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BLUETOWN ApS
Per Henrik Lings Allé 4, 3
2100 København Ø
Central Business Registration
No 30075277

Annual report 2016/17

The Annual General Meeting adopted the annual report on 02.03.2018

Chairman of the General Meeting

Name: Regina M Andersen

Contents

Entity details

Entity
BLUETOWN ApS
Per Henrik Lings Allé 4, 3
2100 København Ø

Central Business Registration No: 30075277
Registered in: Copenhagen
Financial year: 01.10.2016 - 30.09.2017

Board of Directors
Egon Bruun, Chairman
Ali Abdul Mufuruki
Morten Balsby
Lars Bentsen Møller
Lars Kolind

Executive Board
Peter Ib
Brian Bisgaard Petersen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
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 BLUETOWN ApS for the financial year 01.10.2016 - 30.09.2017.

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 30.09.2017 and of the results of its operations and cash flows for the financial year 01.10.2016 - 30.09.2017.

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, 02.03.2018

Executive Board

Peter Ib

Brian Bisgaard Petersen

Board of Directors

Egon Bruun
Chairman

Ali Abdul Mufuruki

Morten Balsby

Lars Bentsen Møller

Lars Kolind

Independent auditor's report

To the shareholders of BLUETOWN ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of BLUETOWN ApS for the financial year 01.10.2016 - 30.09.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2016 - 30.09.2017 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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.

Material uncertainty related to going concern

We pay attention to the disclosures made in Note 1 in which Management accounts for the material uncertainty related to the Company's ability to continue its operations.

Considering the Company's present situation and future business plan, it is crucial that additional capital is contributed to the Company.

The Company has specific ongoing negotiations with present and new investors including an external foreign investor on contribution of a considerable amount of capital. A group of investors have undertaken in writing to participate in the agreement that comprises an equity investment of USD 10 million combined by a subsequent loan from the foreign investor.

Independent auditor's report

At the end of February 2018, the process is yet to be completed. When presenting the annual report, Management expects that the undertaking investor commitments and loan agreement are accomplished and therefore, the annual report is presented under the assumption of going concern.

The Company has short-term payables of a considerable amount and thus going concern is also under the assumption that agreements are made with short-term creditors and other lenders on payment arrangements or conversion of debt and that a considerable amount of additional capital is contributed in the short run for the day-to-day operations of the Company.

We do not modify our opinion on this matter.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group’s and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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

Independent auditor's report

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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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, 02.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification number (MNE) mne32127

Henrik Hartmann Olesen
State Authorised Public Accountant
Identification number (MNE) mne34143

Management commentary

	2016/17 DKK'000	2015/16 DKK'000
Key figures		
Gross loss	(12.371)	(20.499)
Operating profit/loss	(42.892)	(49.222)
Net financials	(3.070)	(849)
Profit/loss for the year	(43.965)	(49.077)
Total assets	10.524	5.133
Investments in property, plant and equipment	256	1.941
Equity incl minority interests	(46.723)	(56.679)
Cash flows from (used in) operating activities	(36.651)	(38.598)
Cash flows from (used in) investing activities	(498)	(2.083)
Cash flows from (used in) financing activities	37.730	40.788

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Management commentary

Primary activities

The Company's primary activities comprise offering communication and internet solutions. The Company has developed an end-to-end communication platform which provides internet based services specifically designed for the needs and conditions in rural and sub-urban areas of the world.

Development in activities and finances

The Bluetown Group incurred a loss in 2016/17 of DKK 43,0 million. The loss was slightly smaller than the Management's expectations for the year. Equity is negative with DKK 46,7 million.

Since 2014, the Company has field tested and continuously improved the developed technology and has launched projects in countries around the globe. In 2015/16, the first commercial launches took place for commercial optimization of the system. In 2016/17 further development of own technology has taken place together with continued commercialization.

During 2015-17 the Company deepened its presence around the globe with subsidiaries in Mauritius, India, Tanzania and Ghana. It is expected that the subsidiaries will act as local hubs for the Company's activities in the individual regions.

The Company expects to increase its revenue significantly in 2017/2018, based on contracts with large scale customers. The increase in activities will also significantly increase the need for external financing.

