

Unit annual report for 2020

period between 1 January and 31 December 2020

Warsaw, 21 March 2021

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1. Letter from the Management Board to the shareholders

Dear Shareholders,

We hereby submit to you with the annual report of Polaris IT Group SA, presenting the financial results achieved and major events in 2020.

The company completed its plan to establish a capital group operating in the IT sector, offering highly specialised products and services with the use of modern technologies. Despite the difficulties caused by the pandemic, it maintained all the previously launched ventures within the group and also took advantage of new opportunities by entering the medical equipment distribution segment.

The consolidated revenue of the capital group exceeded PLN 144 million, and EBITDA PLN 7.4 million. The covid-19 pandemic has hindered the development of operations in Poland, but the Company does not intend to give up. At the individual level, revenues exceeded PLN 317 thousand and net profit PLN 52 thousand. The parent company incurred increased costs due to the acquisition operation.

The Group successfully implemented its financial plans despite external difficulties. Provided conditions do not deteriorate, the Management Board is confident that Polaris IT Group will see further impressive growth in 2021.

I wish you a pleasant reading of the report

Gábor Kósa

President of the Management Board,

Polaris IT Group SA

2. Selected financial data

Items	2020 in PLN	2019 in PLN	2020 in EUR	2019 in EUR
Net revenues from sales	317 519,00	347 209,90	71 418,39	80 769,03
Operating expenses	318 681,62	173 877,35	71 679,89	40 447,88
Amortisation/depreciation	320,88	374,54	72,17	87,13
Profit (loss) on sales	-1 162,62	173 332,55	-261,50	40 321,15
Other operating revenue	1 353 780,00	0,96	304 500,78	0,22
Other operating expenses	1 291 681,22	11 332,35	290 533,12	2 636,17
Profit/loss on operating activity (EBIT)	60 936,16	162 001,16	13 706,15	37 685,21
EBITDA (operating profit + depreciation)	61 257,04	162 375,70	13 778,32	37 772,33
Financial revenues	8 506,90	4 112,73	1 913,43	956,72
Financial expenses	7 462,53	5 940,77	1 678,52	1 381,96
Gross profit/loss	61 980,53	160 173,12	13 941,05	37 259,96
Net profit/ loss	52 179,53	160 173,12	11 736,55	37 259,96
Net cash flow from operating activities	-46 108,18	93 718,93	-10 370,94	21 801,18
Net cash flow from investment activities	0,00	18 207,08	0,00	4 235,39
Net cash flow from financial activities	0,00	0,00	0,00	0,00
Total net cash flows	-46 108,18	111 926,01	-10 370,94	26 036,57
Total assets	55 253 603,06	231 615,59	11 973 130,59	54 389,01
Fixed assets	55 000 024,98	345,86	11 918 181,72	81,22
Current assets	253 578,08	231 269,73	54 948,88	54 307,79
Long-term receivables	0,00	0,00	0,00	0,00
Short-term receivables	187 196,98	119 125,48	40 564,48	27 973,58
Cash and other monetary assets	65 916,07	112 024,25	14 283,62	26 306,03
Equity	55 232 452,82	180 273,29	11 968 547,46	42 332,58
Long-term liabilities	0,00	0,00	0,00	0,00
Short-term liabilities	21 150,24	0,00	4 583,13	0,00

The applied EURO exchange rates and the number of shares for conversion of financial data:

Income statement for 2020	4,4459
Balance sheet as at 31.12.2020	4,6148
Income statement for 2019	4,2988
Balance sheet as of 31.12.2019	4,2585

3. Annual financial statements

POLARIS IT GROUP SPÓŁKA AKCYJNA

IDENTIFICATION OF THE ENTITY

NIP	KRS registry number
1132197112	0000113924
10 digits, no hyphens or spaces	10 digits, no hyphens or spaces

Full business name
POLARIS IT GROUP SPÓŁKA AKCYJNA

PCA codes
9002Z

Single code: 5 characters, no dots

REGISTERED OFFICE

A

Mazowieckie ▼	District capital city of Warsaw	Municipality capital city of Warsaw
City/town Warsaw		

ADDRESS

Province Mazowieckie	District capital city of Warsaw	Municipality Mokotów
Street Świeradowska	House number 47	Premises number
City/town Warsaw	Postcode Post 03-152 Warsaw	Country code PL

SEAT AND ADDRESS OF THE FOREIGN ENTREPRENEUR

☐ Entity is a branch (establishment) of a foreign entrepreneur

PERIOD COVERED BY THE FINANCIAL STATEMENTS AND DATE OF PREPARATION

Start of period	End of period
2020-01-01	2020-12-31
Date of preparation	
2020-03-21	

THE DURATION OF THE ENTITY

- ☐ Duration of the entity's operations is limited

ORGANISATIONAL UNITS

- ☐ The report includes aggregate data of internal organisational units preparing stand-alone financial statements

GOING CONCERN ASSUMPTION

- ☐ These financial statements were drafted on the assumption that the Company will continue as a going concern in the foreseeable future
- ☐ Circumstances exist, indicating a threat to the continuation of entity's operations

PRESENTATION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY) TO THE EXTENT THAT THE LAW ALLOWS THE SELECTION, INCLUDING:

METHODS OF VALUATION OF ASSETS AND LIABILITIES (INCLUDING DEPRECIATION)

The accounting principles adopted for the preparation of financial statements are consistent with the Accounting Act of 29 September 1994, hereinafter referred the Act, which contains provisions on accounting principles for entities based in the Republic of Poland or whose place of management is in the Republic of Poland.

1. Property, plant and equipment and intangible assets

Fixed assets are tangible assets and equivalent assets with expected usability period exceeding 1 year, fit for use and intended for the needs of the entity, the cost of which is higher than 10 000.00. Intangible assets include property rights used by the entity to conduct its business, with expected usability period exceeding 1 year, whose purchase price is higher than 10 000.00.

Intangible assets are recognised at acquisition or production cost, less accumulated depreciation and value impairment losses.

Property, plant and equipment are disclosed in the financial statements at net book value, i.e. at initial value less accumulated depreciation. The initial value of fixed assets covers all costs incurred by the entity during the period of construction, assembly, improvement and adaptation of the asset for use. Straight-line method of depreciation applies. Depreciation charges are recognised starting as of the month following the month in which a tangible or intangible asset is put into use.

The Company uses the following annual rates for basic groups of fixed assets:

technical equipment and machines - 10-30%

other fixed assets - 20%

The Company uses the following annual rates for its core groups of intangible assets:

other intangible assets - 50%

2. Investments

Investments include assets acquired to derive economic benefits from the appreciation of those assets, to derive income from in the form of interest, dividends or other benefits, including from a commercial transaction.

Real estate and intangible assets classified as investments are recognised in accordance with the

principles applied to fixed assets and intangible assets.

Shares in other subordinated entities are recognised at purchase price, taking into consideration any possible impairment.

3. Receivables

Receivables are classified as long-term receivables if the payment period as at the balance sheet date is longer than one year and as short-term receivables if the payment period as at the balance sheet date is shorter than one year. Receivables are recognised as at the balance sheet date at amounts due, following the prudence principle. Receivables due to taxes, subsidies and social security and other receivables are recognised at the amount due based on regulations, contracts or other documents.

Revaluation write-offs are recognised taking into consideration the probability of their payment in the amount of 100% of the value of receivables. Revaluation write-offs on receivables are charged against other operating expenses or financial expenses, depending on the type of written-off receivable.

Loans granted are recognised at the amount of the required payment, following the prudence principle.

4. Cash and cash equivalents

Cash at bank and in hand is recognised at nominal value.

5. Inventory

During the year, inventories are recognised at purchase prices. As at the balance sheet date, the company measures inventories at purchase prices, taking into consideration their impairment. Impairment losses are charged against other operating expenses.

6. Provisions and accruals

Provisions are recognised when the Company has a present obligation as a result of a past event, such that an outflow of financial resources or other economic benefits are certain or highly probable to be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are recognised for:

- certain or highly probable future liabilities, the amount of which can be reliably estimated and in particular for losses on pending business transactions, on granted guarantees, warranties, credit operations, effects of pending court litigations;
- retirement and disability severance pay, the payment of which is required under Article 92 of the Labour Code. The provision is recognised at an amount based on the estimated probability of reaching the retirement age at five-year age intervals.

