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iMotions A/S

Frederiksberg Allé 1-3, 1621 København V

Company reg. no. 33 50 40 04

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 14 April 2020.

Peter Hartzbech
Chairman of the meeting

Contents

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 executive board have today presented the annual report of iMotions A/S 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.

The annual report is recommended for approval by the general meeting.

København V, 14 April 2020

Executive board

Peter Hartzbech	Thorsten Larsen-Seul

Board of directors

Ulrik Jensen	Peter Hartzbech	Holger Lunden

Independent auditor's report

To the shareholders of iMotions A/S

Opinion

We have audited the annual accounts of iMotions A/S for the financial year 1 January to 31 December 2019, which comprise accounting policies used, profit and loss account, balance sheet 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.

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:

Independent auditor's report

- 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.

Hillerød, 14 April 2020

Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Claus Koskelin
State Authorised Public Accountant
mne30140

Company data

The company	iMotions A/S Frederiksberg Allé 1-3 1621 København V
	Company reg. no. 33 50 40 04 Financial year: 1 January - 31 December
Board of directors	Ulrik Jensen Peter Hartzbech Holger Lunden
Executive board	Peter Hartzbech Thorsten Larsen-Seul
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Nordstensvej 11 3400 Hillerød
Subsidiaries	Imotions Inc, USA Imotions PTE Ltd., Singapore

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note		2019	2018
	Gross profit	**24.802.261**	**20.049.498**
2	Staff costs	-19.163.305	-14.370.141
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-2.361.189	-1.647.138
	Operating profit	**3.277.767**	**4.032.219**
	Other financial income	473.402	530.058
	Other financial costs	-239.396	-192.525
	Results before tax	**3.511.773**	**4.369.752**
	Tax on ordinary results	-989.356	-962.061
	Results for the year	**2.522.417**	**3.407.691**

Proposed distribution of the results:

	2019	2018
Allocated to other reserves	2.717.205	4.151.597
Allocated from results brought forward	-194.788	-743.906
Distribution in total	**2.522.417**	**3.407.691**

Balance sheet 31 December

All amounts in DKK.

Note	Assets	2019	2018
	Fixed assets		
3	Completed development projects, including patents and similar rights arising from development projects	10.250.415	7.892.580
4	Development projects in progress and prepayments for intangible fixed assets	3.138.369	2.012.608
	Intangible fixed assets in total	13.388.784	9.905.188
	Other plants, operating assets, and fixtures and furniture	550.802	600.897
	Tangible fixed assets in total	550.802	600.897
	Equity investment in group enterprise	1.240.307	994.417
	Other debtors	456.724	448.685
	Financial fixed assets in total	1.697.031	1.443.102
	Fixed assets in total	**15.636.617**	**11.949.187**
	Current assets		
	Trade debtors	7.353.024	8.278.092
	Amounts owed by group enterprises	7.867.375	6.691.394
	Receivable corporate tax	129.076	199.857
	Other debtors	247.688	86.627
	Accrued income and deferred expenses	431.915	743.675
	Debtors in total	16.029.078	15.999.645
	Available funds	3.755.999	3.572.322
	Current assets in total	**19.785.077**	**19.571.967**
	Assets in total	**35.421.694**	**31.521.154**

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		2019	2018
	Equity		
5	Contributed capital	774.445	774.445
	Reserve for development expenditure	10.443.252	7.726.047
6	Results brought forward	7.496.949	7.686.608
	Equity in total	**18.714.646**	**16.187.100**
	Provisions		
	Provisions for deferred tax	2.912.646	2.166.214
	Provisions in total	**2.912.646**	**2.166.214**
	Liabilities		
7	Other payables	3.276.265	0
	Long-term liabilities in total	3.276.265	0
	Bank debts	59.805	22.169
	Prepayments received from customers	1.716.425	2.479.561
	Trade creditors	3.877.912	3.275.480
	Other debts	2.392.486	3.745.226
	Accrued expenses and deferred income	2.471.509	3.645.404
	Short-term liabilities in total	10.518.137	13.167.840
	Liabilities in total	**13.794.402**	**13.167.840**
	Equity and liabilities in total	**35.421.694**	**31.521.154**

1 The significant activities of the enterprise

8 Contingencies

Accounting policies used

The annual report for iMotions A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

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.

Income statement

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover comprises the value of services provided during the year, including outlay for customers less VAT and price reductions directly associated with the sale.

