



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer:	912 523 802
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	PLAY MAGNUS AS
Forretningsadresse:	Floor 3 Tordenskiolds gate 2 0160 OSLO

### Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022
-------------------------	-------------------------

### Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

### Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	Forenklet IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Anders Rundgren
Dato for fastsettelse av årsregnskapet:	30.06.2023

### Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert

År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 20.08.2024



### Resultatregnskap

Beløp i: NOK	Note	2022	2021
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Revenue from customers	6	66 774 000	46 478 000
<b>Sum inntekter</b>		<b>66 774 000</b>	<b>46 478 000</b>
<b>Kostnader</b>			
Employee benefit expenses	7	14 445 000	13 094 000
Depreciation and impairment	11,12	11 061 000	4 706 000
Course content and subscription sales expenses		1 572 000	2 306 000
Tournament prize expenses		18 064 000	4 674 000
Share-based compensation expense	9	2 166 000	956 000
Consultancy fees		39 485 000	38 323 000
Management fees recharged from other group companies		33 942 000	20 027 000
Other operating expenses	10	57 896 000	25 596 000
Gains and losses	12	-904 000	140 000
<b>Sum kostnader</b>		<b>177 727 000</b>	<b>109 822 000</b>
<b>Driftsresultat</b>		<b>-110 953 000</b>	<b>-63 344 000</b>
<b>Finansinntekter og finanskostnader</b>			
Financial income	13	24 132 000	8 295 000
<b>Sum finansinntekter</b>		<b>24 132 000</b>	<b>8 295 000</b>
Net gains (losses and impairment) of financial assets		263 453 000	0
Financial expenses	13	2 325 000	2 377 000
<b>Sum finanskostnader</b>		<b>265 778 000</b>	<b>2 377 000</b>
<b>Netto finans</b>		<b>-241 646 000</b>	<b>5 918 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-352 599 000</b>	<b>-57 426 000</b>
<b>Ordinært resultat etter skattekostnad</b>		<b>-352 599 000</b>	<b>-57 426 000</b>
<b>Årsresultat</b>		<b>-352 599 000</b>	<b>-57 426 000</b>



### Balanse

Beløp i: NOK	Note	2022	2021
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Intangible assets	11	2 825 000	10 028 000
<b>Sum immaterielle eiendeler</b>		<b>2 825 000</b>	<b>10 028 000</b>
<b>Varige driftsmidler</b>			
Tangible and right-of-use assets	12	0	2 343 000
<b>Sum varige driftsmidler</b>		<b>0</b>	<b>2 343 000</b>
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	18	126 046 000	261 665 000
Lån til foretak i samme konsern	18	139 827 000	196 358 000
<b>Sum finansielle anleggsmidler</b>		<b>265 873 000</b>	<b>458 023 000</b>
<b>Sum anleggsmidler</b>		<b>268 698 000</b>	<b>470 394 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Accounts receivable	15	3 114 000	5 411 000
Other current assets		3 834 000	3 411 000
Other current financial assets		48 000	48 000
Konsernfordringer	18	2 536 000	5 013 000
<b>Sum fordringer</b>		<b>9 532 000</b>	<b>13 883 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents	16	51 964 000	133 017 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>51 964 000</b>	<b>133 017 000</b>
<b>Sum omløpsmidler</b>		<b>61 496 000</b>	<b>146 900 000</b>
<b>SUM EIENDELER</b>		<b>330 194 000</b>	<b>617 294 000</b>



## Balanse

Beløp i: NOK	Note	2022	2021
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital		615 000	566 000
Beholdning av egne aksjer		0	-1 968 000
Overkurs		779 867 000	692 671 000
<b>Sum innskutt egenkapital</b>		<b>780 482 000</b>	<b>691 269 000</b>
<b>Opptjent egenkapital</b>			
Other components of equity		42 935 000	45 728 000
Udekket tap		512 463 000	159 687 000
<b>Sum opptjent egenkapital</b>		<b>-469 528 000</b>	<b>-113 959 000</b>
<b>Sum egenkapital</b>		<b>310 954 000</b>	<b>577 310 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Non-current financial liabilities	16	0	2 338 000
Non-current portion of deferred revenue	6	111 000	191 000
<b>Sum annen langsiktig gjeld</b>		<b>111 000</b>	<b>2 529 000</b>
<b>Sum langsiktig gjeld</b>		<b>111 000</b>	<b>2 529 000</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		2 691 000	6 953 000
Kortsiktig konserngjeld	18	5 684 000	16 626 000
Current portion of deferred revenue	6	5 978 000	7 463 000
Other current financial liabilities	16	0	1 689 000
Other current liabilities	17	4 776 000	4 724 000
<b>Sum kortsiktig gjeld</b>		<b>19 129 000</b>	<b>37 455 000</b>
<b>Sum gjeld</b>		<b>19 240 000</b>	<b>39 984 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>330 194 000</b>	<b>617 294 000</b>



## Konsernets resultatregnskap

Beløp i: USD	Note	2022	2021
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Revenue from customers	5	23 546 000	21 505 000
<b>Sum inntekter</b>		<b>23 546 000</b>	<b>21 505 000</b>
<b>Kostnader</b>			
Employee benefit expenses	6	12 340 000	10 692 000
Depreciation, amortization and impairment	10,11	16 206 000	5 080 000
Course content and subscription sales expenses		4 687 000	4 442 000
Tournament prize expenses		1 862 000	1 522 000
Share-based compensation expense	8	548 000	681 000
Consultancy fees		10 496 000	10 509 000
Other operating expenses	9	9 994 000	8 083 000
Gains and losses	11	-323 000	77 000
<b>Sum kostnader</b>		<b>55 810 000</b>	<b>41 086 000</b>
<b>Driftsresultat</b>		<b>-32 264 000</b>	<b>-19 581 000</b>
<b>Finansinntekter og finanskostnader</b>			
Financial income	12	1 999 000	624 000
<b>Sum finansinntekter</b>		<b>1 999 000</b>	<b>624 000</b>
Financial expenses	12	875 000	990 000
<b>Sum finanskostnader</b>		<b>875 000</b>	<b>990 000</b>
<b>Netto finans</b>		<b>1 124 000</b>	<b>-366 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-31 140 000</b>	<b>-19 947 000</b>
Tax expense	13	-523 000	-1 135 000
<b>Ordinært resultat etter skattekostnad</b>		<b>-30 617 000</b>	<b>-18 812 000</b>
<b>Årsresultat</b>		<b>-30 617 000</b>	<b>-18 812 000</b>
Exchange differences on translation of foreign operations		212 000	-141 000
Exchange differences on translation to USD presentation currency		-6 017 000	-874 000
Sum resultatkomponenter for IFRS-foretak		-5 805 000	-1 015 000



## Konsernets resultatregnskap

<b>Beløp i: USD</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
Totalresultat		-36 422 000	-19 827 000



### Konsernets balanse

Beløp i: USD	Note	2022	2021
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Intangible assets	10	7 129 000	18 010 000
Utsatt skattefordel	13	0	55 000
Goodwill	14	2 499 000	8 745 000
<b>Sum immaterielle eiendeler</b>		<b>9 628 000</b>	<b>26 810 000</b>
<b>Varige driftsmidler</b>			
Tangible and right-of-use assets	11	820 000	3 090 000
<b>Sum varige driftsmidler</b>		<b>820 000</b>	<b>3 090 000</b>
<b>Finansielle anleggsmidler</b>			
Non-current financial assets		0	52 000
<b>Sum finansielle anleggsmidler</b>		<b>0</b>	<b>52 000</b>
<b>Sum anleggsmidler</b>		<b>10 448 000</b>	<b>29 952 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Inventory	15	684 000	1 128 000
<b>Sum varer</b>		<b>684 000</b>	<b>1 128 000</b>
<b>Fordringer</b>			
Accounts receivable	17	1 045 000	1 272 000
Other current assets		1 582 000	1 636 000
Other current financial assets	16	349 000	400 000
<b>Sum fordringer</b>		<b>2 976 000</b>	<b>3 308 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents	18	9 846 000	20 278 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>9 846 000</b>	<b>20 278 000</b>
<b>Sum omløpsmidler</b>		<b>13 506 000</b>	<b>24 714 000</b>
<b>SUM EIENDELER</b>		<b>23 954 000</b>	<b>54 666 000</b>



### Konsernets balanse

Beløp i: USD	Note	2022	2021
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital		62 000	64 000
Beholdning av egne aksjer		0	-453 000
Overkurs		79 116 000	78 540 000
<b>Sum innskutt egenkapital</b>		<b>79 178 000</b>	<b>78 151 000</b>
<b>Opptjent egenkapital</b>			
Other components of equity		4 738 000	5 004 000
Udekket tap		68 009 000	40 897 000
<b>Sum opptjent egenkapital</b>		<b>-63 271 000</b>	<b>-35 893 000</b>
<b>Sum egenkapital</b>		<b>15 907 000</b>	<b>42 258 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	13	276 000	683 000
<b>Sum avsetninger for forpliktelser</b>		<b>276 000</b>	<b>683 000</b>
<b>Annen langsiktig gjeld</b>			
Non-current financial liabilities	11	408 000	2 457 000
Non-current portion of deferred revenue	5	229 000	511 000
<b>Sum annen langsiktig gjeld</b>		<b>637 000</b>	<b>2 968 000</b>
<b>Sum langsiktig gjeld</b>		<b>913 000</b>	<b>3 651 000</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		863 000	2 047 000
Taxes payable	13	158 000	116 000
Current portion of deferred revenue	5	2 040 000	2 380 000
Other current financial liabilities	11	101 000	1 141 000
Other current liabilities	19	3 972 000	3 076 000
<b>Sum kortsiktig gjeld</b>		<b>7 134 000</b>	<b>8 760 000</b>
<b>Sum gjeld</b>		<b>8 047 000</b>	<b>12 411 000</b>



## Konsernets balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>23 954 000</b>	<b>54 669 000</b>



# Play Magnus AS

## Annual Report 2022

Document Ref: PWZH4-NNP7E-GFTNU-XPTCD



## Annual Report 2022

BOARD OF DIRECTORS REPORT	3
GROUP CONSOLIDATED FINANCIAL STATEMENTS	9
PARENT FINANCIAL STATEMENTS	40
AUDITOR'S REPORT	63



## Overview

Play Magnus AS is the parent company of Play Magnus Group. Play Magnus Group is a global company headquartered in Oslo, Norway. As of year-end 2022, the company teams were predominantly based in Norway, United Kingdom, Spain, USA and the Netherlands.

Play Magnus Group delivers chess-related products and services in elearning and esports.

## Review of the consolidated financial statements

Consolidated operating revenue for the financial year 2022 was USD 23.5 million compared to USD 21.5 million for the financial year 2021, representing 9% growth.

Operating expenses for the financial year 2022 were USD 55.8 million whereof share-based compensation expense and related payroll taxes and contingent consideration accounted for USD 0.5 million. Tour prizes accounted for USD 1.9 million. EBITDA for the financial year 2022 was USD -16.1 million compared to USD -14.5 million for 2021. Significant transaction fees related to the Chess.com acquisition were recognized as operational expenses

Depreciation, amortization and impairment expenses for the financial year 2022 were USD 16.2 million, compared to USD 5.1 million for the financial year 2021. For the financial year 2022, the Group had on a consolidated basis net financial income of USD 1.1 million, compared to expenses of USD 0.4 million for the financial year 2021. The Group's liquidity is diversified across NOK, GBP, EUR and USD, and as of year-end 2022 was mostly situated in US Dollars and Euros, with the majority of the rest of the balance in Norwegian Krone and British Pounds.

Play Magnus Group had assets of USD 24.0 million as of 31 December 2022. Non-current assets were USD 10.4 million whereof goodwill and intangible assets accounted for USD 9.6 million. Current assets were USD 13.5 million whereof cash and cash equivalents represented USD 9.8 million. Non-current liabilities were USD 0.9 million. Current liabilities at the end of 2022 were USD 7.1 million whereof deferred revenue represented USD 2.0 million. The majority of the deferred revenue is related to subscriptions and Tour partnership revenue invoiced or received but not yet recognized. The equity ratio for Play Magnus Group as of 31 December 2022 was 66.4%.

The liquidity for Play Magnus Group is strong with a cash balance of USD 9.8 million as of 31 December 2022.



Cash flow from operations was USD -15.3 million for the financial year 2022, cash flow from investing activities was USD -2.5 million and cash flow from financing activities was USD 10.0 million, primarily related to a capital increase in January 2022.

## Review of the parent company's financial statements

Revenue for the parent company was NOK 66.7 million for the financial year 2022 compared to NOK 46.5 million for the financial year 2021. Operating result for the financial year 2022 was NOK -111.0 million. Total equity for the parent company was NOK 311.0 million as of 31 December 2022.

## Research and development

Both Play Magnus AS and Play Magnus Group have expenses related to research and development, delivered by employees and consultants. In 2022, Play Magnus Group capitalized a total of USD 1.5 million in website and mobile technology. In 2022, Play Magnus AS capitalized a total of NOK 3.7 million.

## Allocation of net profit in the parent company

The parent company Play Magnus AS recorded a net loss of NOK -352.6 million for the financial year 2022. The Board of Directors proposes the net loss to be allocated to retained earnings.

## Going concern

In accordance with the Norwegian Accounting Act, the board of directors confirms that the annual accounts have been prepared in accordance with the going-concern assumption. Play Magnus Group had a significant loss in 2022. The company was acquired by Chess.com in December 2022, and consequently there has been a thorough review of the current business units and subsidiaries. Following new business priorities and updated forecasts, the company has recognized impairment of shares in several subsidiaries and loans to subsidiaries. Furthermore, the acquisition by Chess.com carried significant transaction fees recognized as operational expenses.

## Impact of Russia's attack on Ukraine in 2022

In February 2022, Russian armed forces invaded Ukraine. This has caused the fastest growing humanitarian crisis in Europe since the Second World War. Play Magnus Group condemns the attack and in response to the ongoing situation, the Champions Chess Tour in partnership with UNICEF held a charity tournament in March 2022, named the Charity Cup and raised over USD 150,000 for those in need. Play Magnus Group also has initiated other activities raising funds for organizations such as the Norwegian Refugees Council. Play Magnus Group has no employees in Ukraine. The Group has used the services of a small number of consultants who are based in



Russia. The company has no planned activities or future projects in neither Russia nor Ukraine. Management is handling this event and its development proactively and is taking actions to mitigate any potential risks.

## Risk and risk management

Risk management is a continuous process and an integral part of decision making across Play Magnus Group. All managers are required to assume ownership for their areas of responsibility and ensure that risk management is integrated into day-to-day processes. We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, results of operations or reputation. The risks described below are not the only risks we face.

### Market risk

Play Magnus Group is exposed to several market-related risks, including but not limited to: access and ability to keep qualified employees, ability to secure long-term agreements with key content creators as well as key Tour partners, continued commercial value of the previously created content catalogue and technology, ability to keep and grow the user engagement and brand awareness, change in user behavior for existing and new users of the products offered by the Group, ability to convert non-paying users to paying customers, relative competitiveness in the markets where the Group operates, and global or regional economic market conditions.

