

Tactile Games ApS

Vestergade 33, 2., 1161 København K

Company reg. no. 32 31 98 82

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 11 May 2020.

Asbjørn Malte Søndergaard
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Tactile Games ApS for the financial year 1 January to 31 December 2019.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

København K, 20 April 2020

Managing Director

Asbjørn Malte Søndergaard

Board of directors

Asbjørn Malte Søndergaard

Daniel Hillel Rimer

Morten Nielsen

Independent auditor's report

To the shareholders of Tactile Games ApS

Opinion

We have audited the annual accounts of Tactile Games ApS for the financial year 1 January to 31 December 2019, which comprise accounting policies, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 20 April 2020

BUUS JENSEN

State Authorised Public Accountants
Company reg. no. 16 11 90 40

Ulrik Nørskov

State Authorised Public Accountant
mne29456

Company information

The company	Tactile Games ApS Vestergade 33, 2. 1161 København K
	Company reg. no. 32 31 98 82 Established: 24 April 2013 Domicile: Financial year: 1 January - 31 December
Board of directors	Asbjørn Malte Søndergaard Daniel Hillel Rimer Morten Nielsen
Managing Director	Asbjørn Malte Søndergaard
Auditors	BUUS JENSEN, Statsautoriserede revisorer
Parent company	Tactile Holding ApS, København
Subsidiaries	Tactile R&D ApS, København Tactile Games Limited, London

Financial highlights

DKK in thousands.	<u>2019</u>	<u>2018</u>
Income statement:		
Net turnover	430.073	218.409
Gross profit	22.823	3.497
Profit from ordinary operating activities	22.823	3.488
Net financials	-779	-4.078
Net profit or loss for the year	17.847	-1.005
Statement of financial position:		
Balance sheet total	137.201	66.703
Equity	26.122	8.246
Key figures in %:		
Gross margin ratio	5,3	1,6
Profit margin (EBIT-margin)	5,3	1,6
Acid test ratio	118,1	112,6
Solvency ratio	19,0	12,4
Return on equity	103,9	-24,4

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Gross margin ratio	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin (EBIT margin)	$\frac{\text{Operating profit or loss (EBIT)} \times 100}{\text{Revenue}}$
Acid test ratio	$\frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$
Solvency ratio	$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$
Return on equity	$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$

Management commentary

The principal activities of the company

The main activity of the company is to develop, sell and distribute computer games and activities related hereto.

Development in activities and financial matters

The net turnover for the year is DKK 430.073.489 against DKK 218.408.951 last year. The results from ordinary activities after tax are DKK 17.846.530 against DKK -1.004.672 last year. The management consider the results satisfactory.

The company possesses 8,800 own shares of 1 DKK per share (7.11% of share share capital). No transactions of own shares has been settled in 2019.

Investments

During 2019 the company has increased its ownership by 10% p. in Tactile Games Ltd., by purchase of shares at a total cost of mDKK 2.2.

Special risks

Operating risks

The companys growth depends on the ability to attract and retain staff with a high competence profile on a globalized labor market. All elements which ensures an attractive worklife are under review in a constant process in order to recruit the necessary skills.

Exchange rate risks

Sales are mainly in EUR and USD. No exchange rate risk hedging agreements will be made.

Research and development activities

Continuous adaptation and improvement of the company's products are made. Costs related to development are expensed.

The expected development

The company's management expectation for 2020 are that the company will continue its positive development in both profit and cash flow from operating.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Net turnover	430.073.489	218.408.951
Raw materials and consumables used	-78.857.809	-37.370.226
Other external costs	<u>-328.392.824</u>	<u>-177.541.319</u>
Gross profit	22.822.856	3.497.406
Depreciation and writedown relating to tangible fixed assets	<u>0</u>	<u>-9.387</u>
Operating profit	22.822.856	3.488.019
Income from equity investment in equity interest	2.958.550	-2.468.074
1 Other financial income from group enterprises	19.645	0
Other financial income	41.714	0
3 Other financial costs	<u>-3.798.745</u>	<u>-1.609.583</u>
Pre-tax net profit or loss	22.044.020	-589.638
2 Tax on ordinary results	<u>-4.197.490</u>	<u>-415.034</u>
4 Net profit or loss for the year	<u>17.846.530</u>	<u>-1.004.672</u>

