



## Bluetown ApS

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

## Annual report 01.10.2019 - 30.09.2020

The Annual General Meeting adopted the  
annual report on 04.03.2021

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**Anders Kaasgaard**

Chairman of the General Meeting

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# Entity details

## Entity

Bluetown ApS

Øster Allé 48, 5.

2100 København Ø

Business Registration No.: 30075277

Registered office: København

Financial year: 01.10.2019 - 30.09.2020

## Board of Directors

Niels Erik Nielsen, chairman

Claus Ewers

Egon Bruun

Jens Poul Madsen

Jeremy Anthony Simon Sparrow

Lars Bentsen Møller

Morten Balsby

## Executive Board

Peter Ib, CEO

Carsten Brønd

Troels Gert Nielsen

## 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 ApS for the financial year 01.10.2019 - 30.09.2020

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 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020.

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, 03.03.2021

## Executive Board

**Peter Ib**  
CEO

**Carsten Brønd**

**Troels Gert Nielsen**

## Board of Directors

**Niels Erik Nielsen**  
chairman

**Claus Ewers**

**Egon Bruun**

**Jens Poul Madsen**

**Jeremy Anthony Simon Sparrow**

**Lars Bentsen Møller**

**Morten Balsby**

# 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 01.10.2019 - 30.09.2020, 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 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 financial situation and future business plan, it is crucial that additional capital and liquidity are contributed to the Company.

Until the end of September 2021 (financial year 2020/21), BLUETOWN has a cash need of minimum DKK 20 million that is currently unfunded. BLUETOWN has in February 2021 entered into an agreement with a certified Swedish corporate finance partner involving the injection of DKK 65 million before July 1, 2021. Out of the DKK 65 million, DKK 15 million is to be injected in BLUETOWN already during April 2021. BLUETOWN has currently guaranteed funding until April 2021. The funds are expected to be injected from a listing on a marketplace or from private or industrial cornerstone investors.

By the end of February 2021, and until the planned injections before July 1, 2021, 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 2020, no agreements have been made on additional contribution of cash from February 2021 and forward.

If the planned capital injection listing 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 2020/21.

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 uncertainty related to the going concern of the Company and the Company may not be able to fulfil its obligations as they fall due.

We do not modify our opinion on this matter.

### **Emphasis of matter regarding circumstances in the consolidated financial statements and the parent financial statements**

Without modifying our opinion we refer to Managements description in note 4 (parent) of uncertainty relating to recognition and measurement of receivables from group enterprises.

### **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 and 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.

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, 03.03.2021

**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

	2019/20	2018/19	2017/18	2016/17	2015/16
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	16,779	13,774	9,337	1,544	2,420
Gross profit/loss	(5,346)	(13,847)	(14,685)	(12,371)	(20,499)
Operating profit/loss	(38,126)	(49,415)	(46,416)	(42,892)	(49,222)
Net financials	(8,844)	(5,768)	(2,309)	(3,070)	(849)
Profit/loss for the year	(42,405)	(53,797)	(46,015)	(43,965)	(49,077)
Profit for the year excl. minority interests	(40,256)	(52,843)	(45,236)	(43,088)	(48,424)
Balance sheet total	47,036	41,354	25,670	10,524	5,133
Investments in property, plant and equipment	2,481	4,295	11,499	256	1,941
Equity	9,456	16,325	(37,855)	(46,723)	(56,679)
Equity excl. minority interests	13,970	19,186	(35,948)	(47,798)	(56,482)
Cash flows from operating activities	(49,287)	(56,307)	(52,575)	N/A	N/A
Cash flows from investing activities	(4,565)	(8,920)	(11,399)	N/A	N/A
Cash flows from financing activities	52,479	75,158	48,642	N/A	N/A
<b>Ratios</b>					
Gross margin (%)	(31.86)	(100.53)	(157.28)	(801.23)	(Infinity)
Net margin (%)	(252.73)	(390.57)	(492.82)	(2,847.47)	(Infinity)
Equity ratio (%)	29.70	46.39	(140.04)	(454.18)	(1,100.37)

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

### Gross margin (%):

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

Revenue

### Net margin (%):

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

Revenue

**Equity ratio (%):**

Equity excl. minority interests \* 100

Balance sheet total



## 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

### Letter to the shareholders

*BLUETOWN has learned from its history - the goal for the next years is clear - the outcome is BLUETOWN 2.0*

BLUETOWN is a unique company with a clear and confidence-inspiring vision for everyone: To provide stable and affordable Internet access to as many as possible of the several billion people who live in the rural areas of world and do not have such access today. This vision supports the majority of the UN's 17 Sustainable Development Goals, including "quality education" "good health and well-being", "zero hunger", "no poverty" and "responsible consumption and production".