Provisions for unused holiday leaves, if it is reasonable to recognise them, are estimated in the amount of gross remuneration with surcharges for the month of December, calculated for each day of holiday leave not used by the balance sheet date.

Accruals are recognised at the amount of probable liabilities relating to the current reporting period, resulting in particular from benefits provided to the entity by contractors of the entity, when the liability can be reliably measured. Accruals are charged to the profit and loss in accordance with the amount of benefits. The time and method of prorating corresponds to the nature of accruals, following the prudence principle.

Prepayments are recognised if expenses incurred relate to future reporting periods.

7. Equity

Shareholders' equity covers share capital and retained earnings.

The company's share capital is disclosed in the amount corresponding to the notarial deed and the entry in the commercial register at nominal value. Capital contributions that have been declared but not paid are recognised as called up share capital not paid. The supplementary capital is made by additional payments of shareholders.

The reserve capital covers the distribution of profit from previous years.

Undistributed financial result from previous years is profits and losses of previous periods, which were not settled based on resolutions of the General Meeting of Shareholders.

8. Liabilities

Liabilities are classified as long-term liabilities if the payment period as at the balance sheet date is longer than one year and as short-term liabilities if the payment period as at the balance sheet date is shorter than one year.

Liabilities are recognised in the amount due, i.e. including interest falling on the balance sheet date, if the entity - as the buyer - was charged with interest by the creditor (under Article 481 § 1 of the Civil Code) or in accordance with the agreement and the principle of and accrued by itself.

Loans received and debt instruments (bonds) issued are measured at the amount of consideration required, taking into account the prudence principle.

9. Recognition of revenue

Sales revenues are recognized when the goods are delivered or the service is performed. The sale is shown in the net value, i.e. without taking into account the tax on goods and services and any discounts granted.

10. Costs

The incurred costs are included in the profit and loss account in order to refer to the revenues in the period they refer to.

11. Management Board estimates

The preparation of the financial statements requires the Company's Management Board to make certain estimates and assumptions, which are reflected in the financial statements and in additional information and explanations to the report. The estimates of the Management Board of the Company concern, i.a. created write-downs, provisions, accruals and adopted depreciation rates, deferred taxes.

12. Settlements with foreign countries

As at the balance sheet date, transactions expressed in foreign currencies are measured at the following exchange rate:

- actually applied on that day, resulting from the nature of the operation - in the case of sale or purchase of currencies and payment of receivables or liabilities;

- the average exchange rate announced for a given currency by the National Bank of Poland on the day preceding that day - in the case of payment of receivables or liabilities, if it is not justified to apply the rate referred to in point 1 as well as for other operations;
- As at the balance sheet date, assets and liabilities are recognized at the average exchange rate announced for a given currency by the National Bank of Poland on that date.
- Exchange differences arising on payment and at the balance sheet date are recognised as financial expenses and income.

For the purposes of valuation in the financial statements were adopted following courses:

Table No 255/A/NBP/2020 from 2020-12-31

EUR 4,6148

DETERMINING THE FINANCIAL RESULT

1. The financial result is determined at net profit
2. The Company may recognise deferred tax assets and liabilities
Mandatory charges on the financial result include corporate income tax (as per the Corporate Income Tax Act) and other equivalent payments under separate regulations. Income tax is calculated on the gross profit determined based on accounting regulations, adjusted by non-taxable income, non-deductible costs and deductions of losses from previous years, investment reliefs and donations.

DETERMINING THE METHOD OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements include data relating to the entity. The financial statements include:

- additional information, covering introduction as well as additional information and explanations
- balance sheet
- profit and loss account with classification of expenses by type
- cash flow statement
- statement of changes in equity

OTHER

☐ Submit other information on the adopted accounting principles (policy)

Balance sheet

☐ Show column of restated data for previous year

ITEM NAME	Current financial year	Previous fiscal year
ASSETS	55 253 603.06	231 615.59
FIXED ASSETS	55 000 024.98	345.86
I. Intangible fixed assets	24.98	345.86
1. R&D expenses - completed R&D projects	0.00	0.00

2. Goodwill	0.00	0.00
3. Other intangible assets	24.98	345.86
4. Advances for intangible assets	0.00	0.00
II. Tangible fixed assets	0.00	0.00
1. Fixed assets	0.00	0.00
a) land (including right to perpetual usufruct)	0.00	0.00
b) buildings, premises, rights to premises and civil engineering works	0.00	0.00
c) technical equipment and machines	0.00	0.00
d) vehicles	0.00	0.00
e) other tangible fixed assets	0.00	0.00
2. Tangible fixed assets under construction	0.00	0.00
3. Advances for tangible fixed assets under construction	0.00	0.00
III. Long-term receivables	0.00	0.00
1. From related parties	0.00	0.00
2. From other entities, in which the company holds equity interests	0.00	0.00
3. From other entities	0.00	0.00
IV. Long-term investments	55 000 000.00	0.00
1. Real property	0.00	0.00
2. Intangible fixed assets	0.00	0.00
3. Long-term financial assets	0.00	0.00
a) in related parties	0.00	0.00
- shares	0.00	0.00
- other securities	0.00	0.00
- loans granted	0.00	0.00
- other long-term financial assets	0.00	0.00
b) in other entities, in which the company holds equity interests	0.00	0.00
- shares	0.00	0.00
- other securities	0.00	0.00
- loans granted	0.00	0.00
- other long-term financial assets	0.00	0.00
c) in other undertakings	0.00	0.00
- shares	0.00	0.00
- other securities	0.00	0.00
- loans granted	0.00	0.00
- other long-term financial assets	0.00	0.00
4. Other long-term investments	55 000 000.00	0.00
V. Long-term prepayments	0.00	0.00
1. Deferred income tax assets	0.00	0.00
2. Other prepayments	0.00	0.00
B. CURRENT ASSETS	253 578.08	231 269.73
I. Inventories	0.00	0.00
1. Materials	0.00	0.00
2. Semi-finished products and work in progress	0.00	0.00
3. Finished products	0.00	0.00

4. Traded goods	0.00	0.00
5. Advances on supplies and services	0.00	0.00
II. Short-term receivables	187 196.98	119 125.48
1. Receivables from related parties	0.00	0.00
a) trade receivables maturing:	0.00	0.00
- up to 12 months	0.00	0.00
- above 12 months	0.00	0.00
b) other	0.00	0.00
2 Receivables from other entities, in which the company holds equity interests	0.00	0.00
a) trade receivables maturing:	0.00	0.00
- up to 12 months	0.00	0.00
- above 12 months	0.00	0.00
b) other	0.00	0.00
3. Receivables from other entities	187 196.98	119 125.48
a) trade receivables maturing:	138 444.00	85 170.00
- up to 12 months	138 444.00	85 170.00
- above 12 months	0.00	0.00
b) receivables from tax, subsidy, customs, social security and	48 752.98	33 955.48
c) other	0.00	0.00
d) receivables claimed in court	0.00	0.00
III. Short-term investments	65 916.07	112 024.25
1. Short-term financial assets	65 916.07	112 024.25
a) in related parties	0.00	0.00
- shares	0.00	0.00
- other securities	0.00	0.00
- loans granted	0.00	0.00
- other short-term financial assets	0.00	0.00
b) in other entities	0.00	0.00
- shares	0.00	0.00
- other securities	0.00	0.00
- loans granted	0.00	0.00
- other short-term financial assets	0.00	0.00
c) cash and other pecuniary assets	65 916.07	112 024.25
- cash in hand and at bank	65 916.07	12 024.25
- other cash	0.00	0.00
- other cash	0.00	0.00
2. Other short-term investments	0.00	0.00
IV. Short-term prepayments and accruals	465.03	120.00
C. CALLED-UP SHARE CAPITAL	0.00	0.00
D. OWN SHARES	0.00	0.00

EQUITY AND LIABILITIES	55 253 603.06	231 615.59
A. EQUITY	55 232 452.82	180 273.29
I. Share capital		

