Rokoko Electronics ApS

Sankt Gertruds Stræde 10
DK-1129 København

CVR no. 35 68 06 67

Annual report 2021

The annual report was presented and approved at the Company's annual general meeting on

25 May 2022

Jakob Balslev
Chairman of the annual general meeting

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Rokoko Electronics ApS for the financial year 1 January – 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position 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 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, 25 May 2022
Executive Board:

Jakob Balslev	Matias Søndergaard

Board of Directors:

Jess Ørgaard Libak Tropp Chairman	Mikkel Lucas Overby	Matias Søndergaard
Jakob Balslev	Jesper Lilledal Holmgaard	Martin Lumbye Hansen
Alexandar Korsgaard Bruun		

Independent auditor's report

To the shareholders of Rokoko Electronics ApS

Opinion

We have audited the financial statements of Rokoko Electronics ApS for the financial year 1 January – 31 December 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position 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 responsibility 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 that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

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

— identify and assess the risks of material misstatement of the company 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.

Independent auditor's report

— 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 the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 25 May 2022
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
mne34283

Management's review

Company details

Rokoko Electronics ApS
Sankt Gertruds Stræde 10
1129 København

CVR no.:	35 68 06 67
Established:	6 March 2014
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Jess Ørgaard Libak Tropp, Chairman
Mikkel Lucas Overby
Matias Søndergaard
Jakob Balslev
Jesper Lilledal Holmgaard
Martin Lumbye Hansen
Alexandar Korsgaard Bruun

Executive Board

Jakob Balslev
Matias Søndergaard

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
CVR no. 25 57 81 98

Annual general meeting

The annual general meeting will be held on 25 May 2022.

Management's review

Operating review

Principal activities

The Company's activities include development and sales of products and services within motion captureand motion streaming as well as activitites related to this based on management's judgement.

Development in activities and financial position

The Company's income statement for 2021 shows a loss of DKK -15,025,996 as against DKK -1,637,267 in 2020. Equity in the Company's balance sheet at 31 December 2021 stood at DKK 30,904,747 as against DKK 26,841,360 at 31 December 2020.

Events after the balance sheet date

Subsequent to the balance sheet date no events have occured that may materially impact the Company´s financial position.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2021	2020
Gross profit/loss		-474,211	5,164,095
Staff costs	2	-11,910,417	-4,575,042
Depreciation, amortisation and impairment losses		-2,901,155	-2,898,651
Loss before financial income and expenses		-15,285,783	-2,309,598
Financial income		28,949	50,442
Financial expenses		-1,537,570	-1,274,647
Loss before tax		-16,794,404	-3,533,803
Tax on loss for the year	3	1,768,408	1,896,536
Loss for the year		-15,025,996	-1,637,267

Proposed distribution of loss

Reserve for development projects	4,990,724	4,324,994
Retained earnings	-20,016,720	-5,962,261
	-15,025,996	-1,637,267

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Intangible assets	4		
Completed development projects		14,895,671	17,440,981
Acquired patents		20,204	37,068
Development projects in progress		9,036,334	92,660
		23,952,209	17,570,709
Property, plant and equipment	5		
Fixtures and fittings, tools and equipment		669,274	499,342
Leasehold improvements		62,389	32,889
		731,663	532,231
Investments			
Other receivables		644,302	160,246
Total fixed assets		25,328,174	18,263,186
Current assets			
Inventories			
Raw materials and consumables		6,679,207	2,203,809
Prepayments for goods		2,735,926	0
		9,415,133	2,203,809
Receivables			
Trade receivables		1,065,366	555,432
Receivables from group entities		10,201,242	7,217,024
Other receivables		877,047	1,975,580
Deferred tax asset		0	116,698
Corporation tax		1,850,910	1,745,642
Prepayments		9,621,642	2,287,322
		23,616,207	13,897,698
Cash at bank and in hand		17,542,933	11,580,724
Total current assets		50,574,273	27,682,231
TOTAL ASSETS		75,902,447	45,945,417

