CITY INTERACTIVE S.A.

ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD FROM
JANUARY 1 TO DECEMBER 31, 2010

Warsaw, April 30, 2011

I.Notes to the financial statements for the period from January 1 to December 31, 2010

1. Information on the Company

a) CITY INTERACTIVE S.A. was registered on July 1, 2007 as a result of transforming CITY INTERACTIVE Sp. z o.o. through a notarial deed, notary's register A 2682/2007, dated May 16, 2007. The Company's registered office is located in Warsaw at ul. Żupnicza 17.

b) The Company is entered into the Register of Companies under entry no. KRS 0000282076. The entry was made by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register.

c) The main subject of the Company's operations is the production, release and distribution of computer games.

d) In accordance with the articles of association, the duration of the Company's operations is unlimited.

e) During 2010 the Members of the Company's Management Board were:

- Marek Tymiński – President from January 1 to December 31, 2010
- Artur Winiarski – Member from January 1 to December 31, 2010

f) During 2010 the composition of the Company's Supervisory Board remained unchanged from the previous year:

- Krzysztof Sroczyński – President from January 1 to December 31, 2010
- Lech Tymiński – Member from January 1 to December 31, 2010
- Marek Dworak – Member from January 1 to December 31, 2010
- Grzegorz Leszczyński – Member from January 1 to December 31, 2010
- Tadeusz Kistryn – Member from January 1 to November 9, 2010
- Tomasz Litwiniuk – Member from November 9 to December 31, 2010

g) The Company is the parent of the Group, which draws up consolidated financial statements. The following associates are members of the Group:

- CITY INTERACTIVE PERU S.A.C.
- CITY INTERACTIVE GERMANY GmbH
- CITY INTERACTIVE USA Inc.
- CITY INTERACTIVE SPAIN S.L
- CITY INTERACTIVE JOGOS ELECTRONICOS LTDA
- CITY INTERACTIVE MEXICO S.A. de C.V.
- CITY INTERACTIVE STUDIO Ltd.
- CITY INTERACTIVE UK, Ltd.
- BUSINESS AREA Sp. z o.o.
- CITY INTERACTIVE CANADA Inc.

2. Basis for presentation and preparation of the financial statements

a) The financial statements cover the period from January 1 to December 31 2010. Comparative data covers the period from January 1 to December 31, 2009 and as at December 31, 2009 (balance sheet) and the entire year 2009 (statement of changes in equity).

b) The financial statements were drawn up in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS).

c) The financial statements were drawn up on the assumption that the business will continue as a going concern in the foreseeable future and that no events will occur posing a threat to its status as a going concern.

3. Adopted accounting principles

a) Application of the International Accounting Standards

The financial statements were drawn up in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the European Union ("EU") and interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) applicable in the business conducted by the Company and binding in annual reporting periods commencing January 1, 2007, together with the requirements of the Ordinance of the Minister of Finance of February 19, 2009 concerning current and periodical information provided by issuers of securities and the terms and conditions for information required by the provisions of law of a non-member state being recognized as equivalent (Polish Journal of Laws no. 33, item 259).

The financial statements for the period from January 1 to December 31, 2010 are subsequent financial statements prepared in accordance with IAS/IFRS. Comparative data for the period from January 1 to December 31, 2009 is sourced from the financial statements prepared in accordance with IAS/IFRS. IAS/IFRS were adopted on January 1, 2007.

b) Basis for preparing the financial statements

Data in the financial statements has been given in Polish zloty, which is the presentation currency and functional currency.

The financial statements were drawn up on historical cost basis. The financial statements were drawn up on historical cost basis. Preparation of financial statements in accordance with IAS/IFRS requires that the Management Board provide professional judgments, estimates and assumptions which have an impact on the adopted principles and the value of assets, liabilities, revenues and costs presented. Estimates and associated assumptions are based on previous experience and other factors which are acknowledged as rational in given circumstances and their results provide a basis for professional judgment concerning the carrying amount of assets and liabilities which does not directly result from their sources. Actual values may differ from estimates.

Estimates and associated assumptions are subject to systematic verification. Change in assumptions is recognized in the period in which these have been made.

The principles of the accounting policy presented below were applied in relation to all periods presented in the submitted financial statements.

c) Property, plant and equipment

(i) Own property, plant and equipment

Property, plant and equipment are fixed assets which are retained to be used in the production process or in supplying goods and providing services, in order for them to be handed over to other entities for use pursuant to a rental agreement and where there is expectation that they will not be used for longer than one period.

Costs borne at a later time are included in the carrying amount of an asset or are indicated as a separate asset only if it is probable that the Company will achieve future economic benefit connected with such asset and the purchase price for a given item may be measured reliably. Expenses for repair and maintenance are recognized in the profit and loss statement in the period in which they were borne. The cost of production is augmented by fees and for defined assets by the costs of external finance capitalized in accordance with the principles defined in the Company's accounting policy.

Depreciation concerning such fixed assets commences at the moment they are commissioned. Each new fixed asset must, in as far as possible, be broken down into separate components and depreciated as a separate asset.

Fixed assets under construction intended for production, lease or administrative purposes, as well as for undefined purposes, are presented in the balance sheet at cost of manufacture less impairment.

Profit or loss arising from disposal / liquidation or suspension of the use of fixed assets is defined as the difference between revenues from disposal and the net value of such fixed assets and are included in the profit and loss statement.

Land – the right of perpetual usufruct of plots of land is presented at purchase price.

The Company does not amortize rights to perpetual usufruct of land. Depreciation rates have been established with consideration to the period of economic usefulness of fixed assets.

Property, plant and equipment items are depreciated using the straight-line method with the following rates:

- technical equipment and machinery: 20-60%,
- other fixed assets: 20%.

(ii) Property, plant and equipment used pursuant to lease agreements

Leases are classified as finance leases if in principle the terms and conditions of the agreement transfer all potential ownership benefits and risk to the lessee. All other types of leases are treated as operating leases.

Assets used pursuant to a finance lease agreement are treated as the Company's assets and are measured at fair value as of the moment of their acquisition, although at a level not exceeding the value of their current minimum lease payments.

Liability towards the lessor arising on this account is presented in the balance sheet under finance lease liabilities.

Lease payments are divided into interest and principal. Financial costs are recognized in the profit and loss statement.

(iii) Subsequent expenses

Costs aimed at exchange of separate components of an element of property, plant and equipment borne in a subsequent period are capitalized. Other costs are capitalized only if they can reliably be measured and increase future economic benefits connected with a fixed asset. Other expenses are systematically recognized in the profit and loss statement.

d) Intangible assets

(i) Intangible assets

The Company recognizes intangible assets only when:

a) it is probable that the future economic benefits that are attributable to the assets will flow to the Company, and

b) the purchase price or cost of production of a given asset may be measured reliably.

An intangible asset is initially valued at purchase price or cost of production. Intangible assets are subject to amortization. Amortization rates have been established with consideration to the period of economic usefulness of intangible assets.

Intangible assets are amortized using the straight-line method with the following rates:
- licenses: 20%-90%.
- computer software: 50%.

Expenses on R&D work are recognized as costs at the moment they are borne.

Costs of R&D works borne before the commencement of production or application of new technological solutions are classified as intangible assets if the Company can prove the following:
- the possibility, from a technical point of view, to complete an intangible asset so that it is suitable for use or sale,
- the intent to complete an intangible asset and to use or sell it,
- the capacity to use or sell an intangible asset,
- the means in which an intangible asset will create potential economic benefits. Amongst others, the Company should prove the existence of a market for products arising due to the intangible asset or the asset itself or – if the asset is to be used by the entity – the usefulness of the intangible asset,
- the availability of appropriate technical, financial and other resources which are to serve completion of R&D works and the use or sale of the intangible asset,
- the possibility to establish outlays borne during R&D works which may be assigned to such intangible asset.

The costs of R&D works with a useful life assumed in advance are subject to amortization. Amortization write-offs commence as of the date when a given asset is ready for use, whereas they end at the moment when a given asset is allocated for sale or ceases to be included in the accounts.

The amortization period is equal to the period of economic usefulness of a resource held. The adopted amortization period and method for the costs of R&D works are verified at least as at the end of the financial year. Costs of R&D works are amortized during the anticipated period of achieving revenues from sale of a product, however not longer than 3 years.

The Company does not amortize the costs of R&D works with an undefined useful life. Intangible assets with undefined useful life are subject to an annual impairment test, in application of the guidelines of IAS 36 "Impairment of Assets".

(ii) Impairment

At the end of each reporting period the Company reviews fixed assets in order to confirm that there have been no circumstances indicating the possibility of their impairment.

In the event of such circumstance existing, the recoverable amount of a given asset is estimated in order to establish a potential write-down.

In a situation where an asset does not generate cash flows which are to a large extent independent of cash flows generated by other assets, analysis is carried out for the Company of assets generating cash flows to which a given asset belongs.

In the case of intangible assets with a defined useful life, the impairment test is carried out both annually and in the event of circumstances indicating the possibility of impairment. The recoverable amount is established as the higher of two values: fair value less costs to sell, or its value in use. This final amount corresponds to the current value of estimated future discounted cash flows using a discount rate taking into consideration the present value of money and asset-specific risk.

If the recoverable amount is lower than the net book value of an asset (or Company of assets), the book value is decreased to the recoverable amount.

Impairment loss is recognized as a cost in the period it occurred, with the exception of a situation where an asset has been recognized at restated value (in this case the impairment is treated as a decrease in the previous restatement).

At the moment where the impairment is subject to subsequent reversal, the net value of the asset (or Company of assets) is increased to the new estimated recoverable amount, however not higher than the net value of such asset as it would have been established had impairment not been identified in previous years.

Reversal of impairment is recognized in revenues in as far as the asset has not been subject to prior estimation – in this event reversal of impairment is recorded in the revaluation provision.

e) Investments

Investments other than property, intangible and financial assets are recognized at purchase price, less impairment.
Investments recognized at historical cost expressed in a foreign currency as at the end of the reporting period are valued using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period.

f) Trade and other receivables

Current trade and other receivables are valued at repayment value in as far as the effect of charging interest is not significant. Otherwise receivables are initially recognized at fair value and subsequently valued at amortized cost in application of the effective interest rate. In accordance with the principle adopted by the Company, receivables with maturity of longer than 180 days are subject to discounting.

g) Inventory

The initial value (cost) of inventories includes all costs (acquisition, production, etc.) borne in connection with bringing inventories to their current location and condition.

The purchase price of inventories includes the purchase price increased by import duty and other taxes (not subject to subsequent refund from tax authorities), costs of transport, loading, unloading and other costs directly connected with the acquisition of inventories, decreased by discounts, rebates and other similar reductions.

Inventories are measured at initial value (purchase price or cost of production) or at net sale price depending on which is lower.

In relation to other inventories, costs are established using the first in, first out (FIFO) method.

Inventory write-downs

Write-downs on current property, plant and equipment items connected with their impairment or valuation as at the end of the reporting period correspond to their own cost of purchase (IASA).

h) Cash and cash equivalents

Cash and cash equivalents include cash at hand and bank deposits on demand. Short-term investments which are not subject to significant change in value, which may be easily exchanged for a defined amount of cash and which constitute a part of the Company's liquidity management policy are recognized as cash and cash equivalents for the purposes of the statement of cash flows.

i) Financial instruments

Financial assets and liabilities are recognized in the balance sheet at the moment when the Company becomes a party to a binding agreement.

The Company classifies each agreement which results in simultaneous occurrence of a financial asset with one party and a financial liability or equity instrument with the other party as a financial instrument, on condition that unambiguous economic effects result from a contract executed between two or more parties.

In accordance with IAS 39, the Company classifies financial instruments as:

a) instruments held for trading (at fair value through profit or loss) – financial assets or liabilities which have been acquired or have arisen in order to generate profit achieved due to short-time price fluctuations,

b) financial instruments held to maturity – financial assets with fixed or determinable payments or fixed maturity dates, which the Company has the intent and capability to hold to maturity, carried at amortized cost with application of the effective interest rate method, with the exception of loans granted by associates and own debt claims, valued using the effective interest method,

c) available-for-sale financial instruments – financial assets other than loans granted and own receivables, assets held to maturity or financial assets not held for trading. Carried at fair value,

d) loans and receivables – non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. At initial recognition, the Company values financial assets and liabilities at purchase cost (price), i.e. according to the fair value of the payment made in the case of assets, or the amount received in the case of liabilities.