	5 812 000.00	1 560 000.00
II. Supplementary capital, including:	49 500 000.00	0.00
- share premium	49 500 000.00	0.00
III. Revaluation reserve, including:	0.00	0.00
- resulting from revaluation at fair value	0.00	0.00
IV. Other reserve capital (funds), including:	0.00	0.00
- recognised in accordance with Company's Articles of Association	0.00	0.00
- on own shares	0.00	0.00
V. Profit (loss) brought forward	-131 726.71	-1 539 899.83
VI. Net profit (loss)	52 179.53	160 173.12
VII. Net profit distributions during the financial year (negative value)	0.00	0.00
B. LIABILITIES AND PROVISIONS FOR LIABILITIES	21 150.24	51 342.30
1. Provisions for liabilities	0.00	51 342.30
1. Provision for deferred income tax	0.00	0.00
2. Provision for retirement and similar benefits	0.00	0.00
-long-term	0.00	0.00
-short-term	0.00	0.00
3. Other provisions	0.00	51 342.30
-long-term	0.00	0.00
-short-term	0.00	51 342.30
II. Long-term liabilities	0.00	0.00
1. To related parties	0.00	0.00
2. Liabilities towards other entities, in which the company holds equity interests	0.00	0.00
3. To other entities	0.00	0.00
a) loans and borrowings	0.00	0.00
b) arising from issuance of debt securities	0.00	0.00
c) other financial liabilities	0.00	0.00
d) liabilities from bills of exchange	0.00	0.00
e) other	0.00	0.00
III. Short-term liabilities	21 150.24	0.00
1. Liabilities towards related entities	0.00	0.00
a) trade liabilities, maturing:	0.00	0.00
- up to 12 months	0.00	0.00
- above 12 months	0.00	0.00
b) other	0.00	0.00
2. Liabilities towards other entities, in which the company holds equity interests	0.00	0.00
a) trade liabilities, maturing:	0.00	0.00
- up to 12 months	0.00	0.00
- above 12 months	0.00	0.00
b) other	0.00	0.00
3. Liabilities to other entities	21 150.24	0.00
a) loans and borrowings	0.00	0.00
b) arising from issuance of debt securities	0.00	0.00
c) other financial liabilities	0.00	0.00
d) trade liabilities, with a maturity of:	2 321.99	0.00

- up to 12 months	2 321.99	0.00
- above 12 months	0.00	0.00
e) advances received for supplies and services	0.00	0.00
f) bill-of-exchange liabilities	0.00	0.00
g) arising from taxes, customs duty, social and health insurance and other public benefits	8 394.00	0.00
h) payroll liabilities	10 434.25	0.00
i) other	0.00	0.00
4. Special funds	0.00	0.00
IV. Accruals	0.00	0.00
1. Negative goodwill	0.00	0.00
2. Other prepayments	0.00	0.00
-long-term	0.00	0.00
- short-term	0.00	0.00
TOTAL ASSETS:	55 253 603.06	231 615.59
TOTAL TOTAL EQUITY AND LIABILITIES	55 253 603.06	231 615.59

PROFIT AND LOSS ACCOUNT (classification of expenses by type)

	Current Year	Previous Year
A. Net sale revenues and equivalent, including:	317 519.00	347 209.90
- from related parties	0.00	0.00
1. Net revenues from sales of products	317 519.00	347 209.90
II. Change in the balance of products (increase - positive value, decrease - negative value)	0.00	0.00
III. Manufacturing cost of products for internal purposes	0.00	0.00
IV. Net revenues from sales of goods and materials	0.00	0.00
B. Operating expenses	318 681.62	173 877.35
1. Amortisation/depreciation	320.88	374.54
II. Consumption of materials and energy	477.20	409.50
III. External services	197 374.36	132 671.12
IV. Taxes and charges, of which:	18 194.00	15 353.19
- excise duty	0.00	0.00
V. Remunerations	101 015.31	25 000.00
VI. Social security and other benefits, including:	0.00	0.00
- retirement benefits	0.00	0.00
VII. Other costs by type	1 299.87	69.00
VIII. Value of sold goods and materials	0.00	0.00
C. Profit (loss) on sales (A- B)	-1 162.62	173 332.55
D. Other operating income	1 353 780.00	0.96
I. Profit on disposal of non-financial fixed	0.00	0.00

assets		
II. Subsidies	0.00	0.00
III. Revaluation of non-financial assets	0.00	0.00
IV. Other operating income	1 353 780.00	0.96
E. Other operating expenses	1 291 681.22	11 332.35
I. Loss on disposal of non-financial fixed assets	0.00	0.00
II. Revaluation of non-financial assets	0.00	0.00
III. Other operating expenses	1 291 681.22	11 332.35
F. Operating profit (loss) (C+D-E)	60 936.16	162 001.16
G. Financial income	8 506.90	4 112.73
1. Dividends and profit sharing, including:	0.00	0.00
a) from related parties, of which:	0.00	0.00
- in which the company holds equity interest	0.00	0.00
b) from other entities, including:	0.00	0.00
- in which the company holds equity interest	0.00	0.00
II. Interest, including:	0.00	0.00
- from related parties	0.00	0.00
III. Profit on sales of financial assets, including:	0.00	1 518.29
- in related parties	0.00	0.00
IV. Revaluation of financial assets	0.00	0.00
V. Other	8 506.90	2 594.44
H. Financial costs	7 462.53	5 940.77
1. Interest, including:	1 859.30	3 691.06
- to related undertakings	0.00	0.00
II. Loss on sales of financial assets, including:	0.00	0.00
- in related parties	0.00	0.00
III. Revaluation of financial assets	0.00	0.00
IV. Other	5 603.23	2 249.71
1. Gross profit (loss) (F + G - H)	61 980.53	160 173.12
J. Income tax expense	9 801.00	0.00
K. Other statutory reductions in profit (increases in loss)	0.00	0.00
L. Net profit (loss) (I-J-K)	52 179.53	160 173.12

STATEMENT OF CHANGES IN EQUITY

	Current Year	Previous Year
Opening balance of equity	180 273.29	20 100.17
- changes in the adopted accounting principles (policy)	0.00	0.00
- corrections of errors	0.00	0.00
Opening balance of equity after adjustments	180 273.29	20 100.17
Opening balance of share capital	1 560 000.00	1 560 000.00
Changes in share capital	4 252 000.00	0.00
increase (due to)	5 500 000.00	0.00
- share issue	0.00	0.00
decrease (due to)	1 248 000.00	0.00

- redemption of shares (stocks)	0.00	0.00
Closing balance of share capital	5 812 000.00	1 560 000.00
Opening balance of supplementary capital	0.00	0.00
Changes in supplementary capital	49 500 000.00	0.00
increase (due to)	49 500 000.00	0.00
- share premium	49 500 000.00	0.00
- from distribution of profit (statutory)	0.00	0.00
- distribution of profit (above statutorily required minimum amount)	0.00	0.00
decrease (due to)	0.00	0.00
- loss coverage	0.00	0.00
Closing balance of supplementary capital	49 500 000.00	0.00
Revaluation reserve at the beginning of the period - changes in accepted accounting principles (policy)	0.00	0.00
Changes in revaluation reserve	0.00	0.00
increase (due to)	0.00	0.00
decrease (due to)	0.00	0.00
- sales (disposal) of fixed assets	0.00	0.00
Closing balance of revaluation reserve	0.00	0.00
Opening balance of other reserve capitals	0.00	0.00
Changes in other reserve capitals	0.00	0.00
increase (due to)	0.00	0.00
decrease (due to)	0.00	0.00
Closing balance of other reserve capitals	0.00	0.00
Profit (loss) brought forward at the beginning of period	-1 539 899.83	-1 503 783.34
Profit brought forward at the beginning of period	0.00	0.00
- changes in the adopted accounting principles (policy)	0.00	0.00
- corrections of errors	0.00	0.00
Opening balance of previous years' profit, after adjustments	0.00	0.00
increase (due to)	0.00	0.00
- distribution of retained profit	0.00	0.00
decrease (due to)	0.00	0.00
Profit brought forward at the end of period	0.00	0.00
Retained loss at beginning of period	-1 539 899.83	-1 503 783.34
- changes in the adopted accounting principles (policy)	0.00	0.00
- corrections of errors	0.00	0.00
Loss brought forward at the beginning of period, after adjustments	-1 539 899.83	-1 503 783.34
increase (due to)	160 173.12	-36 116.49
- loss brought forward to be covered	0.00	0.00
decrease (due to)	1 248 000.00	0.00
Loss brought forward at the end of period	-131 726.71	-1 539 899.83
Closing balance of profit (loss) brought forward	-131 726.71	-1 539 899.83

