CITY INTERACTIVE GROUP

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010

Warsaw, April 30, 2011

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

1. Information on the Group

Parent:

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 and Group'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:

Composition of the City Interactive Group as at December 31, 2010:

- **City Interactive S.A.** having its registered office in Warsaw. Share capital of PLN 1 265 000. Group parent.

- **City Interactive Germany GmbH** – a company having its registered office in Frankfurt am Main, Germany. Share capital of EUR 25 000. 100% of shares held by City Interactive S.A. Company subject to consolidation as of the second quarter of 2008.

- **City Interactive USA Inc**. – a company having its registered office in Delaware, USA. Share capital USD 50 000. 100% of shares held by City Interactive S.A. Company subject to consolidation as of the second quarter of 2008.

- **Business Area Spółka z o.o.** – a company having its registered office in Warsaw, included in consolidation from the third quarter of 2010. Share capital: PLN 5 000. 100% interest held by City Interactive S.A.

- **City Interactive Canada Inc.** – a company based in Ontario, Canada, established in October 2010. Share capital: CAD 10.00. 100% of shares held by City Interactive S.A. The company is not subject to consolidation with regard to the fact that its financial results are not significant for assessment of the Issuer's situation.

- **City Interactive Studio Ltd.** – a company based in London, UK, established in December 2010. Share capital: GBP 100.00. 100% of shares held by City Interactive S.A. The company is not subject to consolidation with regard to the fact that its financial results are not significant for assessment of the Issuer's situation.

- **City Interactive UK, Ltd**. – a company having its registered office in Manchester, UK. Founding capital of GBP 100. 100% of shares held by City Interactive S.A. This company is not subject to consolidation with regard to the fact that its financial results are insignificant for assessment of the Issuer's situation.

- **City Interactive Spain S.L.** – a company having its registered office in Madrid, Spain. Share capital of EUR 3 600. 100% of shares held by City Interactive S.A. The company is subject to consolidation as of the fourth quarter of 2008, whereas on January 1, 2010, after recognition of impairment charges on receivables, it was excluded from consolidation.

Furthermore, throughout 2008 the parent acquired shares in the following entities operating in South America and subsequently in 2009 opted out of their further development. These entities are currently not subject to consolidation with regard to discontinuation of their operations and the creation of provisions at the parent level:

- City Interactive Peru SAC (formerly UCRONICS SAC) – a company having its registered office in Lima, Peru. 99% share. Share capital 2 436 650 Sol. The company was subject to consolidation from the date of acquisition of a controlling stake to the end of 2008. The Issuer intends to completely liquidate or dispose of shares in the company.
- City Interactive Jogos Electronicos LTDA – a company having its registered office in Sao Paulo, Brazil. Founding capital of BRL 100 000. 90% share, remaining 10% held by City Interactive USA, Inc.
- City Interactive Mexico S.A. de C.V. – a company having its registered office in Mexico City, Mexico. Founding capital of MXN 50 000. 95% share, remaining 5% held by City Interactive USA, 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 consolidated 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 consolidated financial statements

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

The consolidated financial statements were drawn up on historical cost basis. The consolidated financial statements were drawn up on historical cost basis. Preparation of consolidated 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, as well as in drawing up an opening balance sheet in accordance with IAS/IFRS as at January 1, 2007 for the purposes of transition from Polish accounting principles to reporting compliant with IAS/IFRS.

c) Principles of consolidation

(i) Subsidiaries

The City Interactive Group consolidated financial statements were drawn up applying the acquisition method as the means of accounting for acquisitions at the date of the share

purchase transaction (fully consolidated). In drawing up the consolidated financial statements, the parent combines the financial statements of the parent and subsidiaries through summarizing individual items of assets, liabilities, shares in equity, revenues and costs.
In order to ensure presentation of financial information concerning the Group in the consolidated financial statements as if it constituted a single commercial entity, only the carrying amount of the parent's investments in subsidiaries and such part of the subsidiary's equity as corresponds to the parent's share is presented.
The method applied for conversion of the financial statements of foreign operations depends on the means by which they are financed and the type of business activity conducted in relation to the entity drawing up the financial statements. For this reason, in accordance with IAS 21, entities operating abroad are broken down into: "entities operating abroad, whose operations constitute an integral part of the operations of the entity drawing up the financial statements" and "foreign operations".
For conversion of the financial statements of subsidiaries operating abroad, the aforementioned entities have been classified as "foreign operations" in accordance with IAS 21. After converting the financial statements of foreign operations, in order for these to be included in the financial statements of the entity drawing up the financial statements, the following principles were applied:
- assets and liabilities, both monetary and non-monetary, were converted at the closing rate;
- revenue and cost items of foreign operations were converted at the exchange rate as at the date of executing transactions, with the exception of situations where the foreign operation is drawing up reports in hyper-inflationary economic conditions. In this situation items would be converted at the closing rate. In this situation items would be converted at the closing rate;
- all exchange rate differences are recognized in equity until disposal of the net investment.
The financial results of entities acquired or disposed of during the year are included in the consolidated financial statements from / to the moment of their acquisition or disposal, respectively, if this constitutes significant value for the presented financial statements.
Where necessary, adjustments are made in the financial statements of subsidiaries or associates in order to unify the accounting principles applied by the entity with the principles applied by the parent. All transactions, balances, revenues and costs between related entities covered by consolidation are subject to exclusion.

(ii) Associates, joint ventures

Associates are business entities where the Company exerts significant influence, although does not control their operational and financial policies.
The Company's joint ventures are entities where the Company exercises joint control over their operations pursuant to contractual arrangements.
The consolidated financial statements contain the Group's share of the profits and losses of associates / joint ventures using the equity method, from the moment of acquiring significant influence / joint control until the expiry of such influence / control. The Group also measures the loss in value of shares in the net assets of associates / joint ventures and makes the appropriate revaluation decreases. In the event of the Group's participation in losses exceeding the carrying amount of the associate / joint venture, such amount is reduced to zero and ceases to be recognized in further losses in as far as there is no legal obligation to cover losses or payment has not already been made to cover such liabilities.

Goodwill arising during consolidation results from the occurrence as at the acquisition date of a surplus of the cost of acquiring the entity over the fair value of identifiable assets and liabilities of the subsidiary, associate or joint venture as at the acquisition date.
Goodwill acquired through a merger of commercial entities is not amortized. Goodwill is subject to impairment testing at least once per year. Any impairment is immediately recognized in the profit and loss statement. In disposal of a subsidiary, associate or joint venture, the appropriate part of goodwill is taken into consideration in calculating the profit or loss on disposal.