The Company includes transaction costs in the initial value of all financial assets and liabilities.

Differences in restatement and revenues achieved or costs borne appropriate to classification of a financial asset are recognized in profit or loss or the revaluation provision as available-for-sale financial assets, respectively.

Principles for valuation of financial instruments as at the end of the reporting period. The Company makes valuation at amortized costs, with consideration of the effective interest rate of:
- assets held to maturity,
- loans granted and receivables, and
- other financial liabilities not classified as held for trading.

Valuation may also take place:
- at the amount requiring payment if the discount effect is not significant,
- at the amount requiring payment: receivables and liabilities with short maturity period,
- at fair value: financial assets and liabilities held for trading and available-for-sale financial assets.

Changes in the fair value of financial assets held for trading not being part of hedges are recognized as finance income or costs when they arise.

Interests in other entities are valued at purchase price less impairment.

j) Share capital

Share capital has been recorded at the nominal value of issued and registered shares.

(i) Purchase of own shares

In the event of purchase of own shares, the payment amount, together with direct transaction costs, is recorded as a change in equity. Purchased shares are recorded as a decrease in equity.

Dividends

Dividends are recognized as a liability in the period in which they are authorized.

k) Provisions

Provisions are liabilities of uncertain time and amount. Company companies create provisions when all of the following conditions are met simultaneously:

the companies are burdened with an existing obligation (legal or constructive) resulting from future events,
- it is probable that fulfillment of an obligation will result in necessary outflow of resources (payment),
- the amount of such obligation can be reliably estimated.

The Company creates the following provisions for liabilities:
- deferred income tax provision created in connection with the occurrence of positive differences between the book value of assets and liabilities and their tax value,
- provisions for employee benefits – provisions for pension gratuities are calculated based on own estimates, however with regard to the low average age of employees and the insignificant value of the provision resulting from this, there is currently no provision created,
- other provisions.

Release of unused provisions occurs as at the date on which they are acknowledged as unnecessary.

l) Payables

Trade and other payables are recognized at amortized cost.

m) Revenues

Revenue from sale of products and services includes sale of products manufactured by the Company to which it has exclusive license rights for their production or has purchased a license for release and distribution, together with services provided by the Company to other entities.

Revenue from sale of goods for resale and materials includes sale of products which have been purchased and are held for further sale in a non-processed form, together with sale of materials for manufacture.

Revenue from sale of products and goods for resale is recognized if the following conditions are met:

- the Company has transferred significant risk and benefits resulting from the right of ownership of goods for resale and products to the purchaser,
- the Company ceases to be permanently involved in managing the sale of goods for resale or products to the extent that such function is usually exercised in relation to goods for resale and products to which there is right of ownership, and it does not exercise effective control over them,
- the revenue amounts may be measured reliably,
- it is probable that the Company will achieve economic benefits from the transaction,
- costs borne and those which will be borne by the Company in connection with the transaction may be valued in a reliable manner.

Revenue is recognized if achievement by the Company of economic benefits connected with the executed transaction is probable.
If there is uncertainty regarding the collectability of an amount due which is already counted as revenue, then the uncollectible amount in relation to which achievement has ceased to be probable is recognized as costs and not as a correction of the initially recognized revenue amount.

Revenue from sale is recognized at the fair value of payments received or due and represents receivables for products, goods for resale and services supplied under normal business activity after decrease by discounts, VAT and other sales-related taxes.

Revenue from interest is recognized cumulatively in relation to the principal amount, in accordance with the effective interest rate method on lease.

n) Costs

The Company draws up a consolidated profit and loss statement in multiple-step format. Costs are classified in accordance with their function.

(i) Payments for finance leases

Lease payments are divided into a part constituting the cost of finance and a part decreasing the liability. The part constituting the cost of finance is allocated to specific periods during the term of the lease applying the effective interest rate method.

(ii) Net borrowing costs

Net borrowing costs include interest payable on debt, established on the basis of the effective interest rate, interest due on funds invested by the Company, dividends due, foreign exchange gains and losses and profit and loss concerning collateralized instruments which are recognized in the profit and loss statement.

Revenue from interest is recorded in the profit and loss statement on an accrual basis applying the effective interest rate. Income from dividends is recognized in the profit and loss statement at the moment when the Company acquires the right to receipt thereof. The part constituting the cost of finance arising in connection with finance lease fees is indicated in the profit and loss statement applying the effective interest rate method.

o) Tax

Obligatory encumbrances on the result include current tax (CIT) and deferred tax.
The current tax obligation is calculated on the basis of the tax result (basis for taxation) for a given financial year. Tax for the current and previous periods is recognized as a liability in the amount which has not been paid.

Tax profit (loss) differs from net book profit (loss) in connection with the exclusion of revenues subject to taxation and tax-deductible expenses in subsequent years and items of cost and revenue which will never be subject to taxation.

Deferred tax is calculated using the balance sheet method as tax subject to payment or refund in the future on the difference between the carrying amounts of assets and liabilities and the corresponding tax values used to calculate the basis for taxation.

Deferred income tax assets and provisions for deferred income tax are valued with application of tax rates which will be applied, according to predictions, if an asset is realized or a provision liquidated, adopting the basis as the tax rates (and tax regulations) legally in force or actually binding as at the end of the reporting period.

A deferred tax asset is subject to analysis as at the end of the reporting period, and in the event of it being expected that future tax profits will be insufficient to realize an asset or part thereof, it is written off. Deferred income tax assets and provisions for deferred income tax are not discounted.

Deferred tax is recognized in the profit and loss statement, aside from a situation where it concerns items directly recognized in equity. In this last instance deferred tax is also settled directly in equity. The Company offsets deferred income tax assets with provisions for deferred income tax exclusively when it has an enforceable legal title to offset deferred income tax assets with provisions for deferred income tax.

p) Transactions expressed in foreign currencies

Transactions executed in foreign currencies are translated into the functional currency in application of exchange rates in force on the date of executing such transactions, in the following manner:

- in the case of selling foreign currencies and receivable repayment transactions – using the bid rate applied by the bank used by the Company;
- in the case of purchasing foreign currencies and liability repayment transactions – using the ask rate applied by the bank used by the Company;
- in the case of other transactions – according to the average exchange rate announced for a given currency by the National Bank of Poland in as far as customs documents do not give another exchange rate.

Monetary items recognized at historical cost expressed in a foreign currency are recorded at the end of the reporting period using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period. Non-monetary balance sheet items recorded at historical cost expressed in a foreign currency are recorded in application of the exchange rate as at the date the transaction is executed. Non-monetary balance sheet items recorded at fair value in a foreign currency are recorded in application of the exchange rate in force during establishment of fair value.

Foreign exchange gains and losses resulting from settlement of transactions in foreign currencies and from translation of cash assets and liabilities according to average National Bank of Poland exchange rates as at the end of the year are indicated in the profit and loss statement, with the exception of settlement in equity fulfilling the criteria for recognition of cash flow hedges.

q) Segment reporting

A business segment is a separate part of the Company which deals with the supply of defined products or services (business segment) or supply of products or services in a defined economic environment (geographical segment), which is subject to risks and derives benefits differently to other segments.

CITY INTERACTIVE S.A. presents revenue from sales broken down into the following segments:

- business – covering sales divided into products, goods for resale and services,
- geographical – covering sales divided into the following areas: Europe, America and Asia and Australia.

Revenue from sale of products covers sale of products manufactured by the Company to which it has exclusive license rights for their production or has purchased a license for release and distribution.

Revenue from sale of services covers revenues for services provided by the Company to other entities.
Revenue from sale of goods for resale covers sale of products which have been purchased and are held for further sale in a non-processed form, together with sale of materials for manufacture.

Operating costs are divided as follows:

- direct costs, which may be assigned to a given product or service, or the value of goods for resale or materials sold at purchase price,
- indirect costs, i.e. costs which cannot be directly assigned to a defined product, e.g. administrative, sales and other operating costs.

Segmentation – assignment to specific business segments – concerns direct costs and such part of indirect costs as can be assigned to a given segment.

r) Operations being discontinued and fixed assets held for sale

Immediately before reclassification to the Company of assets held for sale, valuation of assets (or all assets and liabilities constituting a Company held for sale) is updated in accordance with the appropriate IFRS. Subsequently, as at the day of initial classification as held for sale, fixed assets or the Company held for disposal are recognized according to the lower value: carrying amount or fair value less cost to sell.

Impairment identified at initial classification as held for sale is recognized in the profit and loss statement even in the event of value restatement. This also concerns profit and loss resulting from subsequent change in value.

Discontinued operation is a part of the Company's activity which constitutes a separate main business line or geographic segment or is a subsidiary acquired exclusively for further sale. Classification as discontinued operation takes place as a result of disposal or at the moment when the operation fulfills the criteria for classification to the Company held for sale.

4. Change in the accounting principles (transformation of comparative data)

The Company consolidated financial statements for the period from January 1 to December 31, 2010 retain comparability to data from the financial statements for the period from January 1 to December 31, 2009, which were drawn up in accordance with IAS/IFRS.

5. **New standards, interpretations and changes to the standards in force.**

The following new or altered standards and interpretations issued by the International Accounting Standards Board or the IFRS Interpretations Committee were in force from January 1, 2010:

Revised IFRS 3 – Business Combinations, published on January 10, 2008,

Revised IAS 27 – Consolidated and Separate Financial Statements, published on January 10, 2008,

Revised IFRS 1 – First-Time Adoption of International Financial Reporting Standards, published on November 27, 2008,

Revised IFRS 1 – First-Time Adoption of International Financial Reporting Standards, published on July 23, 2009,

Amendment to IAS 39 – Eligible Hedged Items – IAS 39 – Financial Instruments: Recognition and Measurement, published on July 31, 2008,

Amendment of IFRS 2 – Share-Based Payments, published on June 18, 2009,

Improvements to various standards resulting from annual review of the International Financial Reporting Standards (2007-2009 Annual Improvements),

IFRIC 12 – Service Concession Arrangements, issued on November 30, 2006,

IFRIC 15 – Agreements for the Construction of Real Estate, issued on July 3, 2008,

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, issued on July 3, 2008,

IFRIC 17 – Distributions of Non-cash Assets to Owners, issued on November 27, 2008,

IFRIC 18 – Transfers of Assets from Customers, issued on January 29, 2009. The application of the above did not have an impact on the Company's operations and financial statements and only constitute a supplementation of the accounting principles.

5. Selected financial data

Balance sheet data was converted according to the average exchange rate published by the National Bank of Poland as at the date of drawing up the financial statements, which as at the end of the reporting period amounted to:

- as at December 31, 2009 – PLN 4.1082/EUR,
- as at December 31, 2010 – PLN 3.9603/EUR.

Data in the profit and loss statement and statement of cash flows was converted into EUR according to the exchange rate established as an average of the exchange rates published by the National Bank of Poland as at the last day of each month of the year:

- for 2009 – PLN 4.3406/EUR,
- for 2010 – PLN 4.4404/EUR.