The Company has specific ongoing negotiations with present and new investors including an external foreign investor on contribution of a considerable amount of capital. A group of investors have undertaken in writing to participate in the agreement that comprises an equity investment of USD 10 million combined by a subsequent loan from the foreign investor. At the end of February 2018, the process is yet to be completed. When presenting the annual report, Management expects that the undertaking and loan agreement are accomplished.

For the Company to be able to meet its obligations and implement its plans, an injection of USD 10-23 million is required. The Capital is to be injected from either current shareholders and investors or from a significant external investor. The capital is to be applied to pay present liabilities and due short-term payables to lenders and creditors falling due within few months. On the longer term, the financing should be used to execute on contracts entered into in several countries on roll-out of the Company's products.

On this basis, Management has concluded that it is appropriate to prepare the annual report based on going concern.

Based on an increased activity level, the Management expects an increased deficit in 2017/18.

Management commentary

Uncertainty relating to recognition and measurement

The Company has unrecognized assets in terms of software and solutions developed. In 2016/17, the Company expensed all development costs. No development costs were disclosed as assets in the balance sheet. The Company expects software and product solutions to contribute significantly to future profits.

Events after the balance sheet date

The board of directors is authorised to issue additional shares by cash subscription or by conversion of debt. By February 2018, approx. DKK 6-8 million has been completed.

In December 2017 an agreement between Jharkhand State Government and BSNL was signed regarding upgrading of existing 2G mobile towers in rural and remote areas of eastern India state of Jharkhand. The agreement has a minimum duration of three years with the possibility of extension. BLUETOWN revenue share of this will be around USD 5-10 million for three years.

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

Consolidated income statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Gross loss		**(12.371.330)**	**(20.498.742)**
Staff costs	1	(30.034.462)	(28.537.513)
Depreciation, amortisation and impairment losses	2	(485.883)	(185.362)
Operating profit/loss		**(42.891.675)**	**(49.221.617)**
Other financial income	3	207.350	435.380
Other financial expenses	4	(3.277.688)	(1.284.198)
Profit/loss before tax		**(45.962.013)**	**(50.070.435)**
Tax on profit/loss for the year	5	1.996.616	993.384
Profit/loss for the year		**(43.965.397)**	**(49.077.051)**
Proposed distribution of profit/loss			
Retained earnings		(43.087.521)	(48.424.495)
Minority interests' share of profit/loss		(877.876)	(652.556)
		(43.965.397)	**(49.077.051)**

Consolidated balance sheet at 30.09.2017

	Notes	2016/17 DKK	2015/16 DKK
Acquired licences		78.668	0
Acquired rights		74.996	87.500
Intangible assets	6	**153.664**	**87.500**
Plant and machinery		1.022.740	1.035.731
Other fixtures and fittings, tools and equipment		384.536	665.626
Property, plant and equipment in progress		240.082	389.576
Property, plant and equipment	7	**1.647.358**	**2.090.933**
Receivables from associates		0	147.981
Deposits		1.024.952	900.084
Fixed asset investments		**1.024.952**	**1.048.065**
Fixed assets		**2.825.974**	**3.226.498**
Raw materials and consumables		2.087.152	182.402
Inventories		**2.087.152**	**182.402**
Trade receivables		232.492	215.925
Other receivables		445.179	416.218
Income tax receivable		211.714	0
Contributed capital in arrears		2.854.451	0
Prepayments		1.087.972	894.111
Receivables		**4.831.808**	**1.526.254**
Cash		**779.236**	**198.283**
Current assets		**7.698.196**	**1.906.939**
Assets		**10.524.170**	**5.133.437**