### Credit risk

Play Magnus Group is exposed to credit risk from its operating activities, primarily from potential long-term receivable obligations from its Tour partners. The Group evaluates each of its partners based on numerous criteria to mitigate credit risks and believes the overall risk is low given the focus on working with reputable brands with well established presence in the business community.

### Currency risk

Due to the broad scope of the Group's international operations, a substantial portion of its assets, liabilities, sales and expenses are denominated in currencies other than NOK. Play Magnus Group primarily earns revenue in US Dollars, British Pounds and Euros. The sales mix is skewed towards US Dollars, while the costs are weighted towards British Pounds, Norwegian Krone and Euros. The Group aims to mitigate potential exchange rate fluctuations by matching the costs and revenues to the best of its ability by keeping the sales proceeds in the specific currencies which may be needed to pay for the respective costs. The Group cash balance is split between NOK, EUR, GBP and USD, with a higher weighting towards USD and EUR. Management considers the primary foreign exchange exposure for the Group to be the cash balances.



## Interest risk

The Group currently holds no material long-term borrowings or interest-bearing debt. Lease contracts resulting in a recognized lease liability are not subject to change in payments derived from interest fluctuations, and the Group's exposure to interest rate fluctuations and credit availability is therefore limited.

## Liquidity risk

Management believes there is appropriate liquidity to execute on its business plan.

## Inflation risk

Inflation risks are starting to increase with uncertainty related to how transitory the recent rises are. Factors such as increased labor costs, increased costs due to less efficient supply chains, rise of commodity prices are all potential detractors. Management believes the main risk to Play Magnus Group is related to labor cost inflation, as its exposure to commodities and supply chains is a relatively insignificant portion of costs and revenues and mostly are contained within its print books divisions. Play Magnus Group is carefully assessing these risks and believes impact could be mitigated via increased automation, as well as price increases given the strength of its product portfolio.

## Key person risk

The Group is exposed to risk related to the behavior and public perception of key ambassadors. The Group works with public-facing chess personas and professional chess players, authors and coaches that represent the Group through delivering services, entertainment and/or content via the Group's platforms. In particular, the Group is closely associated with Magnus Carlsen, the World Chess Champion and namesake of the Group. He is the co-founder, ambassador and a key participant in core activities of the Group. The Group may be affected by unilateral actions or behaviors taken by Magnus Carlsen or other chess personas that the Group is associated with. These actions may adversely affect the Group's reputation and competitive position and reduce acceptance of the Group's platforms within the online chess community, which could have a material adverse effect on the Group's performance.

## Directors and Officers liability insurance

Play Magnus AS has purchased a Directors and Officers liability insurance. The limit of liability in the aggregate is NOK 50 million.

## Equal opportunities

At the end of 2022, Play Magnus Group had 197 full time equivalent employees and consultants, of which 23% were women. The chess and technology markets in which Play Magnus Group operates are somewhat overrepresented by men but Play Magnus Group is actively working towards a diversified working environment, including promotions of qualified women into



leadership roles. Women are represented in the vast majority of the company's departments and the ratio between men and women will continue to be monitored. Play Magnus Group strongly respects and supports diversity in general and sees this as a competitive advantage to create value for the company and its shareholders. Play Magnus Group has a policy that includes the principle of equal opportunities for equal work, implying that every employee will have the same rights, salary and career options in the same position, all other factors being equal.

## **Discrimination**

At Play Magnus Group we strongly believe that just like anyone should have the ability to play chess, regardless of age, gender, religion, race or nationality, a diverse workforce is key to developing the leading services and products that we bring to the market. The Company's global team includes members of over 30 nationalities with different cultural and ethnic backgrounds.

## **Social Commitment**

As a company, Play Magnus Group has worked to ensure that our mission to promote chess and chess learning fosters positive social outcomes and we are proud to support chess in the schools worldwide. The Group's suite of learning tools helps kids develop their skills from beginner to master and beyond. Play Magnus Group is supporting a number of non-profit partners, both within chess and beyond.

## **Working environment, impact on the external environment**

The working environment is considered good. For the financial year 2022, the registered level of absence due to sickness in the parent company was 1%. There have been no work-related accidents or injuries during the year.

Play Magnus Group does not have a significant impact on the external environment.

## **Outlook 2023 and events after the end of the financial year**

2022 was a challenging but also an exciting year for Play Magnus Group. Despite numerous headwinds, we continued to grow our revenues and persevere in a difficult macro environment. Ultimately, the value that Play Magnus Group brought to the chess community with respect to the innovation in its products and services was recognized by Chess.com, as they acquired us, with the acquisition closing on December 16. Going forward, the combined group will join forces to grow the game of chess even further.

Together, the combined group will continue to focus on the mission of serving the chess community, improving the livelihoods and opportunities for chess professionals, and enabling more people to play, watch and learn chess.



Play Magnus Group | Annual Report 2022

Play Magnus Group will continue to execute on its elearning strategy of bringing leading content to users in a format that makes it more fun and efficient to improve. Play Magnus Group will continue to improve its products, both new and existing, while at the same time expanding the content library organically. With the help of Chess.com, the key products of the Play Magnus elearning portfolio will receive additional support that will enable them to scale to a bigger audience.

In 2023, Play Magnus Group will continue to refine, experiment and innovate with the Champions Chess Tour, in its ambition to grow it to the level of other professional sports.

Oslo, June 30, 2023

The Board of Directors of Play Magnus AS

---

Erik Peter Allebest  
Chairman

---

Henrik Albert Carlsen  
Board member

---

Daniel Rensch  
Board member

---

Andreas Thome  
Board member/CEO



# Play Magnus Group Consolidated Financial Statements

Document Ref: PWZH4-NNP7E-GFTNU-XPTCD



Play Magnus Group | Annual Report 2022

## Consolidated statements of comprehensive income

Amounts in USD thousands	Note	2022	2021
Revenue from customers	5	23 546	21 505
<b>Total operating revenue</b>		<b>23 546</b>	<b>21 505</b>
Course content and subscription sales expenses		4 687	4 442
Tournament prize expenses		1 862	1 522
Employee benefit expenses	6	12 340	10 692
Share-based compensation expense	8	548	681
Consultancy fees		10 496	10 509
Other operating expenses	9	9 994	8 083
Depreciation, amortization and impairment	10, 11	16 206	5 080
Gains and losses	11	-323	77
<b>Total operating expenses</b>		<b>55 810</b>	<b>41 087</b>
<b>Operating profit (loss)</b>		<b>-32 264</b>	<b>-19 583</b>
Financial income	12	1 999	624
Financial expenses	12	875	990
<b>Financial income (expense), net</b>		<b>1 123</b>	<b>-366</b>
<b>Profit (loss) before tax</b>		<b>-31 141</b>	<b>-19 948</b>
Tax expense	13	523	1 135
<b>Profit (loss)</b>		<b>-30 619</b>	<b>-18 813</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		212	-141
<i>Items that will not to be reclassified to profit or loss:</i>			
Exchange differences on translation to USD presentation currency		-6 017	-874
<b>Total</b>		<b>-5 805</b>	<b>-1 014</b>
<b>Total comprehensive income</b>		<b>-36 424</b>	<b>-19 827</b>

The accompanying notes are an integral part of the consolidated financial statements.



Play Magnus Group | Annual Report 2022

## Consolidated statements of financial position

ASSETS			
Amounts in USD thousands	Note	31.12.2022	31.12.2021
Deferred tax assets	13	-	55
Goodwill	14	2 499	8 745
Intangible assets	10	7 129	18 010
Tangible and right-of-use assets	11	820	3 090
Non-current financial assets		-	52
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10 449</b>	<b>29 952</b>
Inventory	15	684	1 128
Other current assets		1 582	1 636
Other current financial assets	16	349	400
Accounts receivable	17	1 045	1 272
Cash and cash equivalents	18	9 846	20 278
<b>TOTAL CURRENT ASSETS</b>		<b>13 505</b>	<b>24 714</b>
<b>TOTAL ASSETS</b>		<b>23 954</b>	<b>54 666</b>



Play Magnus Group | Annual Report 2022

## EQUITY AND LIABILITIES

Amounts in USD thousands	Note	31.12.2022	31.12.2021
Share capital		62	64
Share premium		79 116	78 540
Treasury shares		-	-453
Retained earnings		-68 009	-40 897
Other components of equity		4 738	5 004
<b>TOTAL EQUITY</b>		<b>15 907</b>	<b>42 258</b>
Non-current financial liabilities	11	408	2 457
Non-current portion of deferred revenue	5	229	511
Deferred tax liabilities	13	276	683
<b>Total non-current liabilities</b>		<b>913</b>	<b>3 650</b>
Current portion of deferred revenue	5	2 040	2 380
Accounts payable		863	2 047
Taxes payable	13	158	116
Other current financial liabilities	11	101	1 141
Other current liabilities	19	3 972	3 076
<b>Total current liabilities</b>		<b>7 134</b>	<b>8 759</b>
<b>TOTAL LIABILITIES</b>		<b>8 047</b>	<b>12 409</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23 954</b>	<b>54 666</b>

The accompanying notes are an integral part of the consolidated financial statements.

Oslo, June 30, 2023

The Board of Directors of Play Magnus AS

Erik Peter Allebest  
Chairman

Henrik Albert Carlsen  
Board member

Daniel Rensch  
Board member

Andreas Thome  
Board member/CEO



## Consolidated statements of cash flows

Amounts in USD thousands	Notes	2022	2021
<b>Operating activities</b>			
Profit (loss) before tax		-31 141	-19 948
Paid taxes	13	-116	-32
Depreciation	11	425	693
Amortisation of intangible assets	10	4 075	4 386
Impairment of goodwill and intangible assets		11 705	-
Share based compensation expense	8	548	681
Cash settlement share options	8	-353	-
Items classified as investing or financing activities		76	395
Gains and losses	11	-323	77
<i>Working capital adjustments:</i>			
Changes in inventories	15	445	-90
Changes in accounts receivable	17	228	-215
Changes in financial assets		-58	-162
Changes in other current assets		54	-344
Changes in deferred revenue		-621	680
Changes in accounts payable		-1 210	403
Changes in other current liabilities		896	507
<b>Net cash provided from operating activities</b>		<b>-15 369</b>	<b>-12 967</b>
<b>Investing activities</b>			
Investments in tangible and intangible assets	10, 11	-1 612	-2 224
Payment for acquisitions, cash settlement of share consideration		-461	-
Payment for acquisitions, net of cash		-	-6 953
Contingent consideration iChess LLC		-100	-
Contingent consideration Gloucester Publishers Ltd		-376	-
Transaction expenses acquisitions		-	-261
<b>Net cash used in investing activities</b>		<b>-2 548</b>	<b>-9 438</b>
<b>Financing activities</b>			
Issuance of new shares		10 161	8 289
Transaction expenses related to issuance of new shares		-201	-
Sale of treasury shares		183	-
Principal elements of lease payments	11	-274	-396
Interest paid on lease agreements	11	-76	-134
<b>Net cash provided by (used in) financing activities</b>		<b>9 794</b>	<b>7 760</b>
Foreign currency effects on cash and cash equivalents		-2 307	-354
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>-10 431</b>	<b>-14 999</b>
Cash and cash equivalents at the beginning of year		20 278	35 276
<b>Cash and cash equivalents at end of year</b>	18	<b>9 846</b>	<b>20 278</b>

The accompanying notes are an integral part of the consolidated financial statements.



## Consolidated statements of changes in equity

Amounts in USD thousands	Share capital	Share premium	Treasury shares	Other components of equity	Translation differences reserves <sup>1)</sup>	Retained earnings	Total equity
<b>Total equity 01.01.2021</b>	<b>61</b>	<b>71 906</b>	<b>-</b>	<b>4 064</b>	<b>100</b>	<b>-23 474</b>	<b>52 657</b>
Profit / (-) loss for the period	-	-	-	-	-	-18 813	-18 813
Other comprehensive income that will be recycled	-	-	-	-	-141	-	-141
Other comprehensive income that will not be recycled	-2	-2 152	12	-122	-	1 391	-874
<b>Total comprehensive income for the period</b>	<b>-2</b>	<b>-2 152</b>	<b>12</b>	<b>-122</b>	<b>-141</b>	<b>-17 422</b>	<b>-19 827</b>
<i>Transactions with owners and their capacity as owners:</i>							
Employee stock option expense	-	-	-	681	-	-	681
Share consideration iChess LLC acquisition, not registered	-	-	-	213	-	-	213
Contingent equity consideration Chessable Ltd	-	-	-	115	-	-	115
Capital increase in private placement 1	-	-	-	502	-	-	502
Capital increase in private placement 2	5	8 376	-	-	-	-	8 381
Transaction expenses related to private placements	-	-	-465	-	-	-	-465
Exercise of warrants	-	409	-	-409	-	-	-
<b>Total equity 31.12.2021</b>	<b>64</b>	<b>78 540</b>	<b>-453</b>	<b>5 044</b>	<b>-41</b>	<b>-40 897</b>	<b>42 258</b>
<b>Total equity 01.01.2022</b>	<b>64</b>	<b>78 540</b>	<b>-453</b>	<b>5 044</b>	<b>-41</b>	<b>-40 897</b>	<b>42 258</b>
Profit / (-) loss for the period	-	-	-	-	-	-30 619	-30 619
Other comprehensive income that will be recycled	-	-	-	-	212	-	212
Other comprehensive income that will not be recycled	-7	-9 380	48	-202	-	3 524	-6 017
<b>Total comprehensive income for the period</b>	<b>-7</b>	<b>-9 380</b>	<b>48</b>	<b>-202</b>	<b>212</b>	<b>-27 095</b>	<b>-36 424</b>
<i>Transactions with owners and their capacity as owners:</i>							
Employee stock option expense	-	-	-	-	-	-	-
Employee stock option expense	-	-	-	183	-	-	183
Share consideration Ginger GM Ltd acquisition, cash settlement	-	-	-	-91	-	-	-91
Share consideration Aimchess by PMG AS acquisition, cash settlement	-	-	-	-79	-	-	-79
Share consideration Silver Knights Chess LLC acquisition, cash	-	-	-	-287	-	-	-287
Capital increase in private placement	6	10 159	-	-	-	-	10 164
Transaction expenses related to private placement	-	-203	-	-	-	-	-203
Sale of treasury shares	-	-	405	-	-	-18	387
<b>Total equity 31.12.2022</b>	<b>62</b>	<b>79 116</b>	<b>-</b>	<b>4 567</b>	<b>171</b>	<b>-68 009</b>	<b>15 907</b>

<sup>1)</sup> Translation differences reserves does not include the exchange rate differences resulting from translation to the presentation currency in the parent company

The accompanying notes are an integral part of the consolidated financial statements.