	01.01.2010 - 31.12.2010		01.01.2009 - 31.12.2009	
	'000 PLN	'000 EUR	'000 PLN	'000 EUR
Profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**75 540**	**18 864**	**27 108**	**6 245**
Profit (loss) from operating activities	32 866	**8 208**	-14 889	**-3 430**
Gross profit (loss)	31 690	**7 914**	-15 534	**-3 579**
Net profit (loss)	**25 823**	**6 449**	**-12 961**	**-2 986**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	2.04	0.51	-1.02	-0.24
Balance sheet				
Non-current assets	16 372	4 134	14 694	3 577
Current assets	43 230	10 916	20 852	5 076
Total assets	**59 601**	**15 050**	**35 545**	**8 652**
Equity	43 557	10 998	17 755	4 322
Share capital	1 265	319	1 265	308
Liabilities and provisions for liabilities	16 044	4 051	17 791	4 331
Non-current liabilities	201	51	242	59
Current liabilities	15 843	4 000	17 548	4 272
Total equity and liabilities	**59 601**	**15 050**	**35 545**	**8 652**
Statement of cash flows				
Net cash flows from operating activities	27 210	**6 795**	3 671	**846**
Net cash flows from investing activities	-10 132	**-2 530**	-8 448	**-1 946**
Net cash flows from financing activities	-2 896	**-723**	3 839	**884**
Total net cash flows	**14 182**	**3 542**	**-938**	**-216**

BALANCE SHEET

as at December 31, 2010

in PLN

ASSETS		Note	as at Dec 31, 2010	as at Dec 31, 2009 after transition	as at Dec 31, 2009
A.	**NON-CURRENT ASSETS**		**16 371 553.57**	**14 693 830.18**	**14 693 830.18**
	Property, plant and equipment	1	428 060.75	551 779.50	551 779.50
	Intangible assets	2	13 110 418.28	10 269 438.66	10 269 438.66
	Investment property		-	-	-
	Interests in subsidiaries	3	268 098.54	260 009.52	260 009.52
	Non-current assets held for sale		0.00	-	-
	Deferred income tax assets	4	2 564 976.00	3 612 602.50	3 612 602.50
	Other non-current assets		-	-	-
B.	**CURRENT ASSETS**		**43 229 571.97**	**20 851 637.34**	**20 851 637.34**
	Inventory	5	4 285 519.51	4 284 998.11	4 284 998.11
	Short-term investments	6	1 026 115.58	1 482 554.93	1 482 554.93
	Prepayments		1 239 801.96	-	-
	Trade and other receivables	7	19 476 861.06	11 980 450.09	11 980 450.09
	Deferred tax receivables	8	-	386 604.00	386 604.00
	Cash and cash equivalents	9	14 639 825.01	457 759.62	457 759.62
	Other current assets	10	2 561 448.85	2 259 270.59	2 259 270.59
	TOTAL ASSETS		**59 601 125.54**	**35 545 467.52**	**35 545 467.52**

BALANCE SHEET

as at December 31, 2010

continued

A.	**EQUITY**		**43 556 832.30**	**17 754 577.76**	**18 047 198.96**
	Share capital	11	1 265 000.00	1 265 000.00	1 265 000.00
	Share premium	12	4 555 689.15	20 555 689.15	20 555 689.15
	Unregistered capital		-	-	-
	Revaluation provision	13	42 410.50	52 081.58	52 081.58
	Incentive scheme provision	12a	282 550.00	293 675.00	293 675.00
	Provision for buyback of own shares	12b	16 000 000.00	-	-
	Retained earnings	14	21 411 182.65	-4 411 867.97	-4 119 246.77
	Including profit / loss for the period				
B.	**LIABILITIES**		**16 044 293.24**	**17 790 889.76**	**17 498 268.56**
	Total non-current liabilities		**201 436.65**	**242 466.55**	**242 466.55**
	Borrowings including credits, loans and other debt instruments	15	-	-	-
	Provision for employee benefits	18	13 530.00	9 410.17	9 410.17
	Finance lease liabilities	15	54 025.65	86 851.37	86 851.37
	Other long-term provisions		-	-	-
	Deferred income tax provision	4	133 881.00	146 205.01	146 205.01
	Deferred income		-	-	-
	Total current liabilities		**15 842 856.59**	**17 548 423.21**	**17 255 802.01**
	Borrowings including credits, loans and other debt instruments	15	5 022 816.44	7 064 730.86	7 064 730.86
	Income tax liabilities	8	730 222.00	-	-
	Trade and other payables	17	9 202 072.73	8 874 368.69	8 581 747.49
	Finance lease liabilities	15	111 155.42	178 309.34	178 309.34
	Other current provisions	18	776 590.00	-	-
	Deferred income		-	1 431 014.32	1 431 014.32
	Other liabilities		-	-	-
	TOTAL EQUITY AND LIABILITIES		**59 601 125.54**	**35 545 467.52**	**35 545 467.52**

Book value (in PLN)	43 556 832.30	17 754 577.76	18 047 198.96
Number of shares	12 650 000	12 650 000	12 650 000
Book value per share (in PLN)	3.44	1.40	1.43

CONSOLIDATED PROFIT AND LOSS STATEMENT
for the period from January 1 to December 31, 2010
Multiple-step format

in PLN

Description	Note	as at Dec 31, 2010	as at Dec 31, 2009 after transition	as at Dec 31, 2009
Continuing operations				
Net revenue from sale		**75 540 068.71**	**27 108 130.97**	**27 108 130.97**
Revenue from sale of products and services	19, 20	74 869 797.46	26 497 564.98	26 497 564.98
Revenue from sale of goods for resale and materials		670 271.25	610 565.99	610 565.99
Cost of products, goods for resale and services sold		**26 820 130.06**	**20 249 872.50**	**20 148 635.10**
Cost of manufacture of products sold	21, 22	26 112 343.73	19 916 511.52	19 815 274.12
Value of goods for resale and materials sold		707 786.33	333 360.98	333 360.98
Gross profit (loss) on sales (A - B)		**48 719 938.65**	**6 858 258.47**	**6 959 495.87**
Other operating revenues	23	**1 049 227.79**	**636 211.84**	**636 211.84**
Distribution costs	21	**8 272 045.51**	**6 840 563.49**	**6 687 598.77**
Administrative expenses	21	**3 850 341.09**	**4 393 742.38**	**4 355 323.30**
Other operating costs	24	**4 780 740.90**	**11 149 246.42**	**11 149 246.42**
Profit (loss) on operating activities		**32 866 038.94**	**-14 889 081.98**	**-14 596 460.78**
Finance income	25	**53 992.23**	**247 441.42**	**247 441.42**
Finance costs	25	**1 230 112.06**	**891 944.92**	**891 944.92**
Profit (loss) before tax		**31 689 919.11**	**-15 533 585.48**	**-15 240 964.28**
Income tax	26	**5 866 868.49**	**-2 572 986.17**	**-2 572 986.17**
Profit (loss) on continuing operations		**25 823 050.62**	**-12 960 599.31**	**-12 667 978.11**
Discontinued operations				
Loss on discontinued operations		**-**	**-**	**-**
NET PROFIT (LOSS)		**25 823 050.62**	**-12 960 599.31**	**-12 667 978.11**

Net profit (loss)	25 823 050.62	-12 960 599.31	-12 667 978.11
Number of ordinary shares	12 650 000	12 650 000	12 650 000
Profit (loss) per ordinary share (in PLN)	2.04	-1.02	-1.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period from January 1 to December 31, 2010

in PLN

DESCRIPTION	for the period Jan 1- Dec 31, 2010	for the period Jan 1 - Dec 31, 2009 after transition	for the period Jan 1 - Dec 31, 2009
Net profit (loss) for the year	**25 823 050.62**	**-12 960 600.31**	**-12 667 978.11**
Other total gross comprehensive income:	-9 671.08	-7 411.12	-7 411.12
Result of financial asset valuations	-9 671.08	-7 411.12	-7 411.12
Cash flow hedges (gross including tax)	-	-	-
Gain on revaluation of properties	-	-	-
Current losses / profits on specific pension benefit plans	-	-	-
Share of total other profits of associates	-	-	-
Income tax on elements of other total income	-	-	-
Other comprehensive income after tax (net, in accordance with the balance sheet)	-	-	-
Total comprehensive income for the year	**25 813 379.54**	**-12 968 011.43**	**-12 675 389.23**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period from January 1 to December 31, 2010

in PLN

		Share capital	Share premium	Provision for buyback of shares	Revaluation provision	Provision for an incentive scheme	Retained earnings	Total equity
1.	**Balance as at January 1, 2009**	**1 254 000.00**	**20 456 689.15**	-	**59 492.70**	**-**	**8 548 731.34**	**30 318 913.19**
2.	Changes in the accounting principles (policies)	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2009, after transition**	**1 254 000.00**	**20 456 689.15**	-	**59 492.70**	**-**	**8 548 731.34**	**30 318 913.19**
Changes in equity in 2009 (AFTER TRANSITION)								
4.	Profit (loss) for the period	-	-	-	-	-	-12 667 978.11	-12 667 978.11
5.	Acquisition / disposal of own shares	-	-	-	-	-	-	-
6.	Dividend payment to shareholders	-	-	-	-	-	-	-
7.	Share issue	11 000.00	99 000.00	-	-	293 675.00	-	403 675.00
8.	Share issue costs	-	-	-	-	-	-	-
9.	Profit distribution	-	-	-	-	-	-	-
10.	Decreases due to revaluation	-	-	-	-7 411.12	-	-	-7 411.12
Balance as at December 31, 2009		**1 265 000,00**	**20 555 689.15**	-	**52 081.58**	**293 675.00**	**-4 119 246.77**	**18 047 198.96**
1.	**Balance as at January 1, 2010**	**1 265 000.00**	**20 555 689.15**	-	**52 081.58**	**293 675.00**	**-4 119 246.77**	**18 047 198.96**
2.	Opening balance transition	-	-	-	-	-	-292 621.20	-292 621.20
3.	**Balance as at January 1, 2010 after transition**	**1 265 000.00**	**20 555 689.15**	-	**52 081.58**	**293 675.00**	**-4 411 867.97**	**17 754 577.76**
Changes in equity in 2010								
4.	Profit (loss) for the period	-	-	-	-	-	25 823 050.62	25 823 050.62
5.	Acquisition / disposal of own shares	-	-	-	-	-	-	-
6.	Creation of provision for acquisition of own shares	-	-16 000 000.00	16 000 000.00	-	-	-	-
7.	Dividend payment to shareholders	-	-	-	-	-	-	-
8.	Share issue	-	-	-	-	-	-	-
9.	Share issue costs	-	-	-	-	-	-	-
10.	Profit distribution	-	-	-	-	-	-	-
11.	Decreases due to revaluation	-	-	-	-9 671.08	-11 125.00	-	-20 796.08
Balance as at December 31, 2010		**1 265 000,00**	**4 555 689.15**	**16 000 000.00**	**42 410.50**	**282 550.00**	**21 411 182.65**	**43 556 832.30**

Prior-period correction detailed in note 35.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from January 1 to December 31, 2010
indirect method

in PLN

			CONTENT	for the period Jan 1- Dec 31, 2010	for the period Jan 1 - Dec 31, 2009 after transition	for the period Jan 1 - Dec 31, 2009
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**					
	I.	**Gross profit (loss)**		**31 689 919.11**	**-15 533 585.48**	**-15 240 964.28**
	II.	**Total adjustments**		**-4 480 228.82**	**19 204 242.29**	**18 911 621.09**
		1.	Depreciation / amortization	5 960 470.80	10 402 265.47	10 402 265,47
		2.	Fixed asset revaluation	528 202.51	5 363 748.31	5 363 748,31
		3.	Creation (reversal) of revaluations	1 950 623.91	-	-
		4.	Investment revaluation (goodwill)	-	253 907.67	253 907,67
		5.	Gain (loss) on exchange differences	122 234.45	46 821.01	46 821,01
		6.	Gain (loss) on investing activities	-	536 154.75	536 154,75
		7.	Gain (loss) on sale of fixed assets	5 684.41	-77 417.64	-77 417,64
		8.	Interest	612 838.69	419 090.44	419 090,44
		9.	Exclusion of derivatives (forward contracts)	-360 455.00	-	-
		10.	Change in receivables	-8 312 974.22	5 177 439.09	5 177 439,09
		11.	Change in inventories	-521.40	-713 493.32	-713 493,32
		12.	Change in trade and other payables	442 859.72	-288 899.51	-288 899,51
		13.	Change in provisions and liabilities for employee benefits	4 119.83	-31 260.83	-31 260,83
		14.	Incentive scheme	-11 125.00	293 675.00	293 675,00
		15.	Tax paid	-3 698 552.00	-386 604.00	-386 604,00
		16.	Adjustment to 2009 result	-1 431 014.32	-2 083 805.35	-2 083 805,35
		17.	Adjustment to 2008 result	-292 621.20	292 621.20	-
	III.	**Net cash flows from operating activities**		**27 209 690.29**	**3 670 656.81**	**3 670 656.81**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from January 1 to December 31, 2010
indirect method

