

Tactile R&D ApS

Vimmelskiftet 47, 1., 1161 København K

Company reg. no. 34 05 00 90

Annual report

1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 3 June 2019.

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 R&D ApS for the financial year 1 January to 31 December 2018.

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 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

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

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

København K, 11 April 2019

Managing Director

Asbjørn Malte Søndergaard

Board of directors

Asbjørn Malte Søndergaard

Morten Nielsen

Independent auditor's report

To the shareholder of Tactile R&D ApS

Opinion

We have audited the annual accounts of Tactile R&D ApS for the financial year 1 January to 31 December 2018, 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 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 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.

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.

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.

Independent auditor's report

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, 11 April 2019

BUUS JENSEN

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

Ulrik Nørskov

State Authorised Public Accountant
mne29456

Company data

The company

Tactile R&D ApS
Vimmelskiftet 47, 1.
1161 København K

Company reg. no. 34 05 00 90
Established: 31 October 2011
Domicile:
Financial year: 1 January - 31 December

Board of directors

Asbjørn Malte Søndergaard
Morten Nielsen

Managing Director

Asbjørn Malte Søndergaard

Auditors

BUUS JENSEN, Statsautoriserede revisorer

Parent company

Tactile Entertainment ApS

Management's review

The principal activities of the company

The main activity of the company is to develop, sell and distribute computer games and associated companies.

Development in activities and financial matters

The results from ordinary activities after tax are DKK 354.860 against DKK 576.228 last year. The management consider the results satisfactory.

Accounting policies used

The annual report for Tactile R&D ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C 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.

The profit and loss account

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 is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Accounting policies used

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

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

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.

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

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.

Accounting policies used

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>3-5 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.

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.

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.

Available funds

Available funds comprise cash at bank and in hand.

Accounting policies used

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 R&D 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.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Gross profit	30.526.278	23.479.347
1 Staff costs	-29.865.575	-22.596.905
Depreciation and writedown relating to tangible fixed assets	<u>-163.219</u>	<u>-135.139</u>
Operating profit	497.484	747.303
Other financial income from group enterprises	22.381	0
2 Other financial costs	<u>-53.857</u>	<u>-7.298</u>
Results before tax	466.008	740.005
3 Tax on ordinary results	<u>-111.148</u>	<u>-163.777</u>
Results for the year	354.860	576.228
Proposed distribution of the results:		
Allocated to results brought forward	<u>354.860</u>	<u>576.228</u>
Distribution in total	354.860	576.228

Balance sheet 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2018</u>	<u>2017</u>
Fixed assets		
5 Other plants, operating assets, and fixtures and furniture	247.480	270.188
Tangible fixed assets in total	247.480	270.188
Deposits	253.014	249.726
Financial fixed assets in total	253.014	249.726
Fixed assets in total	500.494	519.914
Current assets		
Amounts owed by group enterprises	6.268.769	3.978.398
Deferred tax assets	20.574	10.824
Other debtors	33.364	0
Accrued income and deferred expenses	673	78.195
Debtors in total	6.323.380	4.067.417
Available funds	1.254.811	870.923
Current assets in total	7.578.191	4.938.340
Assets in total	8.078.685	5.458.254

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2018</u>	<u>2017</u>
Equity			
6	Contributed capital	92.600	92.600
7	Results brought forward	401.254	46.394
	Equity in total	<u>493.854</u>	<u>138.994</u>
Liabilities			
	Trade creditors	305.974	163.425
	Corporate tax	120.898	169.510
	Other debts	7.157.959	4.986.325
	Short-term liabilities in total	<u>7.584.831</u>	<u>5.319.260</u>
	Liabilities in total	<u>7.584.831</u>	<u>5.319.260</u>
	Equity and liabilities in total	<u>8.078.685</u>	<u>5.458.254</u>

8 Contingencies

Notes

All amounts in DKK.

	2018	2017
1. Staff costs		
Salaries and wages	27.919.062	21.523.161
Other costs for social security	206.570	160.655
Other staff costs	1.739.943	913.089
	29.865.575	22.596.905
 Average number of employees	 61	 47
2. Other financial costs		
Other financial costs	53.857	7.298
	53.857	7.298
3. Tax on ordinary results		
Tax of the results for the year, parent company	120.898	169.510
Adjustment for the year of deferred tax	-9.750	-5.733
	111.148	163.777
4. Acquired concessions, patents, licenses, trademarks and similar rights		
Cost 1 January 2018	55.000	55.000
Cost 31 December 2018	55.000	55.000
 Amortisation and writedown 1 January 2018	 -49.042	 -49.042
Amortisation for the year	-5.958	-5.958
Amortisation and writedown 31 December 2018	-55.000	-55.000

Notes

All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
5. Other plants, operating assets, and fixtures and furniture		
Cost 1 January 2018	524.485	305.042
Additions during the year	<u>140.511</u>	<u>219.443</u>
Cost 31 December 2018	<u>664.996</u>	<u>524.485</u>
Amortisation and writedown 1 January 2018	-254.297	-125.116
Depreciation for the year	<u>-163.219</u>	<u>-129.181</u>
Amortisation and writedown 31 December 2018	<u>-417.516</u>	<u>-254.297</u>
Book value 31 December 2018	<u>247.480</u>	<u>270.188</u>
 6. Contributed capital		
Contributed capital 1 January 2018	<u>92.600</u>	<u>92.600</u>
	<u>92.600</u>	<u>92.600</u>
 7. Results brought forward		
Results brought forward 1 January 2018	46.394	-529.834
Profit or loss for the year brought forward	<u>354.860</u>	<u>576.228</u>
	<u>401.254</u>	<u>46.394</u>

8. Contingencies

Contingent liabilities

The company has entered into a rent obligation with a total obligation of DKK 578 thousand.

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 tax payable under the joint taxation amounts to DKK 604 thousand.

Notes

All amounts in DKK.

8. Contingencies (continued)

Joint taxation (continued)

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