Net result	52 179.53	160 173.12
net profit	52 179.53	160 173.12
net loss	0.00	0.00
deductions from profit	0.00	0.00
Closing balance of equity	55 232 452.82	180 273.29
Equity including proposed profit distribution (loss coverage)	0.00	0.00

CASH FLOW STATEMENT Submit cash flow statement

INDIRECT METHOD

Direct method

show column of restated data for previous year

	Current Year	Previous Year
A. Operating cash flows		
1. Net profit (loss)	52 179.53	160 173.12
II. Total adjustments	-98 287.71	-66 454.19
1. Amortisation/depreciation	320.88	374.54
2. Foreign exchange gains (losses)	0.00	0.00
3. Interest and shares in profits (dividends)	0.00	0.00
4. Profit (loss) on investment activity	0.00	0.00
5. Change in provisions	-51 342.30	0.00
6. Change in inventories	0.00	0.00
7. Change in receivables	-68 071.50	-35 464.86
8. Change in short-term liabilities, except for loans and credits	21 150.24	-29 772.87
9. Changes in prepayments and accruals	-345.03	-1 591.00
10. Other adjustments	0.00	0.00
III. Net cash flows from operating activities (I+II)	-46 108.18	93 718.93
B. Cash flows from investment activities		
I. Proceeds	0.00	18 207.08
1. Disposal of intangible and tangible fixed assets	0.00	0.00
2. Disposal of investments in real property and intangible fixed assets	0.00	0.00
3. From financial assets, of which:	0.00	18 207.08
a) in related parties	0.00	0.00
b) in other entities	0.00	18 207.08
- sales of financial assets	0.00	18 207.08
- dividends and profit sharing	0.00	0.00
- repayment of long-term borrowings granted	0.00	0.00
- interest	0.00	0.00
- other proceeds from financial assets	0.00	0.00
4. Other investment inflows	0.00	0.00
II. Expenditures	0.00	0.00
1. Purchase of intangible assets and tangible fixed assets	0.00	0.00
2. Investments in real properties and intangible assets	0.00	0.00

3. To financial assets, including:	0.00	0.00
a) in related parties	0.00	0.00
- long-term borrowings granted	0.00	0.00
b) in other entities	0.00	0.00
- purchase of financial assets	0.00	0.00
- long-term borrowings granted	0.00	0.00
4. Other capital expenditures	0.00	0.00
III. Net cash flow from investment activities (I-II)	0.00	18 207.08
C. Cash flows from financing activities		
I. Proceeds	0.00	0.00
1. Net inflows from issuance of shares and other equity instruments	0.00	0.00
2. Borrowings and loans	0.00	0.00
3. Issue of debt securities	0.00	0.00
4. Other financial inflows	0.00	0.00
II. Expenditures	0.00	0.00
1. Purchase of own shares	0.00	0.00
2. Dividends and other payments to owners	0.00	0.00
3. Profit share expenses, other than payments to equity holders	0.00	0.00
4. Repayment of loans and borrowings	0.00	0.00
5. Redemption of debt securities	0.00	0.00
6. Repayment of other financial liabilities	0.00	0.00
7. Payments of liabilities under finance lease agreements	0.00	0.00
8. Interest	0.00	0.00
9. Other financial expenditures	0.00	0.00
III. Net cash flows from financing activities (I-II)	0.00	0.00
D. Total net cash flow (A.III±B.III±C.II 1)	-46 108.18	111 926.01
E. Balance sheet movement in cash, including:	0.00	0.00
- movement in cash due to foreign exchange gains/losses	0.00	0.00
F. Cash at the beginning of the period	112 024.25	98.24
C. Cash at the end of the period (F±D), including	65 916.07	112 024.25
- with limited availability	0.00	0.00

ADDITIONAL INFORMATION AND ANNEXES

Additional Information 2020

ID 2020.pdf

ADDITIONAL INFORMATION ON INCOME TAX

Submit information on reconciliation of the difference between the income tax base and gross financial result (profit or loss)

Enable a view that includes a breakdown of revenue/expense from capital gains and from other revenue sources

Enable a view to add detail items with legal basis

ITEM NAME	Current Year	Previous Year
A. Gross profit (loss) for the year	160 723,12	61 980,5
B. Tax-exempt income (permanent differences between profit/loss for accounting purposes and [illegible])	0.00	0.00
C. Tax-exempt revenues for the current year	0.00	7 413.40
D. Revenues taxable in the current year, disclosed in the accounting books of previous years	0.00	0.00
E. Costs other than tax deductible costs (permanent differences between profit/loss for accounting purposes and profit/loss for tax purposes)	13 256.94	68.20
F. Costs not recognised as tax deductible costs in the current year	0.00	0.00
G. Costs recognised as tax deductible expenses in the current year and disclosed in the books of previous years	101 000.00	0.00
H. Loss from previous years	72 980.06	0.00
I. Other changes in income tax base	0.00	0.00
J. Income tax base	0.00	54 635.30
K. Income tax	0.00	4 917.0

POLARIS IT GROUP SA
NOTES (SUPPLEMENTARY INFORMATION) SUPPLEMENTING THE FINANCIAL STATEMENTS

Note 1 Changes in fixed assets and intangible assets
Note 2 Changes in long-term investments
Note 3 List of accruals and prepayments
Note 4 Contingent liabilities
Note 5 Cash structure
Note 6 Territorial structure of net revenues from sales
Note 7 Transactions with related companies
Note 8 Employment
Note 9 Remuneration paid to members of the management and supervisory board
Note 10 Share capital together with the nominal values of shares (structure)
Note 11 Net revenues from sales of products, goods and materials (by types of activity)
Note 12 Remuneration of the auditor or the entity authorised to audit financial statements, paid or due for the financial year
Note 13 List of companies (name, registered office) in which the entity holds at least 20% of shares in capital
Note 14 Age structure of trade receivables and liabilities
Note 15 Proposed profit distribution for the current year
Note 16 Composition of the Supervisory Board on 31-12-2019
Note 17 Shareholding structure (Shareholders holding more than 5% of the shares)
Note 18 Provisions and assets for deferred income tax
Note 19 Specification of other operating income and other financial income and expenses
Note 20 Information on accounts receivable impairment write-offs, indicating the balance brought forward, increase, use, release and balance carried forward

No other supplementary information listed in annex No. 1 to the Act occurred or in their amount is immaterial for the assessment of these financial statements.

Note 1

Changes in fixed assets and intangible assets

	Intangible assets - Other	Technical equipment and machines	Vehicles	Other tangible fixed assets	Total - Tangible fixed assets
Gross value at the beginning of the period	8 116.00	4 418.91	-	-	4 418.91
Additions, including:	-	-	-	-	-
- acquisition	-	-	-	-	-
- internal transfers	-	-	-	-	-
- guarantee replacement	-	-	-	-	-
- lease purchase	-	-	-	-	-
- other	-	-	-	-	-
Reductions, including:	-	-	-	-	-
- revaluation	-	-	-	-	-
- disposal	-	-	-	-	-
- sell	-	-	-	-	-
- internal transfers	-	-	-	-	-
- other, lease agreement termination	-	-	-	-	-
Gross value at the end of the period	8 116.00	4 418.91	-	-	4 418.91
Accumulated depreciation at the beginning of the period	7 770.14	4 418.91	-	-	4 418.91
Additions, including:	320.88	-	-	-	-
- current year amortisation	320.88	-	-	-	-
- internal transfers	-	-	-	-	-
- other leasing	-	-	-	-	-
- other	-	-	-	-	-
Reductions, including:	-	-	-	-	-
- disposal	-	-	-	-	-
- sell	-	-	-	-	-
- write-off of replaced equipment	-	-	-	-	-
- internal transfers	-	-	-	-	-
- other, lease agreement termination	-	-	-	-	-
Accumulated depreciation at the end of the period	8 091.02	4 418.91	-	-	4 418.91
Net book value as at the 01.01.2020	345.86	-	-	-	-
Net book value as at the 31.12.2020	24.98	-	-	-	-
Degree of use from initial value	100%	100%	0%	0%	100%