Yet, realising such vision in a commercially viable manner is quite a task for a young Danish company. That is why we have spent substantial human, financial and time resources in recent years on building a global brand which, with the support and in cooperation with some of the world's biggest companies and institutions, can materialise the vision in a commercially strong and sound manner. Because only by coupling this ambitious ambition and the UN's Sustainable Development Goals with strong economic value creation for individual companies will it be possible to help build a better world.

But the commercial breakthrough with a positive cash flow has been long in coming. "And why is that?". That is the perfectly natural question I have been asked during my first year as chairman of the company's board of directors.

And the answer to the question is quite simple: It has taken a REALLY long time and been quite expensive to find the perfect business model. However, in 2019/20 BLUETOWN has seen significant changes, and in the first quarter of 2021 we are now seeing the first results through the proof of business seen in Ghana in our partnership with Microsoft. In short: BLUETOWN has fortunately learned from the past and its own history. That is why today's BLUETOWN is a completely different company than the one that presented the financial statements of the past. That is why we call the company BLUETOWN 2.0.

Today's BLUETOWN is a company which based on a realistic foundation capitalises on the technology, investments and partnerships which have been very time-consuming and costly to build. When I say "realistic foundation", I mean based on:

1. Focusing the business on fewer, but realistic markets
2. A cost base reduced by 50% while keeping all critical functions intact
3. Ensuring documentation of the economically viable scalability of the business model
4. Securing funding for future investments before starting



5. Ensuring profound and close cooperation with our partners
6. Understanding that getting things started takes longer than you originally thought.

In the summer of 2020, BLUETOWN set up some very exact goals for itself in order to document proof of business - meaning a profitable business model. That was based on an Internet project in Ghana in the partnership with Microsoft. I am very pleased that these goals for 31 March 2021 will be met. The further roll-out in Ghana is therefore currently being planned. At the same time, BLUETOWN has seen in India and Bangladesh that specific projects which are already backed by us, but also entirely new projects in cooperation with another US tech giant, whose name is currently covered by an NDA, are going in the right direction within time frames that we consider realistic.

In other words, BLUETOWN is a new company based on tough and hard-earned experience, only now with a razor-sharp focus on maintaining the big vision and good cause on a realistic and risk-managed basis with the objective of procuring a really good return for the individual societies and the shareholders.

Finally, I would like to say few words about BLUETOWN's overall capital structure. In the summer of 2020, BLUETOWN was guaranteed a capital injection of DKK 40 million in part via COVID-19 loans with Vaekstfonden and in part by way of capital contributions from new and existing shareholders. We are very grateful for that. We have continued to raise capital and will continue to do so, and expect to close a major round in the spring of 2021 which is linked closely to our anticipated development over the next couple of years. This will be discussed in more detail in section 4 of management's review.

Despite COVID-19, 2020 has been a very good year for BLUETOWN.

## FY 2019/2020 company highlights

### Financial statements highlights:

- Revenue rose by 22%, from DKK 14 million to DKK 17 million.
- Costs were significantly reduced during the financial year.
- Operating loss was reduced from DKK 54 million to DKK 42 million.
- Positive equity after ongoing expensing of heavy development costs.
- No financial debt, except for long-term, subordinate loans with Vaekstfonden in the total amount of DKK 12 million (the "COVID-19 loans").
- Guaranteed capital injection (including the COVID-19 loans) in the total amount of DKK 40 million during the summer of 2020.
- A total staff of 108, including 22 in Copenhagen.

### The company's commercial profile

Based on the heavy investments made and the experience gained in recent years, the company's profile in today's market is characterised by:

- **Track record:** Strong market and project experience via activities in Tanzania, India, Rwanda, Mozambique, Ghana and the US.