Consolidated balance sheet at 30.09.2017

	Notes	2016/17 DKK	2015/16 DKK
Contributed capital		257.830	193.482
Share premium		74.852.444	22.285.184
Retained earnings		(122.908.682)	(78.960.167)
Equity attributable to the Parent's owners		**(47.798.408)**	**(56.481.501)**
Share of equity attributable to minority interests		**1.075.587**	**(197.711)**
Equity		**(46.722.821)**	**(56.679.212)**
Deferred income	8	641.571	1.059.258
Non-current liabilities other than provisions		**641.571**	**1.059.258**
Payables to other credit institutions	9	19.150.683	5.788.689
Convertible and dividend-yielding debt instruments	10	0	38.521.570
Prepayments received from customers		5.894.114	1.609.816
Trade payables		6.085.817	5.882.783
Payables to group enterprises		0	1.565.057
Payables to associates		0	340.559
Payables to shareholders and management	11	10.258.018	0
Other payables		14.916.209	6.654.613
Deferred income		300.579	390.304
Current liabilities other than provisions		**56.605.420**	**60.753.391**
Liabilities other than provisions		**57.246.991**	**61.812.649**
Equity and liabilities		**10.524.170**	**5.133.437**
Unrecognised rental and lease commitments	13		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Share of equity attributable to minority interests DKK
Equity beginning of year	193.483	22.285.184	(78.960.165)	197.711
Increase of capital	64.347	52.567.260	0	0
Other equity postings	0	0	16.880	0
Profit/loss for the year	0	0	(43.965.397)	877.876
Equity end of year	**257.830**	**74.852.444**	**(122.908.682)**	**1.075.587**

	Total DKK
Equity beginning of year	(56.283.787)
Increase of capital	52.631.607
Other equity postings	16.880
Profit/loss for the year	(43.087.521)
Equity end of year	**(46.722.821)**

Consolidated cash flow statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Operating profit/loss		(42.891.675)	(49.221.617)
Amortisation, depreciation and impairment losses		485.883	185.362
Working capital changes	12	5.621.263	10.240.385
Other adjustments		0	53.048
Cash flow from ordinary operating activities		**(36.784.529)**	**(38.742.822)**
Financial income received		207.348	435.380
Financial income paid		(2.070.488)	(1.284.198)
Income taxes refunded/(paid)		1.996.616	993.384
Cash flows from operating activities		**(36.651.053)**	**(38.598.256)**
Acquisition etc of intangible assets		(117.202)	0
Acquisition etc of property, plant and equipment		(255.973)	(1.940.621)
Acquisition of fixed asset investments		(124.868)	(443.298)
Other cash flows from investing activities		0	301.381
Cash flows from investing activities		**(498.043)**	**(2.082.538)**
Loans raised		13.361.994	5.032.610
Cash increase of capital		14.110.037	0
Loans from owners		10.258.018	0
Other cash flows from financing activities		0	35.755.838
Cash flows from financing activities		**37.730.049**	**40.788.448**
Increase/decrease in cash and cash equivalents		**580.953**	**107.654**
Cash and cash equivalents beginning of year		198.283	90.629
Cash and cash equivalents end of year		**779.236**	**198.283**

Notes to consolidated financial statements

	2016/17 DKK	2015/16 DKK
1. Staff costs		
Wages and salaries	29.298.121	27.990.464
Pension costs	171.239	134.848
Other social security costs	565.102	412.201
	30.034.462	**28.537.513**
Average number of employees	**58**	**41**

	Remuneration of management 2016/17 DKK	Remuneration of management 2015/16 DKK
Executive Board	3.241.934	3.259.775
Board of Directors	360.000	0
	3.601.934	**3.259.775**

	2016/17 DKK	2015/16 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	53.392	12.500
Depreciation of property, plant and equipment	432.491	172.862
	485.883	**185.362**

	2016/17 DKK	2015/16 DKK
3. Other financial income		
Exchange rate adjustments	207.350	435.380
	207.350	**435.380**

	2016/17 DKK	2015/16 DKK
4. Other financial expenses		
Interest expenses	1.608.724	727.738
Exchange rate adjustments	1.668.964	556.460
	3.277.688	**1.284.198**

Notes to consolidated financial statements

	2016/17 DKK	2015/16 DKK
5. Tax on profit/loss for the year		
Adjustment concerning previous years	(1.996.616)	(993.384)
	(1.996.616)	**(993.384)**