## Note 1 Reporting entity

The reporting entity reflected in these financial statements comprises Play Magnus AS and consolidated subsidiaries (Play Magnus Group or the Group). The parent company, Play Magnus AS, is wholly owned by Chess Growthco LLC. Play Magnus Group's corporate headquarters are in Oslo, Norway. The Group is operating in the chess industry, with market-leading positions in the e-learning and entertainment space. The Group also organizes top-level chess competitions online.

Play Magnus Group's consolidated financial statements for the year ended 31 December 2022 were approved by the Board on 30 June 2023.

## Note 2 Basis of preparation and conversion to Simplified IFRS

The consolidated financial statements of Play Magnus AS and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities. From 2022, the financial statements have been prepared using Simplified IFRS (*Forskrift om forenklet anvendelse av internasjonale regnskapsstandarder 2022*) with a transition date as of 1 January 2021. Play Magnus Group also provides disclosures as specified under the Norwegian Accounting Act (*Regnskapsloven*). The last full IFRS reporting was for the reporting period ending 31 December 2021. Conversion to Simplified IFRS did not give any recognition or measurement differences in the financial statements.

The financial statements are prepared on a historical cost basis, except for certain assets, liabilities, and financial instruments, which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. Slight rounding differences may occur between the financial statements and the note disclosures.

The functional currency of Play Magnus AS is the Norwegian krone (NOK). Play Magnus Group financial statements are presented in USD thousands. Play Magnus Group uses USD as the presentation currency for the consolidated financial statements as this is the currency senior management uses to analyze the key performance indicators of the business and make operational decisions. Additionally, Play Magnus Group operates in a global market, in terms of customers, employees, and investors. A USD presentation currency makes it easier for all of Play Magnus Group's stakeholders to better understand the Group.



The foreign currency exchange differences that are recycled from OCI to the P&L arise from the translation differences upon consolidation of the subsidiaries. The foreign currency exchange differences that are not recycled from OCI to the P&L arise from the translation differences upon consolidation of the share capital in the parent company, Play Magnus AS from its functional currency NOK to the presentation currency of USD.

### **Note 3 Significant accounting policies**

The following description of accounting principles applies to Play Magnus Group's 2022 financial reporting, including all comparative figures. The relevant accounting policies for selected financial statement line items are described in detail in the specific notes in this set of financial statements. Changes in accounting policies and new pronouncements are discussed at the end of this section.

#### *Statement of cash flows*

Play Magnus Group uses the indirect method to present cash flows from operating activities. Interest and dividends received as well as interest paid are included in cash flows from operating activities.

#### *Basis of consolidation*

The consolidated financial statements include Play Magnus AS and subsidiaries, which are entities in which Play Magnus Group has the power to govern the financial and operating policies of the entity (control). Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Play Magnus AS has 100% of the voting power in all group subsidiaries. Subsidiaries are included from the date control commences until the date control ceases.

Intercompany transactions and balances have been eliminated. Profit and loss resulting from intercompany transactions have been eliminated.

#### *Foreign currency transactions*

Transactions in foreign currencies are initially recorded in the functional currency of the transacting entity by applying the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the rate of exchange at the balance sheet date. Currency gains or losses are included in the Finance expense.



### *Foreign currency translation*

For consolidation purposes, the financial statements of subsidiaries with a functional currency other than the presentation currency of the United States dollar (USD) are translated into USD. Assets and liabilities, including goodwill, are translated using the rate of exchange as of the balance sheet date. Income, expenses, and cash flows are translated using the average exchange rate for the reported period. Goodwill is recognized in the predominant functional currencies in the acquired businesses.

Translation adjustments are recognized in Other comprehensive income and accumulated in Currency translation differences in Other components of equity. On disposal of such subsidiary, the cumulative translation adjustment of the disposed entity is recognized in the income statement as part of the gain or loss on disposal.

### *Measurement of fair value*

Play Magnus Group measures certain assets and liabilities at fair value for the purposes of recognition or disclosure. Non-recurring fair value measurement is used for transactions, such as business combinations, contingent consideration, and other non-routine transactions. Play Magnus Group does not have any recurring fair value measurement as the group does not have any derivative financial instruments, equity investments, or other similar financial assets or liabilities that are measured at fair value. Stock option expense is measured using the fair value measurement rules in accordance with IFRS 2 Share-based Payment.

### *Significant estimates and judgements*

The application of accounting policies requires that management makes estimates and judgments in determining certain revenues, expenses, assets, and liabilities. The following areas involve a significant degree of judgment and complexity, and may result in significant variation in amounts:

- Valuation of deferred tax assets – see note 13
- Capitalization of internally generated intangible assets - see note 10.

## **Note 4 Financial risk disclosures**

### *Credit risk*

Credit risk for the Group consists of balances held at Play Magnus Group collection agents such as Apple, Google, and other well-established entities. Cash deposits are, for the most part, held at several banks that have strong credit ratings. There may be some credit risk related to partnership customers for longer-term contracts, and management tries to mitigate this risk by focusing on working with reputable brands with a well-established presence in the business



community. Management observes platform customer risk is very low as customers generally need to pay upfront in order to receive services.

#### *Liquidity risk*

The Group needs to maintain enough liquidity in order to pay content creators as well as salaries and other major operational costs such as Tour prizes. Most of the Chessable content creators get paid on a revenue share basis, with the payout occurring approximately 30-60 days after the course sale. Tour prizes are paid within 2 weeks after the end of the tournament. Non-current lease liabilities have a maturity of 5 years, and all other financial liabilities (current lease liabilities and accounts payable) are due within 12 months. Play Magnus Group has ample cash to support operations and liabilities as of 31 December 2022.

#### *Foreign exchange risk*

Play Magnus Group primarily earns revenue in US Dollars, British Pounds, and Euros. The sales mix is skewed towards US Dollars, while the costs are weighted towards British Pounds, Norwegian Krone, and Euros. The Group aims to mitigate potential FX fluctuations by matching the costs and revenues to the best of its ability by keeping the sales proceeds in the specific currencies which may be needed to pay for the respective costs.

The Group also has multiple intra-group loans between the parent company and the subsidiaries which are denominated in the functional currency of the subsidiary. Management considers the primary foreign exchange exposure for the Group to be the intra-group loans and the cash balances in the parent company. The cash balance in the company as of 31 December 2022 was mostly situated in US Dollars and Euros with the majority of the rest of the balance in Norwegian Krone and British Pounds.

## **Note 5 Revenue from customers**

### **Accounting policies for revenue recognition**

Play Magnus Group accounts for revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 requires the reporting entity, for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent the contract covers more than one performance obligation, determine whether revenue should be recognized over time or at a point in time, and, finally, recognize revenue when or as performance obligations are satisfied.

A performance obligation is satisfied when or as the customer obtains control of the goods or services delivered. Play Magnus Group earns revenue via sales of content, subscriptions, books, chess classes and through media, rights partnerships, and ads.



*A description of Play Magnus Group's principal revenue-generating activities and performance obligations are as follows:*

**Course sales:** The Group offers online courses, including video content, primarily via Chessable and iChess as well as Ginger GM. Ebooks sold by Interchess and Gloucester Publishers are also identified as courses. Additionally, live lessons and courses by Magnus Chess Academy (previously known as Silver Knights Chess) are categorized under Courses. The course content sales are recognized at the time of purchase.

**Subscriptions:** The Group's subscription revenue includes fees associated with the Play Magnus apps, chess24, Chessable, Aimchess, New In Chess and Magnus Chess Academy memberships and subscriptions. The duration of the memberships ranges from monthly to those of one to three years. Monthly subscriptions are recognized at the time of purchase while annual and multi-year subscriptions are recognized on a pro-rata basis (over 12 months for an annual subscription, 36 months for a 3-year subscription). The rest is considered deferred revenue.

**Tour and partnership revenue:** The Group organizes top-level chess competitions with industry-leading prizes. Revenue from this segment is derived from media rights from TV and other broadcast partners, as well as from other brand partners. Revenue is recognized as partnership, tour events and relevant obligations are completed.

**Other revenue:** Other revenue includes primarily sales of printed books by New In Chess and Everyman Chess, advertising revenue from chess24 as well as major entertainment platforms such as YouTube and Twitch.

#### Disaggregation of revenue from contracts with customers

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Courses	10 830	9 696
Subscriptions	3 983	4 442
Tour revenue and partnerships	6 287	4 453
Other revenue	2 446	2 914
<b>Revenue from contracts with customers</b>	<b>23 546</b>	<b>21 505</b>

#### At a point in time revenue recognition

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Courses	10 830	9 345
Subscriptions	-	-
Tour revenue and partnerships	-	-
Other revenue	2 446	2 914
<b>Total at a point in time revenue recognition</b>	<b>13 276</b>	<b>12 259</b>



## Over time revenue recognition

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Courses	-	351
Subscriptions	3 983	4 442
Tour revenue and partnerships	6 287	4 453
Other revenue	-	-
<b>Total over time revenue recognition</b>	<b>10 270</b>	<b>9 246</b>

## Deferred revenue

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Revenue recognized in this period that was included in the deferred revenue balance at the beginning of the period.		
Courses	92	-
Subscriptions	1 605	1 077
Tour revenue and partnerships	683	210
Other revenue	-	-
<b>Total revenue recognized</b>	<b>2 380</b>	<b>1 287</b>

<i>Amounts in USD thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Current portion of deferred revenue</b>		
Courses	203	92
Subscriptions	1 357	1 605
Tour revenue and partnerships	479	683
<b>Total current portion of deferred revenue</b>	<b>2 040</b>	<b>2 380</b>

<i>Amounts in USD thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Non-current portion of deferred revenue</b>		
Subscriptions	229	511
Tour revenue and partnerships	-	-
Other revenue	-	-
<b>Total non-current portion of deferred revenue</b>	<b>229</b>	<b>511</b>

## Note 6 Employee benefit expense

### Accounting policies for employee benefit expense

Payments to employees, such as wages, salaries, social security contributions, paid annual leave and bonus agreements are accrued in the period in which the associated services are rendered by the employee. Post-employment benefits are recognized in accordance with IAS 19 Employee Benefits.

Contributions to defined contribution plans are recognized in the statement of comprehensive income in the period in which they accrue.



## Employee benefit expenses\*

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Salaries	10 893	10 037
Social security costs	1 256	1 450
Other personnel related costs	718	188
Pension expense	40	53
<b>Total employee benefit expenses</b>	<b>12 908</b>	<b>11 728</b>
Less capitalized personnel costs	567	1 036
<b>Total employee benefit expenses</b>	<b>12 340</b>	<b>10 692</b>

Average number of FTEs 117.0 135.0

\* Employee benefit expenses do not include stock options expense, which is shown as a separate line item in the statement of comprehensive income.

## Note 7 CEO and board of directors remuneration

### Main principles for the stipulation of salary and other remuneration to leading personnel

CEO remuneration consists of a base salary and incentive structures such as a cash bonus and share-based compensation. All pension payments are defined contributions. The CEO's salary and remuneration are decided by the Board of Directors. See also note 8 Share-based compensation for additional information.

The Director's remuneration for 2022 shows the payment for the 2021 term, which was approved by the annual general meeting and paid in 2022. The Director's remuneration for 2021 shows the payment for the 2020 term, which was approved by the annual general meeting and paid in 2021.

### CEO compensation

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Base salary	228	257
Bonus	318	235
Share-based compensation cash settlement	700	-
Pension	-	-
<b>Total</b>	<b>1 246</b>	<b>492</b>

The bonus to the CEO was accrued in 2022 and paid in 2023. The CEO has 6 months' notice period and 12 months' severance pay.

### Board compensation

The Board of Directors received remuneration of USD 130 thousand in 2022 (2021: USD 83 thousand).



## Note 8 Share-based compensation

### Accounting policies for share-based compensation

Play Magnus Group accounts for equity-settled share-based compensation in accordance with IFRS 2 Share-based Payment. Share-based compensation expense is measured at fair value using a Black-Scholes model over the service period. The related social security taxes that will be paid by Play Magnus Group at the settlement date are recognized in the balance sheet as a liability at fair value. The social security taxes are cash-settled at the exercise date.

2 175 000 options were exercised in 2022 and 3 998 514 were forfeited. In connection with the Chess Growtco LLC acquiring 100% of the shares in Play Magnus AS, all outstanding options vested. All options with an exercise price lower than the purchase price were exercised with a cash settlement. All the remaining options were forfeited.

### Components of share-based expenses

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Share-based compensation	553	826
Provision for social security benefit taxes	(5)	(145)
<b>Total share-based compensation expenses</b>	<b>548</b>	<b>681</b>

Set out below are summaries of options granted under the plan in 2022:

	2022	
	Average exercise price per share option	Number of options
1 January 2022	NOK 14.81	5 661 514
Granted during the year	NOK 18.50	512 000
Exercised during the year	NOK 7.93	2 175 000
Forfeited during the year	NOK 19.03	3 998 514
31 December 2022		-
Vested and exercisable at 31 December 2022		-

### Fair value measurement

The assessed fair value at grant date of options granted during the year ended 31 December 2022 was NOK 4.46 - NOK 6.33, depending on the expiry date of the options (2021: NOK 2.31 - NOK 8.00). The fair value at the grant date is independently determined using the Black-Scholes model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at the grant date, and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies.



The model inputs for options granted during the year ended 31 December 2022 included:

- Options are granted for no consideration and vest based on the passage of time
- Vested options are exercisable for a period of seven years after vesting
- Exercise price: NOK 18.50
- Grant date: 14 January 2022
- Expiry date: 14 January 2029
- Share price at grant date: NOK 16.49
- Expected price volatility of the company's shares: 54.68%
- Expected dividend yield: zero as the Group is still in a growth phase and is not currently paying dividends, nor plans to pay dividends in the foreseeable future
- Risk-free interest rate: 1.56%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information and the judgment of management.

## Note 9 Other operating expenses

Amounts in USD thousands

<b>Other operating expenses</b>	<b>2022</b>	<b>2021</b>
Software, hardware and hosting fees	1 579	1 386
Legal and audit fees	749	1 025
Travel	286	273
Marketing	1 925	1 802
Publishing costs	965	947
Studio rent Champions Chess Tour	452	743
Allowance for doubtful receivables	128	51
Provision for VAT	103	100
Other	3 807	1 756
<b>Total</b>	<b>9 994</b>	<b>8 083</b>

The increase in Other is primarily related to the Champions Chess Tour production expenses due to the hosting of physical tournaments in Oslo, Miami and San Francisco.

### Audit fees

The Group has the following audit-related fees, provided by our elected auditor, included in the legal and audit fees in the table above (all figures excl. VAT). The table below shows the cash paid to auditors of the different entities in 2022 and 2021.



Amounts in USD thousands

Category	2022	2021
Audit services	116	154
Other audit related services	59	36
Tax services	-	110
<b>Total</b>	<b>174</b>	<b>299</b>

Of the audit fees in the table above, a total of USD 12 thousand for 2022 and USD 29 thousand for 2021 is related to audit-related services not provided by the elected auditor of Play Magnus AS.