  
**BLUETOWN**

- **Proven technology:** The company has a number of technical end-to-end solutions which are documented through long-term operation in the markets to be robust, affordable and efficient. Moreover, they can be installed by local partners with low-skilled technicians.
- **World class partners:** Through our project activities, strategy, technology and competent team, we have succeeded in attracting partners like Microsoft, SES (the world's second largest satellite operator), UNDP (the United Nations Development Program), BSNL (India's state telecom operator), USAID (the American international development agency), Care (global NGO), DANIDA, etc.
- **Due diligence:** In connection with the above-mentioned partnership agreements and project contracts, various due diligence investigations have been performed on BLUETOWN with a focus on technology, team, company structure, finances, business model, etc. The company has passed them all. BLUETOWN is today approved as supplier to 27 departments in the UN.
- **Proof of business:** The company is acknowledged by everyone for its ability to deliver reliable solutions to governments, businesses and users worldwide. During this year, the company has also proven its ability to create a profitable business based on own installations in the project in Ghana.

### **Main activities in 2019/20**

COVID-19 has been a severe challenge in BLUETOWN's key markets, Ghana and India. Especially India has been hit hard by a number of tough lockdowns and the resulting economic setbacks suffered by partners and customers – and, as a result, a lower-than-expected inflow of project contracts.

Nevertheless, BLUETOWN has generally experienced a high level of activity throughout the year, with the most important activities being:

### **Scale-up of activities in Ghana**

As part of the implementation and strengthening of BLUETOWN's business leg of installation, operation and commercialisation of own connectivity solutions – and under our own brand – we have invested further during 2020 in building a commercial network in Ghana. The project is run in close partnership with Microsoft, which is also a co-financer of the project. During 2021, BLUETOWN must reach a milestone of 1200 installed hotspots in this project, and as part of this show a predefined top-line result for the first 100 hotspots by 31 March 2021 – “proof of business”. This is the milestone that was set in the summer of 2020. This is despite the fact that Ghana has also been under lockdown as a result of COVID-19.

### **Continued focus on expansion of project activities in India**

As mentioned above, BLUETOWN's Indian subsidiary has been hit hard by the tough lockdowns initiated by the Indian government. On this basis, our main focus in 2020 was on maintaining existing projects and business partners, while at the same time it has been necessary to reduce the number of employees and postpone planned new activities. Motivation is nevertheless high in the Indian company. The 2021 outlook is therefore positive, based on previous and current dialogue with partners and project customers and, furthermore, India currently seems to have come out of the pandemic in good shape.



### **Completion of the project with USAID in Mozambique.**

We have successfully completed the project in Mozambique in cooperation with our local partner INCM. The project builds on our initial work with “Women in the Network,, in Mozambique in cooperation with the Mozambique development finance institution GAPI and USAID of the United States, which is responsible for administering civilian foreign aid and development assistance. The project, which is capable of being rolled out in several areas in Mozambique, was about creating a new model for strengthening the information and communication science skills of women and girls. The partnership between BLUETOWN and USAID will continue in Ghana, where there are plans for a new project with focus on helping women starting their own microbusinesses with a view to selling their products online.

### **A Moonshot for Africa**

Together with tech giants like Facebook, Google and Huawei, BLUETOWN was invited in May 2019 to advise the World Bank in connection with “A Moonshot for Africa’s Digital Economy”. The initiative is intended to double connectivity in Africa by the end of 2021 and ensure full network coverage on the continent by 2030. We are very proud to be part of that project and watch out for any sub-projects emerging from the World Bank’s ambitious project.

### **Setting up a subsidiary in the US**

Our market potential in the US has become visible through our partnership with Microsoft and will now be an active part of BLUETOWN’s growth strategy. The US government has allocated substantial funding to connectivity projects – especially in the Southern States where connectivity is low. BLUETOWN is now planning to build competence and a presence in the US in order to be able to tender for future projects in cooperation with relevant partners.

### **Governance**

Three new members have joined BLUETOWN’s board of directors in 2020. New chairman N.E. Nielsen, Jeremy Sparrow and Jens Poul Madsen, all of whom have been actively involved in the board of directors, with more than 25 meetings held in the period from March – September 2020.

At the end of 2020, BLUETOWN appointed an advisory board, which is to contribute with strategic weight and advice to the management and the board of directors. The immense potential that lies ahead demands broad strategic dialogue. The new advisory board consists of Christian Friis Bach, former Danish Minister for Development Cooperation among other things, Moses Baiden, founder and CEO of Margins Group in Ghana, Casper Klynge, Vice President for European Government Affairs with Microsoft, and Friis Arne Petersen, former Danish ambassador to Germany, the US and China.

