2022, they still lagged behind the previous year, as the company grappled with logistical issues stemming from COVID-19 and the Russian-Ukrainian conflict,

Looking forward to 2023, World Chess is hoping to concentrate on developing new products, working more actively with wholesale sellers and launching a merchandise shop within its soon to open Berlin chess Club. The management also plans to continue collaborations with lifestyle brands.

### ***World Chess Clubs***

Following the Group's disposal of World Chess Russia LLC in April 2022 and with it the World Chess Club in Moscow, the Group has taken over a central location in Berlin. The Group has developed a World Chess Club Flagship concept that includes a bar, a coffee shop, events space, merchandise shop, as well as scalable design and hospitality concept. World Chess Club Berlin served as a home for the FIDE Grand Prix 2022 and is being prepared for a grand opening in 2023, where it will subsequently host the World Chess Armageddon Series.

### ***Sponsorship***

Sponsorship revenues this year were in line with expectations with the majority of of the sponsorship derived from FIDE Grand Prix events. As World Chess is transferring from FIDE events to its own proprietary events (initially the Armageddon Series), the sponsorship revenue is expected to decrease in 2023 and later pick up during the second cycle of the Series to be organised in 2024. The Group however, will receive sponsorship revenue from the World Chess Championship Cycle events organised by FIDE as a part of the profit-sharing arrangement.

### ***Media***

World Chess has signed a media distribution deal with a large London—based media rights and sales group to distribute Armageddon series and establish World Chess presence in international markets around the world. This work is expected to continue into and throughout 2023.

### ***Talent***

The Group is in the process of establishing Chess & Co. (the 'Unit'), as a separate identifiable agency brand within the Group to partner brands with individual chess players. Chess & Co. has been created in response to growing corporate interest in partnering brands with individual players. Unlike other major sports, few chess players can support themselves by becoming professionals and as such the chess community remains largely self-funded.

Chess & Co. has already signed and manages two top-30 players who run digital and event activations for World Chess programs and partner activations. The Unit was responsible for signing elite players into the Armageddon Series and developing their media profiles and recognition, with the hopes that the increases attention would complement offerings to clients in connection with the Armageddon Series.

In 2023, the Unit will continue working with the players and streamers to bundle their services with larger marketing and product offerings.

### **Key Performance Indicators (KPIs)**

The Group 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 Statement of Profit or Loss and Other Comprehensive Income.

## STRATEGIC REPORT

	2022 €	2021 €	Reasons for movement
Revenue	2,796,207	3,216,400	2022 revenues were impacted by the disposal of the World Chess Club Moscow and a reduction in sponsorship revenue recognised under multiyear FIDE event sponsorship agreements.
Gross Profit	705,453	1,895,220	Under the terms of the multiyear sponsorship agreements, the Group continued to recognise sponsorship revenues in 2021 whilst not hosting any events itself. In 2022 the Group resumed hosting events with the FIDE Grand Prix series and whilst it continues to recognise significant sponsorship revenue for the three-event series, associated event costs reduced Gross Profit.  Gross Profit was also affected by increased supply chain and logistics costs affecting the Group's merchandise business.
(Loss)/profit before tax	(2,794,368)	5,896,488	2021 included a €7,406,431 exceptional gain resulting from the Group's interests in certain crypto-assets received as a part of sponsorship and other arrangements.

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

	2022 No.	2021 No.	Reasons for movement
Number of hosted tournaments	3	-	2021 was significantly affected by COVID-19 and no tournaments were held by World Chess during this time. In 2022 World Chess organised three major chess tournaments (FIDE Grand Prix series).
Number of registered users	650,743	497,981	The Group continued to develop and promote its platform, which resulted in increased numbers throughout the main KPIs.
Number of paid subscriptions	7,380	5,214	
Combined social media followings	343,929	255,260	The Group plans to further promote the platform in 2023 and expects higher growth rates in 2023 onwards.

The Group 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.

## STRATEGIC REPORT

## Financial Review

2022 was a transitional year for the Group, completing its divestment of World Chess Russia LLC, and with it the World Chess Club in Moscow, and considerable investment in its new flagship World Chess Club in Berlin as well as continued investment in the FIDE Online Arena.

	2022	2021
	€	€
<b>REVENUE</b>	<b>2,796,207</b>	<b>3,216,400</b>
<b>GROSS PROFIT</b>	<b>705,453</b>	<b>1,895,220</b>
GROSS PROFIT %	25%	59%
Other operating income	92,399	17,939
Administrative expenses	(3,278,281)	(3,114,803)
<b>OPERATING LOSS BEFORE EXCEPTIONAL ITEMS</b>	<b>(2,480,429)</b>	<b>(1,201,644)</b>
Addback: Depreciation and amortisation	632,935	396,425
<b>PRE-EXCEPTIONAL ITEMS EBITDA LOSS</b>	<b>(1,847,494)</b>	<b>(805,219)</b>
Exceptional Items	23,000	7,406,431
Finance costs	(337,460)	(308,299)
Finance income	521	-
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>	<b>(2,794,368)</b>	<b>5,896,488</b>

*Revenue and Gross Profit*

Revenues fell 13% compared to 2021 whilst cost of sales increased 58%, this was due in part to increased costs associated with the resumption of hosted events in 2022 following the COVID-19 imposed hiatus. This resulted in a 63% fall in Gross Profit. Under the terms of multiyear sponsorship agreements, the Group continued to recognise sponsorship revenues in 2021 whilst not hosting any events itself. In 2022 the Group resumed hosting events with the FIDE Grand Prix series and whilst it continues to recognise significant sponsorship revenue for the three-event series associated event costs reduced Gross Profit. Gross Profit was also affected by increased supply chain and logistics costs affecting the Group's merchandise business.

The completion of the new World Chess Club in Berlin, which contains a dedicated event space, will reduce the costs associated with hosting future events.

*Loss per share*

The loss per share was €0.004 (2021: profit per share of €0.009), whilst operating losses increased the more significant effect on loss per share was the absence in 2022 of the exceptional gain that was present in 2021 resulting from the Group's interests in certain crypto-assets pursuant to sponsorship and loan agreements.

The Group has historically received some sponsorship revenue in the form of crypto-assets which it has converted to fiat currencies at the earliest opportunity, usually upon receipt or in accordance with an agreed schedule of conversion. The Group has not traded in crypto-assets to date and such activities do not form part of its strategy. As at 31 December 2022 the Group has only a minimal interest in crypto-assets which is included in intangible assets in the Consolidated Statement of Financial Position.

*Cash flows*

The Consolidated Statement of Cash Flows is set out on page 51 to these consolidated financial statements, during 2022 the Group raised €999,999 of new equity capital and a further €1,019,068 from borrowings whilst repaying €1,341,854 of existing borrowings.

In 2021 The Group raised €1,970,822 of new equity capital whilst repaying €677,378 of borrowings.

## STRATEGIC REPORT

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### *Statement of Financial Position*

The Consolidated Statement of Financial Position as at 31 December 2022 shows the Group's total net assets having decreased to €1,163,425 (2021: €2,644,901).

### *Capital expenditure*

The development of the FIDE Online Arena remained a priority during the year with additional investment of €799,866 (2021: €601,285).

### *Investments and impairment*

As detailed in notes 11, 13 and 14 to the consolidated financial statements the Directors considered the carrying value of investments, goodwill and intangible assets including considering the continued war in Ukraine and the Group's decision to divest itself of World Chess Russia LLC and the World Chess Club in Moscow.

The Group bases its impairment calculation on detailed budgets and forecasts, these budgets and forecasts generally cover a five-year period. The Directors concluded that no impairment was necessary at 31 December 2022.

### *Cash and debt position*

At the year end the Group has total cash balances of €35,565 (2021: €152,689) and total borrowings of €2,485,797 (2021: €1,426,161) giving a net debt figure of €2,450,232 (2021: €1,273,472).

Subsequent to 31 December 2022 the Company issued 49,650,972 new ordinary shares for total cash consideration of €3,475,568 and a further 14,861,840 new ordinary shares on the conversion of a loan totalling €1,040,329 as detailed in note 32.

As at the date of these consolidated financial statements the Group had total cash of €1,830,936 and total borrowings of €62,676 giving a net debt figure of €1,768,260.

### *Going concern*

Based on the Group's Statement of Financial Position and a review of its forecast future operating budgets and forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing of these consolidated financial statements. This review of future operating budgets and forecasts included certain reasonable downside scenarios and confirmed that even in the case of such downside scenarios the Group could continue to operate and meet its obligations as they fall due. Accordingly, the Directors have adopted the going concern basis in preparing the Annual Report and consolidated financial statements.

The Directors have assessed the viability of the Group over a five-year period, taking account of the Group's current position and prospects, its strategic plan and the principal risks and how these are managed. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period.

In making this assessment, the Directors have considered the resilience of the Group in severe but plausible scenarios, taking into account the principal risks and uncertainties facing the Group as detailed on page 14 and the effectiveness of any mitigating actions. The Directors' assessment considered the potential impacts of these scenarios, both individually and in combination, on the Group's business model, future performance, solvency and liquidity over the period. Sensitivity analysis was also used to stress test the Group's strategic plan and to confirm that sufficient headroom would remain available under the Group's credit facilities. The Directors consider that under each of these scenarios, the mitigating actions would be effective and sufficient to ensure the continued viability of the Group. The Directors believe that five years is an appropriate period for this assessment, reflecting the average length of the Group's contract base; key markets; and the nature of its businesses and products.

## STRATEGIC REPORT

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### *Summary*

The Group has invested considerable time and resources over the last year in the World Chess Club Berlin the World Chess Armageddon Series, and the FIDE Online Arena, which together with the listing of its ordinary shares on the main market of the London Stock Exchange represents the completion of the first part of its strategy to be at the heart of the business of chess, bringing together chess as a sport, as entertainment and as a business.

A handwritten signature in black ink, appearing to be 'R Collett', with a long horizontal stroke extending to the right.

Richard Collett  
Chief Financial Officer  
28 April 2023

## STRATEGIC REPORT

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### Managing Risk, Threats, and Opportunities

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Taking considered risk is the essence of all business and investment activity, the Audit Committee is responsible for a formal risk assessment on an annual basis and also for reporting, by exception, on any material changes during the year affecting the risks the Group is currently exposed to and any potential future risks that need to be considered providing a structured way to recognise the unexpected and be prepared for it.

The main objective is to minimise the chance of a material adverse outcome arising from causes which could reasonably have been foreseen, this includes both 'upside' (opportunity) and 'downside' (threat) risks.

### Our Principal Risks – related to the company's business and industry

#### *Subscriber growth*

The Group's efforts to retain existing online subscribers and to attract new online subscribers are critical to its business and depend, in part, on the quality and breadth of the products it offers to online subscribers, the overall online user experience and broader trends that impact online subscribers' preferences and the Group's response to such changes. If not successful, the Group's business could be negatively impacted.

#### *Platform stability*

Any significant disruption in service on the Group's platforms, in the Group's computer systems or software or in the systems operated by third parties that the Group utilises could damage the Group's reputation and result in a loss of customers, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. The Group's brand, reputation, and ability to attract and retain customers to use its platforms depend upon the reliable performance of the Group's or its third-party suppliers' cloud infrastructure, physical infrastructure, network infrastructure and content delivery processes.

#### *Data security*

A significant part of the Company's business and products rely on the Group's ability to comply with data protection laws (including, in particular, GDPR) and to adequately protect the end users' data and privacy. An actual or perceived failure to do so would significantly harm the Group's business and could potentially lead to significant claims being made against the Group. In order to mitigate this risk, the group has recently appointed a new Head of Governance Risk and Compliance, who will focus on ensuring that the Group's products incorporate high standards of data governance and security.

#### *Anti-Cheating*

As seen from the recent media coverage around the fair play issues between elite grandmasters, cheating can be a major obstacle for the development of online chess on a professional level. Players receive an individual rating and when attempting to raise it can try to violate fair play norms, cheating is a major hurdle that exists on chess platforms and can harm the reputation and overall integrity of a platform the problem persists.

World Chess is currently using state-of-the-art anti-cheating and fair play technologies that comprise both the technical analysis, machine learning and human component. The system will improve with time as more AI technologies are employed, but for the meantime will continue to be an issue.

Fair play and anti-cheating measures require constant improvement and investment, as well as enhanced chess education and understanding amongst users. World Chess will also take steps to incentivise players to start their over-the-board ('OTB') chess journey. Because of physical fair play measures at OTB tournaments, players will have fewer (if any) incentives to cheat, thus reducing their potential incentive to violate fair play norms online.

#### *FIDE Online Arena contract*

The FIDE Online Arena contract has an initial term which expires in 2026, providing World Chess with a time frame to establish theirs as the pre-eminent gaming platform while also giving the Group time to seek a greater or indefinite contract extension. The agreement will automatically renew at the expiry of its initial term, for a further five-year period, subject to certain conditions.

## STRATEGIC REPORT

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### *Rating recognition and adoption*

One of the key propositions of the Company's gaming platform is the fact that it will operate as the official FIDE gaming platform with ratings and titles recognised by FIDE. This is an important benefit that provides the opportunity for online chess players to establish themselves as professional sportspeople. However, it should be noted that because the online ratings proposition is new and not developed yet, there could be substantial adoption issues. For example, conversion of online rating into the OTB ratings requires the development of additional rules and procedures. Acceptance of online-rated players into the OTB tournaments will also require development of special rules and regulations.

### *Reliance on certain key individuals*

The Group's business, development and prospects are dependent on a small number of key management personnel. The loss of the services of one or more of such key management personnel may have an adverse effect on the Group.

## STRATEGIC REPORT

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### Climate-Related Financial Disclosures

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The Group business strategy, formulated by the Directors, considered, in consultation with different functions and regions across the Group, what material risks climate change poses to our business, as well as the opportunities that climate change mitigation and adaptation may create.

Climate related risks are included in our risk management framework and are reviewed by the Audit Committee, whose terms of reference include responsibility for conducting a formal risk assessment and maintenance of a risk register on an annual basis and for reporting, by exception, on any material changes during the year.

This is the first year we have adopted the Task Force on Climate-related Financial Disclosures (TCFD) guidelines and we provide details below of the progress we have made in strengthening our climate change governance, risk management and strategy processes, as well as our plans to add to our TCFD-relevant metrics in the next financial year.

