

Tactile Games ApS

Vestergade 33, 2., 1161 København K

Company reg. no. 32 31 98 82

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 23 June 2022.

Asbjørn Malte Søndergaard
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS 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 statement

Today, the Board of Directors and the Managing Director have approved the annual report of Tactile Games ApS for the financial year 1 January - 31 December 2021.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, Denmark, 22 June 2022

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 financial statements of Tactile Games ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

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

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

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 and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of 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 and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 financial statements 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 financial statements, including the disclosures, and whether the financial statements represent 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 internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

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

Independent auditor's report

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

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

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

Copenhagen, 22 June 2022

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: Copenhagen, Denmark 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Income statement:				
Net turnover	1.233.194	1.342.365	611.234	295.308
Profit from operating activities	50.660	-156.178	22.823	3.488
Net financials	1.465	-1.111	-779	-4.078
Net profit or loss for the year	52.441	-157.289	17.847	-1.005
Statement of financial position:				
Balance sheet total	321.022	327.538	168.812	66.703
Equity	253.028	200.059	26.122	8.246
Key figures in %:				
Gross margin ratio	4,1	-11,6	3,7	1,2
Profit margin (EBIT-margin)	4,1	-11,6	3,7	1,2
Acid test ratio	432,0	248,1	114,1	112,6
Solvency ratio	78,8	61,1	15,5	12,4
Return on equity	23,1	-139,1	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's review

The principal activities of the company

The Tactile Games Group publishes and develop games for mobile devices.

Tactile Games Group is a technology company, whose primary business is to invest in development of games and technology related games as a service.

Tactile Games Group consists of an entity in the UK and multiple entities in Denmark. Furthermore Tactile Games Group works with several outsourcing partners around the world. We expect to continue working with more international partners as we scale the company.

Unusual matters

No unusual matter has occurred in the accounting period besides the well known pandemic.

Uncertainties as to recognition or measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Development in activities and financial matters

In 2021 we have seen the growth momentum from 2020 slow down. There are two main reasons for this: Firstly the growth we saw in 2020 was to some extent attributed to lockdowns, which in general increased the amount of time our target audience would spend playing games. As the world has opened up in 2021, we have seen a decrease in player consumption of games and hence a overall decrease in time spend per game. Secondly Apple release of iOS 14, have severely crippled our ability to run performance marketing on iOS.

These two factors combined have prevented us from continuing to scale our current portfolio, and as a consequence we have made it a strategic priority for 2022 to double down on growing our main game Lily's Garden.

The revenue for the year totals DKK 1.233.194.481 against DKK 1.342.365.347 last year. Income from ordinary activities after tax totals DKK 52.441.056 against DKK -157.289.368 last year.

The financial result for 2021 does not deviate from the budget and thus the management considers the net profit for the year satisfactory.

Business model

Tactile is focusing on games free to download which puts them in the segment of free-to-play, which makes the games available to a wide audience. Tactiles revenue is made by offering players the opportunity to purchase features and products within the game, and by serving them adds to watch.

New products

No significant new products has been released in 2021.

Management's review

Investments

The remaining minority interest in the UK entity has been acquired in 2021, with a disposal of equity minority interest of 9,5 mDKK.

Financial resources

Available funds exceeds 90 mDKK and is expected to be sufficient to realise anticipated business goals for the years to come.

Financial risks and the use of financial instruments

Revenue is by large generated in USD. The foreign currency risk towards DKK is mitigated by vendors expenditures which also is dominated in USD. The residual currency risk is assessed as minimal compared with the cost of employing financial instruments and derivatives for further risk mitigation.

Interest rate risks

The Groups interest-related balances have been accounted for as cash on hand and demand on deposits.

Risks

Sales are made through app-stores and thus dependency on their functionality is high.

Credit risks

Deposits on demand are at systemic banks. Historically loss on trade receivables has been very low and by large trade receivables are related to app stores facilitated by counterparts with good credit ratings.

