



Bluetown A/S

Øster Allé 48, 5.
2100 København Ø
CVR No. 30075277

Annual report 01.10.2020 - 30.09.2021

The Annual General Meeting adopted the
annual report on 12.05.2022

Regina M Andersen

Chairman of the General Meeting

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Entity details

Entity

Bluetown A/S

Øster Allé 48, 5.

2100 København Ø

Business Registration No.: 30075277

Registered office: København

Financial year: 01.10.2020 - 30.09.2021

Board of Directors

Egon Bruun, Chairman

Claus Ewers, Board member

Lars Bentsen Møller, Board member

Executive Board

Peter Ib, CEO

Carsten Brønd, COO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

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 A/S for the financial year 01.10.2020 - 30.09.2021.

The annual report is presented 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 30.09.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2020 - 30.09.2021.

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, 12.05.2022

Executive Board

Peter Ib
CEO

Carsten Brønd
COO

Board of Directors

Egon Bruun
Chairman

Claus Ewers
Board member

Lars Bentsen Møller
Board member

Independent auditor's report

To the shareholders of Bluetown A/S

Report on the audit of the consolidated financial statements and the parent financial statements

Adverse opinion

We have audited the consolidated financial statements and the parent financial statements of Bluetown A/S for the financial year 01.10.2020 - 30.09.2021, 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, due to the significance of the matter specified in the "Basis for adverse opinion" section, the consolidated financial statements and the parent financial statements do not give a true and fair view of the Group's and the Parent's financial position at 30.09.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2020 - 30.09.2021 in accordance with the Danish Financial Statements Act.

Basis for adverse opinion

The consolidated financial statements and the parent financial statements have been presented under the assumption of going concern. As stated in Note 1, it is an assumption for the continuous operations of the Company that a considerable amount of new capital is injected or that the credit facilities of the Company increases concurrently with the borrowing requirements. Management has negotiated with various lenders and new investors. At present, such negotiations have not resulted in contribution of sufficient liquidity to the Company and at present we do not agree that the cash budgets and guarantees prepared by Management are robust enough to secure the Company's future liquidity. The Company has not been able to make probable that the capital/liquidity required, in relation to the cash needs of the Company, can be obtained and consequently, we do not agree with Management's choice as to present the consolidated financial statements and the parent financial statements under the assumption of going concern. We therefore give an adverse opinion as to the presentation of the consolidated financial statements and the parent financial statements under the assumption of going concern.

In our view, development projects recognised at DKK 4.9 million in the balance sheet of the Group and the Parent are measured by an amount which is DKK 4.9 million too high due to lacking write-down of the projects caused by lacking documentation for future earnings. Equity and profit for the year are thus overvalued by DKK 4.9 million. Refer to note 3 in Parent.

In our view, property, plant and equipment recognised in the balance sheet by DKK 13.9 million are measured by an amount which is DKK 4.6 million too high due to lacking write-down of the assets in Bluetown India. Equity and profit for the year are thus overvalued by DKK 4.6 million. Refer to note 3 in Group.

In our view, other receivables recognised in the balance sheet by DKK 7.8 million are measured by an amount which is DKK 7.3 million too high due to lacking write-down of the receivable in Bluetown India. Equity and profit for the year are thus overvalued by DKK 7.3 million. Refer to note 3 in Group.

In our view, trade receivables recognised in the balance sheet by DKK 3.5 million are measured by an amount

which is DKK 3.5 million too high due to lacking payments from receivables in Bluetown India. Equity and profit for the year are thus overvalued by DKK 3.5 million. Refer to note 3 in Group.

In our view, receivables from group entities recognised in the balance sheet of the Parent by DKK 16.3 million and DKK 3.7 million are measured by an amount which is DKK 20 million too high due to lacking write-down. Equity and profit for the year are thus overvalued by DKK 20 million as regards this matter. Refer to note 3 in Parent.

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

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 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 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.

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

As is evident from the "Basis for modified opinion"/"Basis for adverse opinion" section, we have modified our opinion on the financial statements because we do not agree with Management on presenting the consolidated financial statements and the parent financial statements under the assumption of going concern concurrently with the Group's development projects, plant and machinery and receivables not being written down and as development projects, investments in group entities and receivables at group entities in the balance sheet of the Parent are measured at amounts which are too high due to lacking write-downs.

We have concluded that, for this reason, the management commentary is materially misstated as, in our opinion, the management commentary should have reflected this circumstance.

Report on other legal and regulatory requirements

Violation of accounting legislation, including the Danish Bookkeeping Act

Pursuant to section 138 of the Danish Financial Statements Act, the Company has not presented the consolidated financial statements and the parent financial statements for the period 1 October 2020 to 30 September 2021 on a timely basis for which reason Management may be held liable.