Note 2

Changes in long term investments

	Shares in related entities	Shares in other entities	Loans granted	Other long-term investments
At the beginning of the period, including at purchase price	-	-	-	
Additions, including:	-	-	-	55 000 000.00
acquisition	-	-	-	55 000 000.00
value impairment write-offs	-	-	-	
loans granted	-	-	-	
Reductions, including:	-	-	-	
impairments	-	-	-	
Sale of shares	-	-	-	
Balance at the end of the period	-	-	-	55 000 000.00
including at purchase price	-	-	-	55 000 000.00

Note 3

List of accruals and prepayments

	2020	2019
Long-term prepayments, including:	-	-
1. Deferred income tax assets	-	-
2. Other prepayments, including:	-	-
- non-claim revenue	-	-
- other	-	-
- other	-	-
Short-term prepayments, including:	465.03	120.00
- surplus of accrued revenues over invoiced revenues	-	-
- insurance	-	-
- costs related to capital markets	-	-
- website redevelopment	-	-
- other (virtual office)	465.03	120.00

Accrued expenses, including:	-	-
1. Negative goodwill	-	-
3. Other prepayments, including:	-	-
a) long-term	-	-
b) short-term, including:	-	-
- unused paid holiday provision	-	-
- provision for employee benefits	-	-
- provision for external services	-	-
- provision for deliveries	-	-
- other	-	-

Note 4

Contingent liabilities

	2020	2018
Total contingent liabilities, including:		-
1. Guarantees		
2. Sureties (also on bonds)		
3. Deposits	-	-
4. Liabilities due to goods on consignment	-	-
5. Claims unrecognised by the entity referred by business partners to court and taxes		
6. On concluded and not performed agreements		
7. Other contingent liabilities		

Note 5

Cash structure

	2020	2019
Cash balance including:	65 916.07	112 024.25
Cash in hand	-	-
Cash at bank	65 916.07	112 024.25
Bank deposits ON	-	-
Cash equivalents, including:	-	-
- cheques	-	-
- bills of exchange	-	-
- other	-	-

Note 6

Territorial structure of net revenues from sales

	2020	2019
Total net revenues from sales, including:	317 519.00	347 209.90
1. Sales to domestic customers		
2. Export sales	317 519.00	347 209.90

Note 7

Transactions with related companies

None.

Note 8

Employment

	2020	2019
Average number of employees, including:		
- white-collar workers	-	-
- blue-collar workers	-	-
- apprentices	-	-
- home based work employees	-	-
- employees on a child-rearing leave or unpaid leave	-	-

Note 9

Remuneration paid to members of the Management and Supervisory Board

	2020	2019
Remuneration of the Management Board and Supervisory Board (gross)	41 015.31	
Remuneration of the Management Board and Supervisory Board - unpaid (net)	10 434.25	

Note 10

Share capital together with the nominal values of shares (structure)

Series/issue	Type of shares	Number of shares	Face value	Value of series / issue in nominal value	Form of capital contribution	Date of registration with the NCR	Nominal value of shares after denomination	Value of series / issue at nominal value after registered denomination
N	ordinary	2 820 000.00	1.00	2 820 000.00	cash	02/04/2020	0.10	282 000.00
O	ordinary	300 000.00	1.00	300 000.00	cash	02/04/2020	0.10	30 000.00
P	ordinary	55 000 000.00	1.00	55 000 000.00	cash	29/09/2020	0.10	5 500 000.00
Total number		58 120 000.00	-	-				-
Total share				58 120 000.00				5 812 000.00
Refer to Note 17 for Shareholders holding more than 5% of the shares								

Note 11

Net revenues from sales of products, goods and materials (by types of activity)

	2020	2019
Sale of services	317 519.00	347 209.90
Sales of services	-	-
	317 519.00	347 209.90

Note 12

Remuneration of the auditor or the entity authorised to audit financial statements, paid or due for the financial year

	2020	2019
a) statutory audit of the annual financial statements	7 000.00	7 000.00
b) other certifying services		
c) tax advisory services		
d) other services		

Note 13

List of companies (name, registered office) in which the entity holds at least 20% of shares in capital

Name (company) of entity and its legal form	Seat	Core business	Type of relationship (subsidiary, jointly-controlled entity or associate) plus details of direct and indirect relationships	Applied consolidation method / equity method or indication that the entity is not subject to consolidation / equity method	Book value of shares	Owned equity	Share in the total number of votes at the general meeting	Indication of other basis of control / joint control / significant influence	Supplementary information on the carrying amount of shares
Industrial Artificial Intelligence Kft. (IAI)	Hungary	operates in the information technology market	subsidiary	full consolidation	55 000 000.00	100%	100%	none	

Note 14

Age structure of trade receivables and liabilities

	Total as at the balance sheet date in the books	Current deposits	Overdue					Presentation in the balance sheet
			between 31 and 60 days	between 61 and 180 days	above 180 days	above 1 year	Existing reserve	
Receivables	138 444.00	138 444.00						A.B.II.3a
Liabilities	1 091.99	1 091.99			984.00			P.B.III.3d

Note 15

Proposed profit distribution for the current year

The Management Board of Polaris IT Group Spółka Akcyjna with its registered office in Warsaw proposes that the net profit achieved in the financial year from January 1, 2020 to December 31, 2020 in the amount of PLN 52 179.53 should cover the loss from previous periods.

Note 16

Composition of the Supervisory Board on 31-12-2020

First name and surname	function
Gergely Bárdos	Chairperson
Dániel Szabó	Member
György Muity	Member
Gergő Tóth	Member
Fernezeyi Ferenc	Member

Note 17

Shareholding structure (Shareholders holding more than 5% of the shares)

SHAREHOLDER	SHARES	SHARES %	VOTES	VOTES %
Bit Pyrite Ltd	38 500 000	66,24%	38 500 000	66,24%
Others	19 620 000	33,76%	19 620 000	33,76%
TOTAL	58 120 000	100,00%	58 120 000	100,00%

Note 18

Provisions and assets for deferred income tax

Note 19

Specification of other operating income and other financial income and expenses

Other operating income:	1 353 780.00	
- including:	Tax	non-tax
- rounding up of declarations	0.00	0.00
- gain from disposal of non-financial assets	0.00	0.00
- settlement with debtor - compensation	0.00	0.00
- re-invoices	1 353 780.00	0.00
- derecognition of overdue unpaid liabilities	0.00	0.00
total:	1 353 780.00	0.00

Other operational costs:	1 291 681.22	
- including:	tax	non-tax
- rounding from the declaration	0.00	0.00
- re-invoicing	1 291 681.22	0.00
- recovery fees, other charges	0.00	0.00
- derecognition of uncollectible receivables from customers - no reserves	0.00	0.00
total:	1 291 681.22	0.00

Other financial income:	15 920.33	
- including:	tax	non-tax
- exchange differences	8 506.90	7 413.43
- profit on redemption of liabilities towards the National Court Register and the bank	0.00	0.00
- gain on disposal of shares - tax valuation	0.00	0.00
total:	8 506.90	7 413.43

Other financial costs:	7 530.81	
- including:	tax	non-tax
- budget interest	0.00	0.00
- interest on contractors	1 859.30	0.00
- exchange service costs - unpaid, nbuy (interest)	0.00	0.00
- exchange differences	5 603.23	68.28
- redemption of Company shares (liquidation of Companies)	0.00	0.00
suma:	7 462.53	68.28

Note 20

Information on accounts receivable impairment write-offs, indicating the balance brought forward, increase, use, release and balance carried forward

Value at the beginning of the period	Increases	Usage	Release	Value at the end of the period
0,00	0,00	0,00	0,00	0,00

4. Report on activities

a. Company details.

Company:	Polaris IT Group Spółka Akcyjna
Registered office:	Warsaw
Registered office address:	Świeradowska 47, 02-662 Warsaw
NIP:	1132197112
REGON:	016238500
KRS	0000113924
President of the Management Board:	Gábor Kósa
E-mail address:	hello@polarisitgroup.com
Website	www.polarisitgroup.com

b. Events materially affecting the operation of the parent entity and subsidiaries during the financial year and thereafter until the date of preparation of the financial statements.