### Governance

Management and oversight of climate-related risk is integrated into the Group's governance framework, overseen by the Board, which considers broader environmental, social and governance ('ESG') matters in line with duties included in the QCA Code and Section 172 (see pages 18 to 28).

The Audit Committee will assess the climate-related risk in accordance with the risk management framework (see page 14 to 15).

### Strategy

The Group's management of climate-related risks is being developed by the Board with the ambition to reduce the Group's direct and indirect impacts on the environment.

Climate change poses risks to the business by increasing the likelihood and severity of macroeconomic and natural crises, increasing the cost and availability of resources necessary for the Group's continued operations, and changing the behaviour of our customers and other stakeholders.

One of the key propositions of the FIDE Online Arena is the fact that it will operate as the official FIDE gaming platform with ratings and titles being subsequently recognised by the official governing body. This will therefore enable chess players to become professionals without the need travel to OTB tournaments.

A key part of the rationale for the establishment of the World Chess Club in Berlin is to create a permanent tournament venue, allowing the Group to host tournaments without the costly and energy intensive need to construct and then deconstruct event spaces for each tournament.

### Risk management

Risks are usually first identified and understood at a functional or regional level and then consolidated and reported to the Audit Committee to assess and make recommendations to the Board.

Supply chain disruption caused by climate-related risk is likely to increase the potential supplier risk, including potential for shifts in supply and demand for certain products.

Changing weather patterns and an increase in natural and macroeconomic crises will increase the risk of operational distribution, requiring additional business continuity planning.

Climate change is widely recognised as a critical issue by our customers, shareholders, and employees so it is important for the Group's reputation with our stakeholders to address climate-related risks and opportunities.

### Metrics and targets

This is our first year of reporting Scope 1, Scope 2 and Scope 3 greenhouse gas emissions in line with the Greenhouse Gas Protocol ('GHG protocol') methodology (see page 37).

We will continue to develop our reporting in this area so we can more accurately understand and improve our energy and carbon performance.



**STRATEGIC REPORT**

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We use a carbon footprint and carbon intensity (per €m revenue) metric to measure our energy and carbon performance.

As part of business strategy, the Directors are continuing to develop our climate change targets in line with TCFD recommendations.

## **STRATEGIC REPORT**

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### **s. 172 Statement**

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Section 172(1) of the Companies Act 2006 requires the Directors of the Company to act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long-term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

The Board of Directors is collectively responsible for the decisions made towards the long-term success of the Company and how the strategic, operational and risk management decisions have been implemented throughout the business is detailed in the Strategic Report on pages 4 to 19.

### **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.

Annual pay and benefit reviews are carried out to determine whether all levels of employees are benefited equally and to retain and encourage skills vital for the business. The Remuneration Committee oversees and makes recommendations of executive remuneration and option awards.

### **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**

Over 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 recognise 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.

### **Maintaining High Standards of Business Conduct**

The Company is incorporated in England and Wales and governed by the Companies Act 2006. Following its listing on the main market of the London Stock Exchange on 6 April 2023 the Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") and the Board recognises the importance of maintaining a good level of corporate governance, which, together with the requirements to comply with the rules of a standard listing, ensures that the interests of the Company's stakeholders are safeguarded.

**STRATEGIC REPORT**

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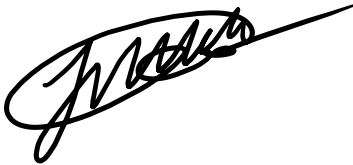
Anti-corruption and anti-bribery training are compulsory for all staff and contractors, and the anti-bribery statement and policy is contained in the Company's Employee Manual. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone relating to the Company.

The importance of making all staff feel safe in their environment is maintained and a whistleblowing policy is in place to enable staff to confidentially raise any concerns freely and to discuss any issues that arise. Strong financial controls are in place and are well documented. The risk framework and key business risks reviewed by the Audit Committee which in turn reports to the Board.

**Conclusion**

The Directors believe they have acted the way they consider most likely to promote the success of the Company for the benefit of its members as a whole, as required by Section 172 (1) of the Companies Act 2006.

This Strategic Report was approved by the Board on 28 April 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Ilya Merenzon', written over a horizontal line.

Ilya Merenzon  
Chief Executive Officer

## GOVERNANCE

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### Corporate Governance Statement

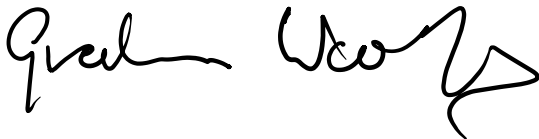
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As Chairman of the Company, it is my responsibility to work with my fellow Board members to ensure that the Company embraces the highest standards of corporate governance and to manage the Board in the best interests of our many stakeholders. The Board shares my belief that practising solid corporate governance is essential for building a successful and sustainable business.

As a Company with a Standard Listing, the Company is not required to comply with the provisions of the UK Corporate Governance Code. However, in the interests of observing best practice on corporate governance, the Directors intend to comply with the provisions of the Corporate Governance Code published by the Quoted Companies Alliance (the QCA Code) insofar as is appropriate having regard to the size and nature of the Company and the size and composition of the Board.

The QCA Code has ten principles of corporate governance, which are summarised in the following table together with details of how, in broad terms, these principles are applied in the Company. Where the Company departs from the QCA Code an explanation is included identifying the reasons for so doing.

This Corporate Governance Statement was approved by the Board on 28 April 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Graham Woolfman', with a stylized flourish at the end.

Graham Woolfman  
Chair

## GOVERNANCE

### The Quoted Companies Alliance's Ten Principles of Corporate Governance

Companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust.

#### Deliver Growth

<i>QCA Code</i>	<i>Principle Application</i>	<i>What we do and why</i>
1. Establish a strategy and business model which promote long-term value for shareholders	The Board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	<p>The Group's purpose, business model and strategy are explained within the Strategic Report on pages 4 to 191. With principal risks being detailed on pages 14 to 15 and climate change related risks on page 16 to 17.</p> <p>The Group uses its internal control systems to identify risk and implement appropriate measures to monitor, manage and mitigate known risks.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.</p> <p>The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>The Board acknowledges the importance of open and regular communication with shareholders, within the regulatory constraints applicable to a public company. As such, the Company will primarily communicate with shareholders through regulatory announcements. In addition, the Company will make use of its investor website to provide information to shareholders and other interested parties.</p> <p>The Company is committed to listening to and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood.</p> <p>The Chief Executive Officer and Chief Financial Officer (and, where appropriate, the Chairman) will seek to talk to the Group's major shareholders on a regular basis and ensure that their views are shared with the Board.</p> <p>The Board recognises the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of all shareholders informally immediately following the AGM. Where shareholder voting decisions are not in line with the Board's recommendations or</p>

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		<p>expectations, the Board will seek to engage with the relevant shareholders to understand and address any issues.</p> <p>In addition to presentations at the AGM, the Company will seek to hold an investor presentation or event at least once a year, to which smaller and retail shareholders are invited and at which management present their latest thoughts on the Company. In addition, the Chief Executive Officer and/or the Chief Financial Officer may attend or present at appropriate investor conferences.</p> <p>The Chairman, Chief Executive Officer and Chief Financial Officer are the relevant contacts for investor relations purposes. The Company may be required to exercise discretion as to which shareholder questions shall be responded to, and the information used to answer questions will be information that is freely available in the public domain. The Directors believe that these methods of shareholder engagement are sufficient to support the Company's aims in meeting their needs and expectations.</p>
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the Company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>The Company recognises the importance of establishing good relationships and maintaining open communication channels with different stakeholder groups. The Company is able to identify its key stakeholders through the Directors' and management's experience and knowledge of the operation of the Company.</p> <p>The Company's key stakeholders include employees, subscribers, sponsors and suppliers. Engaging with our stakeholders strengthens our relationships and helps the Company make better business decisions. Some of the initiatives in place to strengthen and support relationships with Company's key stakeholders include:</p> <ul style="list-style-type: none"> <li>• representing the Company or speaking at leading industry events;</li> <li>• internal communications to enable all staff to understand performance;</li> <li>• annual Strategy Days;</li> <li>• regular brainstorming sessions;</li> <li>• semi-annual financial results analysis;</li> <li>• regular meetings with sponsors and prospective sponsors; and</li> <li>• review of feedback from subscribers via the online platform.</li> </ul>

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<p>4.Embed effective risk management, throughout the organisation considering both opportunities and threats</p>	<p>The Board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the Company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>The key risks and challenges to the business are detailed on pages 14 to 15. The Company uses its internal control systems to identify risk and implement appropriate measures to monitor, manage and mitigate known risks.</p> <p>The Board considers risk to the business at every Board meeting (currently, at least 10 meetings are planned each year). The Company formally reviews and documents the principal risks to the business at least annually.</p> <p>Both the Board and senior managers are responsible for reviewing and evaluating risk.</p> <p>Audit, risk and internal financial controls:</p> <p>The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the executive management and the Audit Committee in light of ongoing assessment of significant risks facing the Company.</p> <p>The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.</p> <p>The Audit Committee meets at least three times a year with the Company's external auditor to discuss any weakness in the internal control systems, any fraudulent acts and possible financial risks discovered by the auditor during their review and audit process.</p> <p>The Board is responsible for reviewing and approving the Company's overall strategy and its budgets and plans. There are comprehensive procedures for budgeting and planning, for monitoring and reporting business performance against those budgets and plans to the Board, and for forecasting expected performance over the remainder of the financial period.</p> <p>The Board has ultimate responsibility for the Group's system of internal controls and for reviewing their effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Group continues to review its system of internal controls to ensure they are appropriate for the size, complexity and risk profile of the Group.</p>
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GOVERNANCE

**Maintain A Dynamic Management Framework**

<p>5. Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The Board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.</p> <p>The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The Board should have an appropriate balance between executive directors and should have at least two independent non-executive directors. Independence is a Board judgement.</p> <p>The Board should be supported by committees (e.g., audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p>The Company is controlled by the Board of Directors. The non- executive Chairman, is responsible for the running of the Board and the Chief Executive Officer, has executive responsibility for running the Group’s business and implementing Group strategy.</p> <p>All Directors receive regular and timely information regarding the Group’s operational and financial performance. Relevant information is circulated to the Directors in advance of Board and committee meetings. All Directors have direct access to the advice and services of the <i>de facto</i> Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company’s expense.</p> <p>The Board, at admission, will comprises three Executive Directors and three Non- Executive Directors. The Board considers, after careful review, that two of the three Non-Executive Directors bring their respective independent judgement to bear. The third Non- Executive Director, having been actively involved in the Company’s Events business for a number of years in the past is considered non-independent. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively. Further information on the Board of Directors is included in the Prospectus.</p> <p>The Board has a formal schedule of matters reserved to it and is supported by the Audit Committee and Remco. Given the size and composition of the Board, a separate Nominations Committee (Nomco) is not considered necessary at this stage in the Company’s development.</p> <p>The Company has effective procedures in place to monitor and deal with potential or actual Directors’ conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. At present, each Board member commits sufficient time to fulfil their duties and obligations to the Board and the Company.</p> <p>The number of Board and committee meetings, and the attendance of the Directors is disclosed in the Director’s Report on page 31.</p>
<p>6. Ensure that</p>	<p>The Board must have an</p>	<p>Details on each of the Directors, including a</p>



GOVERNANCE

between them the directors have the necessary up-to-date experience, skills and capabilities	<p>appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a Board.</p> <p>As companies evolve, the mix of skills and experience required on the Board will change, and board composition will need to evolve to reflect this change.</p>	<p>summary of their past experience, is set out on page 29 to 30.</p> <p>The Directors have a wide range of industry, financial and capital markets skills based on both qualifications and experience including significant fundraisings, M&amp;A activity, running and growing businesses and financial management. As such, the Board believes that the collective capabilities of the Directors enable the Company to deliver its strategy for the benefit of the shareholders over the medium to long- term.</p> <p>The composition of the Board and its specific skills and knowledge will be reviewed by the Board as the Company continues to evolve. Where new Board appointments are considered, the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender identity and ethnic background.</p>
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the Board should become indispensable.</p>	<p>On admission, following the appointment of the Chairman and the adoption of the QCA Code, the Board will perform an annual self-evaluation process reviewing the operation and performance of the Board as a whole, and its committees, to ensure that its members collectively function in an efficient and productive manner.</p> <p>This review will be carried out in the first quarter of every year before the publication of the annual report of the Company and before Directors are proposed for re-election at the AGM (if relevant) to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.</p> <p>The Board will utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning.</p> <p>Continuing Directors stand for re-election at the AGM at least every 3 years.</p>
8. Promote a corporate culture that is based on ethical values and behaviours	<p>The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p>	<p>The Board aims to lead by example and do what is in the best interests of the Company.</p> <p>The Company has adopted a Code of Conduct detailing the Board's expectations in relation to social responsibility, sustainability, human rights and ethical standards for all employees and</p>

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	<p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team.</p> <p>Corporate values should guide the objectives and strategy of the Company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the Company.</p>	<p>contractors. The Company aims to conduct its business with honesty and integrity, respecting human rights and the interests of its employees, partners and third parties and endeavours to follow sustainable and responsible management practices in protecting the long-term interests of the business, its employees and community stakeholders.</p> <p>The Company has adopted a share dealing code for the Directors and applicable employees of the Group for the purpose of ensuring compliance by such persons with the retained EU law version of the Market Abuse Regulation.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>	<p>The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> <li>• size and complexity; and</li> <li>• capacity, appetite, and tolerance for risk.</li> </ul> <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.</p>	<p>Currently the Board plans to meet at least 10 times each year, either in person or by phone or other “virtual” means. This may be supplemented by additional meetings as and when required. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up at the next meeting.</p> <p>The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy.</p> <p>It monitors the exposure to key business risks and reviews the Group’s strategic direction, annual budgets and performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible</p>

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		<p>for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the executive team.</p> <p>Senior executives below Board level may attend Board meetings where appropriate to present business updates.</p> <p>The Audit Committee meets at least three times a year and is responsible for review and approval of the half-yearly and annual reports and for communication with the external auditor in relation to any matters found during the courses of their interim review and final audit of the Group. The Audit Committee is also responsible for reviewing the internal control system on a regular basis to prevent the occurrence of any fraudulent acts within the Group and reviewing the independence of the external auditor.</p> <p>The Remuneration Committee (Remco) will meet at least three times a year. Recommendations will be made to the Board for ensuring that the Executive Directors are fairly rewarded for their individual contribution to the Group.</p> <p>The role of the Nominations Committee (Nomco) is intended to be performed by the Board acting as a whole until such time as a separate Nomco is required.</p> <p>The Board will continue to monitor its governance structures with the QCA Code in mind. The Company is committed to the evolution of its corporate governance in line with best practice, to the extent the Directors judge it appropriate considering the Company's size, stage of development and resources.</p>
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GOVERNANCE

**Build Trust**

<p>10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</p>	<p>A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company.</p> <p>In particular, appropriate communication and reporting structure should exist between the Board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> <li>• the communication of shareholders' views to the board; and</li> <li>• the shareholders' understanding of the unique circumstances and constraints faced by the Company.</li> </ul> <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>The Company will communicate with shareholders through the Annual Report and Accounts, regulatory announcements (including full-year and half-year reports), the AGM, one-to-one meetings with large existing or potential new shareholders, and investor presentations to smaller, retail shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's website: <a href="http://www.worldchess.com">www.worldchess.com</a>.</p> <p>The Board receives regular updates on the views of shareholders through briefings from the Chairman, the Chief Executive Officer, Chief Financial Officer and the Company's brokers.</p> <p>The Company's Report &amp; Accounts and Notices of General Meetings will be available in the Report and Accounts section of the website.</p> <p>The results of voting on all resolutions in future general meetings will be posted to the Company's website and announced via RNS.</p>
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## **GOVERNANCE**

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### **Board of Directors**

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The Board is comprised of three Executive Directors, the Non-Executive Chairman, and a further two Non-Executive Directors. The Board believes that the Directors have an effective blend of industry, financial and public market experience, diversity, skillsets and capabilities. The Audit and Remuneration Committees are comprised of Non-Executive Directors, the Nominations Committee, when it is formed, will also be comprised of Non-Executive Directors.