## **2021 - 2023 outlooks**

The 2020/21 business outlook is positive. The Ghana project is expected to develop from approx. 200 to 1600-2000 installations by end FY2021. Apart from the growth in the markets in Ghana and India, an important tender procedure for a major project in Bangladesh financed by Denmark is expected to be announced. Should the tender be announced, BLUETOWN will participate as partner and sub-supplier to Nokia, which will be the main tenderer for the project.



The FY 2021 revenue will continue to depend on how the COVID-19 situation develops, especially on the Indian market. The exact amount of revenue is therefore subject to uncertainty. A revenue increase of around 20% to more than USD 3 million is currently expected.

### **The plan for breaking even in 2023**

During 2020, BLUETOWN has set out the strategy to reach accounting as well as cash flow break-even in 2023. The plan has five main milestones for the period until 2023.

#### **1. Proof of ISP business**

BLUETOWN is currently about to finish its proof of business for the ISP business in Ghana (sale of Internet data packages to end-users and institutions). The targeted activity was launched in July 2020 and was intended to be finalised on 31 March 2021. The core of the project is demonstrating the business potential in our ISP business by documenting that BLUETOWN can secure a revenue per site of 100 hotspots that facilitates profitability concurrently with more sites being installed. The goal is an average net revenue of USD 100/month/hotspot. The project has progressed satisfactorily and the objective will be achieved as planned by 31 March 2021. Accordingly, the fact and thus the assumptions used in our budget projections on the ISP business will be realised

#### **2. Continued expansion in Ghana in partnership with Microsoft**

After four years of presence in Ghana, the market potential is still deemed to be high. We have a number of advantages that facilitate continued and faster growth in the country:

- a. BLUETOWN holds a national licence to operate commercially as Wi-Fi operator in Ghana and can set up systems where this is deemed to be commercially viable.
- b. Strong partnership with Microsoft in the current project, which will be developed further
- c. All local partnerships for roll-out and operation are in place
- d. Strong local organisation in place in Ghana, technically as well as commercially
- e. A brand that is beginning to be known in Ghana for affordable, quick and stable Internet access.

Against this background, Ghana is seen as BLUETOWN's most important market for investments and expansion of own network. The goal is to reach 7-8,000 installations in 2023 and thereby contribute significantly to the company breaking even.

#### **3. One of the scaling options in Ghana: Setting up an Internet connectivity project for 1,000 schools**

As part of the scaling plans in Ghana, we are currently working on a strategic project to provide Internet connectivity for 1,000 schools based on the "Internet as a service" model. This means that BLUETOWN is in charge of set-up, operation as well as ongoing distribution of e-learning materials to the schools. Via a national, long-term contract, the schools pay a monthly recurring fee for the service, which provides a high degree of project predictability. The project is expected to be carried out in close cooperation with BLUETOWN's existing partners and is scheduled for roll-out in 2022. The school project will be run using a planned "asset light" model with financing through an SPV model where the funders have security in the established system.



  
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The project with 1,000 schools is one way of scaling, but we will also continue along the current track of continuous scaling to more villages. Emphasis between the project tracks may shift depending on the growth rate. In our assessment, a successful project with 1,000 schools in Ghana will have a great potential for being copied to other regions and third world countries in future.

#### 4. Tender via Nokia partnership for contract in Bangladesh

Through our partnership with Nokia, BLUETOWN will participate as sub-supplier in a -100 MEUR tender in Bangladesh. BLUETOWN's share of the project will amount to 14-20 MEUR.

The objective of the project is to bring connectivity and e-learning to 400-800 villages in Northern Bangladesh – again based on technology and experience gained from our past projects and with great synergies to the project with 1,000 schools in Ghana.

DANIDA and the Danish Minister for Development Cooperation have already via a Government-to-Government commitment guaranteed the full project sum in the form of a favourable mixed credit loan, but on the condition that the consortium with Nokia and BLUETOWN win the contract.