In the first six months of 2020, the Company executed an agreement with United Dots Ltd. of the UK, which was concluded back in 2019, for technology consulting services. The contract value 70 000 EUR, of which 20 000 EUR was invoiced in 2019 and 50 000 EUR in 2020. In parallel, the Company was involved in negotiations and preparations for the acquisition of the selected entity, which the Company announced in late 2019.

On 10 June 2020, the Management Board announced conclusion of the negotiations proposed that the General Meeting of Shareholders, convened for 6 July 2020, adopt resolutions approving the contribution in kind of the shares of Industrial Artificial Intelligence Kft. based in Budapest, which owned 100% of shares of iSRV Zrt., based in Budapest, in exchange for a new share issue. At the Company's request, Grant Thornton Valuation Ltd. drafted reports on the fair value of the contribution in kind as at 31 March 2020. The Company has also obtained a fair value valuation, drafted by CHE Consulting Sp. z o.o., a Polish firm of auditors.

On 6 July 2020, agreements were concluded for the acquisition of P series shares in exchange for non-cash contributions made on the same day. Series P shares were registered by the court on 29 September 2020. The issue comprised 55 000 000 shares with a nominal value of PLN 0.10 each, at an issue price of PLN 1. The non-cash contribution consisted of 100% of shares in Industrial Artificial Intelligence Kft. (IAI), valued at PLN 55 000 000. IAI does not conduct operations generating sales revenues, however, its valuation was based on its 100% shareholding in iSRV Zrt. (iSRV). iSRV is currently part of the Polaris IT group with the largest scale of operations.

iSRV operates in the information technology market as a provider of end-to-end hardware and software

solutions with extensive experience in artificial intelligence (AI), cryptography, customised solutions (FPGA), video streaming and biometric security technologies. It provides internationally competitive, innovative solutions, in data security, streaming technology and online education.

In October 2020, a provision of 51 342.30, created in 2018, was released due to the repayment of amounts awarded against the Company with interest. The case involved settlements with one of the Company's suppliers for the Company's art dealing business, conducted in 2011-12, and the injunction judgment was granted in 2014. The amount of the liability was reserved prior to the acquisition of the Company in 2019, while still under the previous management of the Company. It was not possible to negotiate the payment of lower interest, but the matter was eventually resolved. In addition to the amount of the provision, the Company paid PLN 1 859.30 of additional interest.

In December 2020, Polaris IT Group SA and its subsidiary iSRV Zrt. entered into a software distribution and licensing agreement for B2B partners. Polaris IT Group SA obtained rights to distribute software and licenses developed by iSRV Zrt., in cases where the potential buyer is not the end user of the software. After the agreement was concluded, the first transaction took place. Polaris IT Group SA sold to a client licenses for software components in online learning technologies, developed by iSRV Zrt. Just after the end of the fiscal year, in March 2021, the Company generated revenue on a similar transaction from another client.

The IAI shares contributed in kind were recognised as long-term financial assets in the amount of PLN 55 000 000. As at the date of preparation of the report, the Management Board of the Company sees no grounds for updating this value and expects that it will be maintained, as no circumstances have occurred that would have a negative impact on this value.

iSRV Zrt, Company's subsidiary, with the largest operations in the group, executed a significant contract for the supply of medical equipment and supplies in 2020 for a total amount of approximately 36 million EUR, of which approximately 23 million EUR is recognised as 2020 revenue and the remaining approximately 13 million EUR was generated after the end of the fiscal year and will be recognised in 2021 revenue.

c. Development Forecast.

I. Areas of business

The business of Polaris IT Group is primarily run by its subsidiary iSRV and currently cover several areas:

1. IT security solutions

The operations of the security division originally included the sale of security software and hardware components, then evolved into the development of proprietary products: special customer solutions based on security technologies, encryption and authentication solutions, blockchain-based solutions, artificial intelligence (AI) based solutions, combined with digital vision technology.

In 2020, iSRV began and continued to invest in data encryption products, solutions based on artificial intelligence and special radar technologies, and the development of autonomous and sensor-based vehicles.

2. Online learning platform (EDL)

Over the past few years, a priority project for iSRV has been the development of a modern and secure online learning system based on video communication. The platform's foundation was supported by the GINOP

tender (a public tender partly funded by the EU). The first phase of the tender was completed in September 2018 and since then, with the allocation of significant resources, the platform has continued to actively evolve to best meet the rapidly changing (and growing) requirements of the market. The online learning platform offers online training for companies (for instance - internal training, educational companies - language schools), educational institutions (high schools, colleges, universities) to expand their customer base and regional reach. The changes over the past year during the pandemic period further demonstrate that iSRV offers an attractive, stable, well-scalable, modern and innovative education and communication system.

3. Artificial intelligence (AI) solutions

iSRV pays particular attention to the opportunities that the AI presents. The company seeks to strengthen its position and invest in this segment. An investment like this may yield far-reaching results. On the one hand, this could significantly support the marketability and competitiveness of existing products (for instance the possibility to analyse behavioural patterns through encrypted networks or the support in monitoring attention by artificial intelligence in an online education system). On the other hand, such knowledge can also be useful in completely new fields. Among other things, iSRV is exploring solutions that could be applied to healthcare research and reform, agriculture, forestry, urban management, and other areas of the economy.

4. Software development

Since iSRV has capabilities (employees, subcontractors) and professional contacts in the field of IT and industrial implementations as well as extensive project management experience, it provides assistance, as a prime contractor, in implementing customised IT systems under several projects.

5. VOD Streaming

iSRV has been developing and supporting backend modules used as streaming support solutions since 2016. The main reference in this field is the development and operation of the system of a Hungarian communication service provider, where it acts as a subcontractor. However, the management board expects the business potential of streaming back-end services associated to classic video services to decline. The streaming know-how is used in the development of the online learning platform.

6. Health and Medical Products Division

Last year, iSRV established a new division that covers health care. The company became involved in distribution of medical equipment to two Hungarian state institutions through a business partner.

In 2020, iSRV completed the first and second parts of the contract. The contract was fully executed in January 2021. iSRV intends to remain active in this segment by providing services associated with healthcare products.

II. Certificates

Some products and services, offered by iSRV, must be certified. In H1 2020, the company renewed its SO 9001: 2015 Quality Management System certificate, passed the annual NATO supplier audit and expanded its military supply business license to include foreign trade. It has also received information security certifications in several categories: "Top secret!", "Secret!" EU, "Secret!" NATO, "Secret!" Paks II.

III. GINOP grants

iSRV was granted funding in the GINOP contest for the construction of a electroplating plant , with an investment value of approximately HUF 760 million (for which iSRV received a grant of HUF 381 million). Construction of the electroplating plant will be completed in 2021. As a result of another GINOP project, started in 2021 will also see completion of a cloud-based biometric identification timekeeping system, implemented under another GINOP project, launched in 2019.

The value of the investment is HUF 373 million, an the grant obtained by iSRV was HUF 130 million.

d. Research and Development activity.

Polaris IT Group SA, through its subsidiary iSRV, incurred R&D expenses in 2020 on development of products and services, primarily the online learning platform (EDL).

iSRV will continue allocating significant resources to research and development in the future. Work is underway on two products in the encryption market: an external encrypted storage device that fulfils military requirements, and a solution that can be used to build custom hardware-encrypted networks. In the field of radar technology, iSRV has identified several areas that are innovative and have significant market potential. These include, but are not limited to, improving safety solutions for rail, road and air transport, developing innovative adaptive manufacturing technologies based on 3D printing, and developing special sensory solutions for quality and production management in the food and agricultural industries.

The company also allocates funds for research and development of artificial intelligence (AI) solutions for use in security technology, education, agriculture and industry. Another goal is to engage in the development of telemedicine services for healthcare.

Considering different competences in a wide spectrum of activities, significant synergies between seemingly different are being identified, which will be a significant market advantage for the Company in the future.

e. Financial situation of the company.