Copenhagen, 12.05.2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Bjørn Winkler Jakobsen

State Authorised Public Accountant

Identification No (MNE) mne32127

Henrik Hartmann Olesen

State Authorised Public Accountant

Identification No (MNE) mne34143

Management commentary

Financial highlights

	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000
Key figures					
Revenue	14,556	16,779	13,774	9,337	1,544
Gross profit/loss	(16,182)	(5,346)	(13,847)	(14,685)	(12,371)
Operating profit/loss	(45,536)	(38,126)	(49,415)	(46,416)	(42,892)
Net financials	(5,570)	(8,844)	(5,768)	(2,309)	(3,070)
Profit/loss for the year	(47,760)	(42,405)	(53,727)	(46,015)	(43,965)
Profit for the year excl. minority interests	(44,292)	(40,256)	(52,773)	(45,236)	(43,088)
Balance sheet total	45,704	47,036	41,354	25,670	10,524
Investments in property, plant and equipment	6,391	2,481	4,295	11,499	256
Equity	(22,485)	9,456	16,325	(37,855)	(46,723)
Equity excl. minority interests	(14,520)	13,970	19,186	(35,948)	(47,798)
Cash flows from operating activities	(33,656)	(49,287)	(56,307)	(52,757)	N/A
Cash flows from investing activities	(8,912)	(4,565)	(8,920)	(11,399)	N/A
Cash flows from financing activities	38,631	52,479	75,258	48,642	N/A
Ratios					
Gross margin (%)	(111.17)	(31.86)	(100.53)	(157.28)	(801.23)
Net margin (%)	(328.11)	(252.73)	(390.06)	(492.82)	(2,847.47)
Equity ratio (%)	(31.77)	29.70	46.39	(140.04)	(454.18)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Equity ratio (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

The Company's primary activities comprise offering communication and internet solutions in developing countries. The Company has developed an end-to-end communication platform which provides internet connectivity and services specifically designed for the needs and conditions in rural and sub-urban areas of the world. The company has subsidiaries in Ghana, India and US, and is working in close collaboration with large tech companies and NGO's to fulfill the mission of connecting the unconnected.

Development in activities and finances

Financial statements highlight:

- Revenue declined from DKK 16.8 million to DKK 14.5 million.
- Operating loss was increased from DKK 38 million to DKK 45 million.
- Negative equity of DKK 22 million including minority interests
- Long-term, subordinate loans with Vaekstfonden in the total amount of DKK 12 million (the "COVID-19 loans").
- Short-term debt of DKK 40.9 million
- Capital injection of DKK 15.9 million
- A total staff of 130, including 25 in Copenhagen.

Capital requirement and going concern

BLUETOWN ApS's board of directors has assessed the company's cash position and situation in general until the end of the financial year on 30 September 2022.

It is the board of directors' and management board's assessment that the 2020/21 annual report is presented as a going concern.

The assessment is based on 3 main points:

1. Almost all shorter-term debt (app. DKK 50 million) has been converted to shares at an EGM 12.05.2022.
2. Post COVID, there is a positive development in the markets, with a high demand for BLUETOWN services and connectivity in general. This is expected to increase the likelihood for attracting project financing. Several tracks are being pursued on this, with expected closure of the first financing round in June '22.
3. The combination of above points is expected to attract the needed operational financing.

Considering the Company's present financial situation in the beginning of May 2022 and current business plan, it is crucial that additional capital is contributed to the Company, both in the short and the long term, as the cash position is limited, as disclosed in Note 1 in the Group- and Parent financial Statements. During the last years, the Company has raised capital from both small and large investors on an ongoing basis to finance the Company's day-to-day operations.

Until the end of this financial year, the company needs to raise additional capital in the amount of DKK 25-35 million in order to cover its cash needs. The company is of the opinion, based on the recent progress in its businesses and the historic ability to raise equity, that it is feasible to attract such significant, however necessary, capital from diverse sources, to fund the company's development activities, until profitability of the business is achieved.

Profit/loss for the year in relation to expected developments

The activity level and market expansion efforts in FY 2020/2021 has been highly impacted by the global COVID-19

pandemic. BLUETOWNs main markets in Ghana and India has seen a range of lockdowns that has reduced or slowed business uptake, delayed new project contracts and delayed payment of outstanding project contract invoices.

This difficult period is reflected in the financial numbers for the period, that is seen as unsatisfying by the company management.

Uncertainty relating to recognition and measurement

The Company has unrecognized assets in terms of software and solutions developed. In 2017/18 and prior years, 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. In 2019, 2020 and 2021 the Company has recognized the value of specific development projects.

Also material uncertainty relates to fixed assets and receivables in the consolidated financial statements as disclosed in note 3 (Group) and recoverability of receivables from group enterprises in the parent financial statements as described in note 3 (Parent).

Outlook

The 2021/22 business outlook is positive. In addition to the growth in the markets in Ghana and India, an important tender procedure for a major project in Bangladesh financed by Denmark, conditioned on BLUETOWN participation, is expected to be announced. The FY 2022 revenue will be impacted by the COVID-19 lockdowns, especially on the Indian market. The markets are growing again, but it will take some time into FY22 to get the revenue back on track. During 2020, BLUETOWN set out the strategy to achieve cash flow break even in 2023. The plan is now adjusted based on the results in 2021 and focused on select key milestones for the period until 2023.

Events after the balance sheet date

The Board of the company has received authority to convert debt of a total of approximately DKK 50 million to shares on an EGM held on 22.04.22. The conversion of debt covers DKK 23.6 million presented as short term debt as per 30.09.2021 and debt obtained after the balance sheet date. The debt conversion has been completed as of 12.05.2022.