The Board is collectively responsible for the long-term success of the Group. The Board provides entrepreneurial leadership within a framework of controls which enables risk to be assessed and managed. The Board determines strategy and ensures that the necessary resources are in place to execute that strategy.

An important part of the Board's role is the review of management performance. The Company's process for evaluating the effectiveness of the Board and Directors' performance comprises annual internal reviews of executive and non-executive directors' performance. The results of such reviews are used to determine whether any alterations are needed or whether any additional training would be beneficial.

Non-Executive Directors are required to devote at least 2 days (on average) per month to their directors' duties whereas Executive Directors are expected to devote such time as is required for the proper performance of their duties.

#### ***Ilya Merenzon, Chief Executive Officer***

Ilya was educated in the US and holds an MPhil in Economics and an MBA. His previous experience includes working for the New York mayor's office where he was part of the team that developed the 'e-government project'. Ilya led a successful communications and government relations practice in New York, and his clients included the New York Stock Exchange and the New York Times. Ilya advised on several IPOs in the US, including the listing of Rostelecom, Russia's top telecommunications company. He has won several awards for his work in communications and finance.

#### ***Matvey Shekhovtsov, Chief Operating Officer***

Matvey obtained a master's degree in International Economic Law at the Moscow State Institute of International Relations and a Master I degree of the European and French Economic Law at Paris 1 Pantheon-Sorbonne University.

His fields of expertise include tax planning, compliance, sports law and corporate governance. He has participated in numerous PR, sport, and media projects. He joined the World Chess project in 2014 and in his current position oversees day-to-day operations of the company with special focus on compliance, corporate governance, and finance.

#### ***Jamison Reed Firestone, Non-Executive Director***

Jamison is a graduate of Tulane Law School and a member of the New York Bar. He founded the first independent foreign law firm in Russia. He lived in Moscow for eighteen years and has managed a law practice there since 1993. He was also a member of the Board of Directors of the American Chamber of Commerce in Russia for six years, where he lobbied both the US and Russian governments for changes to improve trade and business in Russia.

In 2007 Mr. Firestone's original Russian law firm exposed the largest tax fraud perpetrated against the Russian Government. During the last ten years Mr. Firestone has spent considerable effort advising on issues of how to effectively sanction dictatorships and kleptocracies and what to do with the frozen funds of kleptocratic regimes which belong to the people of their nations.

#### ***Graham Woolfman, Non-executive Chairman (appointed on 6 April 2023)***

Graham has over 30 years' experience in advising, investing, and supporting businesses. He was a founder Director of Gateway VCT plc, a technology focussed venture capital trust listed on the London Stock Exchange and managing partner of its investment adviser. Graham has worked with companies across a range of sectors, including technology, industrial, renewable energy, general service based, and financial services sectors. He is a director of public interest entities and private companies and has served as a director

## **GOVERNANCE**

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of investor backed, AIM quoted, and LSE listed companies.

Graham was a Non-Executive Director of Filta Group Holdings plc quoted on AIM since 2016, until it was taken over in March 2022, and Chair of the Audit Committee, and member of the Remuneration Committee. He is a Non-Executive Director, and Chair of the Audit and Risk Committee, and member of the Treasury Committee of Peabody Trust, and a Board member of its subsidiary, Catalyst Housing Limited. Graham was Chair of Ethernity Networks Ltd, a growth technology company based in Israel, quoted on AIM since 2017, where he advised and supported the process in the run up to its successful IPO and led and mentored the Board team until 2021. Graham is a Fellow of the Institute of Chartered Accountants in England and Wales, and previously a partner and head of Corporate Finance at a medium sized UK professional firm.

### ***Richard Collett, Chief Financial Officer (appointed on 6 April 2023)***

Richard is a member of the Chartered Institute of Management Accountants (CIMA) and a non-practicing barrister, he has a degree in Economics from the University of Leeds and a post graduate diploma in Law from the City Law School, City University, London. He has nearly 20 years' experience leading finance, IT, HR and legal teams in SME's and scale up businesses, both privately owned, AIM and main market listed, across a range of industries including entertainment, travel, property, professional services, manufacturing, and luxury retail.

Prior to joining World Chess Richard was Chief Financial Officer at Live Company Group, the AIM listed events and entertainment group, and prior to that he was Chief Operating Officer at Ellwood Atfield. He has also held senior finance positions at Ten Group, Donaldsons (now part of Cushman & Wakefield), and Hay Group (now part of Korn Ferry).

### ***Neil Rafferty, Non-Executive Director (appointed on 6 April 2023)***

Neil has spent much of his career in the telecoms and technology sectors holding a variety of senior executive positions. These range from being CEO & Board member of Easynet PLC (listed on the main London Stock Exchange before being acquired), CEO of Priority Telecom (a Dutch based cable company), and CEO of UCS (a Swiss based pan-European network carrier) which he managed through to sale after completing a significant business 'turn-around'. He was also Global Operation Director at Cisco Systems, primarily responsible for the British Telecom relationship, which was one of Cisco's largest global customers.

Neil was a Non-Executive director of Ethernity Networks Ltd, quoted on AIM since 2017, where he supported the process in the run up to its successful IPO and was Chair of the Nomination Committee as well as serving on the Audit & Risk Committee and Remuneration Committee until December 2021. Latterly, as founder of Portent Business Services, he has been advising companies across a variety of sectors primarily helping them implement growth strategies.

Neil holds a BA (Hons) degree from Newcastle Polytechnic.

### ***Ekaterina Chalykh – resigned 13 April 2022***

Ekaterina acted as an event organiser and director during the biggest events in chess, including the 2016 World Chess Championship in New York and 2018 World Chess Championship in London. Before joining World Chess, Ekaterina was a project director in V Confession, one of the top Eastern European event agencies. She worked on projects in France, Italy, Belgium, Switzerland, USA, and collaborated with leading companies in the luxury sector, such as Bureau Betak, LVMH, Gucci Group, Hermes, and BMW. She is a graduate of Plekhanov Russian University of Economics.

## GOVERNANCE

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### **Role of the Board**

The Company will hold timely board meetings as issues arise which require the attention of the Board. The Board is responsible for the management of the business of the Company, setting the strategic direction of the Company and establishing the policies of the Company. It is the Directors' responsibility to oversee the financial position of the Company and monitor the business and affairs of the Company, on behalf of the Shareholders, to whom they are accountable. The primary duty of the Directors is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal control and the Company's approach to risk management and has formally adopted an anti-corruption and bribery policy.

Graham Woolfman, Neil Rafferty, and Jamison Reed Firestone are considered by the Board to be independent Non-Executive Directors.

The Directors have established an Audit Committee, and a Remuneration Committee with formally delegated duties and responsibilities. The Company Secretary has the responsibility of advising the Board on corporate governance matters and assisting with the flow of information to and from the Board.

### **Audit Committee**

The Audit Committee, which currently comprises Graham Woolfman, Jamison Reed Firestone and Neil Rafferty as Chair and has the primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls. The committee is also responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring the financial performance of the Company is properly monitored and reported. The Audit Committee will meet not less than three times a year. This committee is chaired by Neil Rafferty.

### **Remuneration Committee**

The Remuneration Committee, which currently comprises Graham Woolfman, Jamison Reed Firestone and Neil Rafferty and is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Company. This committee is chaired by Graham Woolfman.

### **Market Abuse Regulation**

The Company has adopted a share dealing policy which sets out the requirements and procedures for the Board and applicable employees' dealings in any of its Ordinary Shares in accordance with the provisions of UK MAR.

### **Board Meeting Attendance**

	<b>Board Meetings</b>
Ilya Merenzon	6 of 6
Matvey Shekhovtsov	6 of 6
Jamison Firestone	6 of 6
Ekaterina Chalykh (resigned 13 April 2022)	1 of 1

During the year ended 31 December 2022 the Board met six times and passed unanimous written resolutions four times, there were no meetings of the Audit Committee or the Remuneration Committee which were not formed until 6 April 2023.

### **Directors' Interest in Shares**

The interest of Directors and their connected persons in shares of the Company were:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Ilya Merenzon	443,870,000	443,870,000
Matvey Shekhovtsov	16,680,000	16,680,000
Jamison Firestone	5,560,000	5,560,000

**GOVERNANCE****Term of Appointment**

	<b>Year of appointment</b>	<b>Number of years completed</b>	<b>Date of current engagement letter</b>
Ilya Merenzon	2017	6	6 April 2023
Matvey Shekhovtsov	2017	6	6 April 2023
Jamison Firestone	2020	2	6 April 2023
Graham Wolfman	2023	-	6 April 2023
Richard Collett	2023	-	6 April 2023
Neil Rafferty	2023	-	6 April 2023

**Board Diversity*****Gender identity***

	<b>Number of board members</b>	<b>Percentage of the board</b>	<b>Number of senior positions on the board (CEO, CFO, SID and Chair)</b>
Men	6	100%	3
Women	-	-	-
Not specified/prefer not to say	-	-	-

***Ethnic background***

	<b>Number of board members</b>	<b>Percentage of the board</b>	<b>Number of senior positions on the board (CEO, CFO, SID and Chair)</b>
White British or other White (including minority-white groups)	6	100%	3
Mixed/Multiple Ethnic Groups	-	-	-
Asian/Asian British	-	-	-
Black/African/Caribbean/Black British	-	-	-
Other ethnic group, including Arab	-	-	-
Not specified/ prefer not to say	-	-	-

In the opinion of the Board, only the Directors of the Company, as detailed above, are regarded as key management personnel and there are no additional executive management personnel.

The Board acknowledges the challenges of its composition and where new Board appointments are considered, the search for candidates, and appointments, will have due regard to the benefits of diversity on the Board, including gender identity and ethnic background.

**Board Development**

The Directors receive regular updates on legal, regulatory and governance matters from the Group's financial advisors, Company Secretary, independent external auditor and other external advisers to ensure the Directors' awareness and the Board's governance processes are up to date.

Each Director keeps their relevant skills and knowledge up to date through formal and informal methods including qualified continuing professional development (if applicable), memberships of leadership communities and knowledge-based networking.



## GOVERNANCE

## Directors Remuneration Report

## Remuneration Committee

The Board recognises the importance of attracting, retaining and motivating talent within the Board and the wider team to ensure the success of the Company.

The Remuneration Committee is responsible for reviewing and determining compensation arrangements for all Directors and senior Executives, including implementing and reviewing performance targets, measuring performance against targets and calculating any performance related remuneration as well considering and approving any discretionary payments. The Committee considers the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and senior Executive team.

The company's ordinary shares were admitted for trading on the main market of the London Stock Exchange subsequent to 31 December 2022 (see note 32) as such the Company will be presenting its Remuneration Policy for shareholder approval at its next Annual General Meeting which will be its first as a listed Company.

## Remuneration of Directors (audited)

	Salary and fees €	Benefits-in- kind €	Pension contributions €	2022 Total €	2021 Total €
Ilya Merenzon <sup>1</sup>	192,000	-	-	192,000	154,570
Matvey Shekhovtsov <sup>1</sup>	106,300	-	-	106,300	73,859
Jamison Firestone <sup>2</sup>	23,701	-	-	23,701	-
Ekaterina Chalykh <sup>3</sup>	5,000	-	-	5,000	9,461
	<b>327,001</b>	<b>-</b>	<b>-</b>	<b>327,001</b>	<b>237,890</b>

1 – Includes payment of €300 to Mr Merenzon and Mr Shekhovtsov in accordance with the Energiepreispauschale (Energy Lump Sum) paid to all German employees to help ease the burden brought on by increasing energy price.

2 – Fees paid to FD Advisory LLP, a limited liability partnership of which Mr Firestone is a member and exerts significant control.

3 – Resigned 13 April 2022.

## Service agreements and Letters of Appointment

In 2022 and 2021 the Directors were remunerated primarily through consultancy fees, during the year Mr Merenzon and Mr Shekhovtsov both relocated to Germany and were remunerated via employment contracts with World Chess Europe GmbH for their activities relating to the Group's activities in Germany. Directors remuneration, including consultancy fees and discretionary payments were agreed by the Board based on market conditions with the overall objective of ensuring maximum stakeholder benefit.

In April 2023, following its admission to trading, the Company reviewed the remuneration packages and service contracts for existing Directors and appointed three new Directors, details of the new agreements for all directors are summarised below.