Statement of financial position at 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Assets		
Non-current assets		
5 Other plants, operating assets, and fixtures and furniture	0	0
Total property, plant, and equipment	<u>0</u>	<u>0</u>
6 Equity investments in group enterprises	5.654.962	493.854
7 Other securities and equity investments	<u>372.051</u>	<u>372.051</u>
Total investments	<u>6.027.013</u>	<u>865.905</u>
Total non-current assets	<u>6.027.013</u>	<u>865.905</u>
Current assets		
Trade debtors	78.411.750	32.565.828
Amounts owed by group enterprises	0	3.970.512
Other debtors	12.689.959	8.332.332
8 Accrued income and deferred expenses	<u>1.420</u>	<u>31.230</u>
Total receivables	<u>91.103.129</u>	<u>44.899.902</u>
Available funds	<u>40.070.657</u>	<u>20.936.952</u>
Total current assets	<u>131.173.786</u>	<u>65.836.854</u>
Total assets	<u>137.200.799</u>	<u>66.702.759</u>

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Equity			
9	Contributed capital	123.820	123.820
10	Reserve for net revaluation according to the equity method	566.457	401.254
11	Results brought forward	25.431.588	7.720.674
	Total equity	<u>26.121.865</u>	<u>8.245.748</u>
 Liabilities other than provisions			
	Bank debts	1.514	1.497
	Trade creditors	77.925.923	46.667.663
	Debt to group enterprises	12.260.912	11.369.475
	Debt to associated enterprises	3.342	3.342
	Corporate tax	4.197.490	415.034
	Other debts	3	0
13	Accruals and deferred income	16.689.750	0
	Total short term liabilities other than provisions	<u>111.078.934</u>	<u>58.457.011</u>
	Total liabilities other than provisions	<u>111.078.934</u>	<u>58.457.011</u>
	Total equity and liabilities	<u>137.200.799</u>	<u>66.702.759</u>

14 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revalua-tion according to the eq-uity method	Retained earnings	Total
Equity 1 January 2018	123.820	46.394	9.080.206	9.250.420
Share of results	0	354.860	-1.359.532	-1.004.672
Equity 1 January 2019	123.820	401.254	7.720.674	8.245.748
Share of results	0	135.616	17.710.914	17.846.530
Exchange rate adjustments	0	29.587	0	29.587
	123.820	566.457	25.431.588	26.121.865

Notes

All amounts in DKK.

	<u>2019</u>	<u>2018</u>
1. Other financial income from group enterprises		
Other financial income from group enterprises	19.645	0
	<u>19.645</u>	<u>0</u>
2. Tax on ordinary results		
Tax of the results for the year, parent company	4.197.490	415.034
	<u>4.197.490</u>	<u>415.034</u>
3. Other financial costs		
Financial costs, group enterprises	0	209.661
Other financial costs	3.798.745	1.399.922
	<u>3.798.745</u>	<u>1.609.583</u>
4. Proposed distribution of the results		
Reserves for net revaluation as per the equity method	135.616	354.860
Allocated to results brought forward	17.710.914	0
Allocated from results brought forward	0	-1.359.532
Distribution in total	<u>17.846.530</u>	<u>-1.004.672</u>

Notes

All amounts in DKK.

5. Other plants, operating assets, and fixtures and furniture

Cost 1 January 2019	18.774	18.774
Additions during the year	0	0
Disposals during the year	0	0
Cost 31 December 2019	18.774	18.774
Amortisation and writedown 1 January 2019	-18.774	-9.387
Depreciation for the year	0	-9.387
Amortisation and writedown 31 December 2019	-18.774	-18.774
Book value 31 December 2019	0	0

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
6. Equity investments in group enterprises		
Acquisition sum, opening balance 1 January 2019	2.915.534	92.600
Additions during the year	<u>2.172.971</u>	<u>2.822.934</u>
Cost 31 December 2019	<u>5.088.505</u>	<u>2.915.534</u>
Revaluations, opening balance 1 January 2019	-2.421.680	46.394
Translation by use of the exchange rate valid on b	29.587	0
Results for the year before goodwill amortisation	<u>3.012.759</u>	<u>-2.468.074</u>
Revaluation 31 December 2019	<u>620.666</u>	<u>-2.421.680</u>
Amortisation of goodwill for the year	<u>-54.209</u>	<u>0</u>
Depreciation on goodwill 31 December 2019	<u>-54.209</u>	<u>0</u>
Carrying amount, 31 December 2019	<u>5.654.962</u>	<u>493.854</u>
The item includes goodwill with an amount of	<u>1.572.051</u>	<u>0</u>
Goodwill is recognised under the item "Additions during the year" with an amount of	<u>1.626.260</u>	<u>0</u>

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	Equity	Results for the year	Carrying amount, Tactile Games ApS
Tactile R&D ApS, København	100 %	872.247	386.974	872.247
Tactile Games Limited, London	43 %	<u>7.408.870</u>	<u>9.882.231</u>	<u>4.782.714</u>
		<u>8.281.117</u>	<u>10.269.205</u>	<u>5.654.961</u>