## Note 10 Intangible assets

### Accounting policies for intangible assets

Intangible assets acquired individually or as a group are recognized at fair value when acquired. Intangible assets acquired in a business combination are recognized at fair value separately from goodwill when they arise from contractual or legal rights or can be separated from the acquired entity and sold or transferred.

Internally generated intangible assets are recognized when the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Development costs are capitalized as intangible assets at cost in accordance with IAS 38 Intangible Assets when the recognition criteria are met. Research expenditures are expensed as incurred.

At each financial year-end Play Magnus Group reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

### Website/mobile technology

Play Magnus Group has acquired and developed chess-related website platforms and mobile apps. The biggest assets are the products related to the Chessable platform, the Play Magnus mobile applications and the Aimchess platform.

### Courses/content

Since 2019 Play Magnus Group has acquired several key chess companies with a significant volume of intellectual property. The biggest contributors to the group's catalog of courses/content are the acquisitions of Chessable, iChess, Interchess and Gloucester Publishers.



## Brand names

In connection with the acquisitions of key chess companies, Play Magnus Group owns several valuable brands. The brands which go into this category are Chessable, New In Chess, Everyman Chess and Silver Knights Chess. The amortization periods span from 2 to 20 years depending on management's expectation for utilization of the assets.

## Trademarks

In connection with the acquisition of Chessable, Play Magnus Group received ownership of the MoveTrainer trademark. The MoveTrainer technology is built around the spaced repetition method for learning chess patterns and ideas. Chessable has secured a 10-year trademark in the US, starting from September 2019 and a 10-year trademark in the European Union starting from August 2020.

## Customer relationships

The customer relationships assets originate from the acquisitions of Chessable, Interchess, Gloucester Publishers and Silver Knights Chess. All customer relationships are amortized over 5 years from the date of acquisition.

## Impairment of intangible assets

The group has conducted an impairment test for all intangible assets at the end of 2022. Value in use is based on discounted cash flow calculations for the different CGUs. Management has identified an impairment for a total of USD 6336 thousand in 2022, see specification in the below. The majority of the impairments are related to chess24, Ginger GM, iChess and Play Magnus App Suite. The primary reason for the impairment is a change in business priorities and forecasts following the acquisition by Chess.com.

	Website/ mobile technology	Courses/ content	Brand names	Trademark	Customer relationships	Total
Balance 01.01.2022	10 585	3 987	4 937	624	8 348	28 480
Additions	904	-	-	-	-	904
Disposals	-	-	-	-	-	-
Capitalized employee benefit expense	567	-	-	-	-	567
Foreign currency translation effect	-1 135	-400	-500	-60	-712	-2 807
<b>Acquired cost 31.12.2022</b>	<b>10 921</b>	<b>3 587</b>	<b>4 437</b>	<b>564</b>	<b>7 637</b>	<b>27 145</b>
Balance 01.01.2022	4 835	1 370	739	301	3 226	10 471
Amortization	1 228	697	332	115	1 703	4 075
Impairment	2 933	382	1 852	-	1 168	6 336
Accumulated amortization on disposals	-	-	-	-	-	-
Reduction amort. because of unearned skattefunn	28	-	-	-	-	28
Foreign currency translation effect	-252	-123	16	-30	-505	-894
<b>Accumulated amortization and impairment 31.12.2022</b>	<b>8 772</b>	<b>2 326</b>	<b>2 938</b>	<b>387</b>	<b>5 593</b>	<b>20 016</b>
<b>Carrying value 31.12.2022</b>	<b>2 149</b>	<b>1 260</b>	<b>1 499</b>	<b>177</b>	<b>2 044</b>	<b>7 129</b>
Estimated lifetime	5 years	5 years	15 - 20 years	5 years	5 years	
Amortization schedule	Straight line	Straight line	Straight line	Straight line	Straight line	



Play Magnus Group | Annual Report 2022

	Website/ mobile technology	Courses/ content	Brand names	Trademark	Customer relationships	Total
Balance 01.01.2021	8 266	2 672	3 735	647	5 968	21 288
Acquisition cost 29.01.2021 Interchess BV	-	667	516	-	516	1 699
Acquisition cost 24.02.2021 Ginger GM Ltd	71	141	313	-	141	666
Acquisition cost 02.03.2021 Gloucester Publishers Ltd	-	419	314	-	314	1 046
Acquisition cost 14.05.2021 Altm chess by PMG AS	485	-	-	-	-	485
Acquisition cost 31.08.2021 Silver Knights Chess LLC	-	200	200	-	1 600	2 000
Additions	1 009	-	-	-	-	1 009
Disposals	-	-	-	-	-	-
Capitalized employee benefit expense	1 037	-	-	-	-	1 037
Foreign currency translation effect	-283	-113	-140	-24	-191	-749
<b>Acquired cost 31.12.2021</b>	<b>10 585</b>	<b>3 987</b>	<b>4 937</b>	<b>624</b>	<b>8 348</b>	<b>28 480</b>
Balance 01.01.2021	3 244	644	376	183	1 641	6 288
Amortization	1 460	761	381	128	1 469	4 199
Impairment	188	-	-	-	-	188
Accumulated amortization on disposals	-	-	-	-	-	-
Reduction amort. because of unearned Skattefunn	82	-	-	-	-	82
Foreign currency translation effect	-138	-36	-18	-10	-84	-286
<b>Accumulated amortization and impairment 31.12.2021</b>	<b>4 835</b>	<b>1 370</b>	<b>739</b>	<b>301</b>	<b>3 226</b>	<b>10 471</b>
<b>Carrying value 31.12.2021</b>	<b>5 750</b>	<b>2 617</b>	<b>4 199</b>	<b>322</b>	<b>5 122</b>	<b>18 010</b>
Estimated lifetime	5 years	5 years	15 - 20 years	5 years	5 years	
Amortization schedule	Straight line	Straight line	Straight line	Straight line	Straight line	

## Note 11 Tangible assets and leasing

### Accounting policies for office equipment and office buildings (right-of-use assets)

Tangible assets consisting of office equipment are recognized at acquisition cost. The carrying value is comprised of the historical cost less accumulated depreciation and any accumulated impairment losses (if any). Office buildings consist of leased assets (right-of-use assets). Short-term and low-value leases are excluded from the lease accounting. When measuring leases, Play Magnus Group includes fixed lease payments for extension periods reasonably certain to be used. As a practical expedient, non-lease components are not separated from lease contracts, and not recognized but expensed in the period when the lease expense is incurred. Judgment is applied in assessing whether renewal options are reasonably certain to be utilized.

Depreciation expense is measured on a straight-line basis over the estimated useful life of the asset, commencing when the asset is ready for its intended use.

At each financial year-end Play Magnus Group reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

The leased assets (right-of-use assets) consist of an office building in Barcelona as of 31 December 2022. Short-term and low-value leases are excluded from the lease accounting. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments.



## Play Magnus Group | Annual Report 2022

	Office buildings		Total
	Office equipment	(Right-of-use assets)	
Balance Play Magnus 01.01.2022	450	3 729	4 179
Additions	121	655	777
Disposals	-	-2 386	-2 386
Foreign currency translation effect	-20	-200	-220
<b>Acquired cost 31.12.2022</b>	<b>551</b>	<b>1 798</b>	<b>2 349</b>
<b>Accumulated depreciation and impairment</b>			
Balance Play Magnus 01.01.2022	140	949	1 089
Depreciation of the year	86	339	425
Impairment of the year	-	-	-
Accumulated depreciation disposals	-	-	-
Foreign currency translation effect	8	7	15
<b>Accumulated depreciation and impairments 31.12.2022</b>	<b>234</b>	<b>1 295</b>	<b>1 529</b>
<b>Carrying value 31.12.2022</b>	<b>318</b>	<b>503</b>	<b>820</b>

Estimated lifetime	4-5 years	5 years
Depreciation schedule	Straight line	Straight line

	Office buildings		Total
	Office equipment	(Right-of-use assets)	
Balance Play Magnus 01.01.2021	252	1 212	1 464
Acquisition Interchess BV	18	-	18
Additions	179	3 159	3 337
Disposals	-	-460	-460
Foreign currency translation effect	1	-182	-181
<b>Acquired cost 31.12.2021</b>	<b>450</b>	<b>3 729</b>	<b>4 179</b>
<b>Accumulated depreciation and impairment</b>			
Balance Play Magnus 01.01.2021	49	391	440
Depreciation of the year	92	601	693
Impairment of the year	-	-	-
Accumulated depreciation disposals	-	-	-
Foreign currency translation effect	-1	-44	-45
<b>Accumulated depreciation and impairments 31.12.2021</b>	<b>140</b>	<b>949</b>	<b>1 089</b>
<b>Carrying value 31.12.2021</b>	<b>310</b>	<b>2 780</b>	<b>3 090</b>

Estimated lifetime	4-5 years	5 years
Depreciation schedule	Straight line	Straight line

### Lease liabilities

<i>Amounts in USD thousands</i>	31.12.2022	31.12.2021
Current	101	645
Non-current	408	2 366
<b>Total lease liability</b>	<b>509</b>	<b>3 011</b>

### Amounts recognized in the statement of profit or loss



Play Magnus Group | Annual Report 2022

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Depreciation of right-of-use assets	339	601
Interest expense	76	132

### Maturity profile lease liability

<i>Amounts in USD thousands</i>	<b>Less than a year</b>	<b>1-3 years</b>	<b>3-5 years</b>
Lease liabilities 31 December 2022	-	-	509
Lease liabilities 31 December 2021	-	187.00	2 824

### Gains and losses

The group recognized total gains of USD 277 thousand from termination of leases and USD 79 thousand from fair value adjustment of contingent consideration in 2022.

## Note 12 Financial items

### Financial items

<i>Amounts in USD thousands</i>	<b>2022</b>	<b>2021</b>
Interest income	121	35
Exchange rate gains	1 878	586
Other financial income	-	3
<b>Financial income</b>	<b>1 999</b>	<b>624</b>
Interest expense	80	136
Exchange rate losses	321	388
Other financial expense	474	466
<b>Financial expense</b>	<b>875</b>	<b>990</b>
<b>NET FINANCIAL ITEMS</b>	<b>1 123</b>	<b>-366</b>

## Note 13 Taxes

### Accounting policies for income taxes, current and deferred

Taxes payable is based on taxable profit for the year, which excludes items of income or expense that are taxable or deductible in other years. Taxable profit also excludes items that are never taxable or deductible. Play Magnus Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes. Deferred tax assets and liabilities are classified as non-current in the balance sheet and are measured based on the difference between the carrying value of assets and liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. For items recognized as an asset and a liability at inception, such as a lease,

| 28



Play Magnus Group | Annual Report 2022

temporary differences related to the asset and liability are considered in combination, and deferred tax assets and liabilities are recognized on changes to the temporary differences through the life of the items. Temporary differences related to intercompany profits are deferred using the buyer's tax rate. Deferred tax assets are reviewed for recoverability every balance sheet date, and the amount probable of recovery is recognized.

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for the deferred tax related to items recognized in Other comprehensive income or resulting from a business combination or disposal. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective or are substantively enacted. Uncertain tax positions are recognized in the financial statements based on management's expectations.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred taxes are not provided on undistributed earnings of subsidiaries when the timing of the reversal of this temporary difference is controlled by Play Magnus Group and is not expected to happen in the foreseeable future.

#### **Significant judgment in accounting for income taxes**

Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the future, planned transactions, or planned tax optimizing measures, all of which may be uncertain. Economic conditions may change and lead to a different conclusion regarding recoverability. Tax authorities in different jurisdictions may challenge Play Magnus Group's calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change, as well as interest and fines.



Play Magnus Group | Annual Report 2022

## Calculation of deferred tax/deferred tax benefit

<b>Temporary differences</b>	<b>2022</b>	<b>2021</b>
Intangible assets	4 816	12 198
Property, plant and equipment	529	2 780
Current and non-current assets	-128	690
Liabilities	-1 373	-3 723
Other differences	-	-
<b>Net temporary differences</b>	<b>3 843</b>	<b>11 946</b>
Tax losses carried forward	-53 798	-39 123
<b>Basis for deferred tax (asset)</b>	<b>-49 955</b>	<b>-27 177</b>
Deferred tax (asset)	-10 990	-4 584
Deferred tax asset not recognised in the balance sheet	11 266	5 211
<b>Deferred tax asset in the balance sheet</b>	<b>-</b>	<b>55</b>
<b>Deferred tax in the balance sheet</b>	<b>276</b>	<b>683</b>

## Basis for income tax expense, changes in deferred tax and tax payable

<b>Basis for income tax expense</b>	<b>2022</b>	<b>2021</b>
Result before taxes	-31 141	-19 948
Permanent differences	306	254
<b>Basis for income tax expense</b>	<b>-30 835</b>	<b>-19 695</b>

Change in temporary differences	8 103	-1 305
Business combinations effect	-	4 126
Change in tax loss carried forward	14 675	17 126
<b>Taxable income (basis for payable taxes in the balance sheet)</b>	<b>-8 058</b>	<b>252</b>

<b>Components of the income tax expense</b>	<b>2022</b>	<b>2021</b>
Payable tax on this year's result	158	116
Adjustment in respect of prior year	-	-
<b>Total tax payable</b>	<b>158</b>	<b>116</b>

Change in deferred tax (asset)	-352	-688
Change in deferred tax (asset) posted to equity	-329	-563
<b>Tax expense</b>	<b>-523</b>	<b>-1 135</b>

<b>Reconciliation of the tax expense</b>	<b>2022</b>	<b>2021</b>
Result before taxes	-31 141	-19 948
Calculated tax	-6 851	-4 389
Tax expense	-523	-1 135
<b>Difference</b>	<b>6 329</b>	<b>3 254</b>

| 30



Play Magnus Group | Annual Report 2022

<b>The difference consist of:</b>	<b>2022</b>	<b>2021</b>
Tax of permanent differences	67	56
Tax cost recognised in equity	-	563
Change in deferred tax asset not recognised	6 055	2 101
Other differences	207	534
<b>Sum explained differences</b>	<b>6 329</b>	<b>3 254</b>

<b>Payable taxes in the balance sheet</b>	<b>2022</b>	<b>2021</b>
Payable tax in the tax charge	158	116
<b>Payable tax in the balance sheet</b>	<b>158</b>	<b>116</b>

Deferred tax assets are recognized when the Group can document future taxable profits to utilize the tax asset per company. The deferred tax asset is recognized for the amount corresponding to the expected taxable profit based on convincing evidence. The carrying amount of deferred tax assets is reviewed at each reporting date (quarterly) and reduced to the extent that convincing evidence no longer exists for the utilization. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that convincing evidence exists supporting that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

Most of the Group's tax loss carried forward comes from the entities Play Magnus AS, E-Learning Ltd, Logical Thinking Ltd and Chessable Ltd. The total loss carried forward amounts to USD 53 798 thousand as of 31 December 2022. This gives deferred tax assets of USD 4 115 thousand which is not recognized in the balance sheet. Undertaking an assessment of the criteria under IAS 12, the Group has not included deferred tax assets related to tax losses carried forward.