		CONTENT	for the period Jan 1- Dec 31, 2010	for the period Jan 1 - Dec 31, 2009 after transition	for the period Jan 1 - Dec 31, 2009
B.		**CASH FLOWS FROM INVESTING ACTIVITIES**			
	1.	Proceeds from sale of property, plant and equipment and intangible assets	-	125 729.51	125 729.51
	2.	Proceeds from sale of financial assets	-	2 127 385.50	2 127 385.50
	3.	Repayment of borrowings	1 276 769.85	1 364 307.94	1 364 307.94
	4.	Interest received	20 620.73	120 194.79	120 194.79
	6.	Other finance income	-	114 983.82	114 983.82
	8.	Cash outflows on acquisition of property, plant and equipment and intangible assets	-1 212 322.15	-2 291 667.12	-2 291 667.12
	10.	Cash outflows on acquisition of subsidiaries	-8 794.00	-	-
	11.	Cash outflows on R&D	-9 640 746.92	-8 168 158.99	-8 168 158.99
	12.	Cash outflows on loans granted	-449 653.00	-1 840 330.25	-1 840 330.25
	13.	Other expenditures	-117 888.24	-	-
		Net cash from investing activities	**-10 132 013,73**	**-8 447 554.80**	**-8 447 554.80**
C.		**CASH FLOWS FROM FINANCING ACTIVITIES**			
	1.	Net proceeds from issue of shares and other equity instruments	-	-	-
	2.	Incurrence of borrowings	2 742 818.33	14 030 934.50	14 030 934.50
	3.	Issue of debt securities	-	5 000 000.00	5 000 000.00
	4.	Dividends and other payments to the owners	-	-	-
	5.	Borrowings granted	-	-	-
	6.	Expenditures on borrowings repayment	-4 786 643.53	-14 534 147.73	-14 534 147.73
	7.	Buy-back of debt securities	-	-	-
	8.	Payment of liabilities under finance lease agreements	-214 551.49	-160 839.06	-160 839.06
	9.	Interest	-631 838.77	-464 454.42	-464 454.42
	10.	Other finance costs	-5 395.71	-32 588.96	-32 588.96
		Net cash from financing activities	**-2 895 611.17**	**3 838 904.33**	**3 838 904.33**
D.		**TOTAL NET CASH FLOWS**	**14 182 065.39**	**-937 993.66**	**-937 993.66**
E.		**BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:**	**14 182 065.39**	**-937 993.66**	**-937 993.66**
E.		**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD**	**457 759.62**	**1 395 753.28**	**1 395 753.28**
F.		**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**14 639 825.01**	**457 759.62**	**457 759.62**

Note 1

Changes in plant, property and equipment by type

in PLN

	Land (including the right of perpetual usufruct of plots of land)	Buildings, premises and civil and water engineering structures	Technical equipment and machinery	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	Advances on PP&E under construction	Total
Gross value as at January 1, 2009	-	-	**1 470 152.71**	**621 631.75**	**163 072.33**	-	-	**2 254 856.79**
Increases:	-	-	74 477.27	-	5 552.24	-	-	80 029.51
- acquisition	-	-	74 477.27	-	5 552.24	-	-	80 029.51
- contribution in kind	-	-	-	-	-	-	-	-
- leases	-	-	-	-	-	-	-	-
- transfer	-	-	-	-	-	-	-	-
- revaluation	-	-	-	-	-	-	-	-
Decreases:	-	-	80 251.23	222 694.61	-	-	-	302 945.84
- sale	-	-	5 249.92	210 000.00	-	-	-	215 249.92
- liquidation	-	-	75 001.31	-	-	-	-	75 001.31
- transfer	-	-	-	-	-	-	-	-
- revaluation	-	-	-	12 694.61	-	-	-	12 694.61
Gross value as at December 31, 2009	-	-	**1 464 378.75**	**398 937.14**	**168 624.57**	-	-	**2 031 940.46**
Redemption as at January 1, 2009	-	-	**644 296.00**	**244 522.18**	**89 069.82**	-	-	**977 888.00**
Increases:	-	-	487 338.18	202 103.08	42 313.47	-	-	731 754.73
- revaluation	-	-	-	-	-	-	-	-
- depreciation	-	-	487 338.18	202 103.08	42 313.47	-	-	731 754.73
- transfer	-	-	-	-	-	-	-	-
Decreases:	-	-	65 481.80	163 999.97	-	-	-	229 481.77
- sale	-	-	2 938.08	163 999.97	-	-	-	166 938.05
- liquidation	-	-	62 543.72	-	-	-	-	62 543.72
- transfer	-	-	-	-	-	-	-	-
Redemption as at December 31, 2009	-	-	**1 066 152.38**	**282 625.29**	**131 383.29**	-	-	**1 480 160.96**
Net value								
As at January 1, 2009	-	-	**825 856.71**	**377 109.57**	**74 002.51**	-	-	**1 276 968.79**
As at December 31, 2009	-	-	**398 226.37**	**116 311.85**	**37 241.28**	-	-	**551 779.50**

	Land (including the right of perpetual usufruct of plots of land)	Buildings, premises and civil and water engineering structures	Technical equipment and machinery	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	Advances on PP&E under construction	Total
Gross value as at January 1, 2010	-	-	**1 464 378.75**	**398 937.14**	**168 624.57**	-	-	**2 031 940.46**
Increases:	-	-	184 166.25	122 160.65	2 336.07	-	-	**308 662.97**
- acquisition	-	-	184 166.25	23 800.00	2 336.07	-	-	**210 302.32**
- leases	-	-	-	98 360.65	-	-	-	**98 360.65**
- transfer	-	-	-	-	-	-	-	-
- revaluation	-	-	-	-	-	-	-	-
Decreases:	-	-	10 513.00	-	-	-	-	**10 513.00**
- sale	-	-	10 513.00	-	-	-	-	**10 513.00**
- liquidation	-	-	-	-	-	-	-	-
- transfer	-	-	-	-	-	-	-	-
Gross value as at December 31, 2010	-	-	**1 638 032.00**	**521 097.79**	**170 960.64**	-	-	**2 330 090.43**
Redemption as at January 1, 2010	-	-	**1 066 152.38**	**282 625.29**	**131 383.29**	-	-	**1 480 160.96**
Increases:	-	-	321 672.70	92 367.86	12 656.75	-	-	**426 697.31**
- revaluation	-	-	-	-	-	-	-	-
- depreciation	-	-	321 672.70	92 367.86	12 656.75	-	-	**426 697.31**
- transfer	-	-	-	-	-	-	-	-
- revaluation	-	-	-	-	-	-	-	-
Decreases:	-	-	4 828.59	-	-	-	-	**4 828.59**
- sale	-	-	4 828.59	-	-	-	-	**4 828.59**
- liquidation	-	-	-	-	-	-	-	-
- transfer	-	-	-	-	-	-	-	-
Redemption as at December 31, 2010	-	-	**1 382 996.49**	**374 993.15**	**144 040.04**	-	-	**1 902 029.68**
Net value								-
As at January 1, 2010	-	-	**398 226.37**	**116 311.85**	**37 241.28**	-	-	**551 779.50**
As at December 31, 2010	-	-	**255 035.51**	**146 104.64**	**26 920.60**	-	-	**428 060.75**

Note 2

Changes in intangible assets by type

in PLN

	Costs of completed R&D work	Goodwill	Author's copyrights, related rights, licenses, concessions	Rights to inventions, patents, trademarks, design patents and ornamental designs	Rights to press titles	Other intangible assets	Advances on intangible assets	Total
Gross value as at January 1, 2009	**15 235 626.97**	-	**4 144 265.37**	-	**51 000.00**	**1 327 555.65**	**1 010 443.36**	**21 768 891.35**
Increases:	8 962 631.72	-	2 115 151.67	-	-	50 437.42	2 076 918.09	13 205 138.90
- acquisition	8 962 631.72	-	2 115 151.67	-	-	50 437.42	2 076 918.09	13 205 138.90
- transfer	-	-	-	-	-	-	-	-
- leases	-	-	-	-	-	-	-	-
Decreases:	4 401 817.21	-	851 363.49	-	-	3 575.16	2 196 525.28	7 453 281.14
- sale	-	-	-	-	-	-	-	-
- liquidation (discontinued investment)	-	-	-	-	-	3 575.16	81 373.61	84 948.77
- transfer	-	-	-	-	-	-	2 115 151.67	2 115 151.67
- impairment charge	4 401 817.21	-	851 363.49	-	-	-	-	5 253 180.70
Gross value as at December 31, 2009	**19 796 441.48**	-	**5 408 053.55**	-	**51 000.00**	**1 374 417.91**	**890 836.17**	**27 520 749.11**
Redemption as at January 1, 2009	**3 758 829.68**	-	**2 522 910.18**	-	**17 000.00**	**571 402.58**	-	**6 870 142.44**
Increases:	8 094 873.61	-	1 900 680.06	-	10 200.00	378 989.50	-	10 384 743.17
- depreciation	8 094 873.61	-	1 900 680.06	-	10 200.00	378 989.50	-	10 384 743.17
- transfer	-	-	-	-	-	-	-	-
- contribution in kind	-	-	-	-	-	-	-	-
Decreases:	-	-	-	-	-	3 575.16	-	3 575.16
- liquidation	-	-	-	-	-	3 575.16	-	3 575.16
- transfer	-	-	-	-	-	-	-	-
Redemption as at December 31, 2009	**11 853 703.29**	-	**4 423 590.24**	-	**27 200.00**	**946 816.92**	-	**17 251 310.45**
Net value								
As at January 1, 2009	**11 476 797.29**	-	**1 621 355.19**	-	**34 000.00**	**756 153.07**	**1 010 443.36**	**14 898 748.91**
As at December 31, 2009	**7 942 738.19**	-	**984 463.31**	-	**23 800.00**	**427 600.99**	**890 836.17**	**10 269 438.66**

	Costs of completed R&D work	Goodwill	Author's copyrights, related rights, licenses, concessions	Rights to inventions, patents, trademarks, design patents and ornamental designs	Rights to press titles	Other intangible assets	Advances on intangible assets	Total
Gross value as at January 1, 2010	**19 796 441.48**	**-**	**5 408 053.55**	**-**	**51 000.00**	**1 374 417.91**	**890 836.17**	**27 520 749.11**
Increases:	9 429 800.91	-	1 163 867.71	-	-	136 438.50	861 131.12	11 591 238.24
- acquisition	9 429 800.91	-	1 163 867.71	-	-	136 438.50	861 131.12	11 591 238.24
- transfer	-	-	-	-	-	-	-	-
- leases	-	-	-	-	-	-	-	-
Decreases:	1 499 977.80	-	-	-	-	-	1 333 785.19	2 833 762.99
- sale	-	-	-	-	-	-	-	-
- liquidation (discontinued investment)	-	-	-	-	-	-	-	-
- transfer	-	-	-	-	-	-	1 333 785.19	1 333 785.19
- impairment charge	1 499 977.80	-	-	-	-	-	-	1 499 977.80
Gross value as at December 31, 2010	**27 726 264.59**	**-**	**6 571 921.26**	**-**	**51 000.00**	**1 510 856.41**	**418 182.10**	**36 278 224.36**
Redemption as at January 1, 2010	**11 853 703.29**	**-**	**4 423 590.24**	**-**	**27 200.00**	**946 816.92**	**-**	**17 251 310.45**
Increases:	4 544 267.78	-	1 169 910.38	-	10 200.00	192 117.47	-	5 916 495.63
- depreciation	4 544 267.78	-	1 169 910.38	-	10 200.00	192 117.47	-	5 916 495.63
- transfer	-	-	-	-	-	-	-	-
- contribution in kind	-	-	-	-	-	-	-	-
Decreases:	-	-	-	-	-	-	-	-
- transfer	-	-	-	-	-	-	-	-
Redemption as at December 31, 2010	**16 397 971.07**	**-**	**5 593 500.62**	**-**	**37 400.00**	**1 138 934.39**	**-**	**23 167 806.08**
Net value								
As at January 1, 2010	**7 942 738.19**	**-**	**984 463.31**	**-**	**23 800.00**	**427 600.99**	**890 836.17**	**10 269 438.66**
As at December 31, 2010	**11 328 293.52**	**-**	**978 420.64**	**-**	**13 600.00**	**371 922.02**	**418 182.10**	**13 110 418.28**

