Tactile Holding ApS

c/o Tactile Entertainment ApS, Vestergade 33. 2., 1456 København K

Company reg. no. 38 22 66 81

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

Contents

Notes to users of the English version of this document:
- *To ensure the greatest possible applicability of this document, British English terminology has been used.*
- *Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.*

Management's report

The board of directors and the managing director have today presented the annual report of Tactile Holding 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 consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively at 31 December 2019, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows 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, 22 April 2020

Managing Director

Asbjørn Malte Søndergaard

Board of directors

Asbjørn Malte Søndergaard

Morten Nielsen

To the shareholders of Tactile Holding ApS

Opinion

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

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2019 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows 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 consolidated annual accounts and 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 consolidated annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and 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 consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group’s and 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 consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or 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 consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and 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 consolidated annual accounts and 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:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and 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 group's and 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 consolidated annual accounts and 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 group's and 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 consolidated annual accounts and 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated annual accounts and 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 consolidated annual accounts and 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 consolidated annual accounts or 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 consolidated annual accounts and 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, 22 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 Holding ApS c/o Tactile Entertainment ApS Vestergade 33. 2. 1456 København K	
	Company reg. no.	38 22 66 81
	Established:	*24 November 2016*
	Domicile:	
	Financial year:	*1 January - 31 December* *3rd financial year*
Board of directors	Asbjørn Malte Søndergaard Morten Nielsen	
Managing Director	Asbjørn Malte Søndergaard	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Subsidiary	Tactile Games ApS, København	

Consolidated financial highlights

DKK in thousands.	2019	2018
Income statement:		
Revenue	430.073	218.409
Gross profit	73.000	29.558
Profit from ordinary operating activities	33.023	-2.533
Net financials	-3.827	-1.457
Net profit or loss for the year	25.051	-3.456
Statement of financial position:		
Balance sheet total	142.874	66.021
Equity	35.476	10.425
Cash flows:		
Operating activities	26.901	13.121
Investing activities	-2.673	-229
Total cash flows	24.228	12.892
Employees:		
Average number of full-time employees	90	79
Key figures in %:		
Gross margin ratio	17,0	13,5
Profit margin (EBIT-margin)	7,7	-1,2
Acid test ratio	130,0	117,1
Solvency ratio	21,9	15,8
Return on equity	100,0	-66,3

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

$$\frac{\textit{Gross profit x 100}}{\textit{Revenue}}$$

Profit margin (EBIT margin)

$$\frac{\textit{Operating profit or loss (EBIT) x 100}}{\textit{Revenue}}$$

Consolidated financial highlights

Acid test ratio	$\dfrac{\textit{Current assets x 100}}{\textit{Short term liabilities other than provisions}}$
Solvency ratio	$\dfrac{\textit{Equity less non-controlling interests, closing balance x 100}}{\textit{Total assets, closing balance}}$
Return on equity	$\dfrac{\textit{*Profit x 100}}{\textit{Average equity exclusive of non-controlling interests}}$
****Profit***	*Net profit or loss for the year less non-controlling interests' share hereof*

The principal activities of the group

Like previous years, the principal activities of the group and of Tactile Holding ApS are to develop, sell and distribute computer games and hereto related activities.

Development in activities and financial matters

The net turnover for the year has increased by 97% compated to 2018. The results from ordinary activities after tax are at group level mDKK 25.1 against mDKK -3.5 last year. Cash flow from operating activities has increaced by 105% to 26.1 mDKK. The management consider the results satisfactory.

Special risks

Operating risks

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

Financial 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 developmet are expensed.

The expected development

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

Events subsequent to the financial year

The group has in March 2020 recieved a total proceed of 332.4 mDKK by issueing new share capital.

Income statement 1 January - 31 December

All amounts in DKK.