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital		126,556	117,578
Reserve for development costs		18,666,964	13,676,240
Retained earnings		12,111,227	13,047,542
Total equity		30,904,747	26,841,360
Liabilities			
Non-current liabilities	6		
Debt to credit institutions		11,991,540	9,017,055
Other payables		736,396	744,864
		12,727,936	9,761,919
Current liabilities			
Prepayments received from customers		22,510,210	5,853,569
Trade payables		5,559,208	1,568,987
Other payables		1,932,776	1,263,611
Deferred income		2,267,570	655,971
		32,269,764	9,342,138
Total liabilities		44,997,700	19,104,057
TOTAL EQUITY AND LIABILITIES		75,902,447	45,945,417
Contractual obligations, contingencies, etc.	7		
Mortgages and collateral	8		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2021	117,578	13,676,240	13,047,542	26,841,360
Cash capital increase	8,978	0	19,080,405	19,089,383
Transferred over the distribution of loss	0	4,990,724	-20,016,720	-15,025,996
Equity at 31 December 2021	126,556	18,666,964	12,111,227	30,904,747

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Rokoko Electronics ApS for 2021 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 110(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods is recognised in revenue when dlivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expecteed to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Revenue from the sale of services is recognised on a straight-line basis in the income statement as the services are provided.

Services based on time spent are recognised in revnue as the work is performed.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, provision for bad debt etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 7 years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Fixtures and fittings, tools and equipment	3 years
Leasehold improvements	3-5 years
Development projects	10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Investments

Equity investments in group entities are measured at cost. If cost exceeds the net realisable value, white-down is made to this lower value.

Inventories

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Cash at bank and in hand

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value

Prepayments and deferred income

Prepayments comprise advance invoicing regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

DKK		2021	2020
2	**Staff costs**		
	Wages and salaries	17,194,629	10,250,243
	Other social security costs	303,528	160,624
	Other staff costs	778,363	386,329
	Transfered to development projects	-6,366,103	-6,222,154
		11,910,417	4,575,042
	Average number of full-time employees	37	22
3	**Tax on profit/loss for the year**		
	Current tax for the year	-1,967,608	-1,779,838
	Deferred tax for the year	116,699	468,450
	Adjustment of tax concerning previous years	82,501	0
	Adjustment of deferred tax concerning previous years	0	-585,148
		-1,768,408	-1,896,536

4 Intangible assets

DKK	Completed development projects	Acquired patents	Development projects in progress	Total
Cost at 1 January 2021	25,453,097	89,987	92,660	25,635,744
Additions for the year	0	0	8,943,674	8,943,674
Cost at 31 December 2021	25,453,097	89,987	9,036,334	34,579,418
Amortisation and impairment losses at 1 January 2021	-8,012,116	-52,919	0	-8,065,035
Amortisation for the year	-2,545,310	-16,864	0	-2,562,174
Amortisation and impairment losses at 31 December 2021	-10,557,426	-69,783	0	-10,627,209
Carrying amount at 31 December 2021	14,895,671	20,204	9,036,334	23,952,209

Completed development projects

Completed development projects relate to development and test of Smartsuit Pro and Smartgloves. The projects were completed in 2017 and are amortized over 10 years.

Development projects in progress

Development projects in progress comprise Smartsuit Pro II, Smartsuit Pro II Glove-Ready, Rokoko Studio, Coil Pro and Rokoko Care. The projects are expected to be completed in 2022-2023 whereafter considerable economic benefits are expected.

Financial statements 1 January – 31 December

Notes

5 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2021	1,174,733	733,308	1,908,041
Additions for the year	491,338	47,075	538,413
Cost at 31 December 2021	1,666,071	780,383	2,446,454
Depreciation and impairment losses at 1 January 2021	-675,391	-700,419	-1,375,810
Depreciation for the year	-321,406	-17,575	-338,981
Depreciation and impairment losses at 31 December 2021	-996,797	-717,994	-1,714,791
Carrying amount at 31 December 2021	669,274	62,389	731,663

6 Non-current liabilities

DKK	31/12 2021	Outstanding debt after five years
Debt to credit institutions	11,991,540	0
Other payable	736,396	0
	12,727,936	0

7 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company has pledged its trade receivables to Danske Bank through a floating company charge. The pledge is to cover any debt to Danske Bank. The floating company charge is maximised at DKK 100 thousand. Rokoko Electronics ApS' debt to Danske Bank at 31 December 2021 amounts to DKK 100 thousand.

Operating lease obligations

Remaning operating lease obligations at the balance sheet date fall due at DKK 2,360 thousand within 3 year (2020: DKK 282 thousand).

8 Mortgages and collateral

The Company's has made collateral (virksomhedspant), for an amount of DKK 5 million towards Vækstfonden as of 31 December 2021.