Note 3

Interests in subsidiaries

Item	as at December 31, 2010	as at December 31, 2009
City Interactive Peru (5.940 PEN)	2 489 174.61	5 638.25
City Interactive Germany (25.000 EUR)	99 007.50	102 705.00
City Interactive USA (50.000 USD)	148 205.00	142 515.00
City Interactive Spain (3.600 EUR)	12 092.04	14 789.52
City Interactive Brazil (90.000 BRL)	105 750.66	114 318.00
City Interactive Mexico (47.500 MXN)	10 621.00	10 188.75
Business Area Sp. z o.o.	8 794.00	-
Net financial property:	**2 873 644.81**	**390 154.52**
Revaluation	**-2 605 546.27**	**-130 145.00**
including: City Interactive Peru	-2 489 174.61	-5 638.25
City Interactive Brazil	-105 750.66	-114 318.00
City Interactive Mexico	-10 621.00	-10 188.75
Gross non-current financial assets	**268 098.54**	**260 009.52**

Significant figures relating to subsidiaries as at December 31, 2009

Company	Assets	Payables	Revenue	Profit
City Interactive Germany	290 144	280 471	267 692	70 129
City Interactive USA	9 440 738	9 599 815	29 987 159	954 936
Business Area	228 213	421 567	12 870 974	-198 354

As at December 31, 2010 the parent held:
99% interest CITY INTERACTIVE Peru S.A.C.
100% interest w CITY INTERACTIVE Germany GmbH
100% interest w CITY INTERACTIVE USA Inc.
100% interest w CITY INTERACTIVE Spain S.L.
100% interest w CITY INTERACTIVE UK Ltd
90% interest w CITY INTERACTIVE Jogos Electronicos Ltda. (the remaining 10% held by City Interactive USA Inc.)
95% interest w CITY INTERACTIVE MEXICO S.A., de C.V. (the remaining 5% held by CITY INTERACTIVE USA Inc.)
100% interest w BUSINESS AREA Sp.z o.o.

Note 4

Deferred tax asset and provision

Deferred tax asset

Item	as at December 31, 2010	as at December 31, 2009
1. Deferred income tax assets at the beginning of period	**3 612 602.50**	**1 263 515.48**
including:		
recorded in profit/loss	3 612 602.50	1 263 515.48
Increases:	**2 564 976.00**	**3 612 602.50**
- recorded in profit/loss	2 564 976.00	3 612 602.50
including:		
negative exchange differences charged	-	100 954.01
Provision for expenses	150 123.00	19 798.09
Receivables revaluation	935 156.00	1 214 401.36
Revaluation of shares	472 030.00	-
Tax value of leased fixed assets	8 147.00	18 821.34
Variance resulting from different recognition of balance sheet amortization / depreciation from tax amortization / depreciation	299 776.00	1 201 570.30
Bond interest – not paid	4 334.00	-
Tax loss	410 410.00	785 165.40
Deferred revenue, result of 2009 error correction	-	271 892.00
Provision for returns	285 000.00	-
Decreases:	3 612 602.50	1 263 515.48
- recorded in profit/loss	3 612 602.50	1 263 515.48
1. Deferred income tax assets as at the end of period	**2 564 976.00**	**3 612 602.50**

Provision for deferred tax

Item	as at December 31, 2010	as at December 31, 2009
1. Deferred income tax assets at the beginning of period	**146 205.01**	**370 104.16**
including:		
recorded in profit/loss	146 205.01	370 104.16
Increases:	**133 881.00**	**146 205.01**
including:	133 881.00	146 205.01
interest charged on borrowings		
interest charged on deposits	3 080.00	2 656.23
positive exchange differences charged	2 679.00	-
Costs related to provision for returns	90 122.00	143 548.78
Decreases:	38 000.00	-
- recorded in profit/loss	146 205.01	370 104.16
1. Deferred income tax assets as at the end of period	146 205.01	370 104.16
1. Deferred income tax assets at the beginning of	**133 881.00**	**146 205.01**

period		

Note 5

Inventory

Item	as at December 31, 2010	as at December 31, 2009
Materials	828 972.30	352 522.73
Finished products	3 435 679.02	3 800 231.88
Goods for resale	113 718.98	132 243.50
Total gross inventory	**4 378 370.30**	**4 284 998.11**
Revaluation	**-92 850.79**	**-**
Total net inventory	**4 285 519.51**	**4 284 998.11**

Note 5a
Aging of inventory as at December 31, 2010

0-90 days	**2 830 890.85**
91-180 days	**338 194.53**
180-360 days	**385 985.27**
over 360 days	**823 299.65**
revaluation	**- 92 850.79**
TOTAL	**4 285 519.51**

Note 6

Short-term investments

Item	as at December 31, 2010	as at December 31, 2009
Borrowings granted	953 604.69	3 796 166.92
Revaluation	-287 944.11	-2 313 611.99
Derivative instruments Forward contracts Measurement as at the end of the reporting period.	360 455.00	-
Total	**1 026 115.58**	**1 482 554.93**

A detailed description of forward contracts is contained in note 39 – "Information on risk factors" in the point concerning currency risk.

Description of borrowings granted:

Borrower	Amount in foreign currency granted as at December 31, 2010	Total contractual amount	Repayment date	Interest due charged
City Interactive Germany GmbH	EUR 31 657,97	EUR 200 000	31.03.2011	EUR 1 650.34
Roy Campbell	PLN 89 000.00	PLN 90 000	30.06.2010	-
Marcin Kwaśnica	PLN 300 000.00	PLN 300 000	30.08.2011	PLN 4 537.00
Artur Winiarski	PLN 100 000.00	PLN 100 000	06.10.2011	PLN 1 096.00

The Company recognized an impairment charge on receivables under a loan granted to subsidiary CITY INTERACTIVE SPAIN S.L. in connection with the adoption by the Management Board on November 13, 2009 of a Resolution concerning abandonment of the operational development of CITY INTERACTIVE SPAIN S.L. A loss of PLN 61 805.09 is likely. The Company created a revaluation write-down amounting to PLN 258 558.79. For these same reasons an impairment charge of PLN 29 385.32 was recognized in connection with a loan granted to subsidiary City Interactive Mexico S.A. de C.V. The total value of impairment charges on this asset amounts to PLN 283 292.99.
A PLN 2 016 784.92 loan granted to City Interactive Peru S.A.C., completely covered by an impairment charge, was transferred to the subsidiary's primary capital and as such is transferred to the item "Interests in subsidiaries" in non-current assets. The carrying value of this item amounts to zero.

Note 7

Trade receivables and advances paid

Item	as at Dec 31, 2010	as at Dec 31, 2009
Trade receivables from related parties	11 050 256.15	5 624 691.17
Trade receivables from other entities	13 060 535.06	10 433 733.05
up to 12 months	13 060 535.06	10 433 733.05
over 12 months	-	-
Total net trade receivables	**24 110 791.21**	**16 058 424.22**
Trade receivables revaluation	**-4 633 930.15**	**-4 077 974.13**
Gross trade receivables	**19 476 861.06**	**11 980 450.09**

Item	as at Dec 31, 2010	as at Dec 31, 2009
Advances paid	1 239 801.96	-

In the majority of contracts entered into by the Company the payment deadline for finished goods is established as between 30 and 90 days.

Note 7a
Aging of gross trade receivables

	as at 31.12.2010	as at 31.12.2009
not overdue	11 800 195.96	8 055 199.31
overdue	12 310 595.25	8 003 225.00
including:		
1-30 days	2 964 167.81	903 400.64
31-90 days	865 903.24	2 059 654.11
91-180 days	3 551 795.79	1 930 542.04
> 180 days	4 928 728.41	3 109 628.21
revaluation	-4 633 930.15	-4 077 974.13
	19 476 861.06	**11 980 450.18**

Note 7b

Currency structure of trade receivables

Currency		as at December 31, 2010	as at December 31, 2009
in PLN	PLN	2 996 900.85	1 407 077.82
in foreign currency	AUD	-	90 000.00
	CZK	594 393.71	1 462 919.42
	EUR	2 050 523.93	2 170 952.03
	GBP	957 798.28	345 492.57
	HUF	512 861.07	-
	USD	3 360 649.51	1 338 755.12

Note 8

Deferred tax receivables

Item	as at December 31, 2010	as at December 31, 2009
- from legal entities	-	386 604,00
- from natural persons	-	-
Total	**-**	**386 604,00**

Income tax liabilities

Item	as at December 31, 2010	as at December 31, 2009
- from legal entities	730 222.00	-
- from natural persons	30 570.00	32 327.00
Total	**760 792.00**	**32 327.00**

Note 9

Cash and cash equivalents

Item	as at December 31, 2010	as at December 31, 2009
Bank accounts (current accounts)	377 637.30	34 214.75
Short-term deposits	13 463 835.15	422 816.80
Cash at hand	3 465.04	728.07
Deposited forward contracts	794 887.52	-
Loans in the current account	-	-457 743.24
Cash and cash equivalents, value recognized in the statement of cash flows	**14 639 825.01**	**457 759.62**

Note 9a

Cash and cash equivalents – currency structure

Currency		as at December 31, 2010	as at December 31, 2009
in PLN	PLN	12 534 549.51	256 550.76
	EUR	188 853.07	46 869.73
	GBP	64 429.79	74.86
	CZK	-	32.06
	USD	358 079.39	2 912.05

Note 10

Other current assets

Item	as at 31.12.2010	as at 31.12.2009
tax receivables (including VAT excluding corporate income tax)	2 132 434.30	1 839 016.94
settlements with employees concerning salaries	-	14.40
other settlements with employees	117 788.63	181 021.69
settlements with shareholders	25 250.00	-
deposits	35 396.31	35 512.94
other settlements	1 058.48	93 979.74
prepaid expenses	249 521.13	109 724.88
including:		
- property and personal insurance	75 702.27	71 179.75
- subscriptions	21 900.62	10 247.25
- other	151 918.24	28 297.88
Total	**2 561 448.85**	**2 259 270.59**

Note 11

Share capital

As at 31 December 2010 share capital comprised four share series as follows:

Series	Type of shares	Number of shares	Nominal amount of the series (in PLN)	Method of payment for shares	Registration date	Right to dividend (from date)
A	ordinary bearer shares	10 000 000	1 000 000	paid in	01.06.2007	01.01.2007
B	ordinary bearer shares	40 000	4 000	paid in	10.08.2008	01.01.2007
C	ordinary bearer shares	2 500 000	250 000	paid in	17.12.2008	01.01.2007
D	ordinary bearer shares	110 000	11 000	paid in	09.10.2009	01.01.2009
	total	12 650 000	1 265 000			

Total number of shares	12 650 000
Total share capital	1 265 000
Nominal value of one share (in PLN)	0.10

Shareholders holding at least 5% of votes at the General Meeting of Shareholders as at 31 December 2010 and total other shareholders:

Description	number of shares held	number of votes held	% share in share capital
Marek Tymiński	6 480 794	51.23%	51.23%
Total others	6 169 206	48.77%	48.77%

Authorization for a conditional increase in equity

On November 8, 2010 the Company's General Meeting passed a resolution concerning conditional increase in share capital through the issue of series E shares and the exclusion of the subscription right for series E shares. Resolution no. 4 was adopted in connection with resolution no. 3 of the Company's Extraordinary General Meeting of Shareholders of November 8, 2010 concerning adoption of an incentive scheme for City Interactive Company executives.
The conditional increase in share capital by PLN 15 000.00 will be executed through issue of not more than 150 000 series E ordinary bearer shares of a nominal value of PLN 0.10.