(iii) Consolidation adjustments

The balance of internal settlements between Group entities, transactions executed within the Group and all unrealized profits or losses resulting thereunder, together with Group revenues and costs, are excluded during the preparation of the consolidated financial statements. Unrealized profits resulting from transactions with associates and joint ventures are excluded from the consolidated financial statements proportionally to the level of the Group's participation in such entities. Unrealized losses are excluded from the consolidated financial statements on the same principles as profits, until the moment when evidence indicating impairment arises.

d) 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 Group 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 Group'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 Group 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 Group'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.

e) Intangible assets

(i) Intangible assets

The Group recognizes intangible assets only when:

a) it is probable that the future economic benefits that are attributable to the assets will flow to the Group, 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 Group 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 Group 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 Group 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 group 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 group 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 group 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.

f) 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.

g) 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 Group, receivables with maturity of longer than 180 days are subject to discounting.

h) 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.

i) 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.

j) Financial instruments

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

The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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.

k) 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.

l) Provisions

Provisions are liabilities of uncertain time and amount. Group 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 Group 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.

m) Payables

Trade and other payables are recognized at amortized cost.

n) Revenues

Revenue from sale of products and services includes sale of products manufactured by the Group 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 Group 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 Group has transferred significant risk and benefits resulting from the right of ownership of goods for resale and products to the purchaser,
- the Group 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 Group will achieve economic benefits from the transaction,
- costs borne and those which will be borne by the Group in connection with the transaction may be valued in a reliable manner.

Revenue is recognized if achievement by the Group 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.

o) Costs

The Group 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 Group, 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 Group 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.

p) 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 Group 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.

q) 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 Group;

- in the case of purchasing foreign currencies and liability repayment transactions – using the ask rate applied by the bank used by the Group;
- 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.

r) Segment reporting

A business segment is a separate part of the Group 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.

The CITY INTERACTIVE S.A. Group 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 Group 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 Group 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.

s) Operations being discontinued and fixed assets held for sale

Immediately before reclassification to the group of assets held for sale, valuation of assets (or all assets and liabilities constituting a group 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 group 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 Group'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 group held for sale.

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

The City Interactive Group 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.

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

The balance sheet data contained in this report have been converted using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period:

as at December 31, 2009 – 4.1082
as at December 31, 2010 – 3.9603

Items in the profit and loss statement and statement of cash flows have been converted into euro according to the average exchange rate, calculated as the arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of each month in a given year:

for the year 2009 – 4.3406
for the year 2010 – 4.4004

	period from 01.01.2010 to Dec 31, 2010		period from 01.01.2009 to Dec 31, 2009	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**89 037**	**22 235**	**29 600**	**6 819**
Profit (loss) from operating activities	34 188	8 538	-15 934	-3 671
Gross profit (loss)	32 543	8 127	-16 590	-3 822
Net profit (loss)	**26 893**	**6 716**	**-13 563**	**-3 125**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	2.13	0.53	-1.07	-0.25
Statement of cash flows				
Net cash flows from operating activities	28 771	7 185	3 416	787
Net cash flows from investing activities	-11 493	-2 870	-8 072	-1 860
Net cash flows from financing activities	-2 888	-721	3 839	884
Total net cash flows	**14 390**	**3 594**	**-817**	**-188**

	period from 01.01.2010 to Dec 31, 2010		period from 01.01.2009 to Dec 31, 2009	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Balance sheet				
Non-current assets	16 789	4 239	14 962	3 642
Current assets	42 828	10 814	20 752	5 051
Total assets	**59 617**	**15 054**	**35 713**	**8 693**
Equity	42 962	10 848	16 805	4 091
Share capital	1 265	319	1 265	308
Liabilities and provisions for liabilities	16 656	4 206	18 908	4 603
Non-current liabilities	201	51	242	59
Current liabilities	16 454	4 155	18 666	4 474
Total equity and liabilities	**59 617**	**15 054**	**35 713**	**8 693**

CONSOLIDATED 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		**16 789 278.47**	**14 961 573.15**	**14 961 573.15**
Property, plant and equipment	1	441 649.67	591 118.14	591 118.14
Intangible assets	2	13 111 040.05	10 272 088.45	10 272 088.45
Goodwill	33	3 794.00	-	-
Investment property		-	-	-
Interests in subsidiaries	3	12 092.04	-	-
Non-current assets held for sale		-	-	-
Deferred income tax assets	4	3 220 702.71	4 098 366.56	4 098 366.56
Other non-current assets	-	-	-	-
B. CURRENT ASSETS		**42 828 162.49**	**20 751 572.09**	**20 751 572.09**
Inventory	5	5 244 459.00	5 518 498.97	5 518 498.97
Short-term investments	6	900 740.52	76 845.18	76 845.18
Prepayments	10	1 249 275.39	-	-
Trade and other receivables	7	17 176 978.57	10 949 158.32	10 949 158.32
Deferred tax receivables	8	32 487.00	386 604.00	386 604.00
Cash and cash equivalents	9	15 521 080.39	1 421 692.29	1 421 692.29
Other current assets	10	2 703 141.62	2 398 773.32	2 398 773.32
TOTAL ASSETS		**59 617 440.96**	**35 713 145.24**	**35 713 145.24**

CONSOLIDATED BALANCE SHEET

as at December 31, 2010

Continued

EQUITY AND LIABILITIES	Note	as at Dec 31, 2010	as at Dec 31, 2009 after transition	as at Dec 31, 2009
A. EQUITY		**42 961 861.81**	**16 804 682.25**	**17 696 257.01**
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
Incentive scheme provision	12a	282 550.00	293 675.00	293 675.00
Revaluation provision		-	-	-
Provision for buyback of own shares	12b	16 000 000.00	-	-
Own shares		-	-	-
Exchange differences on net investments in entities operating abroad	13	3 419.24	92 465.44	92 465.44
Retained earnings	14	20 855 203.42	-5 402 147.35	-4 510 572.59
Equity attributable to the parent		**42 961 861.81**	**16 804 682.25**	**17 696 257.01**
Equity attributable to non-controlling interests		-	-	-
B. LIABILITIES		**16 655 579.15**	**18 908 462.99**	**18 016 888.23**
Total non-current liabilities		**201 442.65**	**242 466.55**	**242 466.55**
Borrowings including credits, loans and other debt instruments		-	-	-
Provision for employee benefits	16	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	133 887.00	146 205.01	146 205.01
Deferred income	15	-	-	-
Total current liabilities		**16 454 136.50**	**18 665 996.44**	**17 774 421.68**
Borrowings including credits, loans and other debt instruments	15	5 133 971.86	7 243 040.20	7 243 040.20
Income tax liabilities	8	730 222.00	-	-
Trade and other payables	17	9 805 382.41	9 979 617.32	9 088 042.56
Other current provisions	18	784 560.23	12 324.60	12 324.60
Deferred income	18	-	1 431 014.32	1 431 014.32
TOTAL EQUITY AND LIABILITIES		**59 617 440,96**	**35 713 145.24**	**35 713 145.24**

Book value (in PLN)	42 961 861.81	16 804 682.25	17 696 257.01
Number of shares	12 650 000	12 650 000	12 650 000
Book value per share (in PLN)	3.40	1.33	1.40