Unit sales revenue for 2020 amounted to PLN 317 519.00 while net profit to PLN 52 179.53. Consolidated sales revenue for 2020 amounted to PLN 144 309 542.61, net profit to PLN 2 303 572.65. EBITDA of the Capital Group was PLN 7 406 596.13 PLN

The main asset of Polaris IT Group SA is the 100% share in its subsidiary Industrial Artificial Intelligence Kft. based in Budapest, which holds 100% of shares in iSRV Zrt. based in Budapest. The value under long-term investments in the non-consolidated balance sheet amounts to PLN 55 000 000 and is the contribution in kind of shares in exchange for 55 000 000 series P shares at an issue price of PLN 1 per share. Prior to the contribution, enacted on 6 July 2020, the Management Board carried out a review of operations of IAI kft. and iSRV Zrt. and a valuation at the request of the Company, in which the fair value of the shares as at

31 March 2020 was determined to be PLN 60 799 789.60. As at the date of this report, the Management Board is of the opinion that no circumstances exist which could lead to revaluation of the shares held by the Company.

Simultaneously, in the consolidated financial statements, the Management Board determined the goodwill resulting from the difference between the fair value and the net asset value of iSRV Zrt. at PLN 48 323 910.15. In accordance with the regulations, this value is subject to amortisation, and the Management Board has set the amortisation period of goodwill at 100 years thus calculating the amortisation charge. This long amortisation period is due to the fact that no reasons exist to reduce the value of shares in subsidiaries and the value remains unchanged in separate financial statements. Using a short depreciation period would lead to a situation where, although group companies are profitable, a loss would occur in the consolidated accounts as well as a rapid loss of capital. The consolidated financial statements are intended to reflect the Group's real position. According to Polish regulations, it is not possible to waive amortisation of goodwill (which is allowed under IAS), so the Management Board adopted an amortisation period reflects properly the Group's situation in the consolidated financial statements.

In the opinion of the management board, the capital group successfully implemented its financial plans despite external difficulties. Provided conditions do not deteriorate, the Management Board is confident that the Company will see further impressive growth in 2021.

f. Own shares.

The Company and the Group do not hold any treasury shares.

g. Branches and facilities owned.

The Company and the Group have no branches or establishments.

h Financial instruments.

The Company and the Group do not hold any financial instruments.

i. Principal risks and hazards.

Risks due to COVID-19

In addition to its impact on public health, COVID-19 has a significant impact on the economy, fundamentally

affecting business and development processes. The situation around COVID-19 has hampered business development and operations in Poland. Due to extended delivery times in international orders of essential tools and parts, iSRV product development now takes more time. Conference and trade show are on hold, making it difficult to demonstrate products to potential customers. The risk in sales is greater because travel restrictions make it difficult to meet in person. A prolonged pandemic could result a period of unknown challenges to all businesses, including Polaris IT Group SA.

Risk due to the volatility of currency exchange rates

Polaris IT Group SA operates globally, generating revenues and incurring costs in different currencies of the countries in which it operates, which exposes the Company to losses resulting from unfavourable foreign exchange differences that may reduce the margin earned on the sale of products and services. Although the Company's Management Board strives to limit this risk, it is impossible to eliminate it completely and fluctuations in currency exchange rates may affect the financial results achieved.

Risks due to loss of necessary permits and certificates.

For certain of the Company's important products and services, certifications and approvals associated with security and military supplies are required. Loss of certificates and permits could adversely affect financial results.

j. Description of the principles of preparation of the annual financial statements.

A description of the principles governing the preparation of annual financial statements can be found in those statements.

k. Equity of the parent company.

Following the registration of the capital increase through the issue of series P shares in September 2020, the share capital of the parent company increased to PLN 5 812 000 and the supplementary capital (with agio) was set at PLN 49 500 000.

The equity of the parent company at the end of 2020 amounted to PLN 55 232 452.82.

l. Distribution of parent company profit for 2020.

The Management Board filed a proposal that the parent company's net profit for 2020 of PLN 52 179.53 be allocated to cover losses from previous years

5. Declarations

STATEMENT OF PERSONS ACTING ON BEHALF OF POLARIS IT GROUP SA ON THE RELIABILITY OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The Management Board of Polaris IT Group SA hereby declares that, according to its best knowledge, the annual financial statements and comparable data of the company have been prepared in accordance with legal regulations applicable to the Issuer and the applicable accounting principles.

The data presented reflect, in a true, reliable and clear manner, the material and financial situation of Polaris IT Group SA and its financial result. Moreover, the Management Board of Polaris IT Group SA declares that the report of the Management Board on its activities in 2020 gives a true picture of the Issuer's situation and its achievements, including a description of the main threats and risks.

Gábor Kósa, President of the Management Board, Polaris IT Group SA

Lóránt Tókos, Member of the Management Board, Polaris IT Group SA

STATEMENT OF PERSONS ACTING ON BEHALF OF POLARIS IT GROUP SA ON THE SELECTION OF THE ENTITY AUTHORISED TO AUDIT THE ANNUAL FINANCIAL STATEMENT

The Management Board of Polaris IT Group SA declares that the entity authorised to audit the financial statements, auditing the financial statement for the year 2020, was selected in accordance with the law and that the entity and the auditors, conducting the audit of these statements, met the conditions to express an unbiased and independent opinion on the audit, in accordance with relevant provisions of the Polish law.

Gábor Kósa, President of the Management Board, Polaris IT Group SA

Lóránt Tókos, Member of the Management Board, Polaris IT Group SA

6. Report on the audit of the annual financial statements

Polaris IT Group S.A. Capital Group
Świeradowska 47, 02-662 Warsaw

INDEPENDENT STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS FOR 2020

Prepared by:
Bogdan Zegar
Certified Auditor



EUREKA AUDITING
Sp. z o.o.

Al. J. Marcinkowskiego 22 / 61-827 Poznań / tel. 501 893 629
www.eurekaauditing.pl
KRS 0000183841 / REGON 632106940 / NIP 778-00-46-078

Report on the audit of the annual financial statements of Polaris IT Group S.A. for 2020

INDEPENDENT STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

To the Meeting of Shareholders and the Supervisory Board of Polaris IT Group S.A.

Report on the audit of the annual financial statements

Audit opinion

We have audited the annual financial statement of Polaris IT Group S.A. based in Warsaw (02-662), Świeradowska 47 ("Company"), which comprises the balance sheet as at 31 December 2020 and the income statement, statement of changes in equity, cash flow statement for the year then ended as well as additional information and explanations ("financial statements").

In our opinion, the financial statements:

- presents a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance and cash flows for the financial year from 1 January to 31 December 2020 in accordance with the applicable provisions of the Accounting Act of 29 September 1994 (consolidated text Journal of Laws of 2021, item 217 - hereinafter referred to as the "Accounting Act") and the adopted accounting principles (policy),
- are consistent in their form and content with the applicable laws and regulations binding the Company as well as provisions of the Articles of Association of the Company;
- were prepared based on properly maintained accounting books in accordance with the provisions of Chapter 2 of the Accounting Act.

Grounds for the opinion

We conducted our audit in accordance with the National Auditing Standards consistent with the International Auditing Standards adopted by the Resolution of the National Council of Statutory Auditors No. 3430/52a/2019 of 21 March 2019 on national auditing standards and other documents, with subsequent amendments ("NAS") and in accordance with the Act on statutory auditors, audit firms and public supervision of 11 May 2017 ("Act on Statutory Auditors" i.e. Journal of Laws of 2020, item 1415, with subsequent amendments). Our responsibility under these standards is further described in the section "Auditor's responsibility for the audit of the financial statements" of the report.

Report on the audit of the annual financial statements of Polaris IT Group S.A. for 2020

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants ("IFAC Code") adopted by resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March 2019 on the principles of professional ethics for statutory auditors and with other ethical requirements applicable to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code of Conduct. In the course of the audit, the key statutory auditor and the audit firm remained independent from the Company in accordance with the independence requirements set forth in the Act on statutory auditors.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Key issues of the audit

The key audit issues are those issues that, in our professional judgment, were most significant during the audit of the financial statements for the current fiscal year. These include the most significant, assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have addressed these issues in the context of our audit of the financial statements as a whole and in forming our opinion and have summarised our response to these risks and, where we considered it appropriate, have provided key observations associated with these risks. We do not express a separate opinion on these issues.