## Note 14 Goodwill

### Accounting policies for goodwill

Goodwill is recognized as a part of business combinations. Goodwill is initially measured either as the excess of the consideration over Play Magnus Group's interest or the fair value of 100 percent of the acquiree in excess of the acquiree's identifiable net assets (full goodwill). Goodwill is not amortized but is tested for impairment annually, and more frequently if indicators of possible impairment are observed, in accordance with IAS 36 Impairment of Assets. Goodwill is allocated to the cash-generating units or groups of cash-generating units expected to benefit from the synergies of the combination and that is monitored for internal management purposes.

Play Magnus Group has goodwill in connection with the acquisitions of subsidiaries.



## Play Magnus Group | Annual Report 2022

Acquisition	Year acquired	Impairment loss 2022	Carrying value 31 December
			2022
United Mind Sports Ltd (Chess24)	2019	4 616	0
Chessable Ltd	2019	759	759
Interchess BV	2021	0	563
Gloucester Publishers Ltd	2021	0	676
Silver Knights Chess LLC (Magnus Chess Academy)	2021	0	502
<b>Total</b>		<b>5 375</b>	<b>2 500</b>

### Impairment testing of goodwill

Goodwill from the acquisition of United Mind Sports Ltd is allocated to chess24, goodwill from the acquisition of Chessable Ltd is allocated to Chessable, goodwill from the acquisition of Interchess is allocated to Interchess and Chessable, goodwill from the acquisition of Gloucester Publishers is allocated to Gloucester Publishers and Chessable, and goodwill from the acquisition of Silver Knights Chess is allocated to Silver Knights Chess. The recoverable amounts of these CGUs have been determined based on the higher of the value in use calculations and the fair value less costs of disposal.

Goodwill was tested for impairment at the end of 2022, and in total an impairment loss of USD 2 499 thousand was recognized for 2022. Value in use is based on discounted cash flow calculations. The Group based its cash flow calculations on 10-year forecast information approved by senior management of the Group. Long-term average growth rates for the respective countries in which the entities operate or, where more appropriate, the growth rate of the CGUs, were used to extrapolate cash flows into the future. The discount rates are used to reflect specific risks relating to the relevant CGUs and the countries in which they operate while maximizing the use of market observable data. Other assumptions included in cash flow projections vary widely between CGUs due to the group's diverse range of business models and are closely linked to entity-specific key performance indicators.

The following key assumptions were used for the value-in-use calculations:

chess24:

- Revenue growth rate is -33% at the beginning of the forecast period and goes to -100%.
- Terminal growth rate is 0%
- EBITDA declines to 0%
- WACC: N/A

Chessable:

- Revenue growth rate is -1% at the beginning of the forecast period, rises to 40% growth over the next several years and then gradually declines to 3% growth in year 10
- Terminal growth rate is 3%



Play Magnus Group | Annual Report 2022

- EBITDA margin improves to 23% in the forecast period
- WACC: 18.7%

Interchess:

- Revenue growth rate is -13% at the beginning of the forecast period, and improves to 3% growth in year 10
- Terminal growth rate is 3%
- EBITDA margin improves to 27% in the forecast period
- WACC: 16.4%

Gloucester Publishers:

- Revenue growth rate is 4% at the beginning of the forecast period, rising to 15% and then declining to 3% growth in year 10
- Terminal growth rate is 3%
- EBITDA margin grows to 34% in the forecast period
- WACC: 16.8%

Silver Knights Chess (Magnus Chess Academy):

- Revenue growth rate is 417% at the beginning of the forecast period and then normalizes to 28% growth and then starts declining to 3% growth in year 10
- Terminal growth rate is 3%
- EBITDA margin improves to 32% in the forecast period
- WACC: 17.3%

*Sensitivity analysis*

A sensitivity analysis has been prepared to test the impairment tests to changes in key assumptions. Specific assumptions tested were a +10% to -10% change in revenue in every year of the forecast period as well as a +10% to -10% change in gross profit margin in every year of the forecast period. In all cases, unless specifically noted, the discounted cash flow value was comfortably above the book value of the assets.

## Note 15 Inventories

### Accounting policies for inventories

Inventories are valued at the lower of cost, using the weighted average cost formula, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs. Inventory write-downs to net



realizable value occurs when the cost of the inventory is not recoverable, and is reversed in later periods if there is clear evidence of an increase in the net realizable value.

<i>Amounts in USD thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Opening balance	1 128	-
Acquisition of Interchess BV	-	556
Acquisition of Gloucester Publishers	-	488
Net change to inventories from operations	-354	90
Foreign currency translation effect	-97	-6
<b>Total inventories</b>	<b>678</b>	<b>1 128</b>

All inventories consist of chess books in Interchess BV and Gloucester Publishers Ltd.

## Note 16 Other financial assets

### Other current financial assets

<i>Amounts in USD thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Deposits	212	106
Current portion of withheld revenue	137	210
<b>Total other current financial assets</b>	<b>349</b>	<b>316</b>

### Non-current financial assets

<i>Amounts in USD thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Deposits	-	84
Non-current portion of withheld revenue	-	52
<b>Total non-current financial assets</b>	<b>-</b>	<b>137</b>

Other financial assets consist of security deposits and withheld revenue in Logical Thinking Ltd. Logical Thinking Ltd hosts the chess24.com platform and uses Adyen as its main service provider for transactions. The withheld revenue is primarily a security deposit which Adyen holds back to account for any subsequent liabilities Logical Thinking Ltd might have towards its customers.

## Note 17 Accounts receivable

### Accounting policies for trade receivables

Accounts receivable are initially recognized at transaction price, subsequently accounted for at amortized cost, and are reviewed for impairment on an ongoing basis. Individual accounts are assessed for impairment taking into consideration indicators of financial difficulty and management assessment. Play Magnus Group's business model for accounts receivable is to hold the receivables to collect the contractual cash flows.



Play Magnus Group | Annual Report 2022

	31.12.2022	31.12.2021
Accounts receivable	1 172	1 323
Loss allowance	128	51
<b>Total</b>	<b>1 045</b>	<b>1 272</b>

## Distribution by currency

<i>Amounts in USD thousands</i>	31.12.2022	31.12.2021
Accounts receivable NOK	89	51
Accounts receivable USD	352	896
Accounts receivable EUR	370	193
Accounts receivable GBP	234	133
<b>Total</b>	<b>1 045</b>	<b>1 272</b>

## Aging of gross trade receivables

<i>Amounts in USD thousands</i>	Total	< 30 days	30-60 days	60-90 days	>90 days
31.12.2022	1 172	906	-	-	266
Loss allowance	128	-	-	-	128
<b>Book value 31.12.2022</b>	<b>1 045</b>	<b>906</b>	<b>-</b>	<b>-</b>	<b>139</b>
31.12.2021	1 323	1 093	24	118	89
Loss allowance	51	6	1	3	41
<b>Book value 31.12.2021</b>	<b>1 272</b>	<b>1 087</b>	<b>23</b>	<b>114</b>	<b>48</b>

## Note 18 Statement of cash flows

### Accounting policies for cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash, bank deposits, and all other monetary instruments with a maturity of less than three months from the date of acquisition and are measured at nominal value.

Bank deposits earn interest at floating rates based on the different bank agreements.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following on 31 December:

<i>Amounts in USD thousands</i>	31.12.2022	31.12.2021
Bank deposits	9 777	20 197
Restricted cash balances	69	81
<b>Total cash and cash equivalents</b>	<b>9 846</b>	<b>20 278</b>



## Distribution of cash by currency

<i>Amounts in USD thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Cash Balances NOK	753	10 090
Cash Balances USD	4 235	6 006
Cash Balances EUR	2 976	1 941
Cash Balances GBP	1 851	2 214
Cash Balances Other	31	26
<b>Total</b>	<b>9 846</b>	<b>20 278</b>

## Changes in liabilities arising from financing activities

<i>Lease liabilities</i>		
<i>Amounts in USD thousands</i>	<b>2021</b>	<b>2022</b>
Balance at the beginning of the period	852	3 011
	-	-
<i>Cash changes</i>		
Principal payment to lessor	-396	-274
Interest payment to lessor	-134	-76
<i>Non-cash changes</i>		
Initial recognition	3 033	532
Accrued interest	134	76
Lease modifications/disposals	-430	-2 587
Foreign currency translation effect	-48	-174
<b>Balance at the end of the period</b>	<b>3 011</b>	<b>509</b>

## Note 19 Other current liabilities

### *Provision for possible VAT claims related to the sale of services*

Certain sales by Logical Thinking Ltd may be subject to VAT in the country of origin of the customers. Enrique Guzman, the majority shareholder of LT Holdings Ltd, has given an uncapped indemnity in favor of Play Magnus AS for any tax exposure related to the chess24 group prior to the acquisition by Play Magnus AS on 28 February 2019, including the VAT exposure disclosed in the table below.

Management is of the opinion that any costs and liability incurred as a result of or relating to said VAT exposure is expected to be recovered from Enrique Guzman under the indemnity for VAT incurred prior to the acquisition. Play Magnus AS has set aside a provision of USD 453 000 for any potential liability for the time after the acquisition for 2019 and through December 2022. The total liability for Logical Thinking is estimated to be USD 703 000. The net liability of Play Magnus Group of USD 453 000 is presented gross, with a USD 703 000 provision for VAT and a USD 250



000 receivable presented under other current assets. The net exposure of Play Magnus Group is thus USD 453 000.

## Other current liabilities

Amounts in USD thousands	31.12.2022	31.12.2021
Accrued Skattefunn	-	30
Provision for VAT	703	600
Accrued expenses	2 256	1 401
Other	1 013	1 045
<b>Total other current liabilities</b>	<b>3 972</b>	<b>3 076</b>

## Note 20 Subsidiaries and shareholders

The consolidated group financial statements include the financial statements of Play Magnus AS and the subsidiaries listed in the following table:

	Year established	Year acquired	Location	Entity's main activities	Ownership	Functional currency
Logical Thinking Limited	2014	2019	Gibraltar	Chess entertainment site focused on broadcasts and other content with top chess players and personalities	100 %	GBP
E-Learning Limited	2014	2019	Gibraltar	Owms and operates the Chess24.com website	100 %	GBP
Chess 24 GmbH	2014	2019	Hamburg, Germany	Responsible for development and maintenance of chess24.com	100 %	EUR
ChessX SIA	2019	-	Riga, Latvia	Company established in 2019 and is the owner of the CoChess brand which is focused on live coaching	100 %	EUR
Chessable Limited	2015	2019	London, UK	E-learning site with online courses and subscriptions	100 %	GBP
Chessable Spain SL	2020	-	Barcelona, Spain	Operational support services	100 %	EUR
iChess LLC	2011	2020	Atlanta, USA	E-learning site with online courses	100 %	USD
Interchess BV	1984	2021	Alkmaar, Netherlands	Publisher of chess books and ebooks, publisher of New in Chess magazine	100 %	EUR
GloUCESTER Publishers Limited	2003	2021	London, UK	Publisher of chess books and ebooks	100 %	GBP
Ginger GM Limited	2018	2021	London, UK	E-learning site with online courses	100 %	GBP
Aimchess by PMG AS	2021	-	Oslo, Norway	Owms and operates the aimchess.com website and AimChess app	100 %	NOK
Play Magnus India Private Ltd	2021	-	Bangalore, India	Support of group activities and presence in the APAC region	100 %	INR
Play Magnus Polska sp. z o.o.	2021	-	Wroclaw, Poland	IT development services	100 %	PLN
Play Magnus USA Inc.	2021	-	Delaware, USA	Holding company and owner of Silver Knights Chess LLC	100 %	USD
Silver Knights Chess LLC	2021	2021	Virginia, USA	Live chess coaching services	100 %	USD

## Play Magnus AS Shareholder as of 31 December 2022

Shareholder	Number of ordinary shares	Total # of shares	% of shareholding
Chess Growthco LLC	61 452 722	61 452 722	100.0 %
<b>Total</b>	<b>61 452 722</b>	<b>61 452 722</b>	<b>100 %</b>

The financial statements of Play Magnus Group have been consolidated into the consolidated financial statements of ultimate parent company Chess Holdings, LLC, a Delaware limited liability company with business address 877 E 1200 S St, Orem, UT 84097, USA. Requests about the financial statements of the ultimate parent company will have to be sent to Chess Holdings, LLC.



## Note 21 Related parties

The following are the significant related party activities for Play Magnus Group during 2022. All transactions are at arm's length market prices.

- MagnusChess AS is wholly owned by World Champion Magnus Carlsen and his father, Henrik Carlsen. Up until the acquisition by Chess.com, MagnusChess AS was the largest shareholder of Play Magnus Group. Henrik Carlsen also serves on the board of Play Magnus AS.

Play Magnus AS has a branding agreement with Magnus Carlsen (contractually agreed with Magnus Carlsen and through the company MagnusChess AS) that expires 17 December 2033. Play Magnus also has an agreement with MagnusChess AS in connection with Play Magnus sponsors that require the involvement of Magnus Carlsen and which includes a certain number of appearances and social media events. In exchange for his services for the eligible partnerships, Magnus Carlsen receives a commission from Play Magnus Group. In 2022 the payments related to these partnership services performed by MagnusChess AS totaled NOK 2 059 235.

Magnus Carlsen is a participant in the Champions Chess Tour. He is invited as the current World Champion and top 10 player in the world. His earnings there are related to the prizes that he has won. In 2022 he won USD 217 625.

Magnus Carlsen is also a Chessable content creator and for his courses, he received payments of NOK 200 699 in 2022.

- Etruvian (Gibraltar), ultimately owned by Enrique Guzman. Enrique Guzman was the third largest shareholder of the Play Magnus Group through his holding company LT Holdings Ltd, of which he owned 97%, up until the acquisition by Chess.com. Enrique Guzman is also the Managing Director of Logical Thinking and E-Learning which operate the chess24 brand and its related services, respectively.

Etruvian (Gibraltar) Ltd has a consulting agreement with Logical Thinking for operations and business-related services and as part of the agreement includes office space for the consultants in Gibraltar. The total amount of costs charged by Etruvian (Gibraltar) to E-Learning and Logical Thinking in 2022 was GBP 63 250.

- Espen Agdestein was a board member and a shareholder of Play Magnus AS, owning 1 050 000 shares, prior to the completion of the acquisition by Chess.com, via his company Espen Agdestein AS. He also does consulting work related to business development and



Play Magnus Group | Annual Report 2022

gets compensated for this work. In 2022 the payments related to these partnership services performed by Espen Agdestein AS totaled NOK 1 299 469.

There are no material related-party receivables or payables balances in the statement of financial position as of 31 December 2022.