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

in PLN

Description	Note	for the period Jan 1 - Dec 31, 2010	for the period Jan 1 - Dec 31, 2010 after transition	for the period Jan 1 - Dec 31, 2009
Continuing operations				
Net revenue from sale	19, 20	**89 037 339.71**	**29 600 168.37**	**29 600 168.37**
Revenue from sale of products and services		88 367 068.46	28 989 602.38	28 989 602.38
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		**35 884 923.47**	**22 073 351.15**	**21 373 160.19**
Cost of manufacture of products sold	21	35 177 137.14	21 739 990.17	21 039 799.21
Value of goods for resale and materials sold		707 786.33	333 360.98	333 360.98
Gross profit (loss) on sales (A - B)		**53 152 416.24**	**7 526 817.23**	**8 227 008.18**
Other operating revenues	23	1 056 706.20	726 554.61	726 554.61
Distribution costs		10 271 466.78	10 093 730.55	9 940 765.83
Administrative expenses		4 937 855.73	4 662 998.30	4 624 579.22
Other operating costs	24	4 812 154.20	9 430 466.32	9 430 466.32
Profit (loss) on operating activities		**34 187 645.73**	**-15 933 823.33**	**-15 042 248.58**
Finance income	25	48 069.09	234 460.89	234 460.89
Finance costs	25	1 692 919.94	890 696.05	890 696.05
Profit (loss) before tax		**32 542 794.88**	**-16 590 058.50**	**-15 698 483.74**
Income tax	26	5 649 584.73	-3 027 443.19	-3 027 443.19
Profit (loss) on continuing operations		**26 893 210.15**	**-13 562 615.31**	**-12 671 040.56**
Discontinued operations				
Loss on discontinued operations		**-**	**-**	**-**
NET PROFIT (LOSS)		**26 893 210.15**	**-13 562 615.31**	**-12 671 040.56**

Net profit (loss) (in PLN)	26 893 210.15	-13 562 615.31	-12 671 040.56
Number of ordinary shares	12 650 000	12 650 000	12 650 000
Profit (loss) per ordinary share (in PLN)	2.13	-1.07	-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	**26 893 210.15**	**-13 562 615.31**	**-12 671 040.56**
Other total gross comprehensive income:	-89 046.20	302 712.20	302 712.20
Result of financial asset valuations	-89 046.20	302 712.20	302 712.20
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	**26 804 163.95**	**-13 259 903.11**	**-12 368 328.36**

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

in PLN

		Issued capital	Share premium	Provision for buyback of own shares	Net investments in foreign operations	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at January 1, 2010**	**1 265 000.00**	**20 555 689.15**	**-**	**92 465.44**	**293 675.00**	**-4 510 572.59**	**17 696 257.00**
2.	Opening balance transition	-	-	-	-	-	-891 574.76	-891 574.76
3.	**Balance as at January 1, 2010 after transition**	**1 265 000.00**	**20 555 689.15**	**-**	**92 465.44**	**293 675.00**	**-5 402 147.35**	**16 804 682.24**
	Changes in equity in 2010							
4.	Profit (loss) for the period	-	-	-	-	-	26 893 210.15	26 893 210.15
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.	Revaluation	-	-	-	-	-11 125.00	-	- 11 125.00
11.	Increase due to exchange differences on net investments in foreign operations	-	-	-	-89 046.20	-	-	-89 046.20
12.	Reversal of exclusion of margin capitalized in previous periods	-	-	-	-	-	- 243 448.70	-243 448.70
13.	Changes in the group subject to consolidation	-	-	-	-	-	- 392 410.69	-392 410.69
	Balance as at December 31, 2010	**1 265 000 00**	**4 555 689.15**	**16 000 000.00**	**3 419.24**	**282 550.00**	**20 855 203.42**	**42 961 861.82**

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

Continued

		Issued capital	Share premium	Provision for buyback of own shares	Net investments in foreign operations	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at January 1, 2009**	**1 254 000.00**	**20 456 689.15**	**-**	**-210 246.76**	**-**	**8 683 456.42**	**30 183 898.81**
2.	Changes in the accounting principles (policies)	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2009, after transition**	**1 254 000.00**	**20 456 689.15**	**-**	**-210 246.76**	**-**	**8 683 456.42**	**30 183 898.81**
	Changes in equity in 2009 (AFTER TRANSITION)							
4.	Profit (loss) for the period	-	-	-	-	-	-12 671 040.56	-12 671 040.56
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.	Increase due to exchange differences on net investments in foreign operations	-	-	-	302 712.20	-	-	302 712.20
11.	Changes in the group subject to consolidation	-	-	-	-	-	- 522 988.45	-522 988.45
Balance as at December 31, 2009		**1 265 000 00**	**20 555 689.15**		**92 465.44**	**293 675.00**	**-4 510 572.59**	**17 696 257.01**

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)**		**32 542 794.88**	**-16 590 058.50**	**-15 698 483.74**
	II.	**Total adjustments**		**-3 771 755.90**	**20 005 869.80**	**19 114 295.04**
		1.	Depreciation / amortization	5 983 513.83	10 429 710.51	10 429 710.51
		2.	Fixed asset revaluation	528 202.51	-	-
		2.	Creation (reversal) of revaluations	1 950 623.91	3 878 684.41	3 878 684.41
		3.	Investment revaluation (goodwill)	-	8 868.00	8 868.00
		4.	Gain (loss) on exchange differences	142 644.76	194 322.78	194 322.78
		5.	Gain (loss) on investing activities	-	536 154.75	536 154.75
		6.	Gain (loss) on sale of fixed assets	5 684.41	-77 417.64	-77 417.64
		7.	Interest	612 838.69	424 165.96	424 165.96
		8.	Change in receivables	-8 704 989.68	6 309 875.60	6 309 875.60
		9.	Change in inventories	247 734.87	-2 022 733.58	-2 022 733.58
		10.	Change in trade and other payables	2 090 130.53	1 711 010.68	1 711 010.68
		11.	Change in provisions and liabilities for employee benefits	4 119.83	-31 260.83	-31 260.83
		12.	Incentive scheme	-11 125.00	293 675.00	293 675.00
		13.	Other adjustments	-	-68 831.33	-68 831.33
		14.	Reversal of exclusion of margin capitalized in previous periods	-243 448.70	-	-
		15.	Tax paid	-3 698 552.00	-388 123.91	-388 123.91
		16.	Exclusion of derivative instruments valuation	-360 455.00	-	-
		17.	Adjustment to 2009 result	-887 664.54	891 574.76	-
		18.	Adjustment to 2008 result	-1 431 014.32	-2 083 805.35	-2 083 805.35
	III.	**Net cash flows from operating activities**		**28 771 038.98**	**3 415 811.30**	**3 415 811.30**