Key issue of the audit	How our audit addressed this issue
1. Value of disclosed shares As at 31 December 2020, the value of shares in related entities disclosed as long-term financial assets amounted to PLN 55 000.0 thousand The Parent Company acquired 100% of the shares in Industrial Artificial Intelligence Kft (IAI). This valuation was based on IAI's 100% ownership of iSRV Zrt., group's subsidiary. The companies are registered in Hungary - Budapest.	Our audit procedures included: - identification of documentation on assumption of the acquired shares in the Subsidiary, - assessment of (annual) financial statements of Companies related by shares, - review of the objectives and strategy pursued by the Company's Management Board with respect to Companies related by shares, - evaluation of the assumed shares based on the reports by Grant Thornton Valuation Ltd., confirmed by the value of fair valuation by CHE Consulting Sp. z o.o. a Polish audit firm

Report on the audit of the annual financial statements of Polaris IT Group S.A. for 2020

<p>Our risk identification associated with the above issue involves assessment of the level of value of the shares disclosed in the financial statements to confirm their value.</p> <p>According to the Management Board the ownership of shares in the Subsidiary is important for the strategy of management of the entire Capital Group. This issue is described in notes 2 and 10 of the financial statements.</p>	<p>Following our audit procedures, we accepted and shared management's views on the management strategy of the Related Companies and made no adjustment to the financial statements.</p>
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Responsibility of the Management Board and Supervisory Board for the financial statements

Management Board of the Company is responsible for drafting Company's financial statements, based on properly maintained accounting records, which give a true and fair view of its assets, financial position and performance in accordance with the Accounting Act, adopted accounting policies and with applicable laws, regulations and contracts, and for such internal control as the Management Board believes to be necessary to enable the Company to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for evaluating the Company's ability to continue as a going concern, disclosing, where applicable, matters relating to the going concern and adopting the going concern principle as the basis for accounting, except where the Management Board either intends to liquidate the Company or to discontinue operations or has no viable alternative to liquidation or discontinuation of operations.

The Management Board of the Company and members of the Supervisory Board have the duty to ensure that the financial statements fulfil the requirements provided for in the Accounting Act. Members of the Supervisory Board are responsible for supervising the financial reporting process of the Company.

Statutory auditor's responsibility for the audit of financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole contain a material misstatement due to fraud or error and to issue an audit report that includes our opinion. Rational confidence is a high level of confidence, but does not guarantee that an audit carried out according to the National Council of Statutory Auditors in Poland will always detect any existing material misstatement. Misstatements may arise from fraud or error are regarded as material when it can be reasonably expected that they, individually or collectively, would influence the economic decisions of users made on the basis of these financial statements.

The concept of materiality is applied by the certified auditor both in planning and conducting the audit as well as in assessing the impact of

Report on the audit of the annual financial statements of Polaris IT Group S.A. for 2020

misstatements and non-corrected misstatements, if any, recognised during the audit, on the financial statements, as well as in formulating the auditor's opinion. Further to the above, all opinions and statements contained in the report on the audit are expressed taking into consideration the qualitative level and the amount of materiality determined in accordance with the auditing standards and the professional judgement of the auditor.

The scope of the audit does not include assurances as to the future profitability of the Company or the effectiveness or efficiency of the management of its affairs by the Management Board of the Company at present or in the future.

When carrying out our audit according to the National Council of Statutory Auditors in Poland, we apply professional judgment and maintain professional scepticism, as well as:

- we identify and assess the risks of material misstatement of financial statements that could arise from fraud or error, we design and perform audit procedures that are appropriate to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of a failure to detect a material misstatement resulting from fraud is greater than that resulting from error, since fraud may involve collusion, counterfeiting, intentional omissions, misrepresentation or circumvention of internal control;
- we obtain an understanding of the internal control relevant to the audit to design audit procedures that are appropriate in specific circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we assess the appropriateness of the applied accounting principles (policy) and the reasonableness of accounting estimates as well as related disclosures made by the Management Board of the Company;
- we draw a conclusion as to whether the Management Board of the Company should apply the going concern principle as the basis for accounting and, based on the evidence obtained, whether a material uncertainty exists that relates to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are required to draw attention, in our report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report, however, future events or conditions may cause the Company to discontinue its operations;
- we assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present underlying transactions and events in a manner that gives a true and fair view.

We provide the Supervisory Board with information on the planned scope and timing of the audit and on significant findings of the audit, including any significant weaknesses of internal control that we identify during the audit as well as other information.

We represent to the Management Board that we have followed the applicable ethical requirements regarding independence and that we will make them aware of all relationships and other .

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Report on the audit of the annual financial statements of Polaris IT Group S.A. for 2020

matters that could reasonably be considered to pose a threat to our independence and, where applicable, make them aware of the safeguards in place.

Of the issues reported to the Supervisory Board we identified those matters that were most significant to our audit of the financial statements for the current reporting period and, accordingly, we considered them to be key audit issues.

Other information, including the report on activities

Other information includes the report of the Management Board on activities of the Company for the fiscal year ended on 31 December 2020 (hereinafter "Report on Activities").

Responsibility of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for drafting the Report as required by legal regulations.

The Management Board of the Company and members of the Supervisory Board have the duty to ensure that the Report on the Company's activities fulfils the requirements provided for in the Accounting Act.

Responsibility of the Statutory Auditor

Our opinion on the audit of the financial statements does not apply to the report on activities. When conducting the audit of the financial statements, we are required to review the Report on activities and in so doing, to consider whether or not it is materially inconsistent with the financial statements or with our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work performed, a material misstatement of the Report on activities is found, we have the duty to disclose this in our audit report. Our responsibility under the requirements of the Act on statutory auditors is also to express an opinion as to whether the Report on activities was prepared in accordance with the regulations and whether or not it is consistent with the information contained in the financial statements.

Opinion on the Management Board's Report on activities

Based of the work performed during the audit, in our opinion, the Report on activities of the Company:

- was drafted in accordance with Article 49 of the Accounting Act,
- is consistent with the information contained in the financial statements.

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Report on the audit of the annual financial statements of Polaris IT Group S.A. for 2020

In addition, we represent that in the light of the knowledge of the Company and its environment, obtained during our audit, we found no material misstatements in the Report on activities.

The key statutory auditor responsible for the audit, reported in this independent statutory auditor's report is Mr Bogdan Zegar, acting on behalf of Eureka Auditing Sp. z o.o. with its registered office in Poznań, Marcinkowskiego 22, 61-827 Poznań, entered in the list of audit firms under number 137, on behalf of which the key statutory auditor audited the financial statements.

Bogdan Zegar



Signed by /
Podpisano przez:
Bogdan Stefan
Date/Date: 2021-
03-21 22:51

Key statutory auditor, registration number 5475

Performing the audit on behalf of:

Eureka Auditing Sp. z o.o.

Entity authorised to audit financial statements, reg. no. 137 President of the Management Board

Poznan, 21 March 2021

Eureka Auditing Sp. z o.o.

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7. Other information

a. Information on the application of best practices

In the financial year, the Company applied the corporate governance principles referred to in "Best Practice of GPW Listed Companies", except for the following principles:

Principle 1 - in the scope of broadcasting the sessions of the General Meeting via the Internet, making a video recording of it and distributing such a recording publicly. Polaris IT Group SA did not enable the shareholders to exercise this right during general meetings. The Company will consider broadcasting and recording general meetings if shareholders are interested in this form of participation in general meetings.

Principle 5 - in the scope of using "investor relations" section of www.gpwinfostrefa.pl (currently www.infostrefa.com). The Company did not use this service. All information is provided via current and periodic reports in the EBI and ESPI systems. The content of the reports is automatically published on infostrefa.com.

Principle 11 - no publicly available meeting of the Management Board of Polaris IT Group SA was held in 2019 with the participation of the Authorised Advisor. The Company abandoned this principle incidentally due to negligible interest of investors in this type of meeting. The Company intends to hold meetings as interest grows.

Principle 16 - the Company does not publish monthly reports as all significant activity was communicated through current and periodic reports. As activity increases, the Company will consider reinstating the publication of monthly reports.

b. Information on salaries

In 2020, members of the Management Board did not receive any remuneration.

Members of the Supervisory Board received remuneration of EUR 500 per quarter for each Member of the Supervisory Board, in accordance with the resolution of the General Meeting of Shareholders.

The remuneration of the Authorized Adviser of the Company, Invest Concept Sp. z o. o., amounted to PLN 60,000 in 2020.

8. Contact details

Polaris IT Group SA
ul. Świeradowska 47
02-662 Warszawa
e-mail: hello@polarisitgroup.com
www.polarisitgroup.com
NIP 1132197112
KRS 0000113924