	Acquired licences DKK	Acquired rights DKK
6. Intangible assets		
Cost beginning of year	0	125.000
Additions	117.202	0
Cost end of year	**117.202**	**125.000**
Amortisation and impairment losses beginning of year	0	(37.500)
Exchange rate adjustments	2.354	0
Amortisation for the year	(40.888)	(12.504)
Amortisation and impairment losses end of year	**(38.534)**	**(50.004)**
Carrying amount end of year	**78.668**	**74.996**

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
7. Property, plant and equipment			
Cost beginning of year	1.036.275	844.820	389.576
Exchange rate adjustments	(78.308)	(13.117)	(20.356)
Transfers	243.844	0	(243.844)
Additions	111.871	20.444	123.658
Disposals	0	(109.154)	(8.952)
Cost end of year	**1.313.682**	**742.993**	**240.082**
Depreciation and impairment losses beginning of the year	(544)	(179.194)	0
Exchange rate adjustments	(40.544)	3.374	0
Depreciation for the year	(249.854)	(182.637)	0
Depreciation and impairment losses end of the year	**(290.942)**	**(358.457)**	**0**
Carrying amount end of year	**1.022.740**	**384.536**	**240.082**

Notes to consolidated financial statements

8. Long-term deferred income

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

9. Payables to other credit institutions

The loans are granted by investors subject to future completion of equity investment in the Company. The debt accrues interest. The date for repayment is not set but shall be repaid if the Company completes new funding in 2018.

10. Convertible, profit-yielding or dividend-yielding short-term debt instruments

The loans are from investors in connection with and subject to completion of equity investments made by the investors. The loans will be converted into equity according to the shareholder agreements. In 2016/17, debt conversions an cash infusions of 52.6 million DKK was completed in the parent BLUETOWN ApS.

11. Payables to shareholders and management

The loan are from the main shareholder Axo Holding ApS.

	2016/17 DKK	2015/16 DKK
12. Change in working capital		
Increase/decrease in inventories	(1.904.750)	(182.402)
Increase/decrease in receivables	(2.509.889)	(560.645)
Increase/decrease in trade payables etc	203.034	1.327.556
Other changes	9.832.868	9.655.876
	5.621.263	**10.240.385**

	2016/17 DKK	2015/16 DKK
13. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**117.851**	**153.857**

Parent income statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Gross loss		**(6.261.660)**	**(14.426.423)**
Staff costs	2	(25.936.613)	(25.812.682)
Depreciation, amortisation and impairment losses	3	(168.386)	(157.065)
Operating profit/loss		**(32.366.659)**	**(40.396.170)**
Income from investments in group enterprises		(10.740.398)	(8.345.893)
Other financial income	4	463.658	479.972
Other financial expenses	5	(2.440.738)	(1.155.788)
Profit/loss before tax		**(45.084.137)**	**(49.417.879)**
Tax on profit/loss for the year	6	1.996.616	993.384
Profit/loss for the year		**(43.087.521)**	**(48.424.495)**
Proposed distribution of profit/loss			
Retained earnings		(43.087.521)	(48.424.495)
		(43.087.521)	**(48.424.495)**

Parent balance sheet at 30.09.2017

	Notes	2016/17 DKK	2015/16 DKK
Acquired rights		74.996	87.500
Intangible assets	7	**74.996**	**87.500**
Other fixtures and fittings, tools and equipment		316.191	472.073
Property, plant and equipment	8	**316.191**	**472.073**
Investments in group enterprises		0	0
Deposits		917.476	900.084
Fixed asset investments	9	**917.476**	**900.084**
Fixed assets		**1.308.663**	**1.459.657**
Raw materials and consumables		1.594.554	153.244
Inventories		**1.594.554**	**153.244**
Trade receivables		155.811	215.925
Other receivables		148.934	255.734
Income tax receivable		211.714	0
Contributed capital in arrears		2.270.500	0
Prepayments		1.128.419	807.778
Receivables		**3.915.378**	**1.279.437**
Cash		**421.797**	**60.346**
Current assets		**5.931.729**	**1.493.027**
Assets		**7.240.392**	**2.952.684**