Know how resources

At Tactile we know that skilled employees are a key success factor in maintaining a viable and profitable business.

As such, the employees at Tactile are our most valued asset and are all introduced to a great work environment, extensively characterized by freedom.

Research and development activities

One of the key objectives for 2021 was to scale the development team to support multiple products in development and live operation. Our continued investment into our live operations pipeline is crucial for our continued success with operating a highly profitable live operation team.

Building up this operational and intellectual capacity will be pivotal to our future success. As we have grown from 110 to 200 employees in 2021, we are well positioned to take on this challenge. Continuous adaptation and improvement of the company's products are made. Costs related to development are expensed.

Management's review

The expected development

Due to Apple's App Tracking Transparency changes in iOS 14, we do expect launching new games will be more challenging. Cost of acquiring users will go up further in 2022 compared to 2021, and while it will not prevent us from launching new profitable games, it is still uncertain how much more expensive user acquisition will be compared to prior iOS 14.

We have several new games in the pipeline, that are expected to be released in 2022, early 2023. As game development is a highly creative process, it is always difficult to know the exact outcome of each game release, but we expect to increase our revenues significantly. The company's management expectation for 2022 are that the company will continue its positive growth.

In 2022 we will continue to invest into our live operation games, and our Tactile Launchpad platform and is the enabled of our core publishing business.

Events subsequent to the financial year

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Management's review

Corporate social responsibility report pursuant to section 99 a of the Danish Financial Statements Act

Pursuant to section 99 a (7) of the Danish Financial Statements Act, report is presented in annual report of Tactile Holding ApS, cvr.no. 38226681.

Report on gender composition in management according to section 99 b of the Danish Financial Statements Act

Pursuant to section 99b (6) of the Danish Financial Statements Act, report is presented in annual report of Tactile Holding ApS, cvr.no. 38226681.

Report on the company's policy on data ethics according to section 99 d of the Danish Financial Statements Act

Pursuant to section 99d (1) of the Danish Financial Statements Act, report is presented in annual report of Tactile Holding ApS, cvr.no. 38226681.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2021</u>	<u>2020</u>
1 Net turnover	1.233.194.481	1.342.365.347
Raw materials and consumables used	-507.692.595	-503.691.113
Other external costs	-674.841.459	-994.852.544
Gross profit	50.660.427	-156.178.310
Income from investment in participating interest	3.576.378	3.823.714
3 Other financial income from group enterprises	54.028	24.871
Other financial income	1	295.594
5 Other financial costs	-2.165.454	-5.255.237
Pre-tax net profit or loss	52.125.380	-157.289.368
4 Tax on ordinary results	315.676	0
6 Net profit or loss for the year	52.441.056	-157.289.368

Balance sheet at 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2021</u>	<u>2020</u>
Non-current assets			
7	Investments in subsidiaries	27.273.226	11.306.668
	Total investments	<u>27.273.226</u>	<u>11.306.668</u>
	Total non-current assets	<u>27.273.226</u>	<u>11.306.668</u>
Current assets			
	Trade debtors	122.564.981	131.577.686
	Amounts owed by group enterprises	13.243.499	3.979.329
	Other debtors	66.922.106	17.774.075
9	Accrued income and deferred expenses	708.830	0
	Total receivables	<u>203.439.416</u>	<u>153.331.090</u>
	Available funds	<u>90.308.940</u>	<u>162.900.701</u>
	Total current assets	<u>293.748.356</u>	<u>316.231.791</u>
	Total assets	<u>321.021.582</u>	<u>327.538.459</u>

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2021</u>	<u>2020</u>
Equity			
10	Contributed capital	130.995	130.995
	Share premium	331.499.025	331.499.025
	Reserve for net revaluation according to the equity method	8.205.641	4.101.782
	Results brought forward	-86.808.016	-135.672.694
	Total equity	<u>253.027.645</u>	<u>200.059.108</u>
	Bank debts	85	48
	Trade creditors	67.993.852	115.224.778
11	Accruals and deferred income	0	12.254.525
	Total short term liabilities other than provisions	<u>67.993.937</u>	<u>127.479.351</u>
	Total liabilities other than provisions	<u>67.993.937</u>	<u>127.479.351</u>
	Total equity and liabilities	<u>321.021.582</u>	<u>327.538.459</u>
2	Fees, auditor		
12	Charges and security		
13	Contingencies		
14	Related parties		