Note 12

Share premium

Equity covers the level of issue price excess above the nominal value for series B, C and D shares:

Series	Number of shares	Nominal value (in PLN)	Price	Premium for the series (in PLN)
B	40 000	0,10	1,00	36 000.00
C	2 500 000	0,10	9,00	22 250 000.00
D	110 000	0,10	1,00	99 000.00

I.	Excess of purchase price over nominal value of shares		22 385 000.00
II.	Decrease due to C series share issue costs		-1 829 310.85
		as at December 1, 2010	**20 555 689.15**
III.	Changes during the reporting period.		
	Transfer to reserve capital.		-16 000 000.00
		as at December 31, 2010	**4 555 689.15**

Note 12a

Incentive scheme provision

Valuation date	Series	Number of shares	Nominal value in PLN	Price in PLN	Award date	Date from which the valuation rate for the scheme is adopted	Valuation rate - PLN	Value of capital - PLN
31.12.2010	D	85 000	0,10	1.00	30.10.2009	30.10.2009	3.780	236 300.00
	D	25 000	0,10	1.00	25.01.2010	25.01.2010	2.850	46 250.00
					Incentive scheme provision			282 550,00
31.12.2009	D	85 000	0.10	1.00	30.10.2009	30.10.2009	3.780	236 300.00
	D	25 000	0.10	1.00	25.01.2010	31.12.2009	3.295	57 375.00
					Incentive scheme provision			293 675,00

Valuation of services rendered was performed pursuant to the fair value of the capital instrument acknowledged.

Implementation of an incentive scheme during the reporting period

In connection with the Resolution of the Company's Extraordinary General Meeting of November 8, 2010 concerning adoption of an incentive scheme for Company executives, the Issuer's Management Board is considering commencement of incentive scheme cost settlement after registration of the conditional capital increase (a description of the conditional capital increase can be found in note 11) and after confirmation by selected executives of participation in the incentive scheme.

Note 12b

Own share purchase provision

Created through the resolution of the Extraordinary General Meeting of City Interactive S.A. of November 8, 2010 in connection with a resolution of this same day concerning authorization for purchase by the Company of its own shares. Provision created through transfer from the Company's capital reserve, i.e. from amounts which, in accordance with art. 348, par. 1 of the Polish Commercial Companies Code, may be allocated for distribution between shareholders.

Level of the provision for purchase of own shares as at 31 December 2010: 16 000 000.00

Note 13

Revaluation provision

item	as at 31.12.2010	as at 31.12.2009
City Interactive Peru	-	831.01
City Interactive Germany	6 625.00	10 322.50
City Interactive USA	35 785.50	30 095.50
City Interactive Spain	-	2 697.48
City Interactive Brazil	-	8 567.34
City Interactive Mexico	-	-432.25
Total	**42 410.50**	**52 081.58**

Note 14

Retained earnings

item	as at 31.12.2010	as at 31.12.2009 after transition	as at 31.12.2009
As at the beginning of period	**-4 119 246.77**	**8 548 731.34**	**8 548 731.34**
Correction of 2009 error	-292 621.20	-	-
Increases:	25 823 050.62	-12 960 599.31	-12 667 978.11
Profit/loss for the period	25 823 050.62	-12 960 599.31	-12 667 978.11
Decreases:	-	-	-
Revaluation provision	-	-	-
As at the end of period	**21 411 182.65**	**-4 411 867.97**	**-4 119 246.77**

Note 15

Borrowings including credits, loans and other debt instruments

Non-current liabilities	as at 31.12.2010	as at 31.12.2009
Borrowings	-	-
Debt security liabilities	-	-
Finance lease liabilities - non-current part	54 025.65	86 851.37
Total	**54 025.65**	**86 851.37**

Note 15

Borrowings including credits, loans and other debt instruments

Current liabilities	**as at 31.12.2010**	**as at 31.12.2009**
Loan in current account	-	457 743.24
Current part of borrowings	-	1 580 686.25
Debt security liabilities	5 022 816.44	5 026 301.37
Finance lease liabilities - current part	111 155.42	178 309.34
Total	**5 133 971.86**	**7 243 040.20**

Note 15a

Liabilities under financial leasing – principal payments

	as at 31.12.2010	**as at 31.12.2009**
up to 1 month	17 243.81	14 529.73
1 - 3 months	35 368.43	30 003.61
3 - 6 months	33 872.98	44 400.61
6 - 12 months	24 670.20	89 375.39
1 - 5 years	54 025.65	86 851.37
Total	**165 181.07**	**265 160.71**

Note 15b

Information on borrowings incurred

The Parent's liabilities under bank loans as at 1 January 2010 amounted to a total of PLN 2 038 429.49. These consist of: a loan for financing purchases within a revolving credit limit and for financing a PLN 1 580 686.25 VAT refund together with current amount credit used amounting to PLN 457 743.24.

The Parent incurred these liabilities pursuant to loan agreement no. CRD/29013/08 and credit limit agreement no. CRD/L/29007/00 of September 24, 2008, entered into with Raiffeisen Bank Polska S.A. Pursuant to annex no. 3 to credit agreement no. 6 to the credit facility agreement of October 29, 2009, the total credit limit in the preceding period of the agreement's term amounted to PLN 3 800 000.

On November 12, 2010 the Management Board of the Company received annexes 4 and 7, duly signed by the other party, terminating credit agreements with Raiffeisen Bank Polska S.A. Under such annexes the following terms and conditions are amended: the final maturity for the facility and revolving credit was changed from February 28, 2011 to November 10, 2010, the repayment was timely made, as agreed and thus the Issuer discharged all its credit liabilities.
Collateral for the above loan / limit was also freed, such collateral being in the form of transferring debt claims due to the Company from customers and a registered pledge on stocks held in the Company's warehouse, established in accordance with the registered pledge agreement entered into between the Issuer and Raiffeisen Bank Polska S.A.
The Issuer's subsidiaries did not hold liabilities under loans during the reporting period.

Note 15c

Information on debt security liabilities

In Q3 2009 the parent issued bonds in the total amount of PLN 5 m. Bond par value was PLN 50 000. The issued bonds carry a 12% annual rate of interest. The bonds matured on September 16, 2010 and on the same date the parent issued series B bonds in the total amount of PLN 5 m. Series B bonds were issued in order to roll over series A bonds, i.e. in order to replace series A bonds to be redeemed for newly issued, series B, so that the aggregate level of obligations contracted by the Issuer remained unchanged.

The issued bonds are bearer securities in a certificated form. The issue includes 100 (hundred) series B bonds with the total par value of PLN 5 000 000 (five million zloty). The issue price of one series B bond is PLN 50 000 (fifty thousand zloty).

Redemption of series B bonds is scheduled for March 16, 2011. Series B bonds carry interest at a variable rate: in the first interest period (i.e. from the issue date until December 16, 2010) the interest rate will equal 3M WIBOR rate, as published on September 14, 2010, plus a 6.5% margin. In the second interest period (i.e. from December 16, 2010 until the redemption date) the interest rate will equal 3M WIBOR rate, as published on December 14, 2010, plus a 6.5% margin.

Interest will be payable on interest payment dates, i.e. December 16, 2010 and March 16, 2011. Of the above, PLN 128 647 has been repaid as of December 16, 2010.
As of December 31, 2010, accrued undue interest on bonds amounted to PLN 22 816.44.

The bonds were redeemed by the parent on March 16, 2011.

Note 16

Provisions for employee benefits

Provisions for employee benefits cover costs falling on equivalents connected with unused annual leave as at December 31, 2010. The provisions were established at a level of 20% of the total of such benefits which employees would be entitled to as at this date.
With regard to the low average employee age, pension provisions and the resulting insignificant level of the provision was not amortized.

Note 17

Trade and other payables

item	as at 31.12.2010	as at 31.12.2009 after transition	as at 31.12.2009
Trade payables to related parties	496 209.87	24 958.80	24 958.80
Trade payables to other entities	8 205 381.74	8 194 130.41	7 901 509.21
up to 12 months	8 205 381.74	8 194 130.41	7 901 509.21
over 12 months	-	-	-
Tax liabilities excluding corporate income tax	358 429.52	426 586.68	426 586.68
Other payables	72 712.23	151 258.43	151 258.43
Special funds (Workplace Social Benefits Fund)	69 339.37	77 434.37	77 434.37
Total	**9 202 072.73**	**8 874 368.69**	**8 581 747.49**

Nota 17 a

Aging of trade payables

	as at 31.12.2010	as at 31.12.2009 after transition	as at 31.12.2010
not overdue	5 206 341.41	1 909 191.14	1 616 569.94
overdue	3 495 250.20	6 309 898.07	6 309 898.07
including:			
1-30 days	1 088 357.81	1 781 055.63	1 781 055.63
31-60 days	281 957.40	1 073 293.56	1 073 293.56
61-90 days	363 832.92	537 955.06	537 955.06
91-180 days	491 468.50	1 161 252.68	1 161 252.68
> 180 days	1 269 633.57	1 756 341.14	1 756 341.14
	8 701 591.61	**8 219 089.21**	**7 926 468.01**

Note 18

Other current provisions

item	as at 31.12.2010	as at 31.12.2009
Provision for audit of financial statements	22 800.00	-
Non-invoiced expense provision	753 790.00	-
Total	**776 590.00**	**-**

item	as at 31.12.2010	as at 31.12.2009
Provision for returns - revenue decrease	1 500 000.00	1 500 000.00
Decrease of costs related to the provision for returns	-200 000.00	-300 000.00
Total	**1 300 000.00**	**1 200 000.00**

Note 19
Net revenue from sale of products, goods for resale and materials
(product structure – by activity type)

Description	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
a) Sales of products	68 141 358.81	26 144 955.14
- including related parties	33 822 490.02	5 427 661.28
b) Sales of goods and materials	670 271.25	610 565.99
- including related parties	-	-
c) license sales	6 660 526.65	2 849 734.12
- including related parties	-	-
TOTAL	**75 540 068.71**	**27 108 130.97**

Note 20

Net revenue from sales of products (geographical structure)

Revenue geographical structure	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Country	18 343 330.09	7 219 972.77
- including related parties	12 870 979.78	-
Export	57 196 738.62	19 888 158.20
- including related parties	20 951 510.24	5 427 661.28
TOTAL	**75 540 068.71**	**27 108 130.97**

Revenue geographical structure	for the period from 01.01.2010 to 31.12.2010	for the period January 1, 2009 to December 31, 2009
AMERICA	26 149 869.59	4 861 793.85
ASIA AND AUSTRALIA	3 580 209.25	1 017 700.43
EUROPE	45 778 511.47	21 228 636.69
AFRICA	31 478.40	-
TOTAL	**75 540 068.71**	**27 108 130.97**

Note 21

Costs by nature

item	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009 after transition	for the period from 01.01.2009 to 31.12.2009
Depreciation/amortization	5 960 470.80	10 402 265.47	10 402 265.47
Use of materials and energy	643 947.89	882 261.55	784 814.15
Third-party services	14 705 157.66	7 430 805.77	7 258 849.88
Taxes and fees	73 821.54	75 952.74	73 762.74
Employee benefits	1 861 562.34	3 506 538.82	3 506 538.82
Other costs	2 491 798.60	3 328 214.58	3 307 186.67
including:			
Business travel expenses	271 518.00	337 149.41	337 149.41
Advertising costs	454 022.77	1 031 620.34	1 031 620.34
Car maintenance costs	56 665.89	58 816.82	58 816.82
Property and civil insurance costs	93 703.88	126 439.57	126 439.57
Entertainment expenses	100 832.95	161 309.56	161 309.56
Other marketing expenses	975 361.65	528 219.25	528 219.25
Games for entertainment-purposes	70 008.68	107 194.20	107 194.20
Re-invoiced costs	3 490.60	34 550.01	34 550.01
Costs of finished projects	315 424.59	229 719.12	229 719.12
Other expenses	46 796.47	630 753.55	609 725.64
Other non-expensed expenditures	103 973.12	82 442.75	82 442.75
Total costs by nature	**25 736 758.83**	**25 626 038.93**	**25 333 417.73**