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

Continued

		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	-	129 830,89	129 830,89
	2.	Proceeds from sale of financial assets	-	2 127 385,50	2 127 385,50
	3.	Repayment of borrowings	-	-	-
	4.	Interest received	-	110 445,59	110 445,59
	6.	Cash outflows on acquisition of subsidiaries	-8 794.00	-	-
	7.	Cash outflows on acquisition of property, plant and equipment and intangible assets	-1 216 462.31	-2 295 103,84	-2 295 103,84
	8.	Payments for purchase of financial assets	-	-	-
	9.	Cash outflows on R&D	-9 640 746.92	-8 168 158,99	-8 168 158,99
	10.	Cash outflows on loans granted	-508 737.60	23 604,26	23 604,26
	11.	Other expenditures	-117 888.24	-	-
		Net cash from investing activities	**-11 492 629 07**	**-8 071 996.59**	**-8 071 996,59**
C.		**CASH FLOWS FROM FINANCING ACTIVITIES**			
	1.	Net proceeds from issue of shares and other equity instruments	5 000.00	-	-
	2.	Incurrence of borrowings	2 745 234.72	14 030 934.50	14 030 934,50
	3.	Issue of debt securities	-	5 000 000.00	5 000 000 00
	4.	Acquisition of own shares	-	-	-
	5.	Dividends and other payments to the owners	-	-	-
	6.	Borrowings granted	-	-	-
	7.	Expenditures on borrowings repayment	-4 786 643.53	-14 534 147.73	-14 534 147,73
	8.	Buy-back of debt securities	-	-	-
	9.	Payment of liabilities under finance lease agreements	-214 551.49	-160 839.06	-160 839 06
	10.	Interest	-631 838.77	-464 454.42	-464 454,42
	11.	Other finance costs	-5 395.71	-32 588.96	-32 588,96
		Net cash from financing activities	**-2 888 194.78**	**3 838 904.33**	**3 838 904.33**
D.		**TOTAL NET CASH FLOWS**	**14 390 215.14**	**-817 280.96**	**-817 280.96**
E.		**BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:**	**14 390 215.14**	**-817 280.96**	**-817 280.96**
E.		**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD**	**1 130 865.25**	**2 238 973.25**	**2 238 973.25**
F.		**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**15 521 080.39**	**1 421 692.29**	**1 421 692.29**

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, 2010	-	-	**1 464 378.75**	**398 937.14**	**230 630.89**	-	-	**2 093 946.78**
Increases:	-	-	184 166.25	122 160.65	10 122.75	-	-	**316 449.65**
- acquisition	-	-	184 166.25	23 800.00	10 122.75	-	-	**218 089.00**
- leases	-	-	-	98 360.65	-	-	-	**98 360.65**
Decreases:	-	-	10 513.00	-	11 844.98	-	-	**22 357.98**
- sale	-	-	10 513.00	-	-	-	-	**10 513.00**
- liquidation	-	-	-	-	-	-	-	**-**
- transfer	-	-	-	-	-	-	-	**-**
- change in Group composition	-	-	-	-	11 844.98	-	-	**11 844.98**
Gross value as at December 31, 2010	-	-	**1 638 032.00**	**521 097.79**	**228 908.66**	-	-	**2 388 038.45**
Redemption as at January 1, 2010	-	-	**1 066 152.38**	**282 625.29**	**154 050.97**	-	-	**1 502 828.64**
Increases:	-	-	321 672.70	92 367.86	37 411.33	-	-	**451 451.89**
- revaluation	-	-	-	-	-	-	-	-
- depreciation	-	-	321 672.70	92 367.86	37 411.33	-	-	**451 451.89**
- transfer	-	-	-	-	-	-	-	-
- revaluation	-	-	-	-	-	-	-	-
Decreases:	-	-	4 828.59	-	3 063.15	-	-	**7 891.74**
- sale	-	-	4 828.59	-	-	-	-	**4 828.59**
- liquidation	-	-	-	-	-	-	-	**-**
- transfer	-	-	-	-	-	-	-	**-**
- change in Group composition	-	-	-	-	3 063.15	-	-	**3 063.15**
Redemption as at December 31, 2010	-	-	**1 382 996.49**	**374 993.15**	**188 399.15**	-	-	**1 946 388.79**
Net value								-
As at January 1, 2010	-	-	**398 226.37**	**116 311.85**	**76 579.92**	-	-	**591 118.15**
As at December 31, 2010	-	-	**255 035.51**	**146 104.64**	**40 509.51**	-	-	**441 649.67**

Changes in plant, property and equipment by type continued

	Land (including the right of perpetual usufruct of plots of land)	Buildings, premises and civil and water engineering structures	Technical equipment and machinery: 20-60%	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**	**708 894.35**	**271 770.88**	-	-	**2 450 817.94**
Increases:	-	-	74 477.27	-	13 561.18	-	-	88 038.45
- acquisition	-	-	74 477.27	-	13 561.18	-	-	88 038.45
- contribution in kind	-	-	-	-	-	-	-	-
- leases	-	-	-	-	-	-	-	-
- transfer	-	-	-	-	-	-	-	-
Decreases:	-	-	80 251.23	309 957.21	54 701.17	-	-	444 909.61
- sale	-	-	5 249.92	210 000.00	-	-	-	215 249.92
- liquidation	-	-	75 001.31	-	3 089.90	-	-	78 091.21
- transfer	-	-	-	-	-	-	-	-
- revaluation	-	-	-	12 694.61	-	-	-	12 694.61
- change in Group composition	-	-	-	87 262.60	51 611.27	-	-	138 873.87
Gross value as at December 31, 2009	-	-	**1 464 378.75**	**398 937.14**	**230 630.89**	-	-	**2 093 946.78**
Redemption as at January 1, 2009	-	-	**644 296.00**	**264 279.89**	**123 381.40**	-	-	**1 031 957.29**
Increases:	-	-	487 338.18	202 103.08	68 384.36	-	-	757 825.62
- revaluation	-	-	-	-	-	-	-	-
- depreciation	-	-	487 338.18	202 103.08	68 384.36	-	-	757 825.62
- transfer	-	-	-	-	-	-	-	-
Decreases:	-	-	65 481.80	183 757.68	37 714.79	-	-	286 954.27
- sale	-	-	2 938.08	163 999.97	-	-	-	166 938.05
- liquidation	-	-	62 543.72	-	-	-	-	62 543.72
- transfer	-	-	-	-	15 294.42	-	-	15 294.42
- change in Group composition	-	-	-	19 757.71	22 420.37	-	-	42 178.08
Redemption as at December 31, 2009	-	-	**1 066 152.38**	**282 625.29**	**154 050.97**	-	-	**1 502 828.64**
Net value								
As at January 1, 2009	-	-	**825 856.71**	**444 614.46**	**148 389.48**	-	-	**1 418 860.66**
As at December 31, 2009	-	-	**398 226.37**	**116 311.85**	**76 579.92**	-	-	**591 118.15**

Note 2

Changes in intangible assets by type in PLN .