Parent balance sheet at 30.09.2017

	Notes	2016/17 DKK	2015/16 DKK
Contributed capital	10	257.829	193.482
Share premium		74.852.444	22.285.184
Retained earnings		(121.833.094)	(78.960.168)
Equity		**(46.722.821)**	**(56.481.502)**
Provisions for investments in group enterprises	11	2.037.278	786.734
Provisions		**2.037.278**	**786.734**
Payables to other credit institutions	12	19.150.683	6.161.859
Convertible and dividend-yielding debt instruments	13	0	38.521.570
Prepayments received from customers		5.408.569	1.609.816
Trade payables		4.265.544	4.890.914
Payables to group enterprises		152.394	1.611.438
Payables to shareholders and management	14	10.258.018	222.389
Other payables		12.690.727	5.580.832
Deferred income		0	48.634
Current liabilities other than provisions		**51.925.935**	**58.647.452**
Liabilities other than provisions		**51.925.935**	**58.647.452**
Equity and liabilities		**7.240.392**	**2.952.684**
Going concern	1		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	193.482	22.285.184	(78.960.166)	(56.481.500)
Increase of capital	64.347	52.567.260	0	52.631.607
Exchange rate adjustments	0	0	(774.252)	(774.252)
Other equity postings	0	0	988.845	988.845
Profit/loss for the year	0	0	(43.087.521)	(43.087.521)
Equity end of year	**257.829**	**74.852.444**	**(121.833.094)**	**(46.722.821)**

Notes to parent financial statements

1. Going concern

The Company has completed several projects with large scale partners in India and Africa and the Management expects increased global activities and increasing commercial business results in 2017/18. The Company's future dependents on whether the Company is able to raise the capital necessary for the increase in activities which will significantly increase the need for external financing.

Considering the Company's present situation and future business plan, it is crucial that additional capital is contributed to the Company.

The Company has specific ongoing negotiations with present and new investors including an external foreign investor on contribution of a considerable amount of capital. A group of investors have undertaken in writing to participate in the agreement that comprises an equity investment of USD 10 million combined by a subsequent loan from the foreign investor. At the end of February 2018, the process is yet to be completed. When presenting the annual report, Management expects that the undertaking and loan agreement are accomplished and therefore, the annual report is presented under the assumption of going concern.

For the Company to be able to meet its obligations and implement its plans, an injection of USD 10-23 million is required. The Capital is to be injected from either current shareholders and investors or from a significant external investor. The capital is to be applied to pay present liabilities and due short-term payables to lenders and creditors falling due within few months. On the longer term, the financing should be used to execute on contracts entered into in several countries on roll-out of the Company's products.

Are the stated assumptions not met or only party met and is additional capital not contributed to the Company in other ways in the short run, there is material uncertainty attached to the going concern of the Company and the Company may not be able to fulfil its obligations as they fall due.

On this basis, assuming that funding and loans of significance would be obtained, Management has concluded that it is appropriate to prepare the annual report based on going concern.

	2016/17 DKK	2015/16 DKK
2. Staff costs		
Wages and salaries	25.671.328	25.700.475
Other social security costs	265.285	112.207
	25.936.613	**25.812.682**
Average number of employees	**36**	**33**

Notes to parent financial statements

	Remuneration of management 2016/17 DKK	Remuneration of management 2015/16 DKK
Executive Board	3.241.934	3.259.775
Board of Directors	360.000	0
	3.601.934	**3.259.775**

Special incentive programmes

The parent BLUETOWN ApS has in July 2016 established a share-based programme for management and employees.

	2016/17 DKK	2015/16 DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	12.504	12.500
Depreciation of property, plant and equipment	155.882	144.565
	168.386	**157.065**

	2016/17 DKK	2015/16 DKK
4. Other financial income		
Financial income arising from group enterprises	257.222	44.592
Exchange rate adjustments	206.436	435.380
	463.658	**479.972**

	2016/17 DKK	2015/16 DKK
5. Other financial expenses		
Interest expenses	1.528.380	639.821
Exchange rate adjustments	912.358	515.967
	2.440.738	**1.155.788**

	2016/17 DKK	2015/16 DKK
6. Tax on profit/loss for the year		
Adjustment concerning previous years	(1.996.616)	(993.384)
	(1.996.616)	**(993.384)**

Notes to parent financial statements

Tax income comprises tax credit income received in accordance with Danish Tax Assessment Act (Ligningsloven) section 8 X for the income year 2015. Tax credit for the income year 2016 and 2017 will be recognised when received.

