



Magnet Gaming ApS

Lauritzens Plads 1, 4., 9000 Aalborg
CVR No. 36461306

Annual report 2019

The Annual General Meeting adopted the
annual report on 25.03.2020

Jacob Frederik Christensen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's extended review report	4
Management commentary	6
Income statement for 2019	7
Balance sheet at 31.12.2019	8
Statement of changes in equity for 2019	10
Notes	11
Accounting policies	14

Entity details

Entity

Magnet Gaming ApS
Lauritzens Plads 1, 4.
9000 Aalborg

CVR No.: 36461306
Registered office: Aalborg
Financial year: 01.01.2019 - 31.12.2019

Executive Board

Jacob Frederik Christensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4th floor
9000 Aalborg

Statement by Management

The Executive Board have today considered and approved the annual report of Magnet Gaming 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 commentary contains a fair review of the affairs and conditions referred to therein.

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

Aalborg, 25.03.2020

Executive Board

Jacob Frederik Christensen

Independent auditor's extended review report

To the shareholders of Magnet Gaming ApS

Conclusion

We have performed an extended review of the financial statements of Magnet Gaming ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, 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 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity 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 requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's responsibilities 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor'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 about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aalborg, 25.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

René Winther Pedersen

State Authorised Public Accountant
Identification No (MNE) mne34173

Management commentary

Primary activities

The primary activities of the Company are to lease out software for online gambling and associated activities.

Description of material changes in activities and finances

Profit/loss for the year shows a positive DKK 112 thousand, which is considered satisfactory by Management.

The Company has lost its entire equity and now falls within the provisions of section 119 of the Danish Companies Act. Management expects to reestablish the equity by future profits from operations. The Parent has issued a letter of support and, consequently, will provide the necessary funds.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		5,064,133	4,724,402
Staff costs	2	(1,942,373)	(4,649,956)
Depreciation, amortisation and impairment losses		(2,659,115)	(2,859,684)
Operating profit/loss		462,645	(2,785,238)
Other financial income	3	41,041	79
Other financial expenses	4	(356,162)	(636,337)
Profit/loss before tax		147,524	(3,421,496)
Tax on profit/loss for the year	5	(35,247)	750,781
Profit/loss for the year		112,277	(2,670,715)
Proposed distribution of profit and loss			
Retained earnings		112,277	(2,670,715)
Proposed distribution of profit and loss		112,277	(2,670,715)

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Completed development projects	7	5,094,979	4,455,842
Acquired licences		0	59,267
Development projects in progress	7	1,065,518	2,191,795
Intangible assets	6	6,160,497	6,706,904
Other fixtures and fittings, tools and equipment		294,502	330,715
Property, plant and equipment	8	294,502	330,715
Fixed assets		6,454,999	7,037,619
Trade receivables		616,140	862,643
Receivables from group enterprises		14,474	658,472
Other receivables		7,923	0
Prepayments		0	105,222
Receivables		638,537	1,626,337
Cash		1,602,211	2,348,498
Current assets		2,240,748	3,974,835
Assets		8,695,747	11,012,454

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		350,000	350,000
Reserve for development expenditure		4,805,187	5,185,155
Retained earnings		(11,216,129)	(11,708,374)
Equity		(6,060,942)	(6,173,219)
Deferred tax		1,069,314	1,425,182
Provisions		1,069,314	1,425,182
Trade payables		54,627	31,250
Payables to group enterprises		12,443,044	14,171,295
Joint taxation contribution payable		251,118	232,453
Other payables		938,586	1,325,493
Current liabilities other than provisions		13,687,375	15,760,491
Liabilities other than provisions		13,687,375	15,760,491
Equity and liabilities		8,695,747	11,012,454
Going concern	1		
Contingent liabilities	9		
Assets charged and collateral	10		
Group relations	11		

Statement of changes in equity for 2019

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	350,000	5,185,155	(11,708,374)	(6,173,219)
Transfer to reserves	0	(379,968)	379,968	0
Profit/loss for the year	0	0	112,277	112,277
Equity end of year	350,000	4,805,187	(11,216,129)	(6,060,942)

Notes

1 Going concern

The Parent, CEGO A/S, has issued a letter of support covering the period until 31.12.2020, and, consequently, has undertaken to provide the necessary funds to Magnet Gaming ApS, if so required one or more times, so that Magnet Gaming is able to meet its obligations as they fall due, however, no more than DKK 10 million.

The Parent, CEGO A/S, and the affiliated company SPILNU.DK A/S have issued letters of subordination on their receivable from Magnet Gaming ApS vis-à-vis other creditors for the period until 31.12.2020.

2 Staff costs

	2019	2018
	DKK	DKK
Wages and salaries	3,253,297	7,012,994
Pension costs	257,626	573,468
Other social security costs	81,154	173,775
Other staff costs	103,209	229,947
	3,695,286	7,990,184
Staff costs classified as assets	(1,752,913)	(3,340,228)
	1,942,373	4,649,956
Average number of full-time employees	8	15

3 Other financial income

	2019	2018
	DKK	DKK
Financial income from group enterprises	5,107	0
Other interest income	35,205	0
Interest regarding tax paid on account	729	0
	41,041	0

4 Other financial expenses

	2019	2018
	DKK	DKK
Financial expenses from group enterprises	323,677	588,560
Other interest expenses	32,485	47,777
	356,162	636,337

5 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Current tax	391,118	(867,547)
Change in deferred tax	(355,871)	103,632
Adjustment concerning previous years	0	13,134
	35,247	(750,781)

6 Intangible assets

	Completed development projects DKK	Acquired licences DKK	Development projects in progress DKK
Cost beginning of year	6,728,470	84,668	2,191,795
Transfers	1,651,182	0	(1,651,182)
Additions	1,370,658	0	524,905
Disposals	(941,279)	(84,668)	0
Cost end of year	8,809,031	0	1,065,518
Amortisation and impairment losses beginning of year	(2,272,628)	(25,401)	0
Amortisation for the year	(1,525,706)	(5,644)	0
Reversal regarding disposals	84,282	31,045	0
Amortisation and impairment losses end of year	(3,714,052)	0	0
Carrying amount end of year	5,094,979	0	1,065,518

7 Development projects

In 2019, DKK 1,896 thousand has been capitalized allocated on 23 projects of which 22 have been launched and those projects are now subject to amortisation. The remaining projects are in preparation. The capitalisation solely relates to salary allocated on projects.

The projects are often completed within two years and thus amortisation of capitalised expenses on the projects is commenced shortly after the capitalization of the project. The projects are amortised over a period of five years.

The Company's profit for the year has increased compared to last year which expresses that the development projects have market potentials. Also, the affiliated company SPILNU.DK A/S is growing to which the fully developed games are leased. The projects are aiming at the market for online gambling machines, which are leased out to various gaming operators.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	1,476,267
Additions	186,576
Cost end of year	1,662,843
Depreciation and impairment losses beginning of year	(1,145,552)
Depreciation for the year	(222,789)
Depreciation and impairment losses end of year	(1,368,341)
Carrying amount end of year	294,502

9 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where CEGO Holding ApS serves as the administration company (with Danske Spil until July 31, 2019). According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

10 Assets charged and collateral

None.

11 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
CEGO Holding ApS, Aalborg

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 to these financial statements are consistent with those applied last year.

Recognition and measurement

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales as well as external expenses.

Revenue

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises interest income, interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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 years
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Estimated useful lives and residual values are reassessed annually. Residual values are estimated at DKK 0.

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.