	Costs of completed R&D work	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**	**5 414 163.24**	**-**	**51 000.00**	**1 374 417.91**	**890 836.17**	**27 526 858.80**
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**	**6 578 030.95**	**-**	**51 000.00**	**1 510 856.41**	**418 182.10**	**36 284 334.05**
Redemption as at January 1, 2010	**11 853 703.29**	**4 427 050.14**	**-**	**27 200.00**	**946 816.92**	**-**	**17 254 770.35**
Increases:	4 544 267.78	1 171 938.40	-	10 200.00	192 117.47	-	5 918 523.65
- depreciation	4 544 267.78	1 171 938.40	-	10 200.00	192 117.47	-	5 918 523.65
- transfer	-	-	-	-	-	-	-
- contribution in kind	-	-	-	-	-	-	-
Decreases:	-	-	-	-	-	-	-
- transfer	-	-	-	-	-	-	-
Redemption as at December 31, 2010	**16 397 971.07**	**5 598 988.54**	**-**	**37 400.00**	**1 138 934.39**	**-**	**23 173 294.00**
Net value							
As at January 1, 2010	**7 942 738.19**	**987 113.10**	**-**	**23 800.00**	**427 600.99**	**890 836.17**	**10 272 088.45**
As at December 31, 2010	**11 328 293.52**	**979 042.41**	**-**	**13 600.00**	**371 922.02**	**418 182.10**	**13 111 040.05**

Changes in intangible assets by type Continued

	Costs of completed R&D work	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**	**4 192 778.11**	-	**51 000.00**	**1 327 555.65**	**1 010 443.36**	**21 817 404.09**
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	893 766.54	-	-	3 575.16	2 196 525.28	7 495 684.19
- 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
- change in Group composition		42 403.05	-	-	-	-	42 403.05
Gross value as at December 31, 2009	**19 796 441.48**	**5 414 163.24**	-	**51 000.00**	**1 374 417.91**	**890 836.17**	**27 526 858.80**
Redemption as at January 1, 2009	**3 758 829.68**	**2 534 144.50**	-	**17 000.00**	**571 402.58**	-	**6 881 376.76**
Increases:	8 094 873.61	1 902 684.86	-	10 200.00	378 989.50	-	10 386 747.97
- depreciation	8 094 873.61	1 902 684.86	-	10 200.00	378 989.50	-	10 386 747.97
- transfer	-	-	-	-	-	-	-
- contribution in kind	-	-	-	-	-	-	-
Decreases:	-	9 779.23	-	-	3 575.16	-	13 354.39
- liquidation	-	-	-	-	3 575.16	-	3 575.16
- transfer	-	-	-	-	-	-	-
- change in Group composition	-	**9 779.23**	-	-	-	-	9 779.23
Redemption as at December 31, 2009	**11 853 703.29**	**4 427 050.14**	-	**27 200.00**	**946 816.92**	-	**17 254 770.34**
Net value							
As at January 1, 2009	**11 476 797.29**	**1 658 633.61**	-	**34 000.00**	**756 153.07**	**1 010 443.36**	**14 936 027.33**
As at December 31, 2009	**7 942 738.19**	**987 113.10**	-	**23 800.00**	**427 600.99**	**890 836.17**	**10 272 088.45**

Note 3

Interests in subsidiaries

Item	as at Dec 31, 2010	as at Dec 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 non-current 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**
Consolidation exclusions	**256 006.50**	**260 009.52**
Non-current financial assets presented in the balance sheet	**12 092.04**	-

Note 4

Deferred tax asset and provision

Deferred tax asset

Item	as at Dec 31, 2010	as at Dec 31, 2009
1. Deferred income tax assets at the beginning of period	4 098 366.56	1 381 283.70
including:		
- recorded in profit/loss	4 098 366.56	1 381 283.70
Increases:	3 220 702.71	4 098 366.56
- recorded in profit/loss	3 220 702.71	4 098 366.56
including:		
negative exchange differences charged	286.00	100 954.01
Provision for expenses	151 073.00	19 798.09
Receivables revaluation	935 156.00	959 996.75
Equity revaluation	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
Interest calculated on bonds	4 334.00	-
Gross loss to be deducted from income	887 054.71	1 525 333.35
Provision for returns	462 846.00	-
Deferred tax on deferred revenue	-	271 892.72
Decreases:	4 098 366.56	1 381 283.70
- recorded in profit/loss	4 098 366.56	1 381 283.70
1. Deferred income tax assets as at the end of period	**3 220 702.71**	**4 098 366.56**

0 00

Provision for deferred tax

Item	as at Dec 31, 2010	as at Dec 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:	133 887.00	146 205.01
including:		
interest charged on borrowings	3 080.00	2 656.23
interest charged on deposits	2 679.00	-
positive exchange differences charged	90 128.00	143 548.78
Costs related to provision for returns	38 000.00	-
Decreases:	146 205.01	370 104.16
- recorded in profit/loss	146 205.01	370 104.16
1. Deferred income tax assets as at the end of period	**133 887.00**	**146 205.01**

Note 5

Inventory

Item	as at Dec 31, 2010	as at Dec 31, 2009
Materials	828 972.30	352 522.73
Finished products	4 394 618.51	5 033 732.74
Goods for resale	113 718.98	132 243.50
Total gross inventory	**5 337 309.79**	**5 518 498.97**
Revaluation	**-92 850.79**	**-**
Total net inventory	**5 244 459.00**	**5 518 498.97**

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

0-90 days	**3 749 584.30**
91-180 days	**378 115.03**
180-360 days	**385 985.27**
over 360 days	**823 625.19**
revaluation	**- 92 850.79**
TOTAL	**5 244 459.00**

Note 6

Short-term investments

Item	as at Dec 31, 2010	as at Dec 31, 2009
Borrowings granted	953 604.69	3 796 166.92
Revaluation of borrowings	-287 944.11	-2 313 611.99
Exclusion from consolidation of loans to City Interactive Germany GmbH	-125 375.06	-1 482 554.93
Borrowings presented in the balance sheet	540 285.52	-
Derivative instruments Forward contracts Measurement as at the end of the reporting period.	360 455.00	-
Other current assets	-	76 845.18
Total short-term investments	**900 740.52**	**76 845.18**

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

Item	as at Dec 31, 2010	as at Dec 31, 2009
Trade receivables from related parties	1 485 063.98	
Trade receivables from other entities	20 325 844.74	13 542 068.45
up to 12 months	20 325 844.74	13 542 068.45
over 12 months	-	-
Other	-	-
Total net trade receivables	**21 810 908.72**	**13 542 068.45**
Trade receivables revaluation	**-4 633 930.15**	**-2 592 910.13**
Gross trade receivables	**17 176 978.57**	**10 949 158.32**

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 Dec 31, 2010	as at Dec 31, 2009
not overdue	8 517 506.30	5 538 843.46
overdue	13 293 402.42	8 003 224.99
including:		
1-30 days	5 217 215.26	903 400.64
31-90 days	2 391 330.14	2 059 654.11
91-180 days	710 307.23	1 930 542.04
> 180 days	4 974 549.80	3 109 628.20
revaluation	-4 633 930.15	-2 592 910.13
	17 176 978.57	**10 949 158.32**