Since the balance date, no events has occurred that changes the assessment of the annual report.

Consolidated income statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Revenue		14,555,548	16,778,955
Other operating income		0	117,880
Cost of sales		(6,496,176)	(3,805,278)
Other external expenses		(24,241,040)	(18,437,398)
Gross profit/loss		(16,181,668)	(5,345,841)
Staff costs	4	(23,869,194)	(27,275,874)
Depreciation, amortisation and impairment losses	5	(5,485,264)	(5,504,759)
Operating profit/loss		(45,536,126)	(38,126,474)
Other financial income	6	881,592	12,908
Other financial expenses	7	(6,451,474)	(8,856,429)
Profit/loss before tax		(51,106,008)	(46,969,995)
Tax on profit/loss for the year	8	3,346,081	4,564,732
Profit/loss for the year	9	(47,759,927)	(42,405,263)

Consolidated balance sheet at 30.09.2021

Assets

	Notes	2020/21 DKK	2019/20 DKK
Completed development projects	11	4,891,184	2,223,675
Acquired rights		34,510	54,782
Development projects in progress	11	0	150,418
Intangible assets	10	4,925,694	2,428,875
Plant and machinery		12,102,387	10,427,429
Other fixtures and fittings, tools and equipment		331,312	256,459
Property, plant and equipment in progress		1,526,461	1,414,857
Property, plant and equipment	12	13,960,160	12,098,745
Deposits		382,828	1,616,424
Financial assets		382,828	1,616,424
Fixed assets		19,268,682	16,144,044
Raw materials and consumables		4,561,023	2,192,960
Prepayments for goods		168,536	2,442,890
Inventories		4,729,559	4,635,850
Trade receivables		3,855,614	8,537,347
Other receivables	13	9,441,895	7,794,904
Tax receivable		3,147,335	335,672
Prepayments	14	496,125	885,697
Receivables		16,940,969	17,553,620
Cash		4,765,285	8,702,303
Current assets		26,435,813	30,891,773
Assets		45,704,495	47,035,817

Equity and liabilities

	Notes	2020/21 DKK	2019/20 DKK
Contributed capital	15	1,193,738	1,019,578
Share premium		283,484,295	267,759,217
Retained earnings		(299,197,716)	(254,809,270)
Equity belonging to Parent's shareholders		(14,519,683)	13,969,525
Equity belonging to minority interests		(7,965,101)	(4,513,299)
Equity		(22,484,784)	9,456,226
Debt to other credit institutions	16	13,950,798	12,083,810
Prepayments received from customers	17	13,307,193	13,271,028
Non-current liabilities other than provisions	18	27,257,991	25,354,838
Bank loans		278	3,655
Payables to other credit institutions	16	23,402,602	0
Convertible and profit-sharing debt instruments	19	199,920	2,733,347
Deposits		0	208,470
Prepayments received from customers		440,503	442,822
Trade payables		6,126,648	2,580,820
Other payables		10,761,337	6,255,639
Current liabilities other than provisions		40,931,288	12,224,753
Liabilities other than provisions		68,189,279	37,579,591
Equity and liabilities		45,704,495	47,035,817
Going concern	1		
Events after the balance sheet date	2		
Uncertainty relating to recognition and measurement	3		
Unrecognised rental and lease commitments	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2020/21

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK
Equity beginning of year	1,019,578	267,759,217	(254,809,270)	13,969,525	(4,513,299)
Increase of capital	174,160	15,725,078	0	15,899,238	0
Exchange rate adjustments	0	0	(96,167)	(96,167)	15,846
Profit/loss for the year	0	0	(44,292,279)	(44,292,279)	(3,467,648)
Equity end of year	1,193,738	283,484,295	(299,197,716)	(14,519,683)	(7,965,101)
					Total DKK
Equity beginning of year					9,456,226
Increase of capital					15,899,238
Exchange rate adjustments					(80,321)
Profit/loss for the year					(47,759,927)
Equity end of year					(22,484,784)

Consolidated cash flow statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Operating profit/loss		(45,536,126)	(38,126,474)
Amortisation, depreciation and impairment losses		5,485,264	5,504,759
Working capital changes	20	11,209,828	(10,803,871)
Cash flow from ordinary operating activities		(28,841,034)	(43,425,586)
Financial income received		881,592	12,908
Financial expenses paid		(7,642,300)	(10,439,295)
Taxes refunded/(paid)		1,945,265	4,564,732
Cash flows from operating activities		(33,656,477)	(49,287,241)
Acquisition etc. of intangible assets		(3,754,496)	(1,672,318)
Acquisition etc. of property, plant and equipment		(6,391,109)	(2,480,654)
Deposits		1,233,596	(411,737)
Cash flows from investing activities		(8,912,009)	(4,564,709)
Free cash flows generated from operations and investments before financing		(42,568,486)	(53,851,950)
Loans raised		25,269,590	8,570,441
Repayments of loans etc.		(3,933)	(43,903)
Cash capital increase		15,899,238	27,719,880
Debt conversions		0	13,498,746
Raised convertible loans		0	2,733,347
Other cash flows from financing activities		(2,533,427)	0
Cash flows from financing activities		38,631,468	52,478,511
Increase/decrease in cash and cash equivalents		(3,937,018)	(1,373,439)
Cash and cash equivalents beginning of year		8,702,303	10,075,742
Cash and cash equivalents end of year		4,765,285	8,702,303
Cash and cash equivalents at year-end are composed of:			
Cash		4,765,285	8,702,303