UK-based executive directors are entitled to participate in the company's auto-enrolment pension scheme if they wish. The Directors are reimbursed by the Company for any travel, hotel, or other expenses that they occur in connection with the discharge of their duties.

## Matvey Shekhovtsov

Matvey Shekhovtsov entered into a service agreement with the Company dated 6 April 2023 as Chief Operating Officer of the Company. The service agreement is terminable on six months' notice by either party and contains customary post-employment restrictive covenants. He also has a German employment agreement dated 1 March 2022 in respect of duties undertaken direct for World Chess Europe GmbH which has a notice period of four weeks to the 15th or end of a calendar month. Across the two agreements Matvey Shekhovtsov's combined salary is €115,200.

## GOVERNANCE

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### *Ilya Merenzon*

Ilya Merenzon entered into a service agreement with the Company dated 6 April 2023 as Chief Executive Officer of the Company. The service agreement is terminable on six months' notice by either party and contains customary post-employment restrictive covenants. He also has a German employment agreement dated 1 March 2022 in respect of duties undertaken direct for World Chess Europe GmbH which has a notice period of four weeks to the 15th or end of a calendar month. Across the two agreements Ilya Merenzon's combined salary is €212,400.

### *Richard Collett*

Richard Collett entered into a service agreement with the Company dated 6 April 2023 he is entitled to a salary of £100,000 to act as Chief Financial Officer of the Company. The service agreement is for an initial term of 24 months, but terminable on three months' notice by either party. After this time, Richard Collett's employment is stated to terminate without notice unless the parties agree in writing to extend the initial term. The service agreement contains customary post-employment restrictive covenants.

### *Graham Woolfman*

On 6 April 2023, the Company and Graham Woolfman entered into a letter of appointment pursuant to which Graham Woolfman will act as an independent non-executive director and chairperson of the Company from Admission. The agreement is for an initial term ending on the conclusion of the Company's next AGM following Admission. The appointment may be terminated upon three months' notice by either party at any time. Graham Woolfman will receive an annual fee of £42,500 to act as a non-executive director and chairperson (which includes fees for membership of all board committees and subsidiaries). Where Graham Woolfman is required to work in excess of 24 days per annum, he will be entitled to an additional pro rata rate of £1,700 per day.

### *Neil Rafferty*

On 6 April 2023, the Company and Neil Rafferty entered into a letter of appointment pursuant to which Neil Rafferty will act as an independent non-executive director of the Company from Admission. The agreement is for an initial term ending on the conclusion of the Company's next AGM following Admission. The appointment may be terminated upon three months' notice by either party at any time. Neil Rafferty will receive an annual fee of £32,000 to act as a non-executive director (which includes fees for membership of all board committees and subsidiaries). Where Neil Rafferty is required to work in excess of 24 days per annum, he will be entitled to an additional pro rata rate of £1,500 per day.

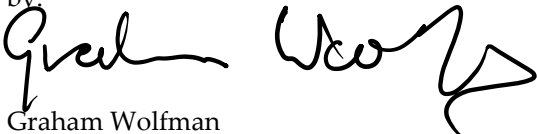
### *Jamison Firestone*

On 6 April 2023, the Company and Jamison Firestone entered into a letter of appointment pursuant to which Jamison Firestone will act as an independent non-executive director of the Company from Admission. The agreement is for an initial term ending on the conclusion of the Company's next AGM following Admission. The appointment may be terminated upon three months' notice by either party at any time. Jamison Firestone will receive a monthly fee of £1,000 to act as a non-executive director for the first twelve months (which includes fees for membership of all board committees and subsidiaries). After the first twelve months, Jamison Firestone's fees for further work will be agreed between Jamison Firestone and the Board or Remuneration Committee.

### **Material Interests**

So far as the Board is aware, no director had any material interest in a contract of significance (other than their service contract) with the company or any of its subsidiary companies during the period.

This Remuneration Report was approved by the Board of Directors on 28 April 2023 and signed on its behalf by:



Graham Woolfman  
Chair Remuneration Committee

## GOVERNANCE

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### Directors' Report

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The Directors present their Annual Report and the audited Group and Company financial statements of World Chess Plc for the year ended 31 December 2022.

In accordance with section 414c (11) of the Companies Act 2006, the Directors have chosen to include information about the future developments and principal risks and uncertainties in the Strategic Report.

### Principal Activities

The Company is the holding company of a group which aims to promote the mass market appeal of chess globally through the commercial offering of different chess related activities, including the organisation of top-level tournaments, operation of the official online gaming platform of FIDE and other sport, lifestyle and social activities, and merchandise related to chess.

### Directors

The Directors who served during the period, and up to the date of this report, were as follows:

- Ilya Merenzon
- Matvey Shekhovtsov
- Jamison Reed Firestone
- Graham Woolfman (appointed 6 April 2023)
- Richard Collett (appointed 6 April 2023)
- Neil Rafferty (appointed 6 April 2023)
- Ekaterina Chalykh (resigned 13 April 2022)

### Dividends

The Directors do not propose a dividend in respect of the year ended 31 December 2022 (2021: €nil).

### Political donations

The Company did not make any political donations or expenditure.

### Directors and officers indemnity insurance

During the year, Directors' and officers' liability insurance was maintained for Directors and other officers of the Company as permitted by the Companies Act 2006.

### Branches in the EU

The Group has no branches in the EU.

### Financial risk management

The Group's financial risk management objectives are detailed in note 25.

### Subsequent Events

Events occurring after the reporting period have been detailed in the Strategic Report and in note 32.

### Current Director Shareholdings

Directors direct and indirect interests in the issued share capital of the Company as at the date of this report:

	No. of shares at 28 April 2023	%
Ilya Merenzon	404,520,000	60.66
Matvey Shekhovtsov	33,350,000	5.00
Jamison Firestone	5,560,000	0.83
Graham Wolfman	-	-
Richard Collett	-	-
Neil Rafferty	-	-

## **GOVERNANCE**

By an agreement dated 28 April 2023 Graham Woolfman was granted an option over 6,669,055 Ordinary Shares exercisable between 6 April 2024 and 6 April 2029 at a price of €0.07 (seven euro cents) per share.

By an agreement dated 28 April 2023 Neil Rafferty was granted an option over 1,667,264 Ordinary Shares exercisable between 6 April 2024 and 6 April 2029 at a price of €0.07 (seven euro cents) per share.

The Company does not have an annual or long-term incentive scheme in place for any of the Directors and as such there are no disclosures in this respect.

### **Substantial Shareholdings**

The Directors were advised of the following significant direct and indirect interests in the issued share capital of the Company above 3% as at 28 April 2023:

	<b>No. of shares</b>	<b>%</b>
Ilya Merenzon	404,520,000	60.66
Prytek Investment Holdings Pte Ltd	83,910,000	12.58
Yuri Milner <sup>1</sup>	50,455,671	7.57
Matvey Shekhovtsov	33,350,000	5.00
Mikhail Merenzon	29,394,285	4.41
AIC Capital LLC	24,740,000	3.71

1 – Yuri Milner's interest include ordinary shares held by Breakthrough Initiatives Ltd, Steinitz Investments Ltd, and Euler Fund L.P., entities over which he exerts significant influence.

### **Controlling shareholder**

Ilya Merenzon, who is the Chief Executive Officer of the Group, holds 60.66% of the total issued share capital of the Company.

A relationship agreement dated 6 April 2023 between Mr Merenzon, the Company and Novum Securities Limited ('Novum') pursuant to which Mr Merenzon has agreed with the Company and Novum that for such time as he and his affiliates own or control interests in Ordinary Shares comprising not less than 25% of the Company's issued Ordinary Shares from time to time, he will not exercise and will procure that his affiliates will not exercise, his voting rights to influence the Directors or to change the Company's articles of association to result in his position and those of his affiliates being preferred or promoted ahead of those of other shareholders, and to exercise (or to refrain from exercising, as the case may be) such voting rights so as to ensure that the Company is managed and conducted independently from him and such affiliates acting as majority shareholder on the operational level.

Aside from as stated above, to the best of the Directors' knowledge no-one, directly or indirectly, acting jointly, exercise or could exercise control over the Company.

### **Going Concern**

The Directors have assessed the viability of the Group as detailed on page 12, based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period.

### **Carbon and greenhouse gas emissions**

The Group does not maintain its own production facilities and makes use of serviced offices with many staff working remotely from home, as such most of our carbon emissions are within Scope 3 (emissions from activities not owned or controlled by the Group).

2022 is the first year the Group has reported carbon and greenhouse gas emissions under the Streamlined Energy & Carbon Reporting (SECR) framework and has adopted a methodology based on the GHG protocol.

In our first year of reporting, we have included energy usage based on meter readings from our own operated premises in Scope 2 analysis and have included energy consumption from business travel, upstream transportation and distribution and purchased goods and services within Scope 3. Figures in scope

## GOVERNANCE

3 are based on an EXIOBASE Multi-Regional Environmentally Extended Input Output (EEIO) Model which is used to calculate upstream emissions from expenditure data. The multi-regional EEIO emission factors contain the average ‘cradle-to-gate’ greenhouse gas emissions generated by purchasing a specific product or service, based on the industry.

We use intensity ratios based on the tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) and the kilowatt hours of energy (kWh) per total €m of revenue to monitor our energy efficiency performance and carbon footprint and we are committed to reducing the carbon emitted based on these ratios.

We have adopted practices to conserve energy, water, and reducing waste, including using recyclers and refurbished equipment. We make use of online collaboration tools, flexible working practices to reduce the impact of business travel and commuting and with the opening of the World Chess Club in Berlin have established a permanent event space to host future tournaments obviating the energy intensive process of building and decommissioning event spaces for individual tournaments.

		Kilowatt hours of energy (kWh) 2022	Tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e) 2022
Scope 1	-	-	-
Scope 2	UK Electricity	-	-
	Rest of world electricity	32,882	11.5
Scope 3	Business travel	58,949	11.4
	Upstream transportation and distribution	291,480	56.4
	Purchased goods and services	6,046,660	1,170.0
<b>Total</b>		<b>6,429,971</b>	<b>1,249.3</b>
<b>Intensity ratio per €m revenue</b>		<b>2,299,533</b>	<b>447</b>

### Equal opportunities

The Company promotes a policy for the creation of equal and ethnically diverse employment opportunities including with respect to gender. The Company promotes and encourages employee involvement wherever practical as it recognises employees as an asset and one of the key contributions to the Company’s success.

### Internal controls

The Board has ultimate responsibility for the Group’s system of internal controls and for reviewing their effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Group continues to review its system of internal controls to ensure they are appropriate for the size, complexity and risk profile of the Group.

The risk and control management system framework includes:

- close management of the day-to-day activities of the Group by the Executive Directors;
- regular reviews of its risk register;
- comprehensive annual budgeting process, which is approved by the Board;
- detailed monthly reporting of performance against budget; and
- central control over key areas such as capital expenditure authorisation and banking facilities.

The Executive Directors are responsible for ensuring that the risk and control management system framework is implemented effectively within their respective business areas. This includes ensuring an effective risk culture is in place, with risk management embedded in the business. The Board delegates its responsibility to identify, assess and manage climate-related risk to the Audit Committee.

The Group continues to review its system of internal control to ensure adherence to best practice, whilst also

## GOVERNANCE

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having regard to its size and the resources available. A whistle blowing policy is in place to enable employees to report to the Board, in confidence, any risks or threats to the operations of the business, however the Board considers that the introduction of an internal audit function is not appropriate at this juncture but will keep this under review.

### **Provision of information to auditor**

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

The Company appointed Moore Kingston Smith LLP as auditors for the Company for the financial year 2022. A resolution to re-appoint Moore Kingston Smith LLP will be put to the shareholders at the next Annual General Meeting.

### **Website publication**

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### **Directors' responsibilities pursuant to DTR4 (Disclosure and Transparency Rules)**

The directors confirm to the best of their knowledge and belief:

- The Group and Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company; and
- The annual report includes a fair review of the development and performance of the business and financial position of the Group and Company, together with a description of the principal risks and uncertainties.

This Directors' Report was approved by the Board of Directors on 28 April 2023 and signed on its behalf by:



Ilya Merenzon  
Chief Executive Officer

## GOVERNANCE

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### Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report 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 are required to prepare the Group and Company Financial Statements in accordance with UK-adopted International Accounting Standards and as regards the Company financial statements, as applied in accordance with the requirements of the Companies Act 2006.

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 as at the end of the financial year and of the profit or loss of the Group and the Company for that period.

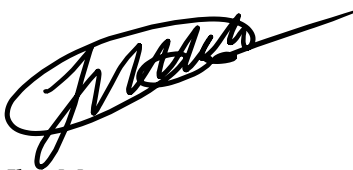
In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the applicable UK-adopted International Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company'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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

This Report was approved by the Board of Directors on 28 April 2023 and signed on its behalf by:



Ilya Merenzon  
Chief Executive Officer

## GOVERNANCE

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORLD CHESS PLC

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#### Opinion

We have audited the financial statements of World Chess Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company 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 as applied to listed public interest entities, 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.

#### Our approach to the audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile. We conducted substantive audit procedures and evaluated the group's internal control environment. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. The components of the group were evaluated by the group audit team based on a measure of materiality, considering each component as a percentage of the group's total assets, current assets, revenue and gross profit, which allowed the group audit team to assess the significance of each component and determine the planned audit response.

For those components that were evaluated as significant components, either a full scope or specified audit approach was determined based on their relative materiality to the group and our assessment of the audit risk. For significant components requiring a full scope approach, we evaluated controls by performing walkthroughs over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances.



## GOVERNANCE

In order to address the audit risks identified during our planning procedures, we performed a full scope audit of the financial statements of the parent company and its subsidiaries World Chess Events Limited, World Chess US, Inc. and World Chess Europe GmbH. All work was carried out by the group audit team.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal controls that we identified during the audit.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of risks identified during our audit.