Note 7b

Currency structure of trade receivables

Currency		as at Dec 31, 2010	as at Dec 31, 2009
in PLN	PLN	2 996 900.85	1 407 077.82
in foreign currency, including:		-	
	AUD	594 393.71	90 000.00
	CZK	2 050 523.93	1 462 919.42
	EUR	989 470.46	1 819 445.39
	GBP	512 861.07	345 492.57
	USD	2 679 291.73	987 535.95

Note 8

Deferred tax receivables

Item	as at Dec 31, 2010	as at Dec 31, 2009
- from legal entities	32 487.00	386 604.00
- from natural persons	-	-
Total	**32 487.00**	**386 604.00**

Income tax liabilities

Item	as at Dec 31, 2010	as at Dec 31, 2009
- from legal entities	730 222.00	-
- from natural persons	30 654.00	84 255.31
Total	**760 876.00**	**84 255.31**

Note 9

Cash and cash equivalents

Item	as at Dec 31, 2010	as at Dec 31, 2009
Bank accounts (current accounts)	1 257 807.05	998 059.34
Short-term deposits	13 463 835.15	422 816.80
Cash at hand	4 550.67	816.15
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	**15 521 080.39**	**1 421 692.29**

Note 9a

Cash and cash equivalents Currency structure

Currency		as at Dec 31, 2010	as at Dec 31, 2009
in PLN	PLN	12 549 129.14	256 550.76
in foreign currency			
	EUR	190 180.60	131 495.34
	GBP	64 951.72	74.86
	CZK	-	32.06
	USD	647 887.66	219 125.69

Note 10

Other current assets and prepayments

Item	as at Dec 31, 2010	as at Dec 31, 2009
tax receivables	2 222 383.83	1 916 463.49
settlements with employees concerning salaries	-	14.40
other settlements with employees	122 852.42	181 021.69
settlements with shareholders	25 250.00	-
deposits	35 396.31	35 512.94
other settlements	47 720.49	156 035.92
accruals of expenses	249 538.57	109 724.88
including:		
- property and personal insurance	75 702.27	71 179.75
- subscriptions	21 918.06	10 247.25
- other	151 918.24	28 297.88
Total	**2 703 141.62**	**2 398 773.32**

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 value 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:

Details	number of shares held	number of votes held	% of 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 Group 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 provision - PLN
December 31, 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

December 31. 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	December 31. 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 Group 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

Exchange differences on net investments in entities operating abroad

Item	as at Dec 31, 2010	as at Dec 31, 2009
City Interactive USA		
Exchange rate differences on calculation of the financial result	40 448.70	48 980.19
Exchange rate differences on calculation of investment value	35 785.50	3 840.60
City Interactive Germany		
Exchange rate differences on calculation of the financial result	-29 146.35	1 050.62
Exchange rate differences on calculation of investment value	6 624.99	4 042.50
City Interactive Spain		
Exchange rate differences on calculation of the financial result	-	45 143.06
Exchange rate differences on calculation of investment value	-	153.36
Other adjustments (consolidation exclusions)	-50 293.60	-10 744.89
Total	**3 419.24**	**92 465.44**

Note 14

Retained earnings

Item	as at Dec 31, 2010	as at Dec 31, 2009 after transition	as at Dec 31, 2009
As at the beginning of period	**-5 402 147.35**	**8 683 456.42**	**8 683 456.42**
Change in accounting policies			
Increases:	26 893 210.15	-12 671 040.56	-12 671 040.56
Profit/loss for the period	26 893 210.15	-12 671 040.56	-12 671 040.56
Decreases:	-635 859.39	-1 414 563.21	-522 988.45
Exclusion of margin capitalized in prior periods	-243 448.70		
Change in Group composition subject to consolidation	-392 410.69	-522 988.45	-522 988.45
Correction of 2009 error		-891 574.76	
As at the end of period	**20 855 203.42**	**-5 402 147.35**	**-4 510 572.59**

Note 15

Borrowings including credits, loans and other debt instruments

Non-current liabilities	as at Dec 31, 2010	as at Dec 31, 2009
Finance lease liabilities – non-current part	54 025.65	86 851.37
Total	**54 025.65**	**86 851.37**

Current liabilities	as at Dec 31, 2010	as at Dec 31, 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 Dec 31, 2010	as at Dec 31, 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 Parent 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 Dec 31, 2010	as at Dec 31, 2009 after transition	as at Dec 31, 2009
Trade payables to related parties	496 209.87	-	-
Trade payables to other entities	8 808 407.53	9 204 014.22	8 312 439.46
up to 12 months	8 808 407.53	9 204 014.22	8 312 439.46
over 12 months	-	-	-
Tax payables	358 713.41	478 514.99	478 514.99
Other payables	72 712.23	219 653.75	219 653.75
Special funds (Workplace Social Benefits Fund)	69 339.37	77 434.37	77 434.37
Total	**9 805 382.41**	**9 979 617.32**	**9 088 042.56**

Note 17a

Aging of trade payables

	as at Dec 31, 2010	as at Dec 31, 2009 after transition	as at Dec 31, 2010
not overdue	5 639 410.44	2 894 116.21	2 002 541.45

overdue	3 665 206.96	6 309 898.01	6 309 898.01
0-30 days	1 130 326.95	1 781 055.57	1 781 055.57
31-60 days	370 310.41	1 073 293.56	1 073 293.56
61-90 days	363 832.92	537 955.06	537 955.06
91-180 days	493 551.26	1 161 252.68	1 161 252.68
> 180 days	1 307 185.42	1 756 341.14	1 756 341.14
revaluation			
	9 304 617.40	**9 204 014.22**	**8 312 439.46**

Note 18

Other current provisions

Item	as at Dec 31, 2010	as at Dec 31, 2009
Provision for audit of financial statements	30 770.23	12 324.60
Deferred income	-	1 431 014.32
Provision for non-invoiced expenses	753 790.00	-
Total	**784 560.23**	**1 443 338.92**
Provision for returns – revenue decrease	1 944 615.00	1 500 000.00
Decrease of costs related to the provision for returns	-200 000.00	-300 000.00
Total	**1 744 615.00**	**1 200 000.00**

Note 19

Net revenue from sales of goods for resale and materials (product structure – types of activities)

Description	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
a) Sales of products	81 381 893.75	26 139 867.96
b) Sales of materials and goods for resale	670 271.25	610 565.99
c) License sales	6 985 174.71	2 849 734.42
TOTAL	**89 037 339.71**	**29 600 168.37**

Note 20

Net revenue from sales of products (geographical structure)

Revenue geographical structure	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
AMERICA	39 014 455.68	6 844 971.54
ASIA AND AUSTRALIA	5 053 635.49	1 017 700.43
EUROPE	44 937 770.14	21 737 496.40
AFRICA	31 478.40	
TOTAL	**89 037 339.71**	**29 600 168.37**