Cash and cash equivalents end of year	4,765,285	8,702,303
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Notes to consolidated financial statements

1 Going concern

The Bluetown Group has in 2021 continued projects with large scale partners in India and Ghana and Management expects increased global activities and increasing commercial business results in 2021/22 both in India and Africa. At present, BLUETOWN is increasing its business in Ghana with the sale of data bundles and internet connections in cooperation with Microsoft.

The Group's future depends on whether the Group will be able to raise the capital required for the increase in activities and new contracts with large scale partners, which will significantly increase the need for external financing. Considering Bluetown A/S's present financial situation and current business plan, it is crucial that additional capital is contributed to the Company, both in the short and the long term, as the cash position is limited. During the last years, the Company has raised capital from both small and large investors on an ongoing basis to finance the Company's day-to-day operations.

At the end of 2020, the cash position of the Company was once again impaired, and the Company obtained loans from external parties to secure the plans for a listing of BLUETOWN on a marketplace or from private or industrial cornerstone investors. The planned listing was cancelled in the beginning of 2022. During 2021 and until May 2022 the cash position has been limited resulting in overdue debt financing and increasing payables to authorities and creditors. As of 30 September 2021 the Company has obtained loans of DKK 23,1 million which including interest was due as of 31 December 2021 and not settled.

By the beginning of May 2022, the cash position of the Company still depends on whether capital is contributed on a continuous basis from existing and new investors. At the presentation of the annual report of 2022, no agreements have been made on additional contribution of cash from May 2022 and forward. Only limited guarantees has been obtained.

If the planned capital raise is not performed according to the announced schedule and with the expected proceeds, the Company needs to make new plans to be able to retrieve sufficient liquidity to take the Company and the Group to the end of the financial year 2021/22 ending 30 September 2022. The capital requirement for the period 1 May 2022 up to and by the end of September 2022 constitutes a minimum of DKK 25-35 million, that is currently unfunded. At a continuous scaling of the Groups activities, the need for capital will increase.

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

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

2 Events after the balance sheet date

The Board of the company has received authority to convert debt of a total of approximately DKK 50 million to shares on an EGM held on 22.04.22. The conversion of debt covers DKK 23.6 million presented as short term debt as per 30.09.2021 and debt obtained after the balance sheet date. The debt conversion has been completed as of 12.05.2022.

Since the balance date, no events has occurred that changes the assessment of the annual report.

3 Uncertainty relating to recognition and measurement

The subsidiary Bluetown India is in negotiation with its customer for extension of contract for 782 Wifi hotspots at LWE sites which expired at 30 September 2021. No final decision of extension has been agreed in the beginning of May 2022. The value of the assets related to contract is DKK 4.6 million as of 30 September 2021. The subsidiary has receivables of DKK 3.4 million and other receivables from unbilled revenue of DKK 7,3 million related to the same contract. These events or conditions indicate that a material uncertainty exists related to the recoverability of the assets and receivables and extension of revenue contracts with its customers.

Management takes the view that expected future payments and earnings are realisable, but uncertainty can be attached to the valuation of and assets and receivables, if Bluetown does not, to a significant extent, obtain an extension of the contract.

4 Staff costs

	2020/21 DKK	2019/20 DKK
Wages and salaries	26,041,576	28,510,487
Other social security costs	(125,482)	401,137
	25,916,094	28,911,624
Staff costs classified as assets	(2,046,900)	(1,635,750)
	23,869,194	27,275,874
Average number of full-time employees	130	103

	Remuneration of manage- ment 2020/21 DKK	Remuneration of manage- ment 2019/20 DKK
Executive Board	4,900,323	4,850,000
Board of Directors	41,667	58,333
	4,941,990	4,908,333

Special incentive programmes

The parent Bluetown ApS has in July 2016 established a share-based programme for management and employees. The programme consist of 109.375 warrants of which 56.500 warrants expires as of 1 June 2025. The rest expires 1 June 2029. Number of warrants granted is 79.871. The exercise price is DKK 400, DKK 200 and DKK 120 per warrant.