	Acquired rights DKK
7. Intangible assets	
Cost beginning of year	125.000
Cost end of year	**125.000**
Amortisation and impairment losses beginning of year	(37.500)
Amortisation for the year	(12.504)
Amortisation and impairment losses end of year	**(50.004)**
Carrying amount end of year	**74.996**

	Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment	
Cost beginning of year	623.514
Cost end of year	**623.514**
Depreciation and impairment losses beginning of the year	(151.441)
Depreciation for the year	(155.882)
Depreciation and impairment losses end of the year	**(307.323)**
Carrying amount end of year	**316.191**

Notes to parent financial statements

	Investments in group enterprises DKK	Deposits DKK
9. Fixed asset investments		
Cost beginning of year	6.640	900.085
Additions	0	17.391
Cost end of year	**6.640**	**917.476**
Impairment losses beginning of year	(6.640)	0
Exchange rate adjustments	(774.252)	0
Adjustments on equity	988.845	0
Share of profit/loss for the year	(10.740.398)	0
Investments with negative equity depreciated over receivables	9.275.261	0
Investments with negative equity transferred to provisions	1.250.544	0
Impairment losses end of year	**(6.640)**	**0**
Carrying amount end of year	**0**	**917.476**

BLUETOWN (Mauritius) Ltd, 100%
BLUETOWN India Pvt. Ltd, 99,9%
BLUETOWN Tanzania Ltd, 90%
BLUETOWN Ghana Ltd, 80%

	Number	Par value DKK	Nominal value DKK
10. Contributed capital			
Shares	257.829	1	257.829
	257.829		**257.829**

11. Provisions for investments in group enterprises
Group enterprises with negative equity are measured at DKK 0. The negative equity value exceeds the amount receivable, why the remaining amount is recognised under provisions, as the Parent Bluetown ApS has a constructive obligation to cover the liabilities of the subsidiaries.

12. Payables to other credit institutions
The loans are granted by investors subject to future completion of equity investment in the Company. The debt accrues interest. The date for repayment is not set in all loans but shall be repaid if the Company completes new funding in 2018.

Notes to parent financial statements

13. Convertible, profit-yielding or dividend-yielding short-term debt instruments

The loans are from investors in connection with and subject to completion of equity investments made by the investors. The loans will be converted into equity according to the shareholder agreements. In 2016/17, debt conversions and cash infusions of 52.6 million DKK was completed in the parent BLUETOWN ApS.

14. Payables to shareholders and management

The loan are from the ultimate owner Axo Holding ApS.

	2016/17 DKK	2015/16 DKK
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**117.851**	**153.857**

16. Contingent liabilities

The Company has participated in a Danish joint taxation arrangement in 2016/17. As of 19 May 2017 the Company is not included in a joint taxation. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013/14 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The company has a suspensive obligation towards founders of DKK 4,760 thousand if certain milestones are met.

17. Related parties with controlling interest

BTH ApS holds 47,82% of the voting share capital in Bluetown ApS as of 30 September 2017.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C (Medium) enterprises.

In 2015/16 the company prepared consolidated financial statements for the first time. The accounting policies applied to these financial statements are consistent with those applied last year. There has been made few changes in classification of the accounts and the comparative figures.

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses

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 one 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, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue
Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. 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, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales
Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

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 write-downs 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.

Accounting policies

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing 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, 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, 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.

The Entity is jointly taxed with Danish parent companies. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Intellectual property rights etc
Intellectual property rights and acquired licenses etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights, licenses for aquired software and prepayments for intangible assets.

Intellectual property rights acquired and aquired licenses are measured at cost less accumulated amortisation.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Plant and machinery, 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.

Accounting policies

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:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years

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 recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

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

Contributed capital in arrears
Contributed capital in arrears consists of capital subscribed, but not paid up, which is recognised under the gross method. The amount receivable is measured at amortised cost.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

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.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.