-

Net revenue from sales of products (geographical structure)

Revenue geographical structure	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
Country	5 501 550.65	7 219 972.77
- including related parties	-	-
Export	83 535 789.06	22 380 195.60
- including related parties		
TOTAL	**89 037 339.71**	**29 600 168.37**

Note 21

Costs by nature

Item	for the period Jan 1 to Dec 31, 2010	for the period Jan 1 to Dec 31, 2009 after transition	for the period Jan 1 to Dec 31, 2009
Depreciation / amortization	5 983 513.83	10 432 186.66	10 432 186.66
Use of materials and energy	643 947.89	921 118.40	823 671.00
Third-party services	14 500 798.26	8 830 076.91	8 658 121.02
Taxes and fees	76 265.54	75 952.74	73 762.74
Employee benefits	3 154 558.55	5 697 322.03	5 697 322.03
Other costs	4 499 197.33	3 197 065.09	3 176 037.18
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	639 918.85	38 542.14	38 542.14
Games for entertainment purposes	70 008.68	107 194.20	107 194.20
Other expenditures	2 389 638.00	989 281.16	968 253.25
Other non-expensed expenditures	103 973.12	82 442.75	82 442.75
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
Total costs by nature	**28 858 281.40**	**29 153 721.83**	**28 861 100.63**
Distribution costs	-10 271 466.78	-10 093 730.55	-9 940 765.83
Administrative expenses	-4 937 855.73	-4 662 998.30	-4 624 579.22
Value of products sold	21 528 178.25	7 342 997.19	6 744 043.64
Cost of manufacture of products sold	**35 177 137.14**	**21 739 990.17**	**21 039 799.22**

Note 22

Employee benefits

Item	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
Remuneration	2 750 647.62	4 875 583.15
Social security	181 675.48	610 806.05
Expenditures on long-service awards and pensions (including increase in the provision on this account)		-
Other benefits	222 235.45	210 932.83
Total	**3 154 558.55**	**5 697 322.03**

Note 23

Other operating revenues

Item	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
Release of receivables impairment charges	455 317.75	25 294.94
Release of other provisions	12 013.08	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	124 893.48
Other	278 295.98	238 592.72
Total	**1 056 706.20**	**726 554.61**

Note 24

Other operating costs

Item	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
Receivables revaluation	1 583 722.00	1 989 869.41
Inventory differences	123 033.76	-
Liquidation of sub-quality materials (returns)	834 060.01	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	-
Goodwill revaluation	-	8 868.00
Revaluation of intangible assets	1 499 977.80	4 954 170.76
Discontinued project expenses	-	299 009.94
Other	645 647.25	576 500.42
Total	**4 812 154.20**	**9 430 466.32**

Note 25

Net finance income / costs

Item	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
Finance income		
Interest	48 069.09	71 858.42
Other	-	162 602.47
Total finance income	**48 069.09**	**234 460.89**

item	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
Finance costs		
Interest	742 202.51	528 219.75
Net exchange differences	860 431.69	148 048.06

Other	90 285.74	214 428.24
Total finance costs	**1 692 919.94**	**890 696.05**

Net finance income / costs	**-1 644 850.85**	**-656 235.16**

Note 26

Income tax

item	for the period from 01.01.2010 to Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
Current tax	**4 831 566.00**	-
Current income tax	4 831 566.00	-
Income tax brought forward	-	-
Deferred tax	**818 018.73**	**-3 027 443.19**
Income tax in profit or loss	**5 649 584.73**	**-3 027 443.19**

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 Dec 31, 2010	for the period from 01.01.2009 to Dec 31, 2009
Profit/loss before tax	31 689 919.11	-15 240 964.28
Tax based on the binding tax rate	4 831 566.00	-
Difference resulting from application of tax rates binding in other tax law regulations	-	-
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
Revenues not subject to taxation	3 872 538.26	2 880 563.73
Increase in revenues	1 524 541.75	2 828 685.66
Change in tax rates	-	-
Income tax adjustments for previous years	-	-
Use of previous tax losses not taken into consideration in calculation of deferred tax in previous years	-	-
Effective tax rate	15%	0%

Note 28

Segment information **for the period from 01.01.2010 to Dec 31, 2010**

	Own products	Licensed products	Goods for resale and materials	Licenses	Distribution	Total
Revenues	85%	5%	1%	8%	2%	100%
Total segment revenues	**75 286 799.93**	**4 656 311.23**	**670 271.25**	**6 985 174.71**	**1 438 782.59**	**89 037 339.71**
Segment revenues	75 286 799.93	4 656 311.23	670 271.25	6 985 174.71	1 438 782.59	89 037 339.71
Total segment direct expenses	**-32 506 297.24**	**-1 630 069.74**	**-760 673.92**	**-525 547.24**	**-462 335.33**	**-35 884 923.47**
Segment cost of sales	-27 542 478.21	-1 325 379.59	-707 786.33	0.00	-348 808.54	-29 924 452.67
Sales margin	**63.42%**	**71.54%**	**-5.60%**	**100.00%**	**75.76%**	**66.39%**
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	*0.57*	*0.62*	*-0.17*	*0.90*	*0.65*	*0.60*
Total segment profit (loss)	**42 780 502.69**	**3 026 241.49**	**-90 402.67**	**6 459 627.47**	**976 447.26**	**53 152 416.24**
Distribution costs and administrative expenses	-12 860 460.84	-795 389.21	-114 495.46	-1 193 204.73	-245 772.26	-15 209 322.51
Other operating revenue / costs	-3 175 472.93	-196 395.52	-28 270.93	-294 623.14	-60 685.47	-3 755 448.00
Profit (loss) from operating activities	**26 744 568.92**	**2 034 456.76**	**-233 169.07**	**4 971 799.60**	**669 989.52**	**34 187 645.73**
EBITDA	**31 708 387.94**	**2 339 146.91**	**-180 281.48**	**5 497 346.84**	**783 516.31**	**40 148 116.53**
OR/NS	**0.36**	**0.44**	**-0.35**	**0.71**	**0.47**	**0.38**
Finance income / costs	-1 390 827.23	-86 019.39	-12 382.40	-129 042.16	-26 579.67	-1 644 850.85
Profit (loss) before tax	**25 353 741.68**	**1 948 437.37**	**-245 551.47**	**4 842 757.44**	**643 409.86**	**32 542 794.88**
Income tax	4 777 087.42	295 451.60	42 529.96	443 222.32	91 293.43	5 649 584.73
Net profit (loss) for the financial year	**20 576 654.26**	**1 652 985.77**	**-288 081.43**	**4 399 535.12**	**552 116.43**	**26 893 210.15**