5 Depreciation, amortisation and impairment losses

	2020/21	2019/20
	DKK	DKK
Amortisation of intangible assets	1,260,532	1,111,672
Impairment losses on intangible assets	0	1,180,333
Depreciation on property, plant and equipment	4,045,293	3,212,754
Profit/loss from sale of intangible assets and property, plant and equipment	179,439	0
	5,485,264	5,504,759

6 Other financial income

	2020/21	2019/20
	DKK	DKK
Exchange rate adjustments	881,592	0
Other financial income	0	12,908
	881,592	12,908

7 Other financial expenses

	2020/21	2019/20
	DKK	DKK
Other interest expenses	5,409,676	1,823,024
Exchange rate adjustments	1,041,798	7,033,405
	6,451,474	8,856,429

8 Tax on profit/loss for the year

	2020/21	2019/20
	DKK	DKK
Current tax	(3,346,081)	0
Adjustment concerning previous years	0	(4,564,732)
	(3,346,081)	(4,564,732)

9 Proposed distribution of profit/loss

	2020/21	2019/20
	DKK	DKK
Retained earnings	(44,292,279)	(40,255,709)
Minority interests' share of profit/loss	(3,467,648)	(2,149,554)
	(47,759,927)	(42,405,263)

10 Intangible assets

	Completed development projects DKK	Acquired rights DKK	Development projects in progress DKK
Cost beginning of year	4,490,900	280,854	150,418
Exchange rate adjustments	0	(98)	0
Transfers	150,418	0	(150,418)
Additions	3,754,496	2,953	0
Disposals	(1,770,500)	0	0
Cost end of year	6,625,314	283,709	0
Amortisation and impairment losses beginning of year	(2,267,225)	(226,072)	0
Amortisation for the year	(1,237,405)	(23,127)	0
Reversal regarding disposals	1,770,500	0	0
Amortisation and impairment losses end of year	(1,734,130)	(249,199)	0
Carrying amount end of year	4,891,184	34,510	0

11 Development projects

The cost price of development projects is derived from time spend in Bluetown ApS expressed in man-hours and the cost of a man-hour used for development of the Group's main technical asset which is Wi-Fi hotspot solutions for remote, satellite, fiber or microlink backhauled systems to be deployed in areas with or without power availability. Development covers foundation, tower structure, power solution, network and Wi-Fi configuration and software integration to central datacenters and network monitoring, billing, payment and reporting solutions. On an on-going basis Management assess the value of the assets.

12 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	16,007,141	1,206,876	1,414,857
Exchange rate adjustments	(254,056)	(2,725)	(37,048)
Transfers	1,523,783	0	(1,523,783)
Additions	4,506,443	212,231	1,672,435
Disposals	(266,476)	0	0
Cost end of year	21,516,835	1,416,382	1,526,461
Depreciation and impairment losses beginning of year	(5,579,712)	(950,417)	0
Exchange rate adjustments	(12,801)	1,562	0
Depreciation for the year	(3,909,078)	(136,215)	0
Reversal regarding disposals	87,143	0	0
Depreciation and impairment losses end of year	(9,414,448)	(1,085,070)	0
Carrying amount end of year	12,102,387	331,312	1,526,461

13 Other receivables

Other receivables in 2020/21 comprise of DKK 7.8 million of unbilled revenue recognised in Bluetown India in 2021 related to customer contracts.

Other receivables in 2019/20 comprise of DKK 6,2 mio. cash funding paid into an Escrow account at the company's legal advisor that has not yet been paid out to the company at the balance sheet date. The sources of funding include loans from other credit institutes, obtained convertible loans as well as cash capital increases as recognized in the balance sheet. All of the recognized receivable funding has been released to the company in 2020/21.

14 Prepayments

Prepayments compose of prepaid expenses relating to coming financial years.

15 Contributed capital

	Number	Par value DKK	Nominal value DKK
Share capital	1,193,738	100.00	1
	1,193,738		1

16 Debt to other credit institutions

Longterm debt to other credit institutions comprise loans from Vækstfonden. The debt accrues interest. Loans are to be repaid by 01.10.2026 or if the company is sold at a price more than 4x the valuation at date of borrowing.

Short term debt to other credit institutions of DKK 23,1 million comprise loans from Investors obtained in 2021. The loan carries an interest. Loans have not been repaid as of 31.12.2021 in accordance with the loan agreements.

17 Prepayments received from customers

Prepayments received from customers comprise of received grants related to activities in Bluetown Ghana. Grants will be recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised in the income statement on a straight-line basis over the useful time of the asset.

18 Non-current liabilities other than provisions

	Due after more than 12 months 2020/21 DKK	Outstanding after 5 years 2020/21 DKK
Debt to other credit institutions	13,950,798	12,083,810
Prepayments received from customers	13,307,193	0
	27,257,991	12,083,810

19 Convertible and profit-sharing debt instruments

	Amounts outstanding DKK	Interest rate agreed %	Conversion price	Deadline for conversion to equity interests
Investors	500,000	5	600	01.12.2020
Investors	1,000,000	0	120	31.12.2020
Investors India	1,233,347	0	0	31.12.2020
	2,733,347			

As of September 2021 an amount of DKK 0,2 million has been received from an Investor to be converted after the balance sheet date.