*Related party transactions and contracts after 31 December 2022.*

- MagnusChess AS received remuneration for services related to the partnership agreements for NOK 1 069 117.
- MagnusChess AS received USD 45 000 for prize money given his participation and top ranking in the Champions Chess Tour.
- MagnusChess AS received NOK 43 126 as royalties for his Chessable courses

## **Note 22 Events after the reporting period**

- Meltwater, title sponsor of the Champions Chess Tour 2022, is no longer a sponsor of the Champions Chess Tour.



# Play Magnus AS Parent Financial Statements

Document Ref: PWZH4-NNP7E-GFTNU-XPTCD



## Statements of comprehensive income

Amounts in NOK thousands (except per share amounts)	Note	2022	2021
Revenue from customers	6	66 774	46 478
<b>Total operating revenue</b>		<b>66 774</b>	<b>46 478</b>
Course content and subscription sales expenses		1 572	2 306
Tournament prize expenses		18 064	4 674
Employee benefit expenses	7	14 445	13 094
Share-based compensation expense	9	2 166	956
Consultancy fees		39 485	38 323
Management fees recharged from other group companies		33 942	20 027
Other operating expenses	10	57 896	25 596
Depreciation and amortization	11, 12	11 061	4 706
Gains and losses	12	-904	140
<b>Total operating expenses</b>		<b>177 728</b>	<b>109 822</b>
<b>Operating profit (loss)</b>		<b>-110 955</b>	<b>-63 344</b>
Financial income	13	24 132	8 295
Financial expenses	13	2 325	2 377
Net gains (losses and impairment) of financial assets		-263 453	-
<b>Financial income (expense), net</b>		<b>-241 646</b>	<b>5 918</b>
<b>Profit (loss) before tax</b>		<b>-352 601</b>	<b>-57 426</b>
Tax expense	14	-	-
<b>Profit (loss)</b>		<b>-352 601</b>	<b>-57 426</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>-352 601</b>	<b>-57 426</b>

The accompanying notes are an integral part of the financial statements.



Play Magnus Group | Annual Report 2022

## Statements of financial position

<b>ASSETS</b>			
<b>Amounts in NOK thousands</b>	<b>Note</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Intangible assets	11	2 825	10 028
Tangible and right-of-use assets	12	-	2 343
Investments in subsidiaries	18	126 046	261 665
Loans to group companies	18	139 827	196 358
<b>TOTAL NON-CURRENT ASSETS</b>		<b>268 697</b>	<b>470 394</b>
Other current assets		3 834	3 411
Other current financial assets		48	48
Accounts receivable	15	3 114	5 411
Other receivables from group companies	18	2 536	5 013
Cash and cash equivalents	16	51 964	133 017
<b>TOTAL CURRENT ASSETS</b>		<b>61 496</b>	<b>146 900</b>
<b>TOTAL ASSETS</b>		<b>330 193</b>	<b>617 295</b>



Play Magnus Group | Annual Report 2022

## EQUITY AND LIABILITIES

Amounts in NOK thousands	Note	31.12.2022	31.12.2021
Share capital		615	566
Share premium		779 867	692 671
Treasury shares		-	-1 968
Retained earnings		-512 463	-159 687
Other components of equity		42 935	45 728
<b>TOTAL EQUITY</b>		<b>310 953</b>	<b>577 310</b>
Non-current financial liabilities	16	-	2 338
Non-current portion of deferred revenue	6	111	191
<b>Total non-current liabilities</b>		<b>111</b>	<b>2 530</b>
Current portion of deferred revenue	6	5 978	7 463
Accounts payable		2 691	6 953
Liabilities payable to group companies	18	5 684	16 626
Other current financial liabilities	16	-	1 689
Other current liabilities	17	4 776	4 724
<b>Total current liabilities</b>		<b>19 130</b>	<b>37 455</b>
<b>TOTAL LIABILITIES</b>		<b>19 241</b>	<b>39 985</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>330 193</b>	<b>617 295</b>

The accompanying notes are an integral part of the financial statements.

Oslo, June 30, 2023

The Board of Directors of Play Magnus AS

Erik Peter Allebest  
Chairman

Henrik Albert Carlsen  
Board member

Daniel Rensch  
Board member

Andreas Thome  
Board member/CEO



## Statements of cash flows

Amounts in NOK thousands	Notes	2022	2021
<b>Operating activities</b>			
Profit (loss) before tax		-352 601	-57 426
Depreciation	12	475	826
Amortisation of intangible assets	11	3 310	3 880
Impairment of intangible assets		7 275	-
Impairment of financial assets		263 453	-
Accrued interest expense/income (net)		-4 353	-2 441
Share based compensation expense	9	2 166	956
Cash settlement share options		-3 462	-
Items classified as investing or financing activities		90	1 665
Unrealised currency translation (gains)/losses		-995	-1 952
Gain (loss) on contingent consideration	12	-904	140
<i>Working capital adjustments:</i>			
Changes in accounts receivable	15	4 774	-9 479
Changes in financial assets		-	7
Changes in other current assets		-346	-88
Changes in deferred revenue		-1 565	6 432
Changes in accounts payable		-15 460	17 430
Changes in other current liabilities		320	-1 575
<b>Net cash provided from operating activities</b>		<b>-97 823</b>	<b>-41 623</b>
<b>Investing activities</b>			
Investments in intangible assets	11	-3 651	-3 356
Payment for acquisitions of subsidiaries		-4 516	-32 176
Capital contributions in subsidiaries		-1 800	-19 957
Contingent consideration iChess LLC		-900	-
Transaction expenses acquisitions		-	-1 527
Loans to subsidiaries		-60 879	-103 559
<b>Net cash used in investing activities</b>		<b>-71 746</b>	<b>-160 575</b>
<b>Financing activities</b>			
Issuance of new shares		89 025	71 720
Transaction expenses related to issuance of new shares		-1 781	-
Sale of treasury shares		1 793	-
Principal elements of lease payments	12	-431	-787
Interest paid on lease agreements	12	-90	-139
<b>Net cash provided by (used in) financing activities</b>		<b>88 516</b>	<b>70 795</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>-81 053</b>	<b>-131 403</b>
Cash and cash equivalents at the beginning of year	16	133 017	264 420
<b>Cash and cash equivalents at end of year</b>		<b>51 964</b>	<b>133 017</b>

The accompanying notes are an integral part of the financial statements.



## Statements of changes in equity

Amounts in NOK thousands	Share capital	Share premium	Treasury shares	Other components of equity	Retained earnings	Total equity
<b>Total equity 01.01.2021</b>	<b>522</b>	<b>617 582</b>	<b>-</b>	<b>34 907</b>	<b>-102 262</b>	<b>550 749</b>
Profit / (-) loss for the period	-	-	-	-	-57 426	-57 426
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-57 426</b>	<b>-57 426</b>
<i>Transactions with owners and their capacity as owners:</i>						
Employee stock option expense	-	-	-	7 133	-	7 133
Share consideration Ginger GM Ltd acquisition, not registered	-	-	-	1 801	-	1 801
Share consideration Aimchess by PMG AS acquisition, not registered	-	-	-	949	-	949
Share consideration Silver Knights Chess LLC acquisition, not registered	-	-	-	4 351	-	4 351
Exercise of warrants	43	71 677	-	-	-	71 720
Acquisition of treasury shares from subsidiary	-	-	-1 968	-	-	-1 968
Share consideration iChess LLC acquisition	2	3 412	-	-3 413	-	-
<b>Total equity 31.12.2021</b>	<b>566</b>	<b>692 671</b>	<b>-1 968</b>	<b>45 728</b>	<b>-159 687</b>	<b>577 310</b>
<b>Total equity 01.01.2022</b>	<b>566</b>	<b>692 671</b>	<b>-1 968</b>	<b>45 728</b>	<b>-159 687</b>	<b>577 310</b>
Profit / (-) loss for the period	-	-	-	-	-352 601	-352 601
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-352 601</b>	<b>-352 601</b>
<i>Transactions with owners and their capacity as owners:</i>						
Employee stock option expense	-	-	-	1 723	-	1 723
Share consideration Ginger GM Ltd acquisition, cash settlement	-	-	-	-901	-	-901
Share consideration Aimchess by PMG AS acquisition, cash settlement	-	-	-	-781	-	-781
Share consideration Silver Knights Chess LLC acquisition, cash	-	-	-	-2 834	-	-2 834
Capital increase in private placement	49	88 976	-	-	-	89 025
Transaction expenses related to private placement	-	-1 781	-	-	-	-1 781
Sale of treasury shares to parent company	-	-	1 968	-	-175	1 793
<b>Total equity 31.12.2022</b>	<b>615</b>	<b>779 867</b>	<b>-</b>	<b>42 935</b>	<b>-512 463</b>	<b>310 953</b>



## Note 1 Reporting entity

The reporting entity reflected in these financial statements is Play Magnus AS, a Norwegian entity wholly owned by Chess Growthco LLC and the parent company of Play Magnus Group. The company has 10 employees working from the corporate headquarter in Oslo, Norway.

Play Magnus AS develops the Play Magnus app suite, organizes the Champions Chess Tour and is the parent company of market-leading brands in the e-learning and entertainment space.

The financial statements for the year ended 31 December 2022 were approved by the Board on 30 June 2023.

## Note 2 Basis of preparation and conversion to Simplified IFRS

The financial statements of Play Magnus AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities. From 2022, the financial statements have been prepared using Simplified IFRS (Forskrift om forenklet anvendelse av internasjonale regnskapsstandarder 2022) with a transition date as of 1 January 2021. Play Magnus AS also provides disclosures as specified under the Norwegian Accounting Act (*Regnskapsloven*). The last full IFRS reporting was for the reporting period ending 31 December 2021. Conversion to Simplified IFRS did not give any recognition or measurement differences in the financial statements.

The financial statements are prepared on a historical cost basis, except for certain assets, liabilities, and financial instruments, which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. Slight rounding differences may occur between the financial statements and the note disclosures.

The functional currency of Play Magnus AS is the Norwegian krone (NOK). The financial statements are presented in NOK thousands.

## Note 3 Significant accounting policies

The accounting principles of Play Magnus AS are consistent with the accounting principles for Play Magnus Group, as described in note 3 of the consolidated financial statements. Where the accounting policies are not applicable to the consolidated financial statements, these are described below.



### *Investments in subsidiaries and loans to subsidiaries*

Shares in subsidiaries and loans provided to subsidiaries are evaluated at the lower of cost or fair value. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on financial assets in the income statement.

## **Note 4 Significant estimates and judgments**

The application of accounting policies requires that management makes estimates and judgments in determining certain revenues, expenses, assets, and liabilities. The following areas involve a significant degree of judgment and complexity, and may result in significant variation in amounts:

- Valuation of deferred tax assets – note 14
- Capitalization of internally generated intangible assets – see note 11

## **Note 5 Financial risk disclosures**

### *Credit risk*

Credit risk for the Play Magnus AS consists of balances held at agents such as Apple, Google, and other well-established entities; as well as cash deposits held at DNB. There may be some credit risk related to partnership customers for longer-term contracts, and management tries to mitigate this risk by focusing on working with reputable brands with a well-established presence in the business community. Management believes platform customer risk is very low as they generally need to pay upfront in order to receive services. Play Magnus AS has loans to its subsidiaries and has recognized a significant write-down of these financial assets in 2022.

### *Liquidity risk*

Play Magnus AS needs to maintain enough liquidity in order to pay salaries and other major operational costs. Additionally, Play Magnus AS is funding the development and operations of its subsidiaries in a growth phase. All financial liabilities are due within 12 months. Play Magnus AS has ample cash to support operations and liabilities and no external debt as of 31 December 2022. Play Magnus AS has no investments in equity securities apart from the wholly owned subsidiaries and does not use financial derivatives.

### *Foreign exchange risk*

Play Magnus AS primarily earns revenue in USD and NOK. The expenses are weighted towards NOK but also include GBP, USD, and EUR, which could result in some FX fluctuations.

Management considers the primary foreign exchange exposure of Play Magnus AS to be the cash balances and intra-group loans. The cash balance in the company as of 31 December 2022



was mostly situated in US Dollars and British Pounds with the majority of the rest of the balance in Euros and Norwegian Krone.

## Note 6 Revenue from customers

### Accounting policies for revenue recognition

Play Magnus AS accounts for revenue in accordance with IFRS 15 Revenue from Contracts with Customers. IFRS 15 requires the reporting entity, for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent the contract covers more than one performance obligation, determine whether revenue should be recognized over time or at a point in time, and, finally, recognize revenue when or as performance obligations are satisfied.

A performance obligation is satisfied when or as the customer obtains control of the goods or services delivered. Play Magnus AS earns revenue via subscriptions, partnership agreements and ads.

*A description of Play Magnus AS's principal revenue generating activities and performance obligations are as follows:*

**Subscriptions:** Play Magnus AS's subscription revenue includes fees associated with the Play Magnus app suite, which is sold through Apple's App Store, Google's Google Play, and playmagnus.com. The memberships provide a different set of features related to e-learning content and entertainment. The duration of the memberships ranges from monthly to those of one to three years. Monthly subscriptions are recognized at the time of purchase while annual and multi-year subscriptions are recognized on a pro-rata basis (over 12 months for an annual subscription, 36 months for a 3-year subscription). The rest is considered deferred revenue.

**Tour and partnership revenue:** Play Magnus AS organizes top-level chess competitions with industry-leading prizes. Revenue from this segment is derived from media rights from TV and other broadcast partners, as well as from other brand partners. Revenue is recognized as partnership, tour events and relevant obligations are completed.

**Other advertising revenue:** Play Magnus AS generates ad revenue via major entertainment platforms such as YouTube.

### Disaggregation of revenue from contracts with customers



Play Magnus Group | Annual Report 2022

<i>Amounts in NOK thousands</i>	<b>2022</b>	<b>2021</b>
Subscriptions	9 519	11 956
Tour revenue and partnerships	56 976	27 909
Other revenue	279	6 613
<b>Revenue from contracts with customers</b>	<b>66 774</b>	<b>46 478</b>

#### At a point in time revenue recognition

Subscriptions	-	-
Tour revenue and partnerships	-	-
Other revenue	279	6 613
<b>Total at a point in time revenue recognition</b>	<b>279</b>	<b>6 613</b>

#### Over time revenue recognition

Subscriptions	9 519	11 956
Tour revenue and partnerships	56 976	27 909
Other revenue	-	-
<b>Total over time revenue recognition</b>	<b>66 495</b>	<b>39 865</b>

#### Deferred revenue

<i>Amounts in NOK thousands</i>	<b>2022</b>	<b>2021</b>
Revenue recognized in this period that was included in the deferred revenue balance at the beginning of the period.		
Subscriptions	1 438	1 039
Tour revenue and partnerships	6 025	-
Other revenue	-	-
<b>Total revenue recognized</b>	<b>7 463</b>	<b>1 039</b>

<i>Amounts in NOK thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Current portion of deferred revenue</b>		
Subscriptions	1 253	1 438
Tour revenue and partnerships	4 726	6 025
Other revenue	-	-
<b>Total current portion of deferred revenue</b>	<b>5 978</b>	<b>7 463</b>

<i>Amounts in NOK thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Non-current portion of deferred revenue</b>		
Subscriptions	111	191
Tour revenue and partnerships	-	-
Other revenue	-	-
<b>Total non-current portion of deferred revenue</b>	<b>111</b>	<b>191</b>



## Note 7 Employee benefit expense

### Accounting policies for employee benefit expense

Payments to employees, such as wages, salaries, social security contributions, paid annual leave and bonus agreements are accrued in the period in which the associated services are rendered by the employee. Post-employment benefits are recognized in accordance with IAS 19 Employee Benefits.