Assets and liabilities and equity	Own products	Licensed products	Goods for resale and materials	Licenses	Distribution	Total
Non-current and intangible assets	11 462 879.29	708 952.08	102 052.93	1 063 535.90	219 063.52	13 556 483.72
Other non-current assets	2 733 535.98	169 062.76	24 336.41	253 619.84	52 239.75	3 232 794.75
Current assets	36 213 967.21	2 239 748.56	322 409.52	3 359 963.34	692 073.85	42 828 162.49
Total assets	50 410 382.48	3 117 763.41	448 798.86	4 677 119.09	963 377.12	**59 617 440.96**
Payables	14 083 363.89	871 022.88	125 382.86	1 306 666.74	269 142.78	16 655 579.15
Equity	36 327 018.59	2 246 740.53	323 416.01	3 370 452.35	694 234.34	42 961 861.81
Total liabilities and equity	50 410 382.48	3 117 763.41	448 798.86	4 677 119.09	963 377.12	**59 617 440.96**

Continued

Segment information

for the period January 1 to December 31, 2009

	Own products	Licensed products	Goods for resale and materials	Licenses	Distribution	Total
Revenues	52%	26%	2%	10%	10%	100%
Total segment revenues	**15 446 488.94**	**7 638 267.37**	**610 565.99**	**2 849 734.42**	**3 055 111.65**	**29 600 168.37**
Segment revenues	15 446 488.94	7 638 267.37	610 565.99	2 849 734.42	3 055 111.65	29 600 168.37
Total segment direct expenses	**-15 552 601.78**	**-4 481 378.80**	**-433 596.83**	**-467 838.46**	**-1 137 935.27**	**-22 073 351.15**
Segment cost of sales	-4 929 354.19	-1 326 729.08	-333 360.98	0.00	-636 379.91	-7 225 824.16
Sales margin	**68.09%**	**82.63%**	**45.40%**	**100.00%**	**79.17%**	**75.59%**
Segment depreciation and amortization	-8 319 154.50	-2 015 279.38	-9 160.51	-42 755.46	-45 836.81	-10 432 186.66
Other segment direct expenses	-2 304 093.77	-1 139 371.17	-91 075.80	-425 084.00	-455 719.34	-4 415 344.08
Result	**-0.01**	**0.41**	**0.29**	**0.84**	**0.63**	**0.25**
Total segment profit (loss)	**-106 112.84**	**3 156 888.56**	**176 969.16**	**2 381 895.96**	**1 917 176.38**	**7 526 817.22**
Distribution costs and administrative expenses	-7 700 620.02	-3 807 945.92	-304 388.70	-1 420 693.21	-1 523 081.01	-14 756 728.85
Other operating revenue / costs	-4 542 030.79	-2 246 027.93	-179 536.56	-837 962.69	-898 353.74	-8 703 911.71
Profit (loss) from operating activities	**-12 348 763.64**	**-2 897 085.28**	**-306 956.10**	**123 240.06**	**-504 258.37**	**-15 933 823.34**
EBITDA	**-4 029 609.14**	**-881 805.90**	**-297 795.59**	**165 995.52**	**-458 421.56**	**-5 501 636.68**
OR/NS	**-79.95%**	**-37.93%**	**-50.27%**	**4.32%**	**-16.51%**	**-53.83%**
Finance income / costs	-342 448.36	-169 340.24	-13 536.24	-63 178.56	-67 731.77	-656 235.16
Profit (loss) before tax	**-12 691 212.00**	**-3 066 425.53**	**-320 492.34**	**60 061.50**	**-571 990.13**	**-16 590 058.50**
Income tax	1 579 834.52	781 225.98	62 447.41	291 464.86	312 470.42	3 027 443.19
Net profit (loss) for the financial year	**-11 111 377.49**	**-2 285 199.55**	**-258 044.93**	**351 526.37**	**-259 519.72**	**-13 562 615.31**

Assets and liabilities and equity	Own products	Licensed products	Goods for resale and materials	Licenses	Distribution	Total
Non-current and intangible assets	4 921 447.89	1 126 848.96	11 381.62	3 182 092.39	1 621 435.73	10 863 206.59
Other non-current assets	2 138 682.89	1 057 575.73	84 537.47	394 567.22	423 003.25	4 098 366.56
Current assets	10 828 956.27	5 354 903.86	428 045.00	1 997 842.33	2 141 824.63	20 751 572.09
Total assets	**17 889 087.05**	**7 539 328.55**	**523 964.09**	**5 574 501.94**	**4 186 263.61**	**35 713 145.24**
Payables	9 867 152.13	4 879 293.05	390 026.99	1 820 398.36	1 951 592.47	18 908 462.99
Equity	8 769 319.66	4 336 416.42	346 632.06	1 617 858.41	1 734 455.69	16 804 682.25
Total liabilities and equity	**18 636 471.80**	**9 215 709.47**	**736 659.05**	**3 438 256.77**	**3 686 048.16**	**35 713 145.24**

Continued

Segment information

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 2.13.
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 Group 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. group 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	409.84	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**	**409.84**	**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	0.00	-	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 M.Dworak	24 000.00	-	-	9 760.00
TOTAL	**703 179.27**	**0.00**	**0.00**	**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	-

All transactions with subsidiaries and associated persons were executed on market principles.

Note 33

Goodwill

Business Area Sp. z o.o.

Fair value of company assets	5 000.00
Purchase price	8 794.00
Goodwill in PLN	3 794.00

Goodwill refers to subsidiary Business Area Sp. z o.o., which the Issuer acquired during the current reporting period.

Note 34

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

	Dec 31, 2010	Jan 1, 2010	change
Cash at hand	4 550.67	816.15	3 734.52
Cash instruments in bank accounts	15 516 529.72	1 420 876.14	14 095 653.58
Consolidation exclusions	-	-290 827.04	290 827.04
Other cash instruments	-	-	-
Other cash assets	-	-	-
	15 521 080.39	1 130 865.25	14 390 215.14
Current financial assets classified for purposes of the statement of cash flows as cash instruments		-	0.00
Total cash instruments for purposes of the statement of cash flows	**15 521 080.39**	**1 130 865.25**	**14 390 215.14**

Note 35

Employment information

Employment as at December 31, 2010

	as at Dec 31, 2010 **Number of persons**
blue-collar workers	116
white-collar workers	21
Average employment	**137**

Note 36

Correction of prior-period errors

During the reporting period an error was found, consisting of costs amounting to PLN 292 621 incurred in 2009 being expenses in the City Interactive S.A. statements.
The same error was found in the financial statements of City Interactive USA Inc. The amount of costs in 2009 in this case is PLN 598 953.56.

An error amounting to PLN 891 574.76 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 37

Management Board and Supervisory Board Member salaries

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

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 – Chairperson 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 number of shares in the Company:

Lech Tymiński – Member of the Supervisory Board	9 565

Note 39

Information on risk factors

The Group'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 Group 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 Group 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 Group 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 Group against fluctuations in the economic situation in one market. The Group 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 Group holds trade receivables and cash and cash equivalents at a level allowing it to finance its liabilities.

Note 40

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.

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

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Person drawing up the financial statements

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