20 Changes in working capital

	2020/21 DKK	2019/20 DKK
Increase/decrease in inventories	(93,709)	(3,886,218)
Increase/decrease in receivables	3,424,315	(7,938,258)
Increase/decrease in trade payables etc.	7,879,222	1,020,605
	11,209,828	(10,803,871)

21 Unrecognised rental and lease commitments

	2020/21 DKK	2019/20 DKK
Total liabilities under rental or lease agreements until maturity	260,500	260,500

22 Subsidiaries

	Registered in	Corporate form	Ownership %
Bluetown (Mauritius) Limited	Mauritius	Ltd	100
Bluetown (India) Private Limited	India	Pvt. Ltd	92,52
Bluetown (Tanzania) Limited	Tanzania	Ltd	90
Blue Town Ghana Limited	Ghana	Ltd	80
Bluetown Inc.	US	Inc	100.00

Parent income statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Revenue		382,723	3,579,811
Other operating income		0	117,880
Cost of sales		(216,908)	(2,365,418)
Other external expenses		(12,186,572)	(7,565,043)
Gross profit/loss		(12,020,757)	(6,232,770)
Staff costs	4	(16,920,668)	(21,250,611)
Depreciation, amortisation and impairment losses	5	(1,314,919)	(2,353,653)
Operating profit/loss		(30,256,344)	(29,837,034)
Income from investments in group enterprises		(16,788,112)	1,328,742
Other financial income	6	3,486,647	2,376,908
Other financial expenses	7	(4,955,116)	(5,001,064)
Profit/loss before tax		(48,512,925)	(31,132,448)
Tax on profit/loss for the year	8	3,393,053	4,632,415
Profit/loss for the year	9	(45,119,872)	(26,500,033)

Parent balance sheet at 30.09.2021

Assets

	Notes	2020/21 DKK	2019/20 DKK
Completed development projects	11	4,891,184	2,223,675
Acquired rights		24,996	37,494
Development projects in progress	11	0	150,418
Intangible assets	10	4,916,180	2,411,587
Other fixtures and fittings, tools and equipment		15,168	80,184
Property, plant and equipment	12	15,168	80,184
Investments in group enterprises		0	0
Receivables from group enterprises		16,263,379	13,552,233
Deposits		285,040	1,201,728
Financial assets	13	16,548,419	14,753,961
Fixed assets		21,479,767	17,245,732
Raw materials and consumables		131,061	0
Inventories		131,061	0
Trade receivables		134,246	303,380
Receivables from group enterprises		3,681,852	1,889,900
Other receivables	14	303,880	6,698,424
Tax receivable	15	3,147,335	0
Prepayments	16	413,458	479,304
Receivables		7,680,771	9,371,008
Cash		4,009,315	5,012,789
Current assets		11,821,147	14,383,797
Assets		33,300,914	31,629,529

Equity and liabilities

	Notes	2020/21 DKK	2019/20 DKK
Contributed capital		1,193,738	1,019,580
Share premium		282,153,193	266,428,115
Reserve for development costs		875,090	1,851,792
Retained earnings		(300,811,809)	(256,651,441)
Equity		(16,589,788)	12,648,046
Debt to other credit institutions	17	13,950,798	12,083,810
Non-current liabilities other than provisions	18	13,950,798	12,083,810
Bank loans		278	3,655
Payables to other credit institutions	17	23,134,725	0
Convertible and profit-sharing debt instruments	19	199,920	1,500,000
Prepayments received from customers		0	30,088
Trade payables		3,598,430	686,506
Other payables		9,006,551	4,677,424
Current liabilities other than provisions		35,939,904	6,897,673
Liabilities other than provisions		49,890,702	18,981,483
Equity and liabilities		33,300,914	31,629,529
Going concern	1		
Events after the balance sheet date	2		
Uncertainty relating to recognition and measurement	3		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Assets charged and collateral	22		
Related parties with controlling interest	23		

Parent statement of changes in equity for 2020/21

	Contributed capital DKK	Share premium DKK	Reserve for development costs DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,019,580	266,428,115	1,851,792	(256,651,439)	12,648,048
Increase of capital	174,158	15,725,078	0	0	15,899,236
Exchange rate adjustments	0	0	0	(17,200)	(17,200)
Transfer to reserves	0	0	(976,702)	976,702	0
Profit/loss for the year	0	0	0	(45,119,872)	(45,119,872)
Equity end of year	1,193,738	282,153,193	875,090	(300,811,809)	(16,589,788)

Notes to parent financial statements

1 Going concern

The Company has in 2021 continued projects with large scale partners in India and Ghana and Management expects increased global activities and increasing commercial business results in 2021/22 both in India and Africa. At present, BLUETOWN is increasing its business in Ghana with the sale of data bundles and internet connections in cooperation with Microsoft.

The Company's future depends on whether the Company will be able to raise the capital required for the increase in activities and new contracts with large scale partners, which will significantly increase the need for external financing. Considering the Company's present financial situation and current business plan, it is crucial that additional capital is contributed to the Company, both in the short and the long term, as the cash position is limited. During the last years, the Company has raised capital from both small and large investors on an ongoing basis to finance the Company's day-to-day operations.

At the end of 2020, the cash position of the Company was once again impaired, and the Company obtained loans from external parties to secure the plans for a listing of BLUETOWN on a marketplace or from private or industrial cornerstone investors. The planned listing was cancelled in the beginning of 2022. During 2021 and until May 2022 the cash position has been limited resulting in overdue debt financing and increasing payables to authorities and creditors. As of 30 September 2021 the Company has obtained loans of DKK 23,1 million which including interest was due as of 31 December 2021 and not settled.