Contributions to defined contribution plans are recognized in the statement of comprehensive income in the period in which they accrue.

### Employee benefit expenses\*

<i>Amounts in NOK thousands</i>	<b>2022</b>	<b>2021</b>
Salaries	12 664	11 396
Board remuneration	1 584	730
Social security costs	2 063	1 725
Other personnel related costs	179	260
Pension expense	235	200
<b>Total employee benefit expenses</b>	<b>16 724</b>	<b>14 311</b>
Less capitalized personnel costs	2 279	1 218
<b>Total employee benefit expenses</b>	<b>14 445</b>	<b>13 094</b>
Average number of FTEs	15.4	13.0

\* Employee benefit expenses do not include stock options expense, which is shown as a separate line item in the statement of comprehensive income.

The company is obligated to follow the stipulations in the Norwegian Mandatory Occupational Pensions Act. The company's pension scheme adheres to the requirements.

## Note 8 CEO and board of directors remuneration

For information about CEO and board of directors remuneration for 2022 and 2021, see note 7 in the consolidated financial statements.

## Note 9 Share-based compensation

For information about share-based compensation for 2022 and 2021, see note 8 in the consolidated financial statements.



## Note 10 Other operating expenses

Amounts in NOK thousands

<b>Other operating expenses</b>	<b>2022</b>	<b>2021</b>
Software, hardware and hosting fees	3 431	2 189
Legal and audit fees	6 259	7 060
Travel	1 661	1 303
Marketing	3 435	2 531
Studio rent Champions Chess Tour	4 349	6 665
Provision for losses on receivables	1 259	-
Other	37 503	5 847
<b>Total</b>	<b>57 896</b>	<b>25 596</b>

The increase in Other is primarily related to the Champions Chess Tour production expenses due to the hosting of physical tournaments in Oslo, Miami and San Francisco.

### Audit fees

Play Magnus AS has the following audit-related fees, provided by our elected auditor, included in the legal and audit fees in the table above (all figures excl. VAT).

Amounts in NOK thousands

<b>Category</b>	<b>2022</b>	<b>2021</b>
Audit services	949	1 071
Other audit related services	556	301
Tax services	-	943
<b>Total</b>	<b>1 504</b>	<b>2 315</b>

## Note 11 Intangible assets

### Accounting policies for intangible assets

Intangible assets acquired individually or as a group are recognized at fair value when acquired. Internally generated intangible assets are recognized when the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Development costs are capitalized as intangible assets at cost in accordance with IAS 38 Intangible Assets when the recognition criteria are met. Research expenditures are expensed as incurred.

At each financial year-end Play Magnus AS reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

The intangible assets of Play Magnus AS consist of website and mobile technology development connected to the Play Magnus app suite. As of 2022, four mobile applications and an accompanying website have been developed and launched: Play Magnus, Magnus Trainer,



Play Magnus Group | Annual Report 2022

Tactics Frenzy and Magnus Chess Academy. The website/mobile technology consists of capitalized employee expenses and services purchased from external contractors.

	<b>Website/ mobile technology</b>	<b>Total</b>
Balance 01.01.2022	32 026	32 026
Additions	1 372	1 372
Capitalized employee benefit expense	2 279	2 279
<b>Acquired cost 31.12.2022</b>	<b>35 677</b>	<b>35 677</b>
Balance 01.01.2022	21 998	21 998
Amortization	3 310	3 310
Impairment	7 275	7 275
Reduction amort. because of unearned Skattefunn	268	268
<b>Accumulated amortization 31.12.2022</b>	<b>32 852</b>	<b>32 852</b>
<b>Carrying value 31.12.2022</b>	<b>2 825</b>	<b>2 825</b>

Estimated lifetime 5 years  
Amortization schedule Straight line

	<b>Website/ mobile technology</b>	<b>Total</b>
Balance 01.01.2021	28 670	28 670
Additions	2 139	2 139
Capitalized employee benefit expense	1 218	1 218
<b>Acquired cost 31.12.2021</b>	<b>32 026</b>	<b>32 026</b>
Balance 01.01.2021	17 418	17 418
Amortization	3 880	3 880
Reduction amort. because of unearned Skattefunn	700	700
<b>Accumulated amortization 31.12.2021</b>	<b>21 998</b>	<b>21 998</b>
<b>Carrying value 31.12.2021</b>	<b>10 028</b>	<b>10 028</b>

Estimated lifetime 5 years  
Amortization schedule Straight line

## Note 12 Tangible assets and leasing

### Accounting policies for property, plant, and equipment (right-of-use assets)

Office buildings consist of leased assets (right-of-use assets). Short-term and low-value leases are excluded from the lease accounting. When measuring leases, Play Magnus AS includes fixed lease payments for extension periods reasonably certain to be used. As a practical expedient, non-lease components are not separated from lease contracts, and not recognized but expensed



Play Magnus Group | Annual Report 2022

in the period when the lease expense is incurred. Judgment is applied in assessing whether renewal options are reasonably certain to be utilized.

Depreciation expense is measured on a straight-line basis over the estimated useful life of the asset, commencing when the asset is ready for its intended use.

At each financial year-end Play Magnus reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Short-term and low-value leases are excluded from the lease accounting. Lease liabilities include the net present value of the fixed payments.

As of 31 December 2022, Play Magnus AS lease in Oslo was expiring and no lease asset was recognized at the reporting date. Play Magnus AS signed a new lease in Oslo in 2023.

	<b>Office buildings</b> <b>(Right-of-use assets)</b>	<b>Total</b>
Balance Play Magnus 01.01.2022	4 614	4 614
Additions	1 024	1 024
Disposals	-2 909	-2 909
<b>Acquired cost 31.12.2022</b>	<b>2 729</b>	<b>2 729</b>
<b>Accumulated depreciation and impairment</b>		
Balance Play Magnus 01.01.2022	2 270	2 270
Depreciation of the year	459	459
Impairment of the year	-	-
Accumulated depreciation disposals	-	-
<b>Accumulated depreciation and impairments 31.12.2022</b>	<b>2 729</b>	<b>2 729</b>
<b>Carrying value 31.12.2022</b>	<b>-</b>	<b>-</b>
Estimated lifetime	5 years	
Depreciation schedule	Straight line	



Play Magnus Group | Annual Report 2022

	Office buildings (Right-of-use assets)	Total
Balance Play Magnus 01.01.2021	2 685	2 685
Additions	1 997	1 997
Disposals	-69	-69
<b>Acquired cost 31.12.2021</b>	<b>4 614</b>	<b>4 614</b>
<b>Accumulated depreciation and impairment</b>		
Balance Play Magnus 01.01.2021	1 445	1 445
Depreciation of the year	826	826
Impairment of the year	-	-
Accumulated depreciation disposals	-	-
<b>Accumulated depreciation and impairments 31.12.2021</b>	<b>2 270</b>	<b>2 270</b>
<b>Carrying value 31.12.2021</b>	<b>2 343</b>	<b>2 343</b>

Estimated lifetime 5 years  
Depreciation schedule Straight line

#### Lease liabilities

<i>Amounts in NOK thousands</i>	31.12.2022	31.12.2021
Current	-	813
Non-current	-	1 534
<b>Total lease liability</b>	<b>-</b>	<b>2 347</b>

#### Amounts recognized in the statement of profit or loss

<i>Amounts in NOK thousands</i>	2022	2021
Depreciation of right-of-use assets	475	826
Interest expense	90	139

#### Maturity profile lease liability

<i>Amounts in NOK thousands</i>	1-3 years	3-5 years
Lease liabilities 31 December 2022	-	-
Lease liabilities 31 December 2021	728	1 619

#### Gains and losses

Play Magnus AS recognized total gains of NOK 123 thousand from termination of leases and NOK 780 thousand from fair value adjustment of contingent consideration in 2022.



## Note 13 Financial items

### Financial items

<i>Amounts in NOK thousands</i>	<b>2022</b>	<b>2021</b>
Interest income	5 560	3 098
Exchange rate gains	16 572	5 198
Dividends	2 000	-
<b>Financial income</b>	<b>24 132</b>	<b>8 295</b>
Interest expense	108	139
Exchange rate losses	2 176	2 212
Other financial expense	41	26
<b>Financial expense</b>	<b>2 325</b>	<b>2 377</b>
<b>NET FINANCIAL ITEMS</b>	<b>21 807</b>	<b>5 918</b>

## Note 14 Taxes

### Accounting policies for income taxes, current and deferred

Taxes payable is based on taxable profit for the year, which excludes items of income or expense that are taxable or deductible in other years. Taxable profit also excludes items that are never taxable or deductible. Play Magnus AS's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes. Deferred tax assets and liabilities are classified as non-current in the balance sheet and are measured based on the difference between the carrying value of assets and liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. For items recognized as an asset and a liability at inception, such as a lease, temporary differences related to the asset and liability are considered in combination, and deferred tax assets and liabilities are recognized on changes to the temporary differences through the life of the items. Deferred tax assets are reviewed for recoverability every balance sheet date, and the amount probable of recovery is recognized.

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for the deferred tax related to items recognized in Other comprehensive income. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective or are substantively enacted. Uncertain tax positions are recognized in the financial statements based on management's expectations.



## Significant judgment in accounting for income taxes

Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the future, planned transactions, or planned tax optimizing measures, all of which may be uncertain. Economic conditions may change and lead to a different conclusion regarding recoverability. The tax authorities may challenge Play Magnus AS's calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change, as well as interest and fines.

## Calculation of deferred tax/deferred tax benefit

Temporary differences	2022	2021
Intangible assets	-3 279	4 303
Property, plant and equipment	-	2 343
Current and non-current assets	-1 259	-
Liabilities	-	-2 615
Other differences	-	-
Net temporary differences	-4 538	4 031
Tax losses carried forward	-231 867	-154 292
<b>Basis for deferred tax (asset)</b>	<b>-236 405</b>	<b>-150 261</b>
Deferred tax (asset)	-52 009	-33 057
Deferred tax asset not recognised in the balance sheet	52 009	33 057
<b>Deferred tax asset in the balance sheet</b>	<b>-</b>	<b>-</b>
<b>Deferred tax in the balance sheet</b>	<b>-</b>	<b>-</b>

## Basis for income tax expense, changes in deferred tax and tax payable

Basis for income tax expense	2022	2021
Result before taxes	-352 601	-57 426
Permanent differences	266 456	2 233
<b>Basis for income tax expense</b>	<b>-86 145</b>	<b>-55 193</b>
Change in temporary differences	8 569	-663
Change in tax loss carried forward	77 575	55 856
<b>Taxable income (basis for payable taxes in the balance sheet)</b>	<b>-</b>	<b>-</b>
<b>Components of the income tax expense</b>	<b>2022</b>	<b>2021</b>
Payable tax on this year's result	-	-
Adjustment in respect of prior year	-	-
<b>Total tax payable</b>	<b>-</b>	<b>-</b>



Play Magnus Group | Annual Report 2022

Change in deferred tax (asset)	-	-
Change in deferred tax (asset) posted to equity	-	-
Change in def. tax (asset) due to tax rate	-	-
<b>Tax expense</b>	-	-

<b>Reconciliation of the tax expense</b>	<b>2022</b>	<b>2021</b>
Result before taxes	-352 601	-57 426
Calculated tax	-77 572	-12 634
Tax expense	-	-
<b>Difference</b>	<b>-77 572</b>	<b>-12 634</b>

<b>The difference consist of:</b>	<b>2022</b>	<b>2021</b>
Tax of permanent differences	58 620	491
Tax cost recognised in equity	-	-
Change in deferred tax asset not recognised	18 952	12 142
Other differences	-	-
<b>Sum explained differences</b>	<b>77 572</b>	<b>12 634</b>

<b>Payable taxes in the balance sheet</b>	<b>2022</b>	<b>2021</b>
Payable tax in the tax charge	-	-
<b>Payable tax in the balance sheet</b>	-	-

Deferred tax assets are recognized when the company can document future taxable profits to utilize the tax asset. The deferred tax asset is recognized for the amount corresponding to the expected taxable profit based on convincing evidence. The carrying amount of deferred tax assets is reviewed at each reporting date (quarterly) and reduced to the extent that convincing evidence no longer exists for the utilization. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that convincing evidence exists supporting that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

Undertaken an assessment of the criteria under IAS 12, the company has not included deferred tax assets related to tax losses carried forward.

## Note 15 Accounts receivable

### Accounting policies for trade receivables

Accounts receivable are initially recognized at transaction price, subsequently accounted for at amortized cost, and are reviewed for impairment on an ongoing basis. Individual accounts are assessed for impairment taking into consideration indicators of financial difficulty and management assessment. Play Magnus AS's business model for accounts receivable is to hold the receivables to collect the contractual cash flows.

| 57



Play Magnus Group | Annual Report 2022

<i>Amounts in NOK thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Accounts receivable	4 373	5 411
Loss allowance	1 259	-
<b>Total</b>	<b>3 114</b>	<b>5 411</b>

### Distribution by currency

<i>Amounts in NOK thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Accounts receivable NOK	595	452
Accounts receivable USD	2 519	4 960
<b>Total</b>	<b>3 114</b>	<b>5 411</b>

### Aging of gross trade receivables

<i>Amounts in NOK thousands</i>	<b>Total</b>	<b>&lt; 30 days</b>	<b>30-60 days</b>	<b>60-90 days</b>	<b>&gt;90 days</b>
31.12.2022	4 373	1 749	-	-	2 624
Loss allowance	1 259	-	-	-	1 259
<b>Book value 31.12.2022</b>	<b>3 114</b>	<b>1 749</b>	<b>-</b>	<b>-</b>	<b>1 365</b>
31.12.2021	5 411	4 265	136	1 010	-
Loss allowance	-	-	-	-	-
<b>Book value 31.12.2021</b>	<b>5 411</b>	<b>4 265</b>	<b>136</b>	<b>1 010</b>	<b>-</b>

## Note 16 Statement of cash flows

### Accounting policies for cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash, bank deposits, and all other monetary instruments with a maturity of less than three months from the date of acquisition and are measured at nominal value.

Bank deposits earn interest at floating rates based on the different bank agreements.