#### 5. Setting up in Nigeria

BLUETOWN's scaling strategy includes the setting up and growth in several countries. In close dialogue with Microsoft, Nigeria has been identified as the next big market for BLUETOWN. The expectation to our ability to set up and scale a profitable business in Nigeria is based on, among other things:

- a. **Practical and legal:** Experience with and documented ability to form subsidiaries, obtain the required licences and permits to operate technically and commercially, recruit and build teams, screen and sign local partners
- b. **Commercial:** Experience with and documented understanding of building a profitable business in the African market
- c. **Geographical proximity** between Ghana and Nigeria as well as close relations between the countries and our existing contacts provide a good platform from which to expand into Nigeria.

The work to set up the legal entity, build up the local organisation and build the business will begin in 2022. If the below-mentioned application for EU's Green Deal funds is approved, the plan will be accelerated as some of the project funds have been allocated in advance to activities in Nigeria.

## Particular risks

### 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 2021.

It is the board of directors' and management board's unanimous assessment that the 2019/20 annual report is presented as a going concern.



This assessment is based on the following:

When presenting its annual report for FY2019 in the spring of 2020, the company was unsure whether it would be able to raise the liquidity necessary to cover its liabilities as and when they fell due and its day-to-day operations, month by month. Since the late summer of 2020, the company's monthly fixed costs have been radically reduced (by nearly 50%) and because of the proceeds from the capital injection effected during the summer, the company has been able to trim its creditor base so that, at year-end, there were no material debts or creditors due except for current liabilities.

The company effected a capital increase during the summer resulting in new equity capital in the amount of DKK 28 million being raised and underwritten. As a result of the capital increase, the company was able to raise a loan as planned with Vækstfonden in the amount of DKK 12 million. Sufficient capital was thus raised in order for the proof of business period to be covered as regards liquidity and to pay off old debt.

Due to the significantly lower cost base, the company is largely able to manage its cash outflow as the entire outflow currently depends on the roll-out speed of BLUETOWN's installations in Ghana.

Since the summer of 2020, scaling in Ghana has been going at full speed, which means that the milestones set can be achieved and documented.

At the same time, the company has developed a new financing concept (Special Purpose Vehicle (SPV) funding model) which has been successfully used in other innovative industries involving significant capital intensive investments. Through its use of this model, BLUETOWN will not itself have to procure all funding required in future.

The company has continued the process of raising capital in parallel with the scaling in Ghana in order to secure financing for the continued scaling and operations.

As described in the summer of 2020, the company expects to break even as regards the liquidity position during 2023.

Up until the end of this financial year, the company needs to raise additional capital in the amount of DKK 20 million in order to cover its cash needs, which the company does not consider a problem with the initiatives that have already been initiated. The company's cash needs will increase with continued scaling, but that is entirely in the hands of the company.

BLUETOWN's activities and focus are well matched with the investment strategies of a number of large global funds – including the investment strategies of the EU. It will be a strategic priority area for BLUETOWN to regularly apply for funds for project execution, product development, etc. At present, an application has been submitted for the EU Green Deal programme (DKK 27 million) and the Danish Innobooster innovation programme.

As the company is looking for the fastest scaling possible in order to thereby be able to reach a positive liquidity situation, the company has signed on a foreign adviser to be in charge of a major process of raising capital during the summer of 2021 in order to thereby be able to accelerate scaling. At the same time, it will be assessed on a continuous basis whether BLUETOWN should turn to the existing stock market to raise equity capital for scaling, thereby creating liquidity in the share capital.

The logo for BLUETOWN, featuring the word "BLUETOWN" in white capital letters on a blue square background with a white curved corner on the top-left side.

Also, the company expects to be able to attract funding through its partners in the same way as before. The company thus expects that, by the end of this financial year, it will have established an ultimate financial situation securing the basis for focus to be on scaling the business and its further commercial development.

On that basis, BLUETOWN has presented its annual report in the present form.

### **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 and 2020 the Company has recognized the value of two specific development projects.

### **Unusual circumstances affecting recognition and measurement**

In 2019 the Company decided to scale down its activities in BLUETOWN Tanzania Ltd until specific projects have materialized. For 2020 no letter of support will be issued to BLUETOWN Tanzania Ltd why the recognized provision related to the negative equity in the entity has been reversed in Bluetown ApS, parent.