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Share premium</u>	<u>Reserve for net revaluation according to the eq- uity method</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January					
2020	123.820	0	566.457	25.431.588	26.121.865
Cash capital					
increase	15.975	332.399.025	0	0	332.415.000
Share of results	0	0	3.823.714	-161.113.082	-157.289.368
Capital increase					
expenses	0	-900.000	0	0	-900.000
Cancelation - own					
shares	-8.800	0	0	8.800	0
Exchange rate					
adjustments	0	0	-288.389	0	-288.389
Equity 1 January					
2021	130.995	331.499.025	4.101.782	-135.672.694	200.059.108
Share of results	0	0	3.576.378	48.864.678	52.441.056
Exchange rate					
adjustments	0	0	527.481	0	527.481
	130.995	331.499.025	8.205.641	-86.808.016	253.027.645

Notes

All amounts in DKK.

	<u>2021</u>	<u>2020</u>
1. Net turnover		
App-store sale	1.193.312.400	1.293.412.107
Miscellaneous	<u>39.882.081</u>	<u>48.953.240</u>
	<u>1.233.194.481</u>	<u>1.342.365.347</u>
2. Fees, auditor		
Total fee for BUUS JENSEN	<u>389.500</u>	<u>211.500</u>
Fee concerning compulsory audit	339.000	150.000
Assurance engagements	0	24.250
Other services	<u>50.500</u>	<u>37.250</u>
	<u>389.500</u>	<u>211.500</u>
3. Other financial income from group enterprises		
Other financial income from group enterprise	<u>54.028</u>	<u>24.871</u>
	<u>54.028</u>	<u>24.871</u>
4. Tax on ordinary results		
Adjustment of tax for previous years	<u>-315.676</u>	<u>0</u>
	<u>-315.676</u>	<u>0</u>
5. Other financial costs		
Financial costs, group enterprises	0	10.730
Other financial costs	<u>2.165.454</u>	<u>5.244.507</u>
	<u>2.165.454</u>	<u>5.255.237</u>

Notes

All amounts in DKK.

	<u>2021</u>	<u>2020</u>
6. Proposed distribution of the results		
Reserves for net revaluation as per the equity method	3.576.378	3.823.714
Allocated to results brought forward	48.864.678	0
Allocated from results brought forward	<u>0</u>	<u>-161.113.082</u>
Distribution in total	<u>52.441.056</u>	<u>-157.289.368</u>
7. Investments in subsidiaries		
Acquisition sum, opening balance 1 January 2021	7.204.887	5.088.505
Additions during the year	<u>11.862.699</u>	<u>2.116.382</u>
Cost 31 December 2021	<u>19.067.586</u>	<u>7.204.887</u>
Revaluations, opening balance 1 January 2021	4.516.038	620.666
Translation by use of the exchange rate valid on balance date	527.481	-288.390
Results for the year before goodwill amortisation	<u>4.204.137</u>	<u>4.183.762</u>
Revaluation 31 December 2021	<u>9.247.656</u>	<u>4.516.038</u>
Amortisation of goodwill, opening balance 1 January 2021	-414.257	-54.209
Amortisation of goodwill for the year	<u>-627.759</u>	<u>-360.048</u>
Depreciation on goodwill 31 December 2021	<u>-1.042.016</u>	<u>-414.257</u>
Carrying amount, 31 December 2021	<u>27.273.226</u>	<u>11.306.668</u>
The item includes goodwill with an amount of	<u>3.716.320</u>	<u>1.933.339</u>
Goodwill is recognised under the item "Additions during the year" with an amount of	<u>2.315.324</u>	<u>816.277</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 %	1.327.859	303.460	1.327.859
Tactile Games Limited, London	100 %	<u>22.229.047</u>	<u>5.841.509</u>	<u>25.945.367</u>
		<u>23.556.906</u>	<u>6.144.969</u>	<u>27.273.226</u>

Notes

All amounts in DKK.