The turnover is recognised in the profit and loss account when the sale has been completed. This is generally considered to be the case when:

- The service has been provided before the end of the financial year

Accounting policies used

- There is a binding sales agreement
- The sales price has been determined
- The payment has been received, or it can with reasonable assurance be expected to be received.

Hereby, it is ensured that recognition does not take place until the total income and costs as well as the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the economic benefits, including payments, will be received by the enterprise.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

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.

Dividend from equity investment in group enterprise is recognised in the financial year where the dividend is declared.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

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 used

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs and internally generated rights are capitalized and depreciated over 5 years

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 5 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under amortisation.

Tangible fixed assets

Land and buildings are measured at cost with addition of revaluations and with deduction of accrued depreciation and writedown. Land is not depreciated.

Land and buildings are revaluated on the basis of regular, independent evaluation of the fair value. The net revaluation at fair value adjustment is recognised directly on the equity after deduction of deferred tax and tied up in a particular revaluation reserve. Net impairment at fair value adjustments is recognised in the profit and loss account.

The basis of depreciation is cost with the addition of revaluations at fair value and with the deduction of expected residual value after the end of the useful life of the asset. The depreciation period is fixed at the acquisition date and reevaluated annually. If the residual value exceeds the book value of the asset, the depreciation expires.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in the company's equity.

Other 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.

Accounting policies used

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

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

	Useful life
Other plants, operating assets, fixtures and furniture	*3-5 years*

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.

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.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

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 investment in group enterprise

Equity investment in group enterprise is measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at 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 used

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

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.

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.

Accrued expenses and deferred income

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

Notes

All amounts in DKK.

	2019	2018

1. The significant activities of the enterprise

Like previous years, the principal activities are development and sale of systems for conducting studies with biometric sensors such as eye trackers, GSR meters, EEG headsets and facial analysis algorithms

2. Staff costs

	2019	2018
Salaries and wages	18.716.263	13.994.314
Pension costs	0	59.137
Other costs for social security	447.042	316.690
	19.163.305	**14.370.141**
Average number of employees	33	33

3. Completed development projects, including patents and similar rights arising from development projects

	2019	2018
Cost opening balance	9.278.715	0
Additions during the year	4.719.024	9.278.715
Cost closing balance	**13.997.739**	**9.278.715**
Amortisation and writedown opening balance	-1.386.135	0
Amortisation for the year	-2.361.189	-1.386.135
Amortisation and writedown closing balance	**-3.747.324**	**-1.386.135**
Book value closing balance	**10.250.415**	**7.892.580**

Completed development projects comprise the development and test af specific products and solutions. The products and solutions was completed and put intomarked, and it is depreciated over a period af 5 years.

Notes

All amounts in DKK.

		31/12 2019	31/12 2018
4.	**Development projects in progress and prepayments for intangible fixed assets**		
	Cost opening balance	2.012.608	4.582.628
	Additions during the year	1.461.196	5.132.752
	Disposals during the year	-335.435	-7.702.772
	Cost closing balance	**3.138.369**	**2.012.608**
	Book value closing balance	**3.138.369**	**2.012.608**

The Company has during the year developed on specific products and solutions. The projects are progressing as planned and are expected to finalized in future years. The developments are focused om commercial use and expected to be economic profitable when put to marked.

		31/12 2019	31/12 2018
5.	**Contributed capital**		
	Contributed capital opening balance	774.445	774.445
		774.445	**774.445**

The share capital consists of 774,445 shares a 1 DKK and multiples thereof. The capital is divided into classes. Class A shares by t.DKK. 625 and B shares by t.DKK 44 and C shares by t.DKK. 41, D shares t.DKK 15, E shares t.DKK 49. Own shares represent DKK 99.809 correspondig 12,89% of equity. Purchase of own shares is based on management decision.

		31/12 2019	31/12 2018
6.	**Results brought forward**		
	Results brought forward opening balance	7.686.608	9.695.236
	Profit or loss for the year brought forward	-194.788	-743.906
	Sale af own shares	5.308	0
	Purchase of own shares	-179	-1.264.722
		7.496.949	**7.686.608**

		31/12 2019	31/12 2018
7.	**Other payables**		
	Total other payables	**3.276.265**	**0**
	Share of liabilities due after 5 years	643.184	0

Notes

All amounts in DKK.

8. Contingencies

Contingent liabilities

	DKK in thousands
Leasing liabilities	12
Rent argreement	414
Contingent liabilities in total	**426**