### **Events after the balance sheet date**

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

# Consolidated income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Revenue		16,778,955	13,774,316
Other operating income		117,880	74,676
Cost of sales		(3,805,278)	(4,278,157)
Other external expenses		(18,437,398)	(23,418,041)
<b>Gross profit/loss</b>		<b>(5,345,841)</b>	<b>(13,847,206)</b>
Staff costs	1	(27,275,874)	(32,534,132)
Depreciation, amortisation and impairment losses	2	(5,504,759)	(3,033,268)
<b>Operating profit/loss</b>		<b>(38,126,474)</b>	<b>(49,414,606)</b>
Other financial income	3	12,908	4,693,770
Other financial expenses	4	(8,856,429)	(10,461,548)
<b>Profit/loss before tax</b>		<b>(46,969,995)</b>	<b>(55,182,384)</b>
Tax on profit/loss for the year	5	4,564,732	1,454,930
<b>Profit/loss for the year</b>	6	<b>(42,405,263)</b>	<b>(53,727,454)</b>



# Consolidated balance sheet at 30.09.2020

## Assets

	Notes	2019/20 DKK	2018/19 DKK
Completed development projects	8	2,223,675	0
Acquired rights		54,782	82,364
Development projects in progress	8	150,418	2,969,000
<b>Intangible assets</b>	7	<b>2,428,875</b>	<b>3,051,364</b>
Plant and machinery		10,427,429	10,446,892
Other fixtures and fittings, tools and equipment		256,459	303,830
Property, plant and equipment in progress		1,414,857	3,463,665
<b>Property, plant and equipment</b>	9	<b>12,098,745</b>	<b>14,214,387</b>
Deposits		1,616,424	1,204,687
Other receivables		0	1,320,044
<b>Fixed asset investments</b>	10	<b>1,616,424</b>	<b>2,524,731</b>
<b>Fixed assets</b>		<b>16,144,044</b>	<b>19,790,482</b>
Raw materials and consumables		2,192,960	749,632
Prepayments for goods		2,442,890	0
<b>Inventories</b>		<b>4,635,850</b>	<b>749,632</b>
Trade receivables		8,537,347	4,339,354
Other receivables	11	7,794,904	486,308
Tax receivable		335,672	2,778,248
Prepayments	12	885,697	3,133,984
<b>Receivables</b>		<b>17,553,620</b>	<b>10,737,894</b>
<b>Cash</b>		<b>8,702,303</b>	<b>10,075,742</b>
<b>Current assets</b>		<b>30,891,773</b>	<b>21,563,268</b>
<b>Assets</b>		<b>47,035,817</b>	<b>41,353,750</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019/20 DKK</b>	<b>2018/19 DKK</b>
Contributed capital		1,019,578	793,575
Share premium		267,759,217	238,934,238
Retained earnings		(254,809,270)	(220,541,697)
<b>Equity belonging to Parent's shareholders</b>		<b>13,969,525</b>	<b>19,186,116</b>
<b>Equity belonging to minority interests</b>		<b>(4,513,299)</b>	<b>(2,861,467)</b>
<b>Equity</b>		<b>9,456,226</b>	<b>16,324,649</b>
Debt to other credit institutions	13	12,083,810	0
Prepayments received from customers	14	13,271,028	7,772,010
<b>Non-current liabilities other than provisions</b>	<b>15</b>	<b>25,354,838</b>	<b>7,772,010</b>
Bank loans		3,655	47,558
Payables to other credit institutions	13	0	3,513,369
Convertible and profit-sharing debt instruments	16	2,733,347	0
Deposits		208,470	0
Prepayments received from customers		442,822	1,797,962
Trade payables		2,580,820	4,200,438
Other payables		6,255,639	7,697,764
<b>Current liabilities other than provisions</b>		<b>12,224,753</b>	<b>17,257,091</b>
<b>Liabilities other than provisions</b>		<b>37,579,591</b>	<b>25,029,101</b>
<b>Equity and liabilities</b>		<b>47,035,817</b>	<b>41,353,750</b>
Unrecognised rental and lease commitments	18		
Subsidiaries	19		