Distribution costs	-8 272 045.51	-6 840 563.49	-6 687 598.77
Administrative expenses	-3 850 341.09	-4 393 742.38	-4 355 323.30
Value of products sold	12 497 971.50	5 524 778.46	5 524 778.46
Cost of manufacture of products sold	**26 112 343.73**	**19 916 511.52**	**19 815 274.12**

Note 22

Employee benefits

Item	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Remuneration	1 504 553.18	2 861 419.56
Social security	147 675.75	438 594.13
Other benefits	209 333.41	206 525.13
Total	**1 861 562.34**	**3 506 538.82**

Note 23

Other operating revenues

item	for the period from 01.01.2010 to 31.12.2010	for the period January 1, 2009 to December 31, 2009
Release of receivables impairment charges	455 317.75	25 294.94
Release of other provisions	-	1 963.40
Damages received	218 391.82	50 449.58
Inventory differences	-	207 942.85
Gain on disposal of non-financial assets	-	77 417.64
Liabilities written-off	88 086.01	-
Re-invoicing	4 601.57	34 550.71
Other	282 830.64	238 592.72
Total	**1 049 227.79**	**636 211.84**

Note 24

Other operating costs

item	for the period from 01.01.2010 to 31.12.2010	for the period January 1, 2009 to December 31, 2009
Receivables revaluation	1 583 696.97	3 728 841.07
Inventory differences	123 033.76	-
Liquidation of sub-quality materials (returns)	834 004.24	1 601 929.13
Settlements, contractual penalties, sanctions	333.00	118.66
Loss on disposal of non-financial assets	3 834.41	-
Receivables written-off	117 414.43	-
Court costs	4 131.54	-
Revaluation of intangible assets	1 499 977.80	4 954 170.76
Intangible assets redeemed on a one-off basis	-	299 009.94
Other	614 314.75	565 176.86
Total	**4 780 740.90**	**11 149 246.42**

Note 25

Net finance income / costs

item	for the period from 01.01.2010 to 31.12.2010	for the period January 1, 2009 to December 31, 2009
Finance income		
Interest	53 992.23	84 838.95
Other	-	162 602.47
Total	**53 992.23**	**247 441.42**

item	for the period from 01.01.2010 to 31.12.2010	for the period January 1. 2009 to December 31. 2009
Finance costs		
Interest	739 231.14	529 468.38
Net negative exchange differences	420 219.06	148 048.06
Other	70 661.86	214 428.48
Total	**1 230 112.06**	**891 944.92**

Note 26

Income tax

item	for the period from 01.01.2010 to 31.12.2010	for the period January 1, 2009 to December 31, 2009
Current tax	**4 831 566.00**	-
Current income tax	4 831 566.00	-
Income tax brought forward	-	-
Deferred tax	**1 035 302.49**	**-2 572 986.17**
Income tax in profit or loss	**5 866 868.49**	**-2 572 986.17**

During the reporting period proceedings were in progress before the Supreme Administrative Court in connection with a cassation appeal brought by the Minister of Finance against the ruling of the Provincial Administrative Court in Warsaw of 20 April 2009 (case file no. III SA/Wa 3276/08).

DETAILS OF THE PROCEEDINGS:
On August 8, 2008 the Minister of Finance issued an individual interpretation to the Company (IP-PB3-423-754/08-2/JG), which recognized the Company's position concerning recognition of tax-deductible expenses connected with implementation of a development strategy as incorrect.
In the ruling of April 20, 2009, (Case file no. SA/Wa 3276/08), the Provincial Administrative Court upheld the Company's appeal and overruled the above interpretation.
The Minister of Finance lodged a cassation appeal to the Supreme Administrative Court against the above ruling.
On 9 February 2010 the Supreme Administrative Court overruled the appealed verdict and transferred the case for re-examination to a court of lower resort.
On December 16, 2010, the Provincial Administrative Court in its ruling recognized expenses borne by the Company for increasing share capital as essential expenses connected with acquisition of revenues pursuant to the provisions of the corporate income tax act.

On January 24, 2011 a resolution of seven judges of the Supreme Administrative Court (ref. II FPS 6/10) was adopted, recognizing all expenses indirectly connected with increasing share capital as tax-deductible expenses. The resolution was adopted in a specific administrative court case. It does however have an impact on further rulings issued by administrative courts on the same subject.

Note 27

Effective tax rate

item	for the period from 01.01.2010 to 31.12.2010	for the period from 01.01.2009 to 31.12.2009
Profit/loss before tax	31 689 919.11	-15 240 964.28
Tax based on the binding tax rate	4 831 566.00	-
Costs not constituting tax-deductible expenses	5 025 300.64	12 020 746.14
Increase in tax-deductible expenses	6 777 755.01	1 048 007.69
Non-taxed revenues*	3 872 538.26	2 880 563.73
Revenue increase*	1 524 541.75	2 828 685.66
Effective tax rate	15%	0%

* gross (including tax)

Note 28

Segment information for the period from Jan 1 to Dec 31, 2010

Segments - products	Own products	Licensed products	Goods for resale and materials	Licenses	Distribution	Total
Revenue	83%	5%	1%	9%	2%	100%
Total segment revenues	**62 908 995.45**	**3 861 492.77**	**670 271.25**	**6 660 526.65**	**1 438 782.59**	**75 540 068.71**
Segment revenues	62 908 995.45	3 861 492.77	670 271.25	6 660 526.65	1 438 782.59	75 540 068.71
Total segment direct expenses	**- 23 441 503.83**	**- 1 630 069.74**	**- 760 673.92**	**- 525 547.24**	**- 462 335.33**	**- 26 820 130.06**
Segment cost of sales	- 18 477 684.80	- 1 325 379.59	- 707 786.33	-	- 348 808.54	- 20 859 659.26
Sales margin	**70.63%**	**65.68%**	**-5.60%**	**100.00%**	**75.76%**	**72.39%**
Segment depreciation and amortization	- 4 963 819.03	- 304 690.15	- 52 887.59	- 525 547.24	- 113 526.79	- 5 960 470.80
Other segment direct expenses						
Result	*0.63*	*0.58*	*- 0.13*	*0.92*	*0.68*	*0.64*
Total segment profit (loss)	**39 467 491.62**	**2 231 423.03**	**- 90 402.67**	**6 134 979.41**	**976 447.26**	**48 719 938.65**
Distribution costs and administrative expenses	- 10 095 399.39	- 619 677.86	- 107 562.61	- 1 068 856.31	- 230 890.43	- 12 122 386.60
Other operating revenue / costs	- 3 107 565.90	- 190 749.24	- 33 109.92	- 329 015.35	- 71 072.69	- 3 731 513.11
Profit (loss) from operating activities	26 264 526.34	1 420 995.93	- 231 075.21	4 737 107.75	674 484.14	32 866 038.94
EBITDA	31 228 345.37	1 725 686.08	- 178 187.62	5 262 654.99	788 010.93	38 826 509.74
OR/NS	41.75%	36.80%	-34.47%	71.12%	46.88%	43.51%
Finance income / costs	- 979 563.88	- 60 127.79	- 10 436.88	- 103 711.90	- 22 403.46	- 1 176 243.91
Profit (loss) before tax	26 390 936.70	1 619 933.85	281 185.32	2 794 155.84	603 583.32	31 689 795.03
Income tax	4 885 867.98	299 905.34	52 057.05	517 294.13	111 743.98	5 866 868.49
Net profit (loss) for the financial year	21 505 068.71	1 320 028.51	229 128.27	2 276 861.72	491 839.33	25 822 926.54

Segment information for the period from Jan 1 to Dec 31, 2010

Continued

Assets and liabilities and equity	Own products	Licensed products	Goods for resale and materials	Licenses	Distribution	Total
Non-current and intangible assets	11 274 706.66	692 066.34	120 127.68	1 193 716.16	257 862.19	13 538 479.03
Other non-current assets	2 359 355.46	144 822.44	25 138.03	249 798.14	53 960.48	2 833 074.54
Current assets	36 001 144.73	2 209 829.60	383 578.41	3 811 642.23	823 377.00	43 229 571.97
Total assets	49 635 206.84	3 046 718.37	528 844.12	5 255 156.53	1 135 199.68	**59 601 125.54**
Payables	13 361 523.07	820 159.73	142 361.91	1 414 659.06	305 589.47	16 044 293.24
Equity	36 273 683.78	2 226 558.64	386 482.21	3 840 497.46	829 610.21	43 556 832.30
Total liabilities and equity	49 635 206.84	3 046 718.37	528 844.12	5 255 156.53	1 135 199.68	**59 601 125.54**
Other segment information	**Own products**	**Licensed products**	**Goods for resale and materials**	**Licenses**	**Distribution**	**Total**
Investment expenditures:						
PP&E	175 137.62	10 750.33	1 866.02	18 542.80	4 005.55	210 302.32
Intangible assets	9 653 064.47	592 526.37	102 849.70	1 022 023.84	220 773.85	11 591 238.24
PP&E depreciation	355 349.15	21 812.11	3 786.11	37 622.80	8 127.14	426 697.31
Intangible assets amortization	4 927 196.96	302 442.21	52 497.40	521 669.86	112 689.21	5 916 495.63

Segment information for the period from Jan 1 to Dec 31, 2009

Continued

	Own products	Licensed products	Goods for resale and materials	Licenses	Distribution	Total
Revenue	48%	28%	2%	11%	11%	100%
Total segment revenues	**12 954 451.54**	**7 638 267.37**	**610 565.99**	**2 849 734.42**	**3 055 111.65**	**27 108 130.97**
Segment revenues	12 954 451.54	7 638 267.37	610 565.99	2 849 734.42	3 055 111.65	27 108 130.97
Total segment direct expenses	**-13 535 037.64**	**-4 586 121.47**	**-441 966.04**	**-506 917.23**	**-1 179 830.12**	**-20 249 872.50**
Segment cost of sales	-3 135 800.62	-1 326 729.08	-333 357.18	0.00	-636 379.91	-5 432 266.79
Sales margin	**75.79%**	**82.63%**	**45.40%**	**100.00%**	**79.17%**	**79.96%**
Segment depreciation and amortization	-8 289 233.31	-2 015 279.38	-9 160.51	-42 755.46	-45 836.81	-10 402 265.47
Other segment direct expenses	-2 110 003.71	-1 244 113.02	-99 448.35	-464 161.77	-497 613.40	-4 415 340.24
Result	-0.04	0.40	0.28	0.82	0.61	0.25
Total segment profit (loss)	**-580 586.10**	**3 052 145.90**	**168 599.95**	**2 342 817.19**	**1 875 281.53**	**6 858 258.47**
Distribution costs and administrative expenses	-5 368 657.51	-3 165 494.22	-253 034.23	-1 181 003.15	-1 266 116.75	-11 234 305.87
Other operating revenue / costs	-5 023 975.91	-2 962 261.36	-236 788.78	-1 105 179.72	-1 184 828.80	-10 513 034.58
Profit (loss) from operating activities	**-10 973 219.53**	**-3 075 609.69**	**-321 223.07**	**56 634.32**	**-575 664.02**	**-14 889 081.98**
EBITDA	- 2 683 986.22	- 1 060 330.31	- 312 062.56	99 389.78	- 529 827.21	- 4 486 816.51
OR/NS	-84.71%	-40.27%	-52.61%	1.99%	-18.84%	-54.92%
Finance income / costs	-307 995.76	-181 601.97	-14 516.38	-67 753.24	-72 636.15	-644 503.50
Profit (loss) before tax	**-11 281 215.29**	**-3 257 211.66**	**-335 739.45**	**-11 118.92**	**-648 300.17**	**-15 533 585.48**
Income tax	1 229 580.33	724 991.20	57 952.27	270 484.43	289 977.94	2 572 986.17
Net profit (loss) for the financial year	**-6 193 619.76**	**-3 651 912.52**	**-291 916.15**	**-1 362 479.25**	**-1 460 671.63**	**-12 960 599.31**