Key Audit Matters	How our scope addressed this matter
<p><b>Valuation of intangible assets</b></p> <p>Refer to note 2 on page 55 for the accounting policies and page 56 for key judgements in the consolidated financial statements.</p> <p>As at the reporting date, the group had intangible assets of €2.76m (2021: €2.38m), excluding cryptocurrency assets.</p> <p>Management and the Directors are required to assess whether there are potential indicators of impairment of the Group's intangible assets at each reporting date and, if potential indicators of impairment are identified, management are required to perform a full assessment of the recoverable value of the intangible assets in accordance with the requirements of IAS 36.</p> <p>Management performed an impairment test, based on which it concluded that no impairment was required.</p> <p>The assessment of the recoverable value of the intangible assets required judgments and estimates by management regarding the inputs applied in the models including future cash flows, operating and development costs and discount rates.</p> <p>The carrying value of the intangible assets were therefore considered to be a key audit matter.</p>	<p>Our audit work included, but was not restricted to, the following procedures:</p> <ul style="list-style-type: none"> <li>Assessing the appropriateness of management's determination of the Cash Generating Unit (CGU).</li> <li>Obtaining management's assessment of the future forecast discounted cash flows and critically assessing the Value In Use (VIU) model for intangible assets to test compliance with the requirements of the applicable accounting standards, specifically IAS 36.</li> <li>Performing data integrity and mechanical checks on the model.</li> <li>Critically assessing and challenging the impairment model prepared by management focussing on the appropriateness of the assumptions and key inputs.</li> <li>Performing sensitivity analysis on the impairment model and assessing the accuracy of the forecasts used based on historical trading performance for the CGU.</li> <li>Evaluating the accounting policy and detailed disclosures in the notes to the financial statements to determine whether information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review.</li> </ul>

## GOVERNANCE

	<ul style="list-style-type: none"> <li>Reviewing the amortisation accounting policy for intangible fixed assets to ensure it was appropriate.</li> </ul> <p><b>Key observations:</b></p> <p>Based on our audit work, we concluded that intangible assets are not materially misstated at the reporting date and that management's assessment that no impairment was required was appropriate.</p> <p>We consider that the disclosures in the financial statements relating to this area to be adequate.</p>
<p><b>Prior year adjustment due to error in classification of crypto-currency assets held as at 31 December 2021</b></p> <p>Refer to note 33 on page 78 in the consolidated financial statements.</p> <p>The accounting treatment of crypto-currency assets which had been included in cash and cash equivalents in the 31 December 2021 financial statements and in the draft 31 December 2022 financial statements, was reassessed with reference to the requirements of IAS 1, IFRS 13, IAS 2, IAS 8 and IAS 38. We concluded that the crypto-currency assets should be treated as intangible assets in accordance with IAS 38 rather than as cash and cash equivalents. After performing their own analysis of the relevant standards, management concluded that a change in accounting treatment was required and as a result the comparatives were restated to reclassify crypto-currency assets to intangible assets.</p> <p>This resulted in a reduction of cash and cash equivalents previously reported in the Consolidated Statement of Financial Position at 31 December 2021 from €1.52m to €0.15m and an increase in intangible assets from €2.38m to €3.75m.</p> <p>Due to the impact of adjustment on the prior year comparatives, it is considered to be a key audit matter.</p>	<p>Our audit work included, but was not restricted to, the following procedures:</p> <ul style="list-style-type: none"> <li>Critically assessing the classification of the crypto-currency assets in line with the requirements of the relevant financial reporting standards and challenging the client as to the appropriateness of the previous classification of the assets as cash and cash equivalents.</li> <li>Critically assessing management's accounting for the restatement of the previous year amounts in accordance with IAS 8.</li> <li>Assessing the accuracy of the adjustment and related accounting entries.</li> <li>Evaluating the accounting policy and detailed disclosures in the notes to the financial statements in relation to prior year restatement.</li> </ul> <p><b>Key observations:</b></p> <p>Based on our audit work, we concluded that the prior year adjustment was required to reclassify the crypto-currency assets as intangible assets at 31 December 2021.</p> <p>We consider that the disclosures in the financial statements relating to this area are adequate.</p>

**Our application of materiality**

The scope and focus of our audit were influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the economic decisions of the users of financial statements. We use materiality to determine the scope of our audit and the nature, timing, and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

## GOVERNANCE

Based on our professional judgement we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	€128,000	€29,000
<b>Basis for determining materiality</b>	5% of loss before tax	5% of loss before tax
<b>Rationale for the benchmark applied</b>	As the group is a profit-oriented group and profit/loss is a key financial indicator of the business performance we considered this to be an appropriate basis for materiality.	As the parent company heads up a profit-oriented group and profit/loss is a key financial indicator of the business performance, the loss before tax has been considered as an appropriate benchmark.
<b>Performance materiality</b>	€64,000	€14,500
<b>Basis for determining performance materiality</b>	50% of group materiality. This was considered an appropriate percentage based on our risk assessment and our assessment of the overall control environment of the group.	50% of parent company materiality.

Materiality levels for World Chess Events Limited were set at 5% of loss before tax and for all the other components, we set materiality based on a percentage of group materiality dependent on the size of each component and our assessment of the risk of material misstatement relevant to that component. Component materiality, other than that of the parent company, ranged from €64,000 to €73,000. In the audit of each component, we further applied performance materiality levels of 50% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of €6,400 for the group and €1,450 for the parent company. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### 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 the following procedures:

- Critically assessing the going concern assessment prepared by management covering at least twelve months from the date of the audit report and challenging the client as regards the key assumptions and forecasts used in their assessment;
- Performing sensitivity analysis on the forecasts to ensure there is sufficient cash flow headroom for the group to continue as a going concern for at least that period;
- Reviewing the trading performance of the group post year end and comparing it to the forecasts to assess their accuracy; and

## **GOVERNANCE**

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- Assessing the adequacy of the going concern disclosures in the financial statements.

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 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.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 there is 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 the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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; or
- a corporate governance statement has not been prepared by the parent company.

## GOVERNANCE

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### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 39, 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 is 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.

### **Auditor's 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 an auditor's report 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at <https://www.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for>

This description forms part of our auditor's report.

### **Explanation as to what extent 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.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the group and parent company and considered that the most significant are the Companies Act 2006, UK adopted International Accounting Standards, the Listing Rules, the Disclosure and Transparency Rules, and UK taxation legislation.
- We obtained an understanding of how the group and parent company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

## GOVERNANCE

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- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.
- We evaluated managements' incentives to fraudulently manipulate the financial statements and determined that the principal risks related to management bias in accounting estimates and judgemental areas of the financial statements. We challenged the assumptions and judgements made by management in respect of the significant areas of estimation, as described in the key audit matters section. Further audit procedures performed to address the risk of fraud included but were not limited to the testing of journals and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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 collusion.

### Other matters which we are required to address

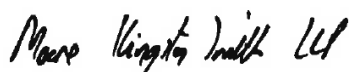
We were appointed by the Audit Committee on 6 March 2023 to audit the financial statements for the year ending 31 December 2022. Our total uninterrupted period of engagement is 1 year, covering the period ending 1 January 2022 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

### 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.



**Matthew Banton (Senior Statutory Auditor)**

for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

28 April 2023

6<sup>th</sup> Floor  
9 Appold Street  
London  
EC2A 2AP

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €	2021 as restated €
Revenue	3	2,796,207	3,216,400
Cost of sales		(2,090,754)	(1,321,180)
<b>GROSS PROFIT</b>		<b>705,453</b>	<b>1,895,220</b>
Other operating income		92,399	17,939
Administrative expenses		(3,278,281)	(3,114,803)
<b>OPERATING LOSS BEFORE EXCEPTIONAL ITEMS</b>		<b>(2,480,429)</b>	<b>(1,201,644)</b>
Exceptional Items	5	23,000	7,406,431
<b>OPERATING LOSS</b>		<b>(2,457,429)</b>	<b>6,204,787</b>
Finance costs	6	(337,460)	(308,299)
Finance income	6	521	-
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>	7	<b>(2,794,368)</b>	<b>5,896,488</b>
Income tax	8	332,680	(436,914)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(2,461,688)</b>	<b>5,459,574</b>
OTHER COMPREHENSIVE INCOME		-	-
(Loss)/gain on currency translation		(19,787)	33,263
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(2,481,475)</b>	<b>5,492,837</b>
(Loss)/profit attributable to:			
Owners of the parent		(2,461,688)	5,459,574
Total comprehensive income attributable to:			
Owners of the parent		(2,481,475)	5,492,837
<b>(LOSS)/PROFIT PER SHARE – CONTINUING AND TOTAL OPERATIONS</b>			
Basic and diluted	10	(0.004)	0.009

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2022

	Notes	2022 €	2021 as restated €
<b>NON-CURRENT ASSETS</b>			
Owned: Intangible assets	11	2,763,358	3,749,355
Owned: Property, plant and equipment	12	714,116	126,812
Right-of-use: Property, plant and equipment	12, 23	1,236,968	22,034
Deferred tax	27	76,697	15,733
		<u>4,791,139</u>	<u>3,913,934</u>
<b>CURRENT ASSETS</b>			
Inventories	15	187,691	218,393
Trade and other receivables	16	662,566	3,362,515
Tax receivable		251,117	-
Cash and cash equivalents	17	35,565	152,689
		<u>1,136,939</u>	<u>3,733,597</u>
<b>TOTAL ASSETS</b>		<u><b>5,928,078</b></u>	<u><b>7,647,531</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	18	68,260	66,996
Share premium	19	6,518,849	5,520,114
Translation reserve	20	65,941	85,728
Retained earnings	20	(5,489,625)	(3,027,937)
<b>TOTAL EQUITY</b>		<u><b>1,163,425</b></u>	<u><b>2,644,901</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	23	1,308,003	-
Interest bearing loans and borrowings	22	-	54,987
Provision for liabilities	26	180,652	-
		<u>1,488,655</u>	<u>54,987</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	2,098,204	3,576,469
Lease liabilities	23	95,686	21,266
Interest bearing loans and borrowings	22	1,082,108	1,349,908
		<u>3,275,998</u>	<u>4,947,643</u>
<b>TOTAL LIABILITIES</b>		<u><b>4,764,653</b></u>	<u><b>5,002,630</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>5,928,078</b></u>	<u><b>7,647,531</b></u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2023 and were signed on its behalf by:



Ilya Merenzon  
Chief Executive Officer



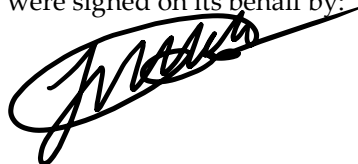
## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## COMPANY STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2022

	Notes	2022 €	2021 €
<b>NON-CURRENT ASSETS</b>			
Investments	14	301,616	26,616
Trade and other receivables	16	-	272,544
		<u>301,616</u>	<u>299,160</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	16	4,919,305	3,188,193
Cash and cash equivalents	17	6,242	34,107
		<u>4,925,547</u>	<u>3,222,300</u>
<b>TOTAL ASSETS</b>		<u><b>5,227,163</b></u>	<u><b>3,521,460</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	18	68,260	66,996
Share premium	19	6,518,849	5,520,114
Retained earnings	20	(5,329,173)	(4,750,727)
<b>TOTAL EQUITY</b>		<u><b>1,257,936</b></u>	<u><b>836,383</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	2,950,159	2,685,077
Interest bearing loans and borrowings	22	1,019,068	-
		<u>3,969,227</u>	<u>2,685,077</u>
<b>TOTAL LIABILITIES</b>		<u><b>3,969,227</b></u>	<u><b>2,685,077</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>5,227,163</b></u>	<u><b>3,521,460</b></u>

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was €578,448 (2021: €1,244,816 profit).

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2023 and were signed on its behalf by:



Ilya Merenzon  
Chief Executive Officer

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Retained Earnings	Share Premium	Translation reserve	Total equity
	€	€	€	€	€
Balance at 1 January 2021	64,219	(7,175,495)	3,552,069	52,465	(3,506,742)
Prior year adjustment (note 33)	-	(1,312,016)	-	-	(1,312,016)
As restated	64,219	(8,487,511)	3,552,069	52,465	(4,818,758)
<b>Changes in equity</b>					
Issue of share capital	2,777	-	1,968,045	-	1,970,822
Total comprehensive income	-	5,459,574	-	33,263	5,492,837
Balance at 31 December 2021	66,996	(3,027,937)	5,520,114	85,728	2,644,901
<b>Changes in equity</b>					
Issue of share capital	1,264	-	998,735	-	999,999
Total comprehensive income	-	(2,461,688)	-	(19,787)	(2,481,475)
Balance at 31 December 2022	68,260	(5,489,625)	6,518,849	65,941	1,163,425

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Retained Earnings	Share Premium	Total equity
	€	€	€	€
Balance at 1 January 2021	64,219	(5,995,541)	3,552,069	(2,379,253)
<b>Changes in equity</b>				
Issue of share capital	2,777	-	1,968,045	1,970,822
Total comprehensive income	-	1,244,816	-	1,244,816
Balance at 31 December 2021	66,996	(4,750,725)	5,520,114	836,385
<b>Changes in equity</b>				
Issue of share capital	1,264	-	998,735	999,999
Total comprehensive income	-	(578,448)	-	(578,448)
Balance at 31 December 2022	68,260	(5,329,173)	6,518,849	1,257,936

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
			as restated
	Notes	€	€
<b>Cash flows from operating activities</b>			
Cash (absorbed)/generated from operations	1	(512,077)	4,014,467
Interest paid		(179,610)	(306,987)
Finance cost paid		(157,850)	(1,312)
Tax refund received		20,600	-
Net cash (used in)/generated from operating activities		(828,937)	3,706,168
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(799,865)	(1,847,323)
Proceeds from disposal of intangible fixed assets		1,367,702	-
Purchase of property, plant and equipment		(635,818)	(91,966)
Proceeds from disposal of property, plant and equipment		23,214	-
Interest received		521	-
Net cash used in investing activities		(44,246)	(1,939,289)
<b>Cash flows from financing activities</b>			
Loan advanced in the year		1,019,068	-
Loan repayments in year		(1,341,854)	(677,378)
Payment of lease liabilities		(21,986)	(50,352)
Amount introduced by directors		120,619	-
Proceeds from share issue		999,999	1,970,822
Payment on cancellation of share options		-	(3,200,000)
Net cash generated from/(used in) financing activities		775,846	(1,956,908)
<b>Decrease in cash and cash equivalents</b>		<b>(97,337)</b>	<b>(190,029)</b>
Cash and cash equivalents at beginning of year	2	152,689	309,455
Effect of foreign exchange rate changes		(19,787)	33,263
<b>Cash and cash equivalents at end of year</b>	<b>2</b>	<b>35,565</b>	<b>152,689</b>