By the beginning of May 2022, the cash position of the Company still depends on whether capital is contributed on a continuous basis from existing and new investors. At the presentation of the annual report of 2022, no agreements have been made on additional contribution of cash from May 2022 and forward. Only limited guarantees has been obtained.

If the planned capital raise is not performed according to the announced schedule and with the expected proceeds, the Company needs to make new plans to be able to retrieve sufficient liquidity to take the Company to the end of the financial year 2021/22 ending 30 September 2022. The capital requirement for the period 1 May 2022 up to and by the end of September 2022 constitutes a minimum of DKK 25 million, that is currently unfunded. At a continuous scaling of the Company's activities, the need for capital will increase.

Are the above stated assumptions not met in the short run or only partly met and is a considerable amount of additional capital not contributed to the Company in other ways, there is material uncertainty related 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 from equity investments or loans of significance would be obtained or converted, Management has concluded that it is appropriate to prepare the annual report based on going concern.

2 Events after the balance sheet date

The Board of the company has received authority to convert debt of a total of approximately DKK 50 million to shares on an EGM held on 22.04.22. The conversion of debt covers DKK 23.6 million presented as short term debt as per 30.09.2021 and debt obtained after the balance sheet date. The debt conversion has been completed as of 12.05.2022.

3 Uncertainty relating to recognition and measurement

As at 30 September 2021 Bluetown has completed development projects of DKK 4.9 million. The value of the intangible assets depends on Bluetown's future activities and earnings scale profitable and due to this uncertainty are attached to the valuation.

As at 30 September 2021, Bluetown A/S has a long term receivable from the subsidiary Bluetown in Mauritius of DKK 16.6 million, which has financed the activities in primarily India and Ghana. Repayment of this receivable depends on whether Bluetown's future activities and earnings scale, including whether sufficient capital can be obtained, as mentioned in Note 1 to the financial statements. Based on Bluetown's business case, Management takes the view that the expected future budgets and earnings are realisable, but uncertainty are attached to the valuation of intercompany receivables, if Bluetown does not, to a significant extent, realises its business case or obtains funding.

Short term receivables from group enterprises of DKK 3.7 million are from the subsidiaries Bluetown India and Bluetown Ghana. As the subsidiaries receives funding from the Parent Bluetown A/S a material uncertainty exists related to the recoverability the receivables.

Repayment of this receivable depends on whether Bluetown's future activities and earnings scale, including whether sufficient capital can be obtained, as mentioned in Note 1 to the financial statements. Based on Bluetown's business case, Management takes the view that the expected future budgets and earnings are realisable, but uncertainty can be attached to the valuation of intercompany receivables, if Bluetown does not, to a significant extent, realises its business case or obtains funding.

4 Staff costs

	2020/21	2019/20
	DKK	DKK
Wages and salaries	19,093,050	22,640,138
Other social security costs	(125,482)	246,223
	18,967,568	22,886,361
Staff costs classified as assets	(2,046,900)	(1,635,750)
	16,920,668	21,250,611
Number of employees at balance sheet date	25	22

	Remuneration of Manage- ment 2020/21 DKK	Remuneration of Manage- ment 2019/20 DKK
Executive Board	4,900,323	4,850,000
Board of Directors	41,667	58,333
	4,941,990	4,908,333

Special incentive programmes

The parent Bluetown ApS has in July 2016 established a share-based programme for management and employees. The programme consist of 109.375 warrants of which 56.500 warrants expires as of 1 June 2025. The rest expires 1 June 2029. Number of warrants granted is 79.871. The exercise price is DKK 400, DKK 200 and DKK 120 per warrant.

Remuneration of Management for 2020/21 also includes salaries to member which have left Bluetown in the period.

5 Depreciation, amortisation and impairment losses

	2020/21 DKK	2019/20 DKK
Amortisation of intangible assets	1,249,903	1,099,391
Impairment losses on intangible assets	0	1,180,333
Depreciation on property, plant and equipment	65,016	77,479
Profit/loss from sale of intangible assets and property, plant and equipment	0	(3,550)
	1,314,919	2,353,653

6 Other financial income

	2020/21 DKK	2019/20 DKK
Financial income from group enterprises	2,679,256	2,364,001
Other interest income	0	12,907
Exchange rate adjustments	807,391	0
	3,486,647	2,376,908

7 Other financial expenses

	2020/21 DKK	2019/20 DKK
Other interest expenses	4,955,116	1,222,458
Exchange rate adjustments	0	3,778,606
	4,955,116	5,001,064

8 Tax on profit/loss for the year

	2020/21 DKK	2019/20 DKK
Current tax	(3,147,335)	0
Adjustment concerning previous years	(245,718)	(4,632,415)
	(3,393,053)	(4,632,415)

Tax income comprises tax credit received in accordance with Danish Tax Assessment Act (Ligningsloven) section 8X for the income year 2020, received in November 2021 and expected tax credit for the income year 2021 to be received in November 2022. In 2019/20 the amount comprised tax credit for the income year 2018 and 2019, received and paid in 2020.