7. Other securities and equity investments

Cost 1 January 2019	<u>372.051</u>	<u>372.051</u>
Cost 31 December 2019	<u>372.051</u>	<u>372.051</u>
Book value 31 December 2019	<u>372.051</u>	<u>372.051</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
8. Accrued income and deferred expenses		
Sundry prepayments	1.420	31.230
	<u>1.420</u>	<u>31.230</u>
9. Contributed capital		
Contributed capital 1 January 2019	123.820	123.820
	<u>123.820</u>	<u>123.820</u>
<p>The share capital consists of 123.820 shares, each with a nominal value of DKK 37.820 and b-shares, each with a nominal value of DKK 86.000.</p>		
10. Reserve for net revaluation according to the equity method		
Reserves for net revaluation 1 January 2019	401.254	46.394
Share of results	135.616	354.860
Exchange rate adjustments	29.587	0
	<u>566.457</u>	<u>401.254</u>
11. Results brought forward		
Results brought forward 1 January 2019	7.720.674	9.080.206
Profit or loss for the year brought forward	17.710.914	-1.359.532
	<u>25.431.588</u>	<u>7.720.674</u>
12. Proposed dividend for the financial year		
Dividend 1 January 2019	0	0
	<u>0</u>	<u>0</u>
13. Accruals and deferred income		
Prepayments	16.689.750	0
	<u>16.689.750</u>	<u>0</u>

Notes

All amounts in DKK.

14. Contingencies

Contingent liabilities

Purchase options and liabilities

The minority shareholders in Tactile Games Limited has a put option against Tactile Games ApS to, under given circumstances, sell their shares in Tactile Games Limited, at the lowest of either 2.499£ per share or market value. The company has a corresponding call option. The agreement expires in 2027.

Security for creditfacilities at bank

The company has pledged goodwill, domains and trademarks, trade debtors, fixtures and furnitures for an amout of 20 mDKK. Recorded value of pledged assets is 77.7 mDKK at 31 December 2019.

Joint taxation

Tactile Holding ApS, company reg. no 38226681 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The total due tax payable under the joint taxation amounts to DKK 0 thousand.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

Accounting policies

The annual report for Tactile Games ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the consolidated annual accounts of Tactile Holding ApS.

Changes in the accounting policies

The item "Equity investments in group enterprises" has previously been measured at cost value. This has been changed the equity method as it is assessed this method better reflects a true and fair view of the activities.

The change has increased equity per January 1st 2018 by 46 tDKK, decreased profit 2018 both before and after tax by 2,468 tDKK, and decreased equity end 2018 by 2,422 tDKK. The comparative figures have been adjusted in accordance with changed in method.

Except for the above, the accounting policies for the financial statements remain unchanged from last year.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

Accounting policies

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Income statement

Revenue

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales

Costs of sales includes costs for computer games development.

Other external costs

Other external costs comprise costs for sales, administration, premises, loss on debtors.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation, amortisation and writedown for the year and gains and losses on disposal of intangible and tangible fixed assets.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

Accounting policies

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 5 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	<i>Useful life</i>
<i>Other plants, operating assets, fixtures and furniture</i>	<i>5 years</i>

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

Accounting policies

Leases

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Financial fixed assets

Equity in group enterprises

Equity in group enterprises recognised in the statement of financial position as a proportional share of the enterprise's equity value. This is calculated on the basis of the accounting policies of the parent less/plus unrealised intercompany profits and losses, and less/plus residual value of positive or negative goodwill measured by applying the purchase method.

Group enterprises with negative equity are recognised at no value and, to the extent they are considered irrevocable, amounts owed by these companies are made subject to impairment by the parent's share of the equity. If the negative equity exceeds the receivables, the residual amount is recognised under liability provisions to the extent that the parent has a legal or actual liability to cover the negative equity of these subsidiaries.

Accounting policies

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Profit or loss in connection with the disposal of group enterprises are measured as the difference between the sales amount and the carrying amount of net assets at the time of sale, inclusive of remaining consolidated goodwill and expected costs of sale or liquidation. Profit and loss are recognised in the income statement under net financials.

For the acquisition of new group enterprises, the purchase method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for pre-determined restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of revaluations is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises and are amortised over their estimated useful economic life. The useful life is determined on the basis of management's experience in the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a longterm earnings potential. The carrying amount of goodwill is subject to impairment tests on a continuing basis and written down in the income statement in those cases when the carrying amount exceeds the expected future net income from the enterprise or the activity to which the goodwill is attached.

Other securities and equity investments

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

Other unlisted securities are measured at cost. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Accounting policies

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries and associates proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity. Proposed dividend is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Tactile Games ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

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

Accounting policies

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.