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022****COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 €	2021 €
<b>Cash flows from operating activities</b>			
Cash absorbed from operations	1	(104,814)	(1,818,222)
Interest paid		(84,353)	(85,057)
Finance cost paid		(123,415)	-
Net cash used in operating activities		<u>(312,582)</u>	<u>(1,903,279)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(275,000)	(100,000)
Loan repayment from related parties		-	597,926
Loans issued		-	(272,544)
Interest received		20,820	6,792
Net cash (used in)/generated from investing activities		<u>(254,180)</u>	<u>232,174</u>
<b>Cash flows from financing activities</b>			
Loan advanced in the year		1,019,068	-
Amounts received from group undertakings		157,633	2,626,132
Amounts paid to group undertakings		(1,640,863)	(2,991,786)
Amount introduced by directors		3,060	-
Proceeds from share issue		999,999	1,970,822
Net cash from financing activities		<u>538,897</u>	<u>1,605,168</u>
<b>Decrease in cash and cash equivalents</b>		<b>(27,865)</b>	<b>(65,937)</b>
Cash and cash equivalents at beginning of year	2	<u>34,107</u>	<u>100,044</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><b>6,242</b></u>	<u><b>34,107</b></u>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

<b>Group</b>	<b>2022</b>	<b>2021 as restated</b>
	<b>€</b>	<b>€</b>
(Loss)/profit before income tax	(2,794,368)	5,896,488
Depreciation and amortisation	632,935	396,425
Goodwill impairment	-	142,474
Provision	180,652	-
Finance costs	337,460	308,299
Finance income	(521)	-
	<u>(1,643,842)</u>	<u>6,743,686</u>
Decrease/(increase) in inventories	30,702	(159,796)
Decrease/(increase) in trade and other receivables	2,699,953	(2,284,486)
Decrease in trade and other payables	<u>(1,598,890)</u>	<u>(284,937)</u>
<b>Cash (absorbed)/generated from operations</b>	<b><u>(512,077)</u></b>	<b><u>4,014,467</u></b>
 <b>Company</b>	 <b>2022</b>	 <b>2021</b>
	<b>€</b>	<b>€</b>
(Loss)/profit before income tax	(578,448)	1,244,816
Investment impairment	-	225,000
Finance costs	207,766	85,057
Finance income	<u>(20,820)</u>	<u>(6,792)</u>
	<u>(391,502)</u>	<u>1,548,081</u>
Decrease/(increase) in trade and other receivables	182,297	(196,270)
Increase/(decrease) in trade and other payables	<u>104,391</u>	<u>(3,170,033)</u>
<b>Cash absorbed from operations</b>	<b><u>(104,814)</u></b>	<b><u>(1,818,222)</u></b>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

**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:

<b>Group</b>	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>as restated €</b>
<b>Year ended 31 December 2022</b>		
Cash and cash equivalents	<u>35,565</u>	<u>152,689</u>
<b>Year ended 31 December 2021</b>		
Cash and cash equivalents	<u>152,689</u>	<u>309,455</u>
<b>Company</b>	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
<b>Year ended 31 December 2022</b>		
Cash and cash equivalents	<u>6,242</u>	<u>34,107</u>
<b>Year ended 31 December 2021</b>		
Cash and cash equivalents	<u>34,107</u>	<u>100,044</u>

**3 RECONCILIATION OF NET DEBT**

<b>Group</b>	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>as restated €</b>
<b>At 31 December</b>		
Other loans	(1,082,108)	(1,404,895)
Lease liabilities	<u>(1,403,689)</u>	<u>(21,266)</u>
<b>Total Borrowings</b>	<b>(2,485,797)</b>	<b>(1,426,161)</b>
Cash and cash equivalents	<u>35,565</u>	<u>152,689</u>
<b>Net debt</b>	<b><u>(2,450,232)</u></b>	<b><u>(1,273,472)</u></b>
<b>Company</b>	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
<b>At 31 December</b>		
Other loans	(1,019,068)	-
Cash and cash equivalents	<u>6,242</u>	<u>34,107</u>
<b>Net (debt)/cash</b>	<b><u>(1,012,826)</u></b>	<b><u>34,107</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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 UK – adopted International Accounting 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 Group and rounded to the nearest €.

##### **Going concern**

Based on the Group's Statement of Financial Position and a review of its forecast future operating budgets and forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing of these consolidated financial statements. This review of future operating budgets and forecasts included certain reasonable downside scenarios and confirmed that even in the case of such downside scenarios the Group could continue to operate and meet its obligations as they fall due. Accordingly, the Directors have adopted the going concern basis in preparing the Annual Report and consolidated financial statements.

The Directors have assessed the viability of the Group over a five-year period, taking account of the Group's current position and prospects, its strategic plan and the principal risks and how these are managed. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period.

In making this assessment, the Directors have considered the resilience of the Group in severe but plausible scenarios, taking into account the principal risks and uncertainties facing the Group and the effectiveness of any mitigating actions. The Directors' assessment considered the potential impacts of these scenarios, both individually and in combination, on the Group's business model, future performance, solvency and liquidity over the period. Sensitivity analysis was also used to stress test the Group's strategic plan and to confirm that sufficient headroom would remain available under the Group's credit facilities. The Directors consider that under each of these scenarios, the mitigating actions would be effective and sufficient to ensure the continued viability of the Group. The Directors believe that five years is an appropriate period for this assessment, reflecting the average length of the Group's contract base; key markets; and the nature of its businesses and products.

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

##### **Basis of consolidation**

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements in conformity with UK – adopted International Accounting Standards 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 for 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, the discount rate applied is 11.83% and the carrying value of goodwill and other intangible assets is set out in the table below (notes 11 and 13):

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
Exclusive FIDE rights	442,117	552,646
Software Licences	82,000	105,000
Online Platform	2,239,033	1,723,799

***Crypto-assets valuation***

The Group has historically received some sponsorship revenue in the form of crypto-assets which it has converted to fiat currencies at the earliest opportunity, usually upon receipt or in accordance with an agreed schedule of conversion. The Group has not traded in crypto-assets to date and such activities do not form part of its strategy.

The Group has the objective of converting crypto-assets into fiat currency, predominately US Dollars or Euros at the earliest opportunity; the rate of exchange for crypto-assets can be volatile with significant increases and decreases occurring in a few hours, the decision of when to convert crypto-assets into fiat currency is a key source of uncertainty and estimation.

Crypto-assets held by the Group are shown within intangible assets on the Consolidated Statement of Financial Position at the prevailing exchange rate (see note 11).

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Crypto-assets	208	1,367,910	-	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **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 Statement of Financial Position date there is an ongoing claim with one supplier, if the claim is successful then an invoice, amounting to €1,140,000, will become payable. The invoice is not included in the accounts as the Directors consider it to be null and void and raised by the supplier in breach of contract (see note 28).

### **Revenue recognition**

Revenue 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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Any revenue received in advance gives rise to contract liabilities which is deferred and included in accruals and deferred income. The carrying amount of the deferred income included in payables being €959,012 (2021: €1,418,686).

No obligation for returns, refunds or other similar obligation is recognised, the Directors following careful consideration, having concluded that any potential obligation is trivial.

The following criteria must also be met before revenue is recognised:

#### ***Sale of goods***

Revenue from the sale of goods is recognised when all 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 revenue 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***

Revenue 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.

The policies specific to the Group's revenue types within its activities are outline below:

#### ***Events***

Revenue is recognised in the period in which the event takes place; revenue is typically linked to multiyear agreement where payment is received in advance of the event to which it relates.

#### ***Online income***

Revenue is recognised over the period of the subscription; online subscriptions are paid annually in advance.

#### ***Merchandising and Clubs***

Revenue is recognised when control of the goods has transferred to the customer; typically, control is transferred upon payment by the customer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### *Collateral rewards received*

The Group was entitled to the interest receivable on collateral provided in crypto-assets 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 in January 2021 and the loan was repaid and the collateral returned in January 2022. In 2022 rewards of €9,142 (2021: €2,242,382) were recognised within exceptional items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### **Segment reporting**

IFRS 8 Operating Segments requires operating segments to be identified and reported in a manner consistent with the internal reporting provided to chief operating decision maker ('CODM'), who is responsible for allocating resources and assessing performance of the operating segments as identified by the Directors.

The Directors have reviewed the Group's activities and consider the Group to comprise a single line of business being a mass market promoter of chess. Within the single line of business, the Group undertakes integrated revenue generating activities across tournaments, an online platform and merchandise and clubs. These revenue generating activities are closely aligned within a business model which seeks to promote a chess community across tournaments, online and physical environments.

The individual revenue generating activities are managed in an integrated way by the CODM and executive management team who review financial information on the same integrated way. The Group has geographically separate operations and a geographic split of revenue as well as the split between the revenue types within its activities is included in note 3.

### **Cash and cash equivalents**

Cash represents cash in hand and deposits held on demand with financial institutions. Cash equivalents are short-term, highly-liquid investments with original maturities of three months or less (as at their date of acquisition). Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of change in that cash value.

In the presentation of the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts. Any such overdrafts are shown within borrowings under 'current liabilities' on the Statement of Financial Position.

### **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.

### **Crypto-assets**

Included within intangible assets are crypto-assets held in separate wallets, the Group has not traded in crypto-assets to date and such activities do not form part of its strategy. The crypto-assets are not held as long-term investments, nor do they form part of the Group's inventory. The Group's strategy is to convert crypto-assets to fiat currencies at the earliest opportunity, usually upon receipt or in accordance with an agreed schedule of conversion.

Any crypto-assets received are recognised at the exchange rate prevailing at the date that the risk and reward associated with the crypto-asset passes to the Group. Where the exchange rate of the crypto-assets has a guaranteed minimum floor price, a receivable is recognised for any short-fall.

Crypto-assets are not amortised but are reviewed for impairment if the prevailing exchange rate indicates their value has fallen below their carrying value. Any impairment or realised exchange gains on the conversion of crypto-assets to fiat currency are recognised within exceptional items on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### **Other intangible assets**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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intangible assets.

Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Exclusive rights to organise and host top level chess events in association with FIDE, the life of the contract using the straight-line method.
- Capitalised costs associated with developing the online platform used for the FIDE Online Arena, ten years using the straight-line method.
- Licences to operate certain software incorporated into the platform, the life of the contract using the straight-line method.

The basis for choosing these useful lives is with reference to the years over which they can continue to generate value for the Group.

The Group reviews the amortisation year and methodology when events and circumstances indicate that the useful lives may have changed since the last reporting date and the amortisation charge for the year is included in Administrative Expenses in the Consolidate Statement of Profit or Loss and Other Comprehensive Income.

### **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 as a right-of-use asset, over the lease term, whichever is the shorter.

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

### **Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other receivables and payables, 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 receivables and payables, 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 Profit or Loss and Other 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 date of the Statement of Financial Position.

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Position 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.

### **Inventories**

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

### **Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules in the UK, USA and Germany where the Group operates, using tax rates enacted or substantively enacted by the date of the Statement of Financial Position.

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 date of the Statement of Financial Position.

Commercial legislation within the Russian Federation in which the Group operated prior to April 2022, 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 Consolidated Financial Statements.

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.

### **Research and development**

Research and development expenditure is capitalised if it can be demonstrated that:

- it is technically and commercially feasible to develop the asset for future economic benefit;
- adequate resources are available to maintain and complete the development;
- there is the intention to complete and develop the asset for future economic benefit;
- the Group is able to use the asset;
- use of the asset will generate future economic benefit; and
- expenditure on the development of the asset can be measured reliably.

Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

### **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **IFRS 16 ‘Leases’**

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs.

### **Adoption of new and revised standards**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective from 1 January 2022, none of which have a material impact on these financial statements.

### **Standards issued but not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to apply early. The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024;

- IFRS 16 Leases (Amendment - Liability in a sale and leaseback);
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-Current); and
- IAS 1 Presentation of Financial Statements (Amendment – Non-Current liabilities and covenants).

It is not expected that the amendments listed above, once adopted, will have a material impact on the financial statements.

### **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 3 REVENUE

Revenue from contracts with customers

Revenue by business class	2022	2021
	€	€
Events	1,711,331	1,407,501
Online	399,074	905,174
Merchandising and Clubs	685,802	903,725
	<b>2,796,207</b>	<b>3,216,400</b>

By geographical area	2022	2021
	€	€
United Kingdom	2,661,639	2,589,719
Russia	27,578	329,114
United States of America	50,540	257,508
Other	56,450	40,059
	<b>2,796,207</b>	<b>3,216,400</b>

#### Major customer

Included in Events revenue are revenues of €1,499,332 and in Online revenue are revenues of €262,893 which are attributable to two major customers, being customers who each represent more than 10% of revenue in the year (2021: €581,305 and €565,691 respectively).

Total revenue attributable to the two major customers are: €1,163,411 (2021: €nil) and €598,814 (2021: €1,146,996).

### 4 EMPLOYEES AND DIRECTORS

The aggregate payroll costs (including Directors not under employment contracts) were:

	2022	2021
	€	€
Wages and salaries	421,923	299,754
Social security costs	38,978	-
Pension costs	-	-
	<b>460,901</b>	<b>299,754</b>

	2022	2021
	No.	No.
Average number of employees during the year:	<b>7</b>	<b>11</b>

Payroll costs of €nil (2021: €56,278) included in the figure above are included in cost of sales.

No pension contributions were made in either 2022 or 2021.

In the opinion of the Board, only the Directors of the Company, as detailed in the Corporate Governance Report, are regarded as key management personnel. The remuneration of key management personnel during 2022 was, in aggregate, €327,001 (2021: €237,890).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2022	2021
	€	€
Directors' remuneration:	327,001	237,890

Further details of Directors', including Non-Executive Directors', remuneration and fees during the year are set out in the Directors Remuneration Report on page 33 of these consolidated financial statements.

The highest paid director was Ilya Merenzon whose total remuneration was €192,000 (2021: €154,570).

In 2022 Directors Remuneration included €5,000 (2021: €nil) in respect of compensation for loss of office.

The Group had no UK employees in 2022 and 2021 except the directors.

