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TwentyThree ApS
Sortedam Dossering 5D
2200 København N
Business Registration No
30070860

Annual report 2018

The Annual General Meeting adopted the annual report on 06.06.2019

Chairman of the General Meeting

Name: Amjad Khan

Contents

Entity details

Entity
TwentyThree ApS
Sortedam Dossering 5D
2200 København N

Central Business Registration No (CVR): 30070860
Registered in: København
Financial year: 01.01.2018 - 31.12.2018

Executive Board
Steffen Fagerström Christensen
Thomas Madsen-Mygdal

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
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Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of TwentyThree ApS for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 06.06.2019

Executive Board

Steffen Fagerström Christensen	Thomas Madsen-Mygdal

Independent auditor's report

To the shareholders of TwentyThree ApS
Opinion
We have audited the financial statements of TwentyThree ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Management's responsibilities 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 as 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 ISAs 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 ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 06.06.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne32127

Nikolaj Frausing Borch
State Authorised Public Accountant
Identification No (MNE) mne44062

Management commentary

Primary activities
The primary actvites of TwentyThree ApS is to develop and supply tools for visual communication.

Development in activities and finances
Loss for the year amounts to DKK 4.016.517, which was expected by management.

The Company has invested significantly in internationalization, technological development as well as organizational development during 2018. The Company expects to reap the benefits on these investments during 2019 and 2020.

The Company has received a growth loan of DKK 4 million in February 2019, which will enable the Company to continue operating throughout 2019 and to realize the budgets prepared by management for 2019.

The company has lost its share capital. Management expects to reestablish the share capital by future profits.

Subordinated loan capital of DKK 3 million is expected to be converted into equity during 2019.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Treasury shares
The Company owns nominally 6.250 treasury shares which corresponds to 5 % of the total share capital at 31 December 2018. The shares are held as a part of the Company's ongoing growth strategy.

Income statement for 2018

	Notes	2018 DKK	2017 DKK'000
Gross profit		**10.358.256**	**12.296**
Staff costs	1	(11.695.153)	(10.054)
Depreciation, amortisation and impairment losses	2	(3.569.702)	(2.957)
Operating profit/loss		**(4.906.599)**	**(715)**
Other financial income		0	1
Other financial expenses		(223.100)	(272)
Profit/loss before tax		**(5.129.699)**	**(986)**
Tax on profit/loss for the year	3	1.113.182	300
Profit/loss for the year		**(4.016.517)**	**(686)**
Proposed distribution of profit/loss			
Retained earnings		(4.016.517)	(686)
		(4.016.517)	**(686)**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Completed development projects		8.935.335	7.522
Intangible assets	4	**8.935.335**	**7.522**
Other fixtures and fittings, tools and equipment		659.418	1.132
Leasehold improvements		15.113	89
Property, plant and equipment	5	**674.531**	**1.221**
Investments in group enterprises		650	1
Deposits		50.627	51
Fixed asset investments	6	**51.277**	**52**
Fixed assets		**9.661.143**	**8.795**
Trade receivables		4.774.744	4.649
Receivables from group enterprises		2.036.563	2.037
Deferred tax		273.352	0
Other receivables		429.487	398
Prepayments		257.846	448
Receivables		**7.771.992**	**7.532**
Cash		**387.051**	**46**
Current assets		**8.159.043**	**7.578**
Assets		**17.820.186**	**16.373**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Contributed capital		125.000	125
Reserve for development expenditure		6.217.562	4.293
Retained earnings		(9.205.390)	(3.264)
Equity		**(2.862.828)**	**1.154**
Deferred tax		0	840
Provisions		**0**	**840**
Subordinate loan capital		3.000.000	0
Finance lease liabilities		0	38
Non-current liabilities other than provisions	7	**3.000.000**	**38**
Current portion of long-term liabilities other than provisions	7	54.700	87
Bank loans		5.225.265	4.537
Trade payables		1.600.336	1.374
Payables to group enterprises		182.256	39
Other payables		2.763.464	2.239
Deferred income	8	7.856.993	6.065
Current liabilities other than provisions		**17.683.014**	**14.341**
Liabilities other than provisions		**20.683.014**	**14.379**
Equity and liabilities		**17.820.186**	**16.373**
Unrecognised rental and lease commitments	9		
Contingent liabilities	10		
Assets charged and collateral	11		