9 Proposed distribution of profit and loss

	2020/21 DKK	2019/20 DKK
Retained earnings	(45,119,872)	(26,500,033)
	(45,119,872)	(26,500,033)

10 Intangible assets

	Completed development projects DKK	Acquired rights DKK	Development projects in progress DKK
Cost beginning of year	4,490,900	125,000	150,418
Transfers	150,418	0	(150,418)
Additions	3,754,496	0	0
Disposals	(1,770,500)	0	0
Cost end of year	6,625,314	125,000	0
Amortisation and impairment losses beginning of year	(2,267,225)	(87,506)	0
Amortisation for the year	(1,237,405)	(12,498)	0
Reversal regarding disposals	1,770,500	0	0
Amortisation and impairment losses end of year	(1,734,130)	(100,004)	0
Carrying amount end of year	4,891,184	24,996	0

11 Development projects

The cost price of development projects is derived from time spend in Bluetown ApS expressed in man-hours and the cost of a man-hour used for development of the Group's main technical asset which is Wi-Fi hotspot solutions for remote, satellite, fiber or microlink backhauled systems to be deployed in areas with or without power availability. Development covers foundation tower structure, power solution, network and Wi-Fi configuration and software integration to central Datacenters and network monitoring, billing, payment and reporting solutions. On an on-going basis Management assess the value of the assets.

12 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	818,571
Cost end of year	818,571
Depreciation and impairment losses beginning of year	(738,387)
Depreciation for the year	(65,016)
Depreciation and impairment losses end of year	(803,403)
Carrying amount end of year	15,168

13 Financial assets

	Investments in group enterprises DKK	Receivables from group enterprises DKK
Cost beginning of year	6,640	34,357,933
Additions	938,323	2,711,146
Cost end of year	944,963	37,069,079
Impairment losses beginning of year	(6,640)	(20,805,700)
Exchange rate adjustments	(17,200)	0
Share of profit/loss for the year	(15,920,365)	0
Adjustment of intra-group profits	(867,747)	0
Investments with negative equity value depreciated over receivables	15,866,989	0
Impairment losses end of year	(944,963)	(20,805,700)
Carrying amount end of year	0	16,263,379

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Receivables from Bluetown Mauritius have been disclosed as long term receivables. The loan carries an interest and can be extended. No principles of repayment have been agreed. We refer to note 3 describing uncertainty relating to recognition and measurement.

14 Other receivables

Other receivables in 2019/20 comprises DKK 6,2 million of cash funding paid into an Escrow account at the company's legal advisor that has not yet been paid out to the company at the balance sheet date. The sources of funding include loans from other credit institutes, obtained convertible loans as well as cash capital increases as recognized in the balance sheet. All of the recognized receivable funding has been released to the company in 2020/21.

15 Tax receivable

The Company has a material unrecognized tax asset. The tax is incumbent upon tax loss carried forward of DKK 192 million. Based on the expected use of the tax asset, the value of the tax asset has not been recognized.

16 Prepayments

Prepayments comprises incurred costs relating to subsequent financial years measured at cost and relates mainly to prepaid rent.

17 Debt to other credit institutions

Longterm debt to other credit institutions comprise loans from Vækstfonden. The debt accrues interest. Loans are to be repaid by 01.10.2026 or if the company is sold at a price more than 4x the valuation at date of borrowing.

Short term debt to other credit institutions of DKK 23,1 million comprise loans from Investors obtained in 2021. The loan carries an interest. Loans have not been repaid as of 31.12.2021 in accordance with the loan agreements.

18 Non-current liabilities other than provisions

	Due after more than 12 months 2020/21 DKK	Outstanding after 5 years 2020/21 DKK
Debt to other credit institutions	13,950,798	13,950,798
	13,950,798	13,950,798

19 Convertible and profit-sharing debt instruments

	Amounts outstanding DKK	Interest rate agreed %	Conversion price	Deadline for conversion to equity interests
Investors	500,000	5	600	01.12.2020
Investors	1,000,000	0	120	31.12.2020
	1,500,000			

As of September 2021 an amount of DKK 0,2 million has been received from an Investor to be converted after the balance sheet date.

20 Unrecognised rental and lease commitments

	2020/21 DKK	2019/20 DKK
Total liabilities under rental or lease agreements until maturity	260,500	260,500

21 Contingent liabilities

The Entity has participated in a Danish joint taxation arrangements in prior years, ended as of May 2017. According to the joint taxation provisions 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.

22 Assets charged and collateral

The company has not provided any guarantees to cooperative partners in connection with projects in progress.

23 Related parties with controlling interest

BTH ApS holds as the largest shareholder 35,43 % of the voting rights in Bluetown ApS as of 30 september 2021.

Accounting policies

Reporting class

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

The accounting policies applied to these consolidated financial statements and parent 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.

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 the 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 Management's proposal for the distribution of net profit/loss and equity, respectively.

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.

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.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Income statement

Revenue

Revenue from the sale of equipment and technical sites is recognised in the income statement when delivery is made and risk has passed to the buyer. 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.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 wages and salaries, and 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.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises, 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, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and 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 and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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.

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 amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised

on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

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

Property, plant and equipment

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

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

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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 in equity.

Investments in group enterprises 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.

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.

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Minority interests

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

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.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

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

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Bjørn Winkler Jakobsen

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