## 5 EXCEPTIONAL ITEMS

	2022	2021 as restated
	€	€
Gain on disposal World Chess Russia LLC	27,330	-
Exchange (loss)/gain on Crypto-assets	(13,472)	5,605,551
Crypto exchange fees	-	(441,502)
Collateral rewards received	9,142	2,242,382
	<b>23,000</b>	<b>7,406,431</b>

### Gain on disposal World Chess Russia LLC

In April 2022 the entire share capital of World Chess Russia LLC was disposed of as a result, a profit on disposal of €27,330 has been recognised.

### Exchange (loss)/gain on Crypto-assets

During 2021 crypto-assets appreciated significantly, the ALGO rate increased from €0.27 in January 2021 to €1.53 in December 2021. The majority of the crypto-assets held by the Group was converted into fiat currency resulting in a large gain.

### Crypto exchange fees

In 2021 the Group recognised an expense of €441,502 relating to crypto exchange fees.

### Collateral rewards received

The Group was entitled to the interest receivable on collateral provided in crypto-assets 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 in January 2021 and the loan was repaid and the collateral returned in January 2022.

## 6 NET FINANCE COSTS

	2022	2021 as restated
	€	€
Finance income:		
Loan interest receivable	521	-
	<b>521</b>	<b>-</b>
Finance costs:		
Other loan interest	179,610	306,987
Interest on IFRS 16 lease liabilities	157,850	1,312
	<b>337,460</b>	<b>308,299</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**7 (LOSS)/PROFIT BEFORE INCOME TAX**

The loss before income tax (2021 - profit before income tax) is stated after charging/(crediting):

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
Cost of inventories recognised as expense	2,090,754	1,264,902
Research costs expensed	88,874	66,809
Depreciation - owned assets	25,300	18,046
Depreciation – right-of-use assets	189,475	67,711
Exclusive FIDE rights amortisation	110,529	110,529
Licence amortisation	23,000	5,000
Computer software amortisation	284,632	224,503
Auditors' remuneration	72,641	16,626
Foreign exchange loss/(gain)	9,790	(5,072)

Amortisation of intangible assets is included in Administrative expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

**8 INCOME TAX**

Analysis of tax (income)/expense

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
Current tax:		
Corporation tax	(255,983)	432,586
Deferred tax	(76,697)	4,328
Total tax (income)/expense in consolidated statement of profit or loss and other comprehensive income	(332,680)	436,914

**Factors affecting the tax expense**

The tax assessed for the year is lower (2021 - lower) the standard rate of corporation tax in the UK. The difference is explained below:

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
(Loss)/profit before income tax	(2,794,368)	5,896,488
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(530,930)	1,120,333
Effect of:		
Originations and reversal of temporary differences	(76,697)	436,679
Capital allowances in excess of depreciation	(74,706)	(12,411)
Non-taxable expenses/(income)	138,474	(246,717)
Tax losses carried forward/(utilised)	467,162	(861,205)
Research and development credit	(256,197)	-
Foreign tax	214	235
Tax (income)/expense	(332,680)	436,914



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, statement of profit or loss and other comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was €578,448 (2021: €1,244,816 profit).

## 10 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the (loss)/profit attributable to owners of the parent company by the weighted average number of shares in issue during the year. In calculating the diluted earnings per share, any outstanding share options, warrants and convertible loans are taken into account where the impact of these is dilutive.

	2022	2021
(Loss)/profit attributable to the owners of the parent company €	(2,461,688)	5,459,574
Weighted average number of shares in issue	597,912,402	583,532,583
Basic and diluted earnings per share	(€0.004)	€0.009

## 11 INTANGIBLE ASSETS

## Group

	Exclusive FIDE rights €	Software Licence €	Online Platform €	Crypto- assets €	Total €
<b>COST</b>					
At 1 January 2022	1,105,291	115,000	2,307,572	1,367,910	4,895,773
Additions	-	-	799,866	-	799,866
Disposals	-	-	-	(1,367,702)	(1,367,702)
At 31 December 2022	1,105,291	115,000	3,107,438	208	4,327,937
<b>AMORTISATION</b>					
At 1 January 2022	552,645	10,000	583,773	-	1,146,418
Amortisation for year	110,529	23,000	284,632	-	418,161
At 31 December 2022	663,174	33,000	868,405	-	1,564,579
<b>NET BOOK VALUE</b>					
At 31 December 2022	442,117	82,000	2,239,033	208	2,763,358

	Exclusive FIDE rights €	Software Licence €	Online Platform €	Crypto- assets €	Total €
<b>COST</b>					
At 1 January 2021*	1,105,291	25,000	1,706,287	211,872	3,048,450
Additions	-	90,000	601,285	1,156,038	1,847,323
At 31 December 2021*	1,105,291	115,000	2,307,572	1,367,910	4,895,773
<b>AMORTISATION</b>					
At 1 January 2021*	442,116	5,000	359,270	-	806,386
Amortisation for year	110,529	5,000	224,503	-	340,032
At 31 December 2021*	552,645	10,000	583,773	-	1,146,418
<b>NET BOOK VALUE</b>					
At 31 December 2021*	552,646	105,000	1,723,799	1,367,910	3,749,355

\* as restated

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors considered the carrying value at 31 December 2022 for each asset identified above (except crypto-assets, based on a detailed budget and forecast, discounted over five years at the Groups current cost of capital, considered by the Directors to be 11.83%, and it was determined that no impairment was required. Where an asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets the carrying value was considered against the smallest identifiable group of assets that generates cash inflows (cash generating unit or CGU).

The Directors considered the carrying value at 31 December 2022 for crypto-assets based on the prevailing exchange rate at which the crypto-asset could readily be converted into US dollars or Euros and it was determined that no impairment was required.

## 12 PROPERTY, PLANT AND EQUIPMENT

## Group

	Right of use asset €	Fixtures and fittings €	Computer Equipment €	Total €
<b>COST</b>				
At 1 January 2022	441,942	212,236	1,698	655,876
Additions	1,374,409	635,818	-	2,010,227
Disposals	(441,942)	(74,136)	-	(516,078)
At 31 December 2022	1,374,409	773,918	1,698	2,150,025
<b>DEPRECIATION</b>				
At 1 January 2022	419,908	85,424	1,698	507,030
Charge for year	189,475	25,300	-	214,775
Elimination on disposal	(441,942)	(50,922)	-	(492,864)
Exchange difference	(30,000)	-	-	(30,000)
At 31 December 2022	137,441	59,802	1,698	198,941
<b>NET BOOK VALUE</b>				
At 31 December 2022	1,236,968	714,116	-	1,951,084
	Right of use asset €	Fixtures and fittings €	Computer Equipment €	Total €
<b>COST</b>				
At 1 January 2021	441,942	136,946	1,698	580,586
Additions	-	91,966	-	91,966
Exchange difference	-	(16,676)	-	(16,676)
At 31 December 2021	441,942	212,236	1,698	655,876
<b>DEPRECIATION</b>				
At 1 January 2021	355,110	67,378	1,698	424,186
Charge for year	67,711	18,046	-	85,757
Exchange difference	(2,913)	-	-	(2,913)
At 31 December 2021	419,908	85,424	1,698	507,030
<b>NET BOOK VALUE</b>				
At 31 December 2021	22,034	126,812	-	148,846

Included in the net book value of fixtures and fittings is €647,083 (2021: €91,966) relating to the World Chess Club Berlin which was functionally complete at 31 December 2022 but had not yet fully opened.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The club opened briefly during 2022 to host the first and third legs of the FIDE Grand Prix series before closing for the remaining construction work to be completed. As at 31 December 2022 the Group had outstanding contractual commitment for a further €20,000 in relation to the completion of construction.

## 13 GOODWILL

## Group

	2022	2021
	€	€
<b>COST</b>		
At 1 January	142,474	142,474
At 31 December	142,474	142,474
<b>IMPAIRMENTS</b>		
At 1 January	(142,474)	-
Impairment	-	(142,474)
At 31 December	(142,474)	(142,474)
<b>CARRYING VALUE</b>		
At 1 January	-	142,474
At 31 December	-	-

Goodwill arose on the acquisition of World Chess Russia LLC and World Chess Digital Limited.

The Directors considered the carrying value at 31 December 2021 for each cash generating unit, identified above, and the goodwill was impaired to €nil.

In 2022 the Group disposed of World Chess Russia LLC and World Chess Digital Limited was dormant and in the process of being dissolved. At 31 December 2022 the company remained dormant, and the dissolution process is ongoing.

## 14 INVESTMENTS

## Company

Shares in group undertakings

	2022	2021
	€	€
<b>COST</b>		
At 1 January	251,616	151,616
Additions	275,000	100,000
Disposals	(175,000)	-
At 31 December	351,616	251,616
<b>IMPAIRMENTS</b>		
At 1 January	(225,000)	-
Impairment	-	(225,000)
Disposals	175,000	-
At 31 December	(50,000)	(225,000)
<b>CARRYING VALUE</b>		
At 1 January	26,616	151,616
At 31 December	301,616	26,616

The Directors considered the carrying value at 31 December 2021 for each group undertaking, identified below, and the Company's investments in World Chess Russia LLC and World Chess Digital Limited were impaired to €nil.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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The Directors considered the carrying value at 31 December 2022 for each group undertaking, identified below, based on a detailed budget and forecast, discounted over five years at the Groups current cost of capital, considered by the Directors to be 11.83%, and it was determined that no further impairment was required.

In 2022 the Group disposed of World Chess Russia LLC and World Chess Digital Limited was dormant and in the process of being dissolved at 31 December 2022 the company remained dormant and the dissolution process is ongoing.

The Group's investments at the Statement of Financial Position date in the share capital of companies include the following subsidiaries:

***World Chess Events Limited***

Registered office: Eastcastle House, 27/28 Eastcastle Street, United Kingdom, W1W 8DH

Nature of business: Organising chess events (Worldwide)

Class of shares: % holding

Ordinary 100.00

***World Chess US, Inc***

Registered office: 1201 N. Orange Street, Suite 762, Wilmington, New Castle County, DE, USA 19801

Nature of business: Organising chess events (USA), online chess

Class of shares: % holding

Ordinary 100.00

***World Chess Digital Limited (formerly CNCweb Limited)***

Registered office: 21st Floor, Tay Chau Building, 262 Des Voeux Road Central, Hong Kong

Nature of business: Operation of online chess platform

Class of shares: % holding

Ordinary 100.00

World Chess Digital Limited was dormant during 2022 and in the process of being dissolved at 31 December 2022 the company remained dormant and the dissolution process is ongoing.

***World Chess Europe GmbH***

Registered office: Mittelstrasse 51 – 53, 10117 Berlin, Deutschland

Nature of business: Various chess related activities

Class of shares: % holding

Ordinary 100.00

During the year, World Chess PLC provided a capital contribution of €275,000 (2021: €25,000) to this company.

***World Chess Sakartvelo LLC***

Registered office: Georgia, City Tbilisi, Didube district, Ak. Tsereteli Avenue, N 49-51-51a, Entrance 3, Floor 13, Apartment N 128

Nature of business: Organising chess events, chess club activities

Class of shares: % holding

Ordinary 100.00

This company was incorporated on 2 June 2022 but did not commence trading until after 1 January 2023.

***World Chess Russia LLC***

Registered office: 123242, Moscow, Kudrinskaya Square, 1 room XIIB

Nature of business: Organising chess events, chess club activities

Class of shares: % holding

Ordinary 0.00

During the year, World Chess PLC provided a capital contribution of €nil (2021: €100,000) to this

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

company. In April 2022 the entire share capital in this company was disposed of.

The results of the subsidiaries identified above are included in the consolidated financial statements, results for World Chess Russia LLC are included up to April 2022. All subsidiaries are exempt from an audit except World Chess Events Ltd.

## 15 INVENTORIES

## Group

	2022	2021
	€	€
Inventories:	<u>187,691</u>	<u>218,393</u>

## 16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Current:				
Trade receivables	452,754	317,665	-	-
Amounts owed by group undertakings	-	-	4,905,195	2,991,788
Other receivables	205,244	2,910,064	12,362	178,876
Prepayments and accrued income	4,568	134,786	1,748	17,529
	<u>662,566</u>	<u>3,362,515</u>	<u>4,919,305</u>	<u>3,188,193</u>
Non-current				
Amounts owed by group undertakings	-	-	-	272,544
Aggregate amounts	<u>662,566</u>	<u>3,362,515</u>	<u>4,919,305</u>	<u>3,460,737</u>

## 17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021 as restated	2022	2021
	€	€	€	€
Cash in hand	-	694	-	-
Bank accounts	<u>35,565</u>	<u>151,995</u>	<u>-</u>	<u>--</u>
	<u>35,565</u>	<u>152,689</u>	<u>6,242</u>	<u>34,107</u>

## 18 CALLED UP SHARE CAPITAL

	2022		2021	
	Number of shares	€	Number of shares	€
Allotted, issued, and fully paid Ordinary shares of £0.0001	602,392,689	68,260	591,640,000	66,996

10,752,689 Ordinary shares of £0.0001 each were allotted as fully paid at a premium of €0.09 per share during the year (2021: 12,644,500 Ordinary shares at a premium of €0.08 per share).

At 31 December 2022 the number of additional shares authorised for issue is 100,000,000 (2021: nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As detailed in note 32, on 6 April 2023 the Company issued 49,650,972 new ordinary shares for total cash consideration of €3,475,568 and a further 14,861,840 new ordinary shares on the conversion of a loan totalling €1,040,329 and the entire issued share capital, comprising 666,905,501 ordinary shares were admitted for trading on the main market of the London Stock Exchange with ticker symbol CHSSS. Following admission, the number of additional shares authorised for issue is 66,690,550.

**19 SHARE PREMIUM**

	<b>2022</b>	<b>2021</b>
	€	€
At 1 January	5,520,114	3,552,069
Premium arising on issue of equity shares	998,735	1,968,045
At 31 December	<u>6,518,849</u>	<u>5,520,114</u>

**20 RESERVES**

Share capital comprises the amount for the nominal value of shares issued.

Share premium comprises the amount subscribed for share capital exceeds the nominal value, after deducting costs of issue.