Statement of changes in equity for 2018

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	4.292.872	(3.264.183)	1.153.689
Transfer to reserves	0	1.924.690	(1.924.690)	0
Profit/loss for the year	0	0	(4.016.517)	(4.016.517)
Equity end of year	**125.000**	**6.217.562**	**(9.205.390)**	**(2.862.828)**

Notes

	2018 DKK	2017 DKK'000
1. Staff costs		
Wages and salaries	10.652.961	9.280
Other social security costs	251.045	175
Other staff costs	791.147	599
	11.695.153	**10.054**
Average number of employees	**28**	**24**

	2018 DKK	2017 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.863.116	2.221
Depreciation of property, plant and equipment	706.586	736
	3.569.702	**2.957**

	2018 DKK	2017 DKK'000
3. Tax on profit/loss for the year		
Change in deferred tax	(1.113.182)	1.250
Refund in joint taxation arrangement	0	(1.550)
	(1.113.182)	**(300)**

	Completed develop-ment projects DKK
4. Intangible assets	
Cost beginning of year	14.313.493
Additions	4.275.884
Cost end of year	**18.589.377**
Amortisation and impairment losses beginning of year	(6.790.926)
Impairment losses for the year	(2.863.116)
Amortisation and impairment losses end of year	**(9.654.042)**
Carrying amount end of year	**8.935.335**

Notes

The Company's development projects relate to the Company's product, and as such is an integral part of the business strategy and management's future expectations.

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
5. Property, plant and equipment		
Cost beginning of year	3.213.295	354.473
Additions	191.775	0
Disposals	(82.474)	0
Cost end of year	**3.322.596**	**354.473**
Depreciation and impairment losses beginning of year	(2.080.822)	(264.614)
Impairment losses for the year	(631.840)	(74.746)
Reversal regarding disposals	49.484	0
Depreciation and impairment losses end of year	**(2.663.178)**	**(339.360)**
Carrying amount end of year	**659.418**	**15.113**
Recognised assets not owned by entity	**114.067**	**-**

	Investments in group enterprises DKK	Deposits DKK
6. Fixed asset investments		
Cost beginning of year	650	50.627
Cost end of year	**650**	**50.627**
Carrying amount end of year	**650**	**50.627**

Notes

	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
Investments in group enterprises comprise:					
TwentyThree Inc.	USA	Inc.	100,0	34.507	2.001

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK
7. Liabilities other than provisions			
Subordinate loan capital	0	0	3.000.000
Finance lease liabilities	54.700	87	0
	54.700	**87**	**3.000.000**

8. Deferred income

Deferred income consists of deferred revenue that will be recognised as revenue in the subsequent financial year.

Deferred income also consists of grants received in relation to development projects, which are recognised in the income statement over the relevant assets' depreciation period.

	2018 DKK	2017 DKK'000
9. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**1.054.074**	**1.808**

10. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Bootstrapping ApS serves as the administration company. According to the joint taxation provi-sions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Notes

11. Assets charged and collateral

The Company's bank has posted a payment guarantee on the amount of DKK 1.229.291 and DKK 148.574 wich relates to deposit for the Company's premises.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for report-ing class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, raw materials and consumables and external expenses.

Revenue

Revenue from the sale of services is recognised linearly over the contract period. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity’s primary activities.

Accounting policies

Costs of raw materials and consumables
Costs of raw materials and consumables comprise costs directly related to revenue.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

Accounting policies

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation..

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.