BEIERHOLM
VI SKABER BALANCE

GAN Integrity Solutions ApS

Kronprinsessegade 54, 2., 1306 København K

CVR no. 28 27 97 79

Annual report for 2020

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 08.07.21

Martin Alan Meyer
Dirigent

Table of contents

Company information etc.	3
Statement of the Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8
Income statement	9
Balance sheet	10 - 11
Statement of changes in equity	12
Notes	13 - 22

Company information etc.

The company

GAN Integrity Solutions ApS
Kronprinsessegade 54, 2.
1306 København K
Registered office: Copenhagen
CVR no.: 28 27 97 79
Financial year: 01.01 - 31.12

Executive Board

CEO Neil Lustig
Martin Alan Meyer

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement of the Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.20 - 31.12.20 for GAN Integrity Solutions ApS.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.20 and of the results of the company's activities for the financial year 01.01.20 - 31.12.20.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, July 8, 2021

Executive Board

Neil Lustig
CEO

Martin Alan Meyer

Independent auditor's report

To the capital owner of GAN Integrity Solutions ApS

Opinion

We have audited the financial statements of GAN Integrity Solutions ApS for the financial year 01.01.20 - 31.12.20, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.20 and of the results of the company's operations for the financial year 01.01.20 - 31.12.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

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 "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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the management's review

Management is responsible for management's review.

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

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

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

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

Management's responsibility for the financial statements

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

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Soeborg, Copenhagen, July 8, 2021

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Kim Larsen

State Authorized Public Accountant
MNE-no. mne32179

Primary activities

The company's activities comprise is to offer a Software as a Service (SaaS) platform that manages enterprise compliance and risk programs.

Development in activities and financial affairs

The income statement for the period 01.01.20 - 31.12.20 shows a profit/loss of DKK -29,185,797 against DKK -27,597,748 for the period 01.01.19 - 31.12.19. The balance sheet shows equity of DKK -112,618,882.

Information on going concern

Management is monitoring the company's cash position and cash resources on an on-going basis. Gan Integrity Holdings, Inc. has guaranteed financing of the necessary cash flow for 2021.

Income statement

Note		2020 DKK	2019 DKK
	Gross profit	**19,308,333**	**9,430,905**
2	Staff costs	-38,891,056	-38,796,052
	Loss before depreciation, amortisation, write-downs and impairment losses	**-19,582,723**	**-29,365,147**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-3,730,811	-3,569,738
	Loss before net financials	**-23,313,534**	**-32,934,885**
	Financial income	-549,641	34,535
	Financial expenses	-9,894	-5,963
	Loss before tax	**-23,873,069**	**-32,906,313**
	Tax on loss for the year	-5,312,728	5,308,565
	Loss for the year	**-29,185,797**	**-27,597,748**

	2020	2019
Proposed appropriation account		
Retained earnings	-29,185,797	-27,597,748
Total	**-29,185,797**	**-27,597,748**

Balance sheet

ASSETS

Note		31.12.20 DKK	31.12.19 DKK
	Completed development projects	1,617,025	2,671,407
3	**Total intangible assets**	**1,617,025**	**2,671,407**
	Leasehold improvements	85,328	185,862
	Other fixtures and fittings, tools and equipment	377,143	725,934
4	**Total property, plant and equipment**	**462,471**	**911,796**
	Deposits	945,504	875,308
	Total investments	**945,504**	**875,308**
	Total non-current assets	**3,025,000**	**4,458,511**
	Trade receivables	6,103,185	8,477,650
	Receivables from group enterprises	4,322,355	2,194,514
	Income tax receivable	0	8,165,191
	Other receivables	304,331	237,126
	Prepayments	14,789,479	11,766,863
	Total receivables	**25,519,350**	**30,841,344**
	Cash	**2,130,394**	**560,757**
	Total current assets	**27,649,744**	**31,402,101**
	Total assets	**30,674,744**	**35,860,612**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.20 DKK	31.12.19 DKK
	Share capital	805,287	805,287
	Reserve for development costs	877,317	877,317
	Retained earnings	-114,301,486	-85,115,689
	Total equity	**-112,618,882**	**-83,433,085**
5	Payables to group enterprises	118,653,806	96,299,486
5	Other payables	0	1,301,617
5	Deferred income	985,468	0
	Total long-term payables	**119,639,274**	**97,601,103**
	Trade payables	1,048,463	1,423,614
	Other payables	8,911,849	6,979,844
	Deferred income	13,694,040	13,289,136
	Total short-term payables	**23,654,352**	**21,692,594**
	Total payables	**143,293,626**	**119,293,697**
	Total equity and liabilities	**30,674,744**	**35,860,612**