Segment information for the period from Jan 1 to Dec 31, 2009

Continued

Assets and liabilities and equity	Own products	Licensed products	Goods for resale and materials	Licenses	Distribution	Total
Non-current and intangible assets	4 855 204.77	1 139 938.41	12 427.92	3 186 975.88	1 626 671.18	10 821 218.16
Other non-current assets	1 850 646.39	1 091 187.22	87 224.21	407 107.22	436 446.99	3 872 612.02
Current assets	9 964 594.23	5 875 373.01	469 648.78	2 192 022.34	2 349 998.98	20 851 637.34
Total assets	**16 670 445.39**	**8 106 498.64**	**569 300.91**	**5 786 105.44**	**4 413 117.14**	**35 545 467.52**
Payables	8 362 084.14	4 930 493.14	394 119.67	1 839 500.42	1 972 071.19	17 498 268.56
Equity	8 624 407.37	5 085 165.45	406 483.42	1 897 206.57	2 033 936.16	18 047 198.96
Total liabilities and equity	**16 986 491.51**	**10 015 658.58**	**800 603.10**	**3 736 706.98**	**4 006 007.35**	**35 545 467.52**
Other segment information	**Own products**	**Licensed products**	**Goods for resale and materials**	**Licenses**	**Distribution**	**Total**
Investment expenditures:						
PP&E	38 244.56	22 549.94	1 802.53	8 413.08	9 019.40	80 029.51
Intangible assets	9 564 444.20	2 938 436.22	65 809.37	307 156.35	329 292.77	13 205 138.90
PP&E depreciation	349 691.43	206 186.78	16 481.57	76 925.50	82 469.44	731 754.73
Intangible assets amortization	4 962 667.93	2 926 112.65	233 899.23	1 091 693.12	1 170 370.24	10 384 743.17

Own products – games created by the Company's own development studios or commissioned based on proprietary ideas
Licensed products – products purchased pursuant to licenses and localized for the markets specified in agreements
Goods and materials – products purchased for further sale not requiring any processing
Licensing – the right for other distributors to release the Company's own ideas in selected markets
Distribution – products released with a newspaper through distribution networks

Allocation in the profit and loss statement

Own costs of sale – this is a real cost in relation to sales achieved
Amortization / depreciation – this is allocated according to the revenue structure in a specific segment and is expanded for all segments
Other direct segment costs – allocated according to the revenue structure
Distribution costs and administrative expenses – allocated according to the revenue structure
Other revenues / operating costs – allocated according to the revenue structure
Finance income / costs – allocated according to the revenue structure
Income tax – allocated according to the revenue structure

Allocation in the balance sheet

Intangible assets – allocated according to the revenue structure
Fixed assets – allocated according to the revenue structure
Other non–current assets – allocated according to the revenue structure
Current assets – allocated according to the revenue structure
Payables – allocated according to the revenue structure
Equity – allocated according to the revenue structure

Other information concerning segments

Investment expenditures on plant, property and equipment – allocated according to the revenue structure
Investment expenditures on intangible assets – allocated according to the revenue structure
Amortization / depreciation – allocated according to the revenue structure

Note 29

Earnings per share

Net earnings per share outstanding as at December 31, 2010 are PLN 2.04.
The above value was calculated based on the number of shares registered.

Note 30

Coverage of 2009 loss. Distribution of the profit from the current reporting period

Coverage of 2009 loss
The Issuer's loss for 2009, amounting to PLN 12 667 978.11 (twelve million, six hundred and sixty-seven thousand, nine hundred and seventy-eight Polish zloty and eleven groszy), was covered from reserve capital through resolution no. 5 of the General Meeting of Shareholders of August 16, 2010.

The Issuer's Management Board recommends that profit from the current reporting period be allocated to the Parent's reserve capital.

Note 31

Contingent payables and receivables

As at December 31, 2010 the Company companies had no contingent payables except promissory notes issued by City Interactive S.A. for the lessors: Raiffeisen Leasing Polska, Volkswagen Leasing Polska and SEB Leasing Polska in order to secure payments under concluded lease agreements.

Note 32
Transactions with related parties

Transactions with CITY INTERACTIVE S.A. Company companies:

	costs	revenues	Receivables on date of incurrence	Valuation as at December 31, 2010	Receivables at balance sheet valuation as at December 31, 2010	Liabilities on date of incurrence	Valuation as at December 31, 2010	Liabilities at balance sheet valuation as at December 31, 2010
City Interactive Germany GmbH	487 364.22	-264 708.93	253 851.16	9 540.98	263 392,14	29 124.65	-409.86	28 714.79
City Interactive USA Inc.	2 391 659.24	21 223 852.62	9 046 020.80	-26 962.16	9 019 058,64	-	-	-
Business Area	1 937 177.49	12 871 067.06	408 115.97		408 115,97	-		-
TOTAL	**4 816 200.95**	**33 830 210.75**	**9 707 987.93**	**-17 421.18**	**9 690 566,75**	**29 124.65**	**-409.86**	**28 714.79**

Transactions with companies linked personally to Mr. Marek Tymiński – majority shareholder in the Company, who directly or indirectly controls the following entities:

	costs	revenues	receivables	liabilities
ATS Sp. z o.o.	1 074 000.00	48 336.55	4 392.00	236 689.68
Premium Food Sp. z o.o.	1 471.78	-	-	-
Premium Food Restaurants S.A.	9 491.73	2 500.00	8 369.30	-
Klub Rybny Sp. z o.o.	981.00	-	-	759.00
Tech Marek Tymiński	-	684.01	-	-
TOTAL	**1 085 944.51**	**51 520.56**	**12 761.30**	**237 448.68**

Transactions with companies personally linked to Members of the Supervisory Board.

	costs	revenues	receivables	liabilities
KS Konsulting Krzysztof Sroczyński	2 700.00	-	-	1 350.00
IDM S.A. (Grzegorz Leszczyński)	100 550.00	-	-	119 745.00
IDEA (Grzegorz Leszczyński)	575 929.27	-	-	5 022 816.44
STELING Marek Dworak	24 000.00	-	-	9 760.00
TOTAL	**703 179.27**	**-**	**-**	**5 153 671.44**

Transactions executed directly with Members of the Management Board

	costs	revenues	receivables	liabilities
Loan - Artur Winiarski	-	1 096,00	101 096,00	-

Note 33

Note to the statement of cash flows

Structure of cash instruments for purposes of the statement of cash flows

	31.12.2010	31.12.2009	change
Cash at hand	3 465.04	728.07	2 736.97
Cash instruments in bank accounts	14 636 359.97	457 031.55	14 179 328.42
Other cash instruments	-	-	-
Other cash assets	-	-	-
	14 639 825.01	457 759.62	14 182 065.39
Current financial assets classified for purposes of the statement of cash flows as cash instruments	-	-	-
Total cash instruments for purposes of the statement of cash flows	**14 639 825.01**	**457 759.62**	**14 182 065.39**

Note 34

Information on risk factors

The Company's operations are connected with risk associated mainly with financial instruments, including receivables, payables and cash and cash equivalents.

Credit risk
The Issuer is financed from equity. The Issuer repaid bank loans and as at the end of the reporting period did not use finance from banks (note 15b).
An additional element which appeared during the entire reporting period was debt financing through issue of bonds, and to a lesser degree leasing. Bonds were redeemed by the Issuer on March 16, 2011 (notes 15a and 15c respectively).

Currency risk
Payables and receivables resulting from current operations mainly occurred in currencies other than Polish zloty, which is the functional and presentational currency. During the current period the Company used revolving credit and factoring in foreign currencies to finance the payables and receivables in the currencies in which these items arose. The Company used payables in currencies other than the functional currency as currency risk collateral under foreign exchange receivables.
The value of the net financial surplus in specific currencies is secured through forward contracts. These contracts are entered into for a maximum period of 6 months and concern sale of the excess in specific currencies. In connection with the above, the Company decided to measure such instruments through profit or loss at fair value. A presentation of open forward contracts together with their valuation as the end of the reporting period can be found in the table below.

	existing currency contracts	initial forward recognition in PLN	fair value as at Dec 31, 2010 in PLN	valuation as at Dec 31, 2010 in PLN	contract maturity date
EUR	200 000.00	791 860.00	792 060.00	-200	03.02.2010
GDP	80 000.00	361 984.00	367 504.00	-5 520.00	03.02.2010
USD	2 000 000.00	6 238 400.00	5 928 200.00	310 200.00	02.06.2010
GDP	250 000.00	1 179 500.00	1 148 450.00	31 050.00	15.06.2010

GDP	250 000.00	1 173 375.00	1 148 450.00	24 925.00	15.06.2010
		BALANCE SHEET VALUATION (finance income)		**360 455.00**	

After recognition at fair value, the net value of forward contracts is presented in the financial statements under "current investments" and is described in note 6.

Interest rate risk
Interest rate risk mainly concerned liabilities under loans and receivables under loans to Company Companies. The amount of interest was dependent on the Libor and Wibor interbank rates and at the same time on interest rate risk within the economy as a whole.

Pricing risk
The Company is protected against potential drops in the value of financial instruments and against the risk of cash flows connected with them decreasing, by operating in many countries and economies. This protects the Company against fluctuations in the economic situation in one market. The Company has introduced new products to its portfolio – console games supplementing the range of PC products and strengthening its competitive advantage. Careful selection of distributors and assessment of their financial conditions has an impact on lowering pricing risk.

Liquidity risk
The Company holds trade receivables and cash and cash equivalents at a level allowing it to finance its liabilities.

Note 35

Correction of prior-period errors

During the reporting period an error was found, consisting of costs amounting to PLN 292 621.20 incurred in 2009 being expenses in the City Interactive S.A. statements.

The amount was considered significant, i.e. resulting in distortion of bottom line in the reporting period, and the entire amount was recorded in profit brought forward.

Comparative data as at December 31, 2009 was converted in the balance sheet table and for the entire preceding reporting period in the profit and loss statement, statement of changes in equity and in the statement of cash flows.
A detailed description of cost items affected by this adjustment can be found in notes 14, 17, 17a, 21 and 28.

Note 36

Employment information

	as at December 31, 2010
	Number of people
blue-collar workers	116
white-collar workers	17
Total employment	**133**

Note 37

Management Board and Supervisory Board Member salaries

Gross amounts.
Salaries paid to Members of the Management Board during the period January 1 – December 31, 2010

Marek Tymiński - President of the Management Board	345 000.00
Artur Winiarski - Member of the Management Board	48 290.31

Salaries paid to Members of the Supervisory Board during the period January 1 – December 31, 2010

Krzysztof Sroczyński - President of the Supervisory Board	45 500.00
Marek Dworak - Member of the Supervisory Board	32 500.00
Grzegorz Leszczyński - Member of the Supervisory Board	32 500.00
Lech Tymiński - Member of the Supervisory Board	32 500.00
Tadeusz Kistryn - Member of the Supervisory Board	30 583.30
Tomasz Litwiniuk - Member of the Supervisory Board	1 916.70

Note 38

Number of shares held by Members of the Management and Supervisory Boards

As at December 31, 2010, Members of the Management Board held the following number of shares in the Company:

Marek Tymiński - President of the Management Board	6 480 794
Artur Winiarski - Member of the Management Board	24 000

As at December 31, 2010, Members of the Supervisory Board held the following quantity of shares in the Company:

Lech Tymiński - Member of the Supervisory Board	9 565

Note 39

Events after the end of the reporting period

On March 16, 2011 the Parent redeemed series B bonds of a nominal value of PLN 5 000 000. Together with redemption, all obligations to bondholders were fulfilled, in particular in relation to interest due.
No other significant events took place after the end of the reporting period having a major impact on the assessment of the company's financial situation as at December 31, 2010.

On March 10, 2011 Member of the Issuer's Management Board Artur Winiarski resigned. On the same day Mr. Wojciech Kutak was appointed to the Management Board.

Artur Winiarski

…………………………………………….
Person drawing up the financial statements

Marek Tymiński	Wojciech Kutak
…………………….	……………………….
President of the Management Board	Member of the Management Board