Note		Group 2019	Group 2018	Parent 2019	Parent 2018
	Revenue	430.073.489	218.408.951	0	0
	Costs of raw materials and consumables	-11.985.150	-3.528.708	0	0
	Other external costs	-345.088.138	-185.322.180	-30.750	-10.625
	Gross profit	**73.000.201**	**29.558.063**	**-30.750**	**-10.625**
1	*Staff costs*	-39.604.219	-31.896.960	0	0
2	*Depreciation, amortisation, and impairment*	-372.967	-193.972	0	0
	Operating profit	**33.023.015**	**-2.532.869**	**-30.750**	**-10.625**
	Income from equity investments in group enterprises	0	0	16.605.125	-933.240
	Other financial income from group enterprises	0	0	0	187.280
	Other financial income	41.714	0	0	0
3	*Other financial costs*	-3.868.682	-1.456.507	-18.913	-2.808
	Pre-tax net profit or loss	**29.196.047**	**-3.989.376**	**16.555.462**	**-759.393**
4	*Tax on ordinary results*	-4.144.557	533.665	6.754	-46.473
	Net profit or loss for the year	**25.051.490**	**-3.455.711**	**16.562.216**	**-805.866**
	Break-down of the consolidated profit or loss:				
	Shareholders in Tactile Holding ApS	20.854.617	-3.455.711		
	Non-controlling interests	4.196.873	0		
		25.051.490	**-3.455.711**		

	Parent 2019	Parent 2018
Proposed appropriation of net profit:		
Reserves for net revaluation according to the equity method	112.444	0
Transferred to retained earnings	16.449.772	0
Allocated from retained earnings	0	-805.866
Total allocations and transfers	**16.562.216**	**-805.866**

Statement of financial position at 31 December

All amounts in DKK.

Assets

Note		*Group* 2019	2018	*Parent* 2019	2018
	Non-current assets				
5	*Goodwill*	1.572.050	0	0	0
	Total intangible assets	1.572.050	0	0	0
6	*Other fixtures and fittings, tools and equipment*	1.291.952	311.311	0	0
	Total property, plant, and equipment	1.291.952	311.311	0	0
7	*Equity investments in group enterprises*	0	0	24.264.600	7.659.475
8	*Other financial instruments and equity investments*	372.051	372.051	0	0
9	*Deposits*	0	253.014	0	0
	Total investments	372.051	625.065	24.264.600	7.659.475
	Total non-current assets	**3.236.053**	**936.376**	**24.264.600**	**7.659.475**
	Current assets				
	Trade receivables	79.732.163	33.730.953	0	0
	Amounts owed by group enterprises	0	0	4.494.590	5.106.706
	Deferred tax assets	0	20.574	0	0
	Income tax receivables	0	0	246.754	0
	Other receivables	12.722.132	8.365.696	0	0
	Prepayments and accrued income	20.377	31.903	0	0
	Total receivables	92.474.672	42.149.126	4.741.344	5.106.706
	Cash on hand and demand deposits	47.163.361	22.935.113	3.375	4.375
	Total current assets	**139.638.033**	**65.084.239**	**4.744.719**	**5.111.081**
	Total assets	**142.874.086**	**66.020.615**	**29.009.319**	**12.770.556**

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities

Note		Group 2019	Group 2018	Parent 2019	Parent 2018
	Equity				
	Contributed capital	115.020	115.020	115.020	115.020
	Share premium	0	0	24.037.136	24.037.136
	Reserve for net revaluation according to the equity method	0	0	112.444	0
	Retained earnings	31.164.506	10.309.889	4.723.465	-11.726.307
	Equity before non-controlling interest.	31.279.526	10.424.909	28.988.065	12.425.849
	Non-controlling interests	4.196.873	0	0	0
	Total equity	**35.476.399**	**10.424.909**	**28.988.065**	**12.425.849**
	Provisions				
	Provisions for deferred tax	3.332	0	0	0
	Total provisions	**3.332**	**0**	**0**	**0**
	Liabilities other than provisions				
	Trade payables	78.903.707	47.430.036	18.500	6.000
	Income tax payable	4.035.502	574.794	0	38.862
	Other payables	7.765.396	7.590.876	2.754	299.845
	Accruals and deferred income	16.689.750	0	0	0
	Total short term liabilities other than provisions	107.394.355	55.595.706	21.254	344.707
	Total liabilities other than provisions	**107.394.355**	**55.595.706**	**21.254**	**344.707**
	Total equity and liabilities	**142.874.086**	**66.020.615**	**29.009.319**	**12.770.556**
10	***Contingencies***				

Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital not paid	*Share premium*	*Reserve for net revaluation according to the equity method*	*Retained earnings*	*Non-controlling interests*	*Total*
1 January 2018 1 January 2018	115.020	0	0	13.765.600	0	13.880.620
Share of results	0	0	0	-3.455.711	0	-3.455.711
1 January 2019 1 January 2019	115.020	0	0	10.309.889	0	10.424.909
Share of results	0	0	0	20.854.617	4.196.873	25.051.490
	115.020	**0**	**0**	**31.164.506**	**4.196.873**	**35.476.399**

Statement of changes in equity of the parent

All amounts in DKK.

	Contributed capital	*Share premium*	*Reserve for net revalua-tion according to the eq-uity method*	*Retained earnings*	*Total*
Equity 1 January 2018	115.020	24.037.136	0	-10.920.441	13.231.715
Share of results	0	0	0	-805.866	-805.866
Equity 1 January 2019	115.020	24.037.136	0	-11.726.307	12.425.849
Share of results	0	0	112.444	16.449.772	16.562.216
	115.020	**24.037.136**	**112.444**	**4.723.465**	**28.988.065**

Statement of cash flows 1 January - 31 December

All amounts in DKK.

Note		Group 2019	2018
	Net profit or loss for the year	25.051.498	-3.455.711
11	*Adjustments*	4.517.524	-339.774
12	*Change in working capital*	-1.853.333	17.334.240
	Cash flows from operating activities before net financials	27.715.689	13.538.755
	Cash flows from ordinary activities	27.715.689	13.538.755
	Income tax paid	-814.794	-417.934
	Cash flows from operating activities	**26.900.895**	**13.120.821**
	Purchase of intangible assets	-1.626.258	0
	Purchase of property, plant, and equipment	-1.299.403	-225.624
	Purchase of fixed asset investments	253.014	-3.288
	Cash flows from investment activities	**-2.672.647**	**-228.912**
	Change in cash and cash equivalents	**24.228.248**	**12.891.909**
	Cash and cash equivalents at 1 January 2019	22.935.113	10.043.204
	Cash and cash equivalents at 31 December 2019	**47.163.361**	**22.935.113**
	Cash and cash equivalents		
	Cash on hand and demand deposits	47.163.361	22.935.113
	Cash and cash equivalents at 31 December 2019	**47.163.361**	**22.935.113**

Notes

All amounts in DKK.

		Group		*Parent*	
		2019	2018	2019	2018
1.	***Staff costs***				
	Salaries and wages	37.673.387	31.344.894	0	0
	Pension costs	1.214.924	124.641	0	0
	Other costs for social security	247.372	206.570	0	0
	Other staff costs	468.536	220.855	0	0
		39.604.219	**31.896.960**	**0**	**0**
	Average number of employees	90	79	0	0
2.	***Depreciation, amortisation, and impairment***				
	Amortisation of group goodwill	54.208	0	0	0
	Depreciation on plants, operating assets, fixtures and furniture	318.759	193.972	0	0
		372.967	**193.972**	**0**	**0**
3.	***Other financial costs***				
	Other financial costs	3.868.682	1.456.507	18.913	2.808
		3.868.682	**1.456.507**	**18.913**	**2.808**
4.	***Tax on ordinary results***				
	Tax of the results for the year, parent company	4.275.502	582.408	-6.754	38.862
	Adjustment for the year of deferred tax	-130.945	-1.116.073	0	0
	Adjustment of tax for previous years	0	0	0	7.611
		4.144.557	**-533.665**	**-6.754**	**46.473**

All amounts in DKK.

		Group		Parent	
		31/12 2019	31/12 2018	31/12 2019	31/12 2018
5.	***Goodwill***				
	Additions during the year	1.626.258	0	0	0
	Cost 31 December 2019	**1.626.258**	**0**	**0**	**0**
	Amortisation for the year	-54.208	0	0	0
	Amortisation and writedown 31 December 2019	**-54.208**	**0**	**0**	**0**
	Carrying amount, 31 December 2019	**1.572.050**	**0**	**0**	**0**
6.	***Other fixtures and fittings, tools and equipment***				
	Cost 1 January 2019	768.883	543.259	0	0
	Additions during the year	1.299.400	225.624	0	0
	Cost 31 December 2019	**2.068.283**	**768.883**	**0**	**0**
	Amortisation and writedown 1 January 2019	-457.572	-263.600	0	0
	Writedown for the year	-318.759	-193.972	0	0
	Amortisation and writedown 31 December 2019	**-776.331**	**-457.572**	**0**	**0**
	Carrying amount, 31 December 2019	**1.291.952**	**311.311**	**0**	**0**

All amounts in DKK.

