

**cxLoyalty International ApS
Lyngbyvej 20, 3 Sal
DK-2100 København Ø
CVR no.
10358779**

Annual Report 2019

The Annual General Meeting adopted the annual report on 26th June 2020
Chairman of the General Meeting

Name: Rikard Af Sandeberg

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Entity details

Entity

CxLoyalty International ApS

Lyngbyvej 20, 3 Sal

DK-2100 København Ø

CVR: 10358779

Registered in: Copenhagen

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Michele Conforti

Rikard Af Sandeberg

Executive Board

Rikard Af Sandeberg

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the annual report of cxLoyalty International ApS for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management review contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

København Ø, 26 June 2020

Executive Board

Rikard Af Sandeberg

Board of Directors

Michele Conforti

Rikard Af Sandeberg

The Independent Practitioner's Report

To the Shareholders of cxLoyalty International ApS

Conclusion

We have performed an extended review of the Financial Statements of cxLoyalty International ApS for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, in our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Practitioner's responsibilities for the extended review of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Practitioner's responsibilities for the extended review of the Financial Statements

Our responsibility is to express a conclusion on the Financial Statements. This requires that we plan and perform procedures to obtain limited assurance in respect of our conclusion on the Financial Statements and, moreover, that we perform supplementary procedures specifically required to obtain additional assurance in respect of our conclusion.

An extended review consists of making inquiries, primarily of Management and others within the enterprise, as appropriate, and applying analytical procedures and the supplementary procedures specifically required as well as assessing the evidence obtained.

An extended review is less in scope than an audit and, consequently, we do not express an audit opinion on the Financial Statements.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the extended review, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Hellerup, 26 June 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 12 31

Poul Madsen

State Authorised Public Accountant

mne10745

Management's Review

Primary activities

The Company's primary business area is to deliver customer engagement programmes and value added service for leading companies to help enrich their offerings to drive deeper connections, and give their customers reasons to engage more and stay longer thereby generating increased lifetime value. The Company primarily focus on the financial sector and other service sectors with large membership bases.

Development in activities and finances

During the financial year, the Company has continued to provide services on a high level with customers, negotiating new strong contracts, of which the counterparts have largely been from within the financial industry. There continues to be great interest in the market for the Company's lifestyle, protection and ID security products.

Profit for the year amounts to TDKK 1,832 which is considered satisfactory.

Outlook

Based on the demand for the Company's products, the new contracts signed in 2019 and the beginning of 2020 – Management has a positive outlook for the continued running of the Company.

Events after the balance sheet date

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company).

To date the company, is not materially affected by Covid-19 however the expected effect is not yet possible to determine for the company's activities in 2020.

Moreover, no matters have occurred after the balance sheet date, which have a significant impact on the assessment of the annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

The annual report is submitted in Danish kroner (DKK).

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Income statement

Gross profit or loss

With reference to section 32 of Danish Financial Statements Act, revenue has not been disclosed in the annual report. Gross profit or loss comprises revenue and accrued membership income, less cost of sales and other external costs.

Revenue

Revenue from the sale of services is recognized in the income statement when delivery is made to the buyer. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Membership income is accrued over the term of the agreements.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognized in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses relating to property, plant and equipment comprise amortization, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises interest income on receivables from group enterprises and transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses and transactions in foreign currencies etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment 3-5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Fixed asset investments

Fixed asset investments include deposits.

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Accounting policies

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Operating leases

Lease payments on operating leases are recognized on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit		5,863,719	7,083,076
Staff costs	1	(4,134,216)	(5,202,918)
Operating profit/loss		1,729,503	1,880,158
Other financial income		185,923	12,033
Other financial expenses		(102,095)	(94,263)
Profit/loss before tax		1,813,331	1,797,928
Tax on profit/loss for the year	2	18,567	981,895
Profit/loss for the year		1,831,898	2,779,823
Proposed distribution of profit/loss			
Retained earnings		1,831,898	2,779,823
Retained earnings		1,831,898	2,779,823

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Other fixtures and fittings, tools and equipment		0	0
Property, plant and equipment	3	0	0
Deposits		342,022	296,342
Fixed asset investments	4	342,022	296,342
Fixed Assets		342,022	296,342
Manufactured goods and goods for resale		163,068	115,879
Inventories		163,068	115,879
Trade receivables		2,632,549	4,270,570
Receivables from group enterprises		35,191,035	23,134,076
Receivable corporation tax		183,590	0
Prepayments		118,371	0
Receivables		38,125,545	27,404,646
Cash		1,544,152	2,138,159
Current Assets		39,832,765	29,658,684
Assets		40,174,787	29,955,026

Balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital	5	1,059,381	1,059,381
Retained Earnings		23,035,088	21,203,190
Equity		24,094,469	22,262,571
Other payables		154,427	0
Long term liabilities		154,427	0
Prepayments received from customers		0	35,820
Corporation tax		0	517,926
Trade payables		67,100	3,505
Payables to group enterprises		14,161,630	4,850,133
Other payables		1,697,161	2,281,378
Other Short-term payables		0	3,693
Current liabilities other than provisions		15,925,891	7,692,455
Liabilities other than provision		16,080,318	7,692,455
Equity and liabilities		40,174,787	29,955,026
Contingent assets	6		
Contingent liabilities	7		
Related parties	8		

Statement of changes in equity for 2019

	Contributed Capital DKK	Retained Earnings DKK	TOTAL DKK
Equity beginning of year	1,059,381	21,203,190	22,262,571
Profit/loss for the year	0	1,831,898	1,831,898
Equity end of year	<u>1,059,381</u>	<u>23,035,088</u>	<u>24,094,469</u>

Notes

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	3,790,917	4,741,497
Pension costs	308,901	400,487
Other social security costs	34,398	60,933
	4,134,216	5,202,918
Average number of employees	5	7
2. Tax on profit/loss for the year		
Current tax for the year	307,692	185,834
Tax concerning previous years	-326,259	-1,167,729
	-18,567	-981,895
3. Property, plant and equipment		DKK
Cost beginning of year		676,502
Carrying amount end of year		676,502
Depreciation and impairment losses beginning of the year		(676,502)
Depreciation for the year		0
Depreciation and impairment losses end of year		(676,502)
Booked value per 31. December 2019		0

	<u>2019 DKK</u>
4. Fixed asset investments	
Cost beginning of year	296,342
Additions	45,680
Cost end of year	<u>342,022</u>
Carrying amount end of year	<u>342,022</u>

	<u>Number</u>	<u>Par Value DKK</u>	<u>Nominal Value DKK</u>
5. Contributed capital			
Share	1	381,818	381,818
Share	1	334,137	334,137
Share	1	343,426	343,426
	<u>3</u>		<u>1,059,381</u>

6. Contingent assets

The Company has a deferred tax asset of TDKK 5 which has not been capitalized (22% tax rate used).

7. Contingent liabilities

The Company has lease commitments in the amount of DKK 689 thousand.

8. Related parties with control

Related parties with a controlling interest of CxLoyalty International ApS:

- CxLoyalty International AS, Kjørbokollen 30, N-1337 Sandvika, Norway