6 Contingent liabilities

Statement of changes in equity

Figures in DKK	Share capital	Reserve for development costs	Retained earnings
Statement of changes in equity for 01.01.20 - 31.12.20			
Balance as at 01.01.20	805,287	877,317	-85,115,689
Net profit/loss for the year	0	0	-29,185,797
Balance as at 31.12.20	805,287	877,317	-114,301,486

1. Information as regards going concern

Management is monitoring the company's cash position and cash resources on an on-going basis. Gan Integrity Holdings, Inc. has guaranteed financing of the necessary cash flow for 2021.

2. Staff costs

Wages and salaries	37,053,756	36,780,699
Other social security costs	751,654	742,194
Other staff costs	1,085,646	1,273,159
Total	38,891,056	38,796,052
Average number of employees during the year	58	39

3. Intangible assets

Figures in DKK	Completed development projects
Cost as at 01.01.20	5,503,722
Additions during the year	211,236
Cost as at 31.12.20	5,714,958
Amortisation and impairment losses as at 01.01.20	-2,832,313
Amortisation during the year	-1,265,620
Amortisation and impairment losses as at 31.12.20	-4,097,933
Carrying amount as at 31.12.20	1,617,025

4. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.20	315,374	1,798,815
Additions during the year	0	12,303
Disposals during the year	-68,120	-39,805
Cost as at 31.12.20	247,254	1,771,313
Depreciation and impairment losses as at 01.01.20	-129,513	-1,072,880
Depreciation during the year	-100,533	-361,095
Reversal of depreciation of and impairment losses on disposed assets	68,120	39,805
Depreciation and impairment losses as at 31.12.20	-161,926	-1,394,170
Carrying amount as at 31.12.20	85,328	377,143

5. Long-term payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 31.12.20	Total payables at 31.12.19
Payables to group enterprises	0	118,653,806	96,299,486
Other payables	0	0	1,301,617
Deferred income	0	985,468	0
Total	0	119,639,274	97,601,103

6. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

Research and development credits:
Through December 31, 2019, the Company applied for research and development (R&D) tax credit in Denmark. The Company received refunds pertaining to 2017 and 2018, but it s awaiting payment for the 2019 credits claimed. In 2020, the Company received a notice from the Danish Tax Authorities contesting the Company's eligibility for the tax incentive program. The Tax Authorities is also attempting to claw-back previous refunds totaling approximately DKK 4,9 mill and disclosed that they do not plan to issue any refunds for the 2019 credits.

The Company is vigorously defending its position that they meet the eligibility criteria required to receive these credits, however, due to the uncertainty related to the 2019 credits previously claimed, the company recorded a full reserve against the receivable previously recorded on the balance sheet in the amount of approximately DKK 5,3 mill at December 31, 2020. The Company has not recorded a payable for previously received refunds, as the management believe that it is not probable that these amounts will be clawed-back based on recent judgments in the Danish tax courts.

7. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B.

The accounting policies have been applied consistently with previous years.

Change in accounting policies

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

7. Accounting policies - continued -

INCOME STATEMENT

Gross profit

Gross profit comprises revenue and other external expenses.

Revenue

Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

7. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	3	0
Leasehold improvements	3	0
Other plant, fixtures and fittings, tools and equipment	3	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

7. Accounting policies - continued -

BALANCE SHEET

Intangible assets

Completed development projects

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation, amortisation and impairment losses' section.

7. Accounting policies - continued -

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

7. Accounting policies - continued -

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Costs capitalized related to new revenue contracts are amortized on a straight-line basis over three years, which, although longer than the typical initial contract period, reflects the average period of benefit, including expected contract renewals. In arriving at this average period of benefit, the Company evaluated both qualitative and quantitative factors which included the estimated life cycles of its offerings and its customer attrition. Additionally, the Company amortizes capitalized costs for renewals over one year.

The capitalized amounts are recoverable through future revenue streams under all non-cancelable customer contracts. The Company periodically evaluates whether there have been any changes in its business, the market conditions in which it operates or other events which would indicate that its amortization period should be changed or if there are potential indicators of impairment. Amortization of capitalized costs to obtain revenue contracts is included in costs of sales and sales and marketing expense in the accompanying consolidated statements of operations and comprehensive loss.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Current and deferred tax

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

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

7. Accounting policies - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.