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at 31 December:

<i>Amounts in NOK thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Bank deposits	51 283	132 304
Restricted cash balances	681	713
<b>Total cash and cash equivalents</b>	<b>51 964</b>	<b>133 017</b>

### Distribution of cash by currency

| 58



Play Magnus Group | Annual Report 2022

<i>Amounts in NOK thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Cash Balances NOK	7 002	88 594
Cash Balances USD	23 408	39 128
Cash Balances EUR	6 661	4 111
Cash Balances GBP	14 894	1 184
<b>Total</b>	<b>51 964</b>	<b>133 017</b>

## Changes in liabilities arising from financing activities

<i>Lease liabilities</i>		
<i>Amounts in NOK thousands</i>	<b>2021</b>	<b>2022</b>
Balance at the beginning of the period	1 244	2 347
<i>Cash changes</i>		
Principal payment to lessor	-787	-319
Interest payment to lessor	-139	-90
<i>Non-cash changes</i>		
Initial recognition	1 997	986
Accrued interest	139	90
Lease modifications/disposals	-107	-3 014
<b>Balance at the end of the period</b>	<b>2 347</b>	<b>-</b>

## Note 17 Other current liabilities

### Other current liabilities

<i>Amounts in NOK thousands</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Accrued Skattefunn	-	268
Accrued expenses	3 244	2 919
Other	1 532	1 537
<b>Total other current liabilities</b>	<b>4 776</b>	<b>4 724</b>



## Note 18 Subsidiaries and shareholders

The table shows Play Magnus AS's ownership interest in its subsidiaries. These subsidiaries are holding companies and their directly owned subsidiaries. Ownership interests correspond to voting interests.

### Shares in subsidiaries

Entity	Office	Ownership interest 2022	Ownership interest 2021	Carrying amount as of 31 December 2022	Carrying amount as of 31 December 2021
E-Learning Ltd*	Gibraltar	100 %	0 %	-	-
Logical Thinking Ltd*	Gibraltar	100 %	0 %	-	-
United Mind Sports Ltd	Gibraltar	0 %	100 %	-	123 633 619
Chessable Ltd	UK	100 %	100 %	79 760 584	76 956 829
iChess LLC	USA	100 %	100 %	-	8 497 478
Aimchess by PMG AS	Norway	100 %	100 %	8 685 632	2 030 000
Play Magnus Polska sp. z o.o.	Poland	100 %	100 %	-	88 882
Interchess BV	Netherlands	100 %	100 %	17 654 431	30 189 175
Chess24 GmbH	Germany	100 %	100 %	-	283 196
ChessX SIA	Latvia	100 %	100 %	-	28 837
Play Magnus USA Inc.	USA	100 %	100 %	19 945 151	19 945 151
Play Magnus India Private Ltd	India	100 %	100 %	-	11 654
<b>Total</b>				<b>126 045 798</b>	<b>261 664 820</b>

### Shares in subsidiaries owned through subsidiaries

Entity	Office	Ownership interest 2022	Ownership interest 2021
Caroona Ltd	Gibraltar	0 %	100 %
E-Learning Ltd*	Gibraltar	0 %	100 %
Logical Thinking Ltd*	Gibraltar	0 %	100 %
Chessable Limited Spain SL	Spain	100 %	100 %
Ginger GM Ltd	UK	100 %	100 %
Gloucester Publishers Ltd	UK	100 %	100 %
Silver Knights Chess LLC	USA	100 %	100 %

\*E-Learning Ltd and Logical Thinking Ltd are direct subsidiaries of Play Magnus AS from 2022.

### Sales and purchases of services, current receivables, current liabilities

Entity	Sales 2022	Purchases 2022	Receivables 2022	Liabilities 2022	Sales 2021	Purchases 2021	Receivables 2021	Liabilities 2021
United Mind Sports Ltd	-	-	-	-	-	-	-	53
Chessable Ltd	279	5 508	-	1 499	852	7 614	953	3 315
iChess LLC	-	-	-	-	80	-	-	-
Caroona Ltd	-	-	-	-	-	-	-	257
E-learning Ltd	-	-	1 565	671	1 565	671	1 565	671
Logical Thinking Ltd	-	-	870	1 959	870	6 816	870	6 816
Chess24 GmbH	-	60	-	-	-	638	-	-
Chessable Spain SL	-	28 086	-	1 424	-	13 377	-	3 545
Interchess BV	-	79	-	29	557	2	-	1 968
Ginger GM Ltd	-	-	-	-	1 612	-	1 612	-
Aimchess by PMG AS	-	-	-	-	320	-	13	-
Play Magnus Polska sp. z o.o.	-	210	-	-	-	-	-	-
<b>Total</b>	<b>279</b>	<b>33 942</b>	<b>2 435</b>	<b>5 583</b>	<b>5 857</b>	<b>29 119</b>	<b>5 013</b>	<b>16 626</b>



**Financial transactions, non-current receivables, non-current liabilities**

Entity	Financial income 2022	Financial expense 2022	Receivables 2022	Liabilities 2022	Financial income 2021	Financial expense 2021	Receivables 2021	Liabilities 2021
Chessable Ltd	2 368	-	134 938	-	1 196	-	96 679	-
iChess LLC	-	-	443	-	-	-	397	-
Logical Thinking Ltd	1 677	-	96 581	-	1 164	-	72 776	-
ChessX SIA	308	-	15 820	-	247	-	13 603	-
Ginger GM Ltd	-	-	3 135	-	46	-	2 608	-
Aimchess by PMG AS	-	-	9	-	58	-	5 790	-
Silver Knights Chess LLC	-	-	5 081	-	75	-	4 501	-
Play Magnus USA Inc.	-	-	450	-	-	-	5	-
Play Magnus Polska s.p.z o.o.	-	-	-	520	-	-	-	-
<b>Total</b>	<b>4 353</b>	<b>-</b>	<b>255 805</b>	<b>520</b>	<b>2 786</b>	<b>-</b>	<b>196 358</b>	<b>-</b>

**Play Magnus AS Shareholders as of 31 December 2022**

Shareholder	Number of ordinary shares	Total # of shares	% of shareholding
Chess Growthco LLC	61 452 722	61 452 722	100.0 %
<b>Total</b>	<b>61 452 722</b>	<b>61 452 722</b>	<b>100 %</b>

**Note 19 Related parties**

The following are the significant related party activities for Play Magnus AS during 2022. All transactions are at arm's length market prices.

- MagnusChess AS is wholly owned by World Champion Magnus Carlsen and his father, Henrik Carlsen. Up until the acquisition by Chess.com, MagnusChess AS was the largest shareholder of Play Magnus AS. Henrik Carlsen also serves on the board.

Play Magnus AS has a branding agreement with Magnus Carlsen (contractually agreed with Magnus Carlsen and through the company MagnusChess AS) that expires 17 December 2033. Play Magnus also has an agreement with MagnusChess AS in connection with Play Magnus sponsors that require the involvement of Magnus Carlsen and which includes a certain number of appearances and social media events. In exchange for his services for the eligible partnerships, Magnus Carlsen receives a commission from Play Magnus Group. In 2022 the payments related to these partnership services performed by MagnusChess AS totaled NOK 2 059 235.

Magnus Carlsen is a participant in the Champions Chess Tour. He is invited as the current World Champion and top 10 player in the world. His earnings there are related to the prizes that he has won. In 2022 he won USD 217 625.

- Espen Agdestein was a board member and a shareholder of Play Magnus AS, owning 1 050 000 shares, prior to the completion of the acquisition by Chess.com, via his company



Play Magnus Group | Annual Report 2022

Espen Agdestein AS. He also does consulting work related to business development and gets compensated for this work. In 2022 the payments related to these partnership services performed by Espen Agdestein AS totaled NOK 1 299 469.

There are no material related-party receivables or payables balances in the statement of financial position as of 31 December 2022.

*Related party transactions and contracts after 31 December 2022.*

- MagnusChess AS received remuneration for services related to the partnership agreements for NOK 1 069 117.
- MagnusChess AS received USD 45 000 for prize money given his participation and top ranking in the Champions Chess Tour.

## **Note 20 Events after the reporting period**

- Meltwater, title sponsor of the Champions Chess Tour 2022, is no longer a sponsor of the Champions Chess Tour.



To the General Meeting of Play Magnus AS

## Independent Auditor's Report

### Opinion

We have audited the financial statements of Play Magnus AS, which comprise:

- the financial statements of the parent company Play Magnus AS (the Company), which comprise the statements of financial position as at 31 December 2022, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Play Magnus AS and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2022, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



To the General Meeting of Play Magnus AS

## Independent Auditor's Report

### Opinion

We have audited the financial statements of Play Magnus AS, which comprise:

- the financial statements of the parent company Play Magnus AS (the Company), which comprise the statements of financial position as at 31 December 2022, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Play Magnus AS and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2022, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



 Securely signed with Brevio

Auditor's report

**Signers:**

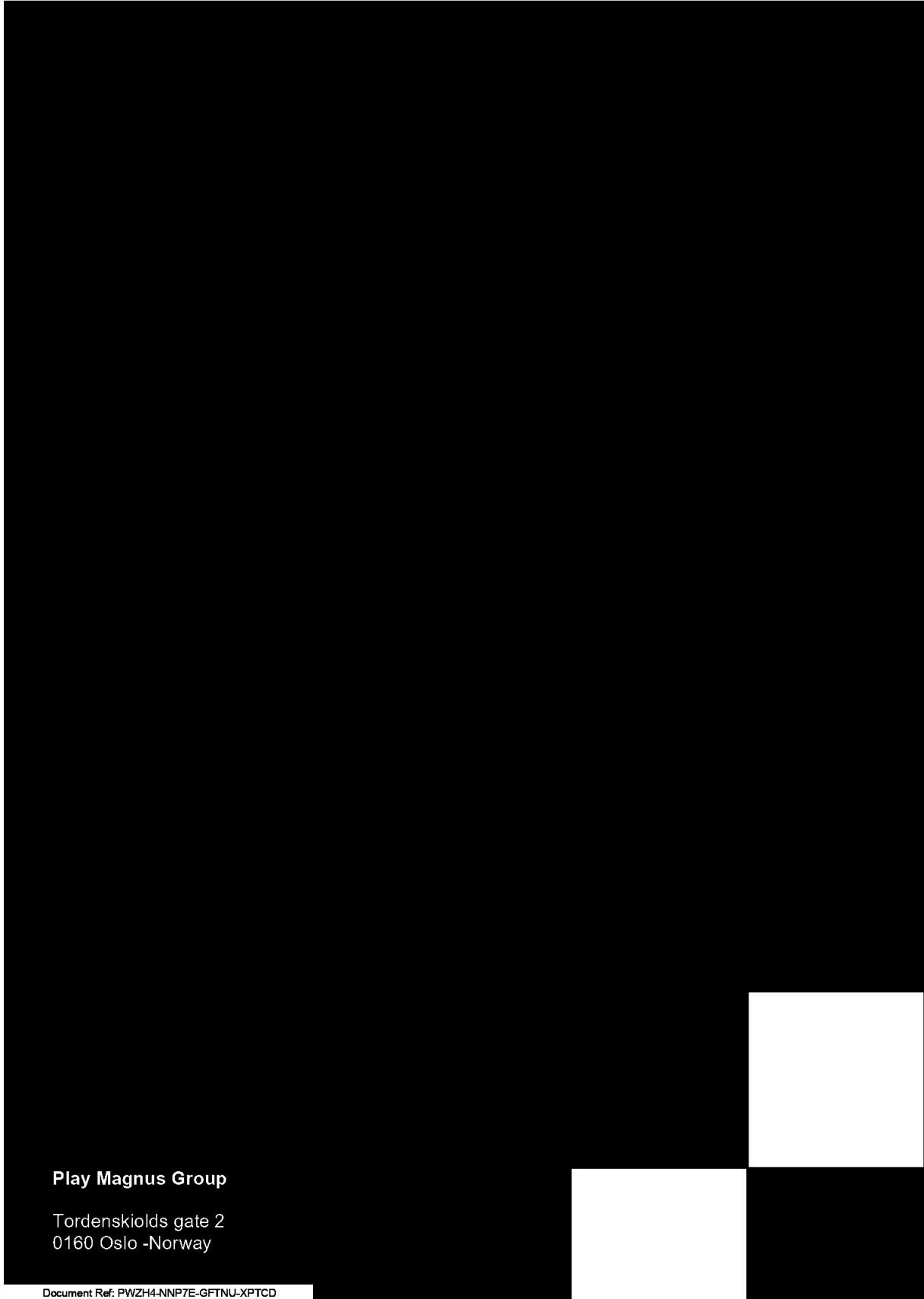
<b>Name</b>	<b>Method</b>	<b>Date</b>
Sandvik, Øystein Blåka	BANKID	2023-07-05 17:10

**This document package contains:**

- Closing page (this page)
- The original document(s)
- The electronic signatures. These are not visible in the document, but are electronically integrated.



This file is sealed with a digital signature.  
The seal is a guarantee for the authenticity  
of the document.



**Play Magnus Group**

Tordenskiolds gate 2  
0160 Oslo -Norway

Document Ref: PWZH4-NNP7E-GFTNU-XPTCD



To the General Meeting of Play Magnus AS

## Independent Auditor's Report

### Opinion

We have audited the financial statements of Play Magnus AS, which comprise:

- the financial statements of the parent company Play Magnus AS (the Company), which comprise the statements of financial position as at 31 December 2022, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Play Magnus AS and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2022, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, 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 and the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 30 June 2023

**PricewaterhouseCoopers AS**

Øystein B. Sandvik  
State Authorised Public Accountant  
(This document is signed electronically)



 Securely signed with Brevio

Auditor's report

**Signers:**

<b>Name</b>	<b>Method</b>	<b>Date</b>
Sandvik, Øystein Blåka	BANKID	2023-07-05 17:10

**This document package contains:**

- Closing page (this page)
- The original document(s)
- The electronic signatures. These are not visible in the document, but are electronically integrated.



This file is sealed with a digital signature.  
The seal is a guarantee for the authenticity  
of the document.



Skatteetaten

Vår dato 10.03.2021	Din/Deres dato 26.02.2021	Saksbehandler Lars Waalorp
800 80 000 Skatteetaten.no	Din/Deres referanse AR417933809	Telefon 90833418
Org.nr 974761076	Vår referanse 2021/5251015	Postadresse Postboks 9200 Grønland 0134 OSLO

PLAY MAGNUS AS  
Floor 3 Tordenskiolds gate 2  
0160 OSLO

Att. Anders Rundgren

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for Play Magnus AS, org.nr. 912 523 802

Vi viser til deres henvendelse sendt inn 26. februar 2021 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for Play Magnus AS.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering Play Magnus AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

### Bakgrunn

Play Magnus AS er notert på Euronext Growth og har en spredt eierstruktur med flere utenlandske investorer. Selskapet har datterselskaper i 7 land. Selskapet selger sjakk-software og har partneravtaler med norske og internasjonale selskaper. Hovedvekten av kundemassen er i utlandet. Engelsk er selskapets arbeidsspråk, og flere av styremedlemmene er utenlandske.

### Skattekontorets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i



samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at selskapet er notert på Euronext Growth og har både norske og utenlandske eiere. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Lars Waalorp  
seniorrådgiver  
Brukerdialog, brukerkontakt  
Skatteetaten

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*