	Group		Parent	
	31/12 2019	31/12 2018	31/12 2019	31/12 2018
7. *Equity investments in group enterprises*				
Acquisition sum, opening balance 1 January 2019	0	0	24.152.156	24.152.156
Cost 31 December 2019	**0**	**0**	**24.152.156**	**24.152.156**
Revaluations, opening balance 1 January 2019	0	0	-16.492.681	-15.559.441
Results for the year before goodwill amortisation	0	0	16.605.125	-933.240
Revaluation 31 December 2019	**0**	**0**	**112.444**	**-16.492.681**
Book value 31 December 2019	**0**	**0**	**24.264.600**	**7.659.475**

The financial highlights for the enterprises according to the latest approved annual reports

	Share of ownership	***Equity***	***Results for the year***
Tactile Games ApS, København	92,89 %	26.121.865	17.846.530

	Group		Parent	
	31/12 2019	31/12 2018	31/12 2019	31/12 2018
8. *Other financial instruments and equity investments*				
Cost 1 January 2019	372.051	372.051	0	0
Cost 31 December 2019	**372.051**	**372.051**	**0**	**0**
Carrying amount, 31 December 2019	**372.051**	**372.051**	**0**	**0**

All amounts in DKK.

		Group		Parent	
		31/12 2019	31/12 2018	31/12 2019	31/12 2018
9.	***Deposits***				
	Cost 1 January 2019	253.014	249.726	0	0
	Additions during the year	0	3.288	0	0
	Disposals during the year	-253.014	0	0	0
	Cost 31 December 2019	**0**	**253.014**	**0**	**0**
	Carrying amount, 31 December 2019	**0**	**253.014**	**0**	**0**

10. Contingencies

Contingent liabilities

Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

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

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of mDKK 4.3.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.

All amounts in DKK.

		Group 2019	2018
11.	***Adjustments***		
	Depreciation, amortisation, and impairment	372.967	193.891
	Tax on ordinary results	4.144.557	-533.665
		4.517.524	**-339.774**
12.	***Change in working capital***		
	Change in receivables	-29.311.459	-16.302.846
	Change in trade payables and other payables	35.678.471	40.175.809
	Other changes in working capital	-8.220.345	-6.538.723
		-1.853.333	**17.334.240**

The annual report for Tactile Holding ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

Changes in the accounting policies

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

The change has decreased equity per January first 2018 by 14.9 mDKK tDKK, decreased profit 2018 both before and after tax by 3.6 mDKK and decreased equtiy end 2018 by 18.5 mDKK. 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 group 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 group 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 consolidated annual accounts

The consolidated annual accounts comprise the parent company Tactile Holding ApS and those group enterprises of which Tactile Holding ApS directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Minority interests

The items of the group enterprises are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the group enterprises are adjusted annually, and they are recognised as a separate item below the profit and loss account and as a separate item in the balance sheet respectively.

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 the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs

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 on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

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.

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.

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 of the parent 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.

The parent and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

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

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisation which directly refer to the development activities.

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

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.

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.

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 and the residual value of the individual assets:

	Useful life	*Residual value*
Technical plants and machinery	*5-10 years*	*0-20 %*
Other plants, operating assets, fixtures and furniture	*3-5 years*	*0-20 %*

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 losses are recognised in the profit and loss account as other operating income or other operating expenses.

As regards assets of own production, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

Leases

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the group 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 group'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.

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 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.

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.

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

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.

Available funds

Available funds comprise cash at bank and in hand.

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 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.

Tactile Holding ApS is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Tactile Holding 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.

Accrued expenses and deferred income

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

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds with deduction of short-term bank debt and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.