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

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

**21 TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	€	€	€	€
Trade payables	657,006	262,915	81,173	37,373
Amounts owed to group undertakings	-	-	2,783,767	2,626,134
Social security and other taxes	21,318	9,541	-	-
Other payables	2,650	9,494	1,376	1,376
Accruals and deferred income	1,296,317	3,294,280	80,547	19,955
Amounts owed to Directors	120,913	239	3,296	239
	<u>2,098,204</u>	<u>3,576,469</u>	<u>2,950,159</u>	<u>2,685,077</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Current:				
Other loans	1,082,108	1,349,908	1,019,068	-
Lease liabilities (see note 23)	95,686	21,266	-	-
	<u>1,177,794</u>	<u>1,371,174</u>	<u>1,019,068</u>	<u>-</u>
Non-current:				
Other loans – 1-2 years	-	54,987	-	-
Lease liabilities (see note 23)	1,308,003	-	-	-
	<u>1,308,003</u>	<u>54,987</u>	<u>-</u>	<u>-</u>

## Terms and debt repayment schedule

## Group

	1 year or less	More than 1 year and less than 5 years	More than 5 years	Totals
	€	€	€	€
Other loans	1,082,108	-	-	1,082,108
Lease liabilities (see note 23)	95,686	510,145	797,858	1,403,689
	<u>1,177,794</u>	<u>510,145</u>	<u>797,858</u>	<u>2,485,797</u>

## Company

	1 year or less	More than 1 year and less than 5 years	More than 5 years	Totals
	€	€	€	€
Other loans	1,019,068	-	-	1,019,068

Loans due in less than one year includes a loan of €1,019,068 which accrues interest at 8% per year, subsequent to 31 December 2022 this loan was converted into new ordinary shares (see note 32), and €63,040 which accrues interest at 10% per year. (2021: €1,349,908 which accrued interest at 14% per year and was secured by collateral put up by a partner company, the loan was repaid, and the collateral returned in January 2022).

On 6 April 2023, subsequent the date of these consolidated financial statements, the loan totalling €1,040,329 including accrued interest was converted into new ordinary shares in the Company (see note 32).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 LEASES

## Group

## Right of use asset – property, plant, and equipment

	2022	2021
	€	€
<b>COST</b>		
At 1 January	441,942	441,942
Additions	1,374,409	-
Disposals	(441,942)	-
At 31 December	1,374,409	441,942
<b>DEPRECIATION</b>		
At 1 January	419,908	355,110
Charge for year	189,475	67,711
Elimination on disposal	(441,942)	-
Exchange difference	(30,000)	(2,913)
At 31 December	137,441	419,908
<b>NET BOOK VALUE</b>		
At 31 December	1,236,968	22,034

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

	31 December 2022	31 December 2021	31 December 2020
	€	€	€
Right of use asset	1,236,968	22,034	86,832
Lease liability	1,403,689	21,266	71,619

A right-of-use asset was disposed of during the year relating to premises occupies by the World Chess Club Moscow, the lease was for a term of 5 years ended on 30 April 2022 with an effective interest rate of 10.65%.

A new right-of-use asset was recognised in 2022 for a lease on premises to be occupied by the World Chess Club Berlin for a term of 10 years ending on 31 December 2031 with an effective interest rate of 11.83%.

Total finance lease interest for 2022 was €157,850 (2021: €1,312) as detailed in note 6.

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

## Group

## Lease liabilities – minimum lease payments fall due as follows:

31 December 2022	1 year or less	More than 1 year and less than 5 years	More than 5 years	Totals
	€	€	€	€
Gross obligations repayable:	246,234	984,936	984,936	2,216,106
Finance charges repayable:	(150,548)	(474,791)	(187,078)	(812,417)
Net obligations repayable:	95,686	510,145	797,858	1,403,689



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021	1 year or less	More than 1 year and less than 5 years	More than 5 years	Totals
	€	€	€	€
Gross obligations repayable:	21,411	-	-	21,411
Finance charges repayable:	(145)	-	-	(145)
Net obligations repayable:	<u>21,266</u>	<u>-</u>	<u>-</u>	<u>21,266</u>

## 24 FINANCIAL INSTRUMENTS

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

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

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

	2022 €	2021 €
<b>Other financial assets</b>		
Trade and other receivables less than one year	821,028	3,362,515
Cash and cash equivalents	<u>35,773</u>	<u>152,689</u>
<b>Total financial assets</b>	<b><u>856,801</u></b>	<b><u>3,515,204</u></b>
	2022 €	2021 €
<b>Other financial liabilities</b>		
Interest bearing loans and borrowings less than one year	1,177,794	1,371,173
Trade and other payables less than one year	2,098,199	3,576,469
Interest bearing loans and borrowings more than one year	<u>1,308,003</u>	<u>54,987</u>
<b>Total financial liabilities</b>	<b><u>4,583,996</u></b>	<b><u>5,002,629</u></b>

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

*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. The Group continues to assess the risk and a further loss allowance for the full lifetime expected credit losses is recognised if the credit risk has increased significantly since initial recognition. The Group consider any contractual payment being 30 days past due, and each subsequent period of 30 days, to be an indicator of a significant increase in credit risk which may require an additional loss allowance to be recorded.

The risks specific to the Group's revenue types within its activities are outline below:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Events, payment is typically received in accordance with multi-year agreement in advance of the event to which it relates, the Directors therefore consider the credit risk to be non-trivial but minimal.
- Online income, payment is typically received annually in advance, the Directors therefor consider the credit risk to be trivial.
- Merchandising and Clubs, payment is typically received prior to control of goods purchased being transferred to the customer, the Directors therefor consider the risk to be non-trivial but minimal.

No credit loss was recognised in 2022 or 2021.

Financial assets past due but not impaired as at 31 December 2022:

	Not impaired and not past due	Not impaired but past due by the following amounts			
		>30 days	>60 days	>90 days	>120 days
	€	€	€	€	€
Group: Trade and other receivables	646,901	-	-	-	15,635
Company: Trade and other receivables	4,919,305	-	-	-	-

Financial assets past due but not impaired as at 31 December 2021:

	Not impaired and not past due	Not impaired but past due by the following amounts			
		>30 days	>60 days	>90 days	>120 days
	€	€	€	€	€
Group: Trade and other receivables	3,289,295	70,991	-	-	2,228
Company: Trade and other receivables	3,188,195	-	-	-	-

#### ***Liquidity risk and interest rate risk***

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

The Group's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Group.

At 31 December 2021 the Group had outstanding loans of €1,019,068 which accrues interest at a fixed rate of 8% per year, and €63,040 which accrues interest at a fixed rate of 10% per year. (2021: €1,349,908 which accrued interest at a fixed rate of 14% per year and was secured by collateral put up by a partner company, the loan was repaid, and the collateral returned in January 2022).

#### ***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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*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.

**25 CAPITAL MANAGEMENT**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Group's capital management strategy is to retain sufficient working capital for operating requirements and to ensure sufficient funding is available to meet commitments as they fall due and to support growth. There are no externally imposed capital requirements.

The Group had net assets of €1,163,425 at 31 December 2022 (2021: €2,644,901), and to maintain or adjust the capital structure the Group may issue new shares or increase borrowings.

	2022	2021
	€	€
Interest bearing loans and borrowings	(2,485,797)	(1,426,160)
Cash and cash equivalents	35,565	152,689
Net indebtedness	<u>(2,450,232)</u>	<u>(1,273,471)</u>

**26 PROVISIONS****Group**

	2022	2021
	€	€
<b>PROVISIONS</b>		
At 1 January	-	-
Dilapidations provision	180,652	-
At 31 December	<u>180,652</u>	<u>-</u>

A dilapidations provision was recognised in 2022 relating to the estimated reinstatement costs at the expiry of a new 10-year lease ending on 31 December 2031.

**27 DEFERRED TAX****Group**

	2022	2021
	€	€
Balance at 1 January 2022	(15,733)	(451,098)
Movement in current year	<u>(60,964)</u>	<u>435,365</u>
Balance at 31 December 2022	<u>(76,697)</u>	<u>(15,733)</u>

There are €3,878,681 of tax losses available to the Group which at the applicable tax rate of 25% would provide an additional deferred tax asset of €537,784. This has not been recognised in the financial statements due to the uncertainty of the timing of future taxable profits against which these losses could be utilised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Analysis of deferred tax:

	2022	2021
	€	€
Timing differences arising on provisions for liabilities, lease liabilities and losses carried forward	(531,931)	(15,733)
Timing difference arising on capital allowances in excess of depreciation	455,234	-
	<u>(76,697)</u>	<u>(15,733)</u>

## 28 CONTINGENT LIABILITIES

The Group has an ongoing claim with one supplier, if the claim is successful then an invoice, amounting to €1,140,000, will become payable. The invoice is not included in the accounts as the Directors consider it to be null and void and raised by the supplier in breach of contract (see note 28).

## 29 RELATED PARTY DISCLOSURES

Details of the Directors' remuneration and consultancy fees are disclosed in note 4.

### Ilya Merenzon

On 21 December 2022 Mr Merenzon advanced a short-term loan of €20,000 to World Chess Europe GmbH, this loan is unsecured, does not bear interest and remained outstanding at 31 December 2022.

### Matvey Shekhovtsov

On 29 December 2022 Mr Shekhovtsov advanced a short-term loan of €20,000 to World Chess Europe GmbH, this loan is unsecured and does not bear interest and remained outstanding at 31 December 2022.

### Group undertakings

The following transactions took place during the year ended 31 December 2022 with and between group undertakings.

	Payments to World Chess PLC	Payments to/ (receipts from) other group undertakings
	€	€
<b>World Chess Events Ltd</b>		
Payment of interest	12,331	-
Purchase of inventory	-	56,153
Sale of inventory	-	(3,823)
Commission paid on third party transactions	-	26,473
Interest received	-	(4,848)
<b>World Chess Europe GmbH</b>		
Payment of interest	7,512	-
Purchase of inventory	-	3,823
Sale of Inventory	-	(56,153)
<b>World Chess US Inc.</b>		
Commission charged on third party transactions	-	(26,473)
Payment of interest	-	4,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following transactions took place during the year ended 31 December 2021 with and between group undertakings.

	Payments to/(receipts from) World Chess PLC €	Payments to/ (receipts from) other group undertakings €
<b>World Chess Russia LLC</b>		
Sale of inventory	-	(133,995)
<b>World Chess Events Ltd</b>		
Payment of interest	10,710	-
Purchase of inventory	-	133,995
Commission paid on third party transactions	56,238	8,562
<b>World Chess US Inc.</b>		
Commission charged on third party transactions	(18,749)	(8,562)
Payment of interest	2,115	-

**Balances at 31 December 2022**

The following balances remained outstanding at 31 December 2022 from and between group undertakings.

	Due to/(from) World Chess PLC €	Due to/(from) other group undertakings €	Total due to/(from) group undertakings €
Ilya Merenzon	(238)	(93,256)	(93,495)
Matvey Shekhovtsov	(2,818)	(24,600)	(27,418)
Group undertakings			
• World Chess Events Ltd	4,044,942	(2,005,174)	2,039,768
• World Chess Europe GmbH	860,253	99,327	959,580
• World Chess US Inc.	(2,783,767)	1,905,848	(877,919)
	<u>2,118,372</u>	<u>(117,855)</u>	<u>2,000,516</u>

**Balances at 31 December 2021**

The following balances remained outstanding at 31 December 2021 from and between group undertakings.

	Due to/(from) World Chess PLC €	Due to/(from) other group undertakings €	Total due to/(from) group undertakings €
Ilya Merenzon	(238)	-	(238)
Group undertakings			
• World Chess Events Ltd	3,214,251	(2,511,790)	702,461
• World Chess Europe GmbH	-	187,072	187,072
• World Chess US Inc.	(2,626,134)	2,300,688	(325,446)
• World Chess Russia LLC	50,079	23,913	73,992
	<u>637,958</u>	<u>(117)</u>	<u>637,841</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**30 ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is Ilya Merenzon by virtue of his shareholding in the Company.

**31 SHARE-BASED PAYMENT TRANSACTIONS**

In exchange for providing collateral for a loan in World Chess Events Limited, the Company granted an option to Algorand Cayman SEZC to convert part or all of the collateral into ordinary shares, the option was exercised in January 2021 and World Chess Plc issued 2,474 shares to Algorand Cayman SEZC for total consideration of 33m Algo's (at the date of conversion this represented €2,060,374).

**32 SUBSEQUENT EVENTS**

On 20 February 2023 Mr Merenzon advanced a short-term loan of €500,000 to World Chess PLC, this loan remains outstanding at 28 April 2023.

On 20 February 2023 Mr Shekhovtsov advanced a short-term loan of €13,000 to World Chess PLC, this loan remains outstanding at 28 April 2023.

On 16 March 2023 Mr Merenzon advanced a short-term loan of €150,000 to World Chess PLC, this loan remains outstanding at 28 April 2023.

On 6 April 2023 the Company issued 49,650,972 new ordinary shares for total cash consideration of €3,475,568 and a further 14,861,840 new ordinary shares on the conversion of a loan totalling €1,040,329.

On 6 April 2023 the entire issued share capital, comprising 666,905,501 ordinary shares were admitted for trading on the Main Market of the London Stock Exchange with ticker symbol CHSSS. The Directors believe this will help to build the Company's profile, create value for Shareholders and improve the Company's ability to raise further capital over the coming years to support its growth strategy. The Directors further believe that the reputation of the Main Market for regulation and good governance structures will improve the Company's international visibility and reputation helping it to achieve its strategy.

**33 PRIOR YEAR ADJUSTMENT**

During the year the Directors reassessed the accounting treatment of the crypto-assets which previously had been included within cash and cash equivalents on the Consolidated Statement of Financial Position at 31 December 2021. The Directors concluded that in accordance with IAS 1, IFRS 13, IAS 2, IAS 8, and IAS 38 the correct accounting treatment was to treat them as intangible assets. This resulted in a reduction of cash and cash equivalents previously reported in the Consolidated Statement of Financial Position at 31 December 2021 from €1,520,599 to €152,689 and an increase in intangible assets from €2,381,445 to €3,749,355.

In 2021 a prior year adjustment was made to correct bookkeeping errors from 2018 and 2019. Income of €1,412,016 for sponsorship should have been recognised as; €100,000 in 2019, €606,608 in 2021 and €706,008 in 2022.