	<u>31/12 2021</u>	<u>31/12 2020</u>
8. Other securities and equity investments		
Cost 1 January 2021	<u>372.051</u>	<u>372.051</u>
Cost 31 December 2021	<u>372.051</u>	<u>372.051</u>
Writedown for the year	<u>-372.051</u>	<u>-372.051</u>
Writedown 31 December 2021	<u>-372.051</u>	<u>-372.051</u>
Book value 31 December 2021	<u>0</u>	<u>0</u>
9. Accrued income and deferred expenses		
Prepayments	<u>708.830</u>	<u>0</u>
	<u>708.830</u>	<u>0</u>
10. Contributed capital		
Contributed capital 1 January 2021	130.995	123.820
Cash capital increase	0	15.975
Cancellation - own shares	<u>0</u>	<u>-8.800</u>
	<u>130.995</u>	<u>130.995</u>
<p>Incentive programme for key staff provides the possibility of subscribing shares of up to 3.28% of the present share capital at a price of DKK 20,808.50 per share. None has been exercised in 2021. Exercise period expires in 2024 (2,81%) and 2025 (0,47%).</p>		
11. Accruals and deferred income		
Prepayments	<u>0</u>	<u>12.254.525</u>
	<u>0</u>	<u>12.254.525</u>
12. Charges and security		

Unlimited suretyship for Tactile R&D ApS liabilities with its bank.

Floating charge 20 mDKK covering outstandings with bank. Recorded value 31 December 2021 of pledged assets: 123 mDKK.

Notes

All amounts in DKK.

13. Contingencies

Contingent assets

Taxable loss with a potential value of mDKK 24 has not been capitalized due to uncertainty of time utilisation.

Contingent liabilities

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.

14. Related parties

Controlling interest

Tactile Holding ApS	Parent company
Tactile Games Ltd.	Subsidiary
Tactile R&D ApS	Subsidiary
Other related parties	
Asbjørn Malte Søndergaard	Board member
Morten Nielsen	Board member
Daniel Hillel Rimer	Board member

Transactions

All transactions with related parties have been settled at arm length term.

Financial statements prepared by adding together uniform accounts is presented by Tactile Holding ApS.

Notes

All amounts in DKK.

Transactions (continued)

Accounting policies

The annual report for Tactile Games ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (large enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Pursuant to section 112 (1) of the Danish Financial Statements Act, no consolidated financial statement by adding uniform accounting record has been prepared, as the relevant information is included in the consolidated financial statements of Tactile Holding ApS, cvr.no. 38226681.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Tactile Holding ApS, cvr.no. 38226681.

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.

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.

Accounting policies

Foreign currency translation

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. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Revenue

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Accounting policies

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 and platform fees.

Other external costs

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

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual subsidiaries are recognised in the income statement as a proportional share of the subsidiaries' 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.

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 assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Accounting policies

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement under amortisation and writedown for impairment.

It has not been possible to establish procedures to make a reliable measurement of development project, why no capitalisation has been made.

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 5 years.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries 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 for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Financial fixed assets

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Accounting policies

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries 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 subsidiaries.

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.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. To counter expected losses, writedown is performed to net realisable value. The enterprise will be applying IAS 39 as the basis of interpretation for the recognition of impairment of financial assets, meaning that a loss must be recognised if there are objective indications of accounts receivable being unable to comply with payment obligations.

Accrued income and deferred expenses

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

Available funds

Available funds comprise cash at bank and in hand.

Accounting policies

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

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, associates and equity interests 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.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Liabilities other than provisions relating to investment properties are measured at amortised cost.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Accrued expenses and deferred income

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