# Consolidated statement of changes in equity for 2019/20

	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	793,575	238,934,238	(220,541,697)	19,186,116	(2,861,467)
Increase of capital	226,003	28,824,979	0	29,050,982	160,269
Exchange rate adjustments	0	0	1,389,671	1,389,671	0
Value adjustments	0	0	0	0	351,373
Other entries on equity	0	0	4,584,545	4,584,545	0
Profit/loss for the year	0	0	(40,241,789)	(40,241,789)	(2,163,474)
<b>Equity end of year</b>	<b>1,019,578</b>	<b>267,759,217</b>	<b>(254,809,270)</b>	<b>13,969,525</b>	<b>(4,513,299)</b>
					<b>Total DKK</b>
Equity beginning of year					16,324,649
Increase of capital					29,211,251
Exchange rate adjustments					1,389,671
Value adjustments					351,373
Other entries on equity					4,584,545
Profit/loss for the year					(42,405,263)
<b>Equity end of year</b>					<b>9,456,226</b>

# Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Operating profit/loss		(38,126,474)	(49,414,606)
Amortisation, depreciation and impairment losses		5,504,759	3,033,268
Working capital changes	17	(10,803,871)	(4,582,641)
<b>Cash flow from ordinary operating activities</b>		<b>(43,425,586)</b>	<b>(50,963,979)</b>
Financial income received		12,908	1,548,967
Financial expenses paid		(10,439,295)	(8,346,777)
Taxes refunded/(paid)		4,564,732	1,454,930
<b>Cash flows from operating activities</b>		<b>(49,287,241)</b>	<b>(56,306,859)</b>
Acquisition etc. of intangible assets		(1,672,318)	(3,004,545)
Acquisition etc. of property, plant and equipment		(2,480,654)	(4,294,981)
Deposits		(411,737)	(1,620,051)
<b>Cash flows from investing activities</b>		<b>(4,564,709)</b>	<b>(8,919,577)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>(53,851,950)</b>	<b>(65,226,436)</b>
Loans raised		8,570,441	(13,081,785)
Repayments of loans etc.		(43,903)	(14,922,108)
Cash capital increase		27,719,880	108,938,950
Debt conversions		13,498,746	0
Raised convertible loans		2,733,347	(4,943,950)
Loans from owners		0	(833,499)
<b>Cash flows from financing activities</b>		<b>52,478,511</b>	<b>75,157,608</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(1,373,439)</b>	<b>9,931,172</b>
Cash and cash equivalents beginning of year		10,075,742	144,570
<b>Cash and cash equivalents end of year</b>		<b>8,702,303</b>	<b>10,075,742</b>
Cash and cash equivalents at year-end are composed of:			
Cash		8,702,303	10,075,742



<b>Cash and cash equivalents end of year</b>	<b>8,702,303</b>	<b>10,075,742</b>
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# Notes to consolidated financial statements

## 1 Staff costs

	2019/20 DKK	2018/19 DKK
Wages and salaries	28,510,487	35,074,365
Pension costs	0	61,567
Other social security costs	401,137	394,993
	<b>28,911,624</b>	<b>35,530,925</b>
Staff costs classified as assets	(1,635,750)	(2,996,793)
	<b>27,275,874</b>	<b>32,534,132</b>
Average number of full-time employees	<b>103</b>	<b>98</b>

	Remuneration of manage- ment 2019/20 DKK	Remuneration of manage- ment 2018/19 DKK
Executive Board	4,850,000	3,241,934
Board of Directors	58,333	180,000
	<b>4,908,333</b>	<b>3,421,934</b>

### 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 20209. Number of warrants granted is 79.871. The exercise price is DKK 400, DKK 200 and DKK 120 per warrant.

## 2 Depreciation, amortisation and impairment losses

	2019/20 DKK	2018/19 DKK
Amortisation of intangible assets	1,111,672	62,721
Impairment losses on intangible assets	1,180,333	0
Depreciation on property, plant and equipment	3,212,754	2,970,547
	<b>5,504,759</b>	<b>3,033,268</b>

**3 Other financial income**

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Other interest income	0	1,548,967
Exchange rate adjustments	0	3,144,803
Other financial income	12,908	0
	<b>12,908</b>	<b>4,693,770</b>

**4 Other financial expenses**

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Other interest expenses	1,823,024	8,526,385
Exchange rate adjustments	7,033,405	1,935,163
	<b>8,856,429</b>	<b>10,461,548</b>

**5 Tax on profit/loss for the year**

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Adjustment concerning previous years	(4,564,732)	(1,454,930)
	<b>(4,564,732)</b>	<b>(1,454,930)</b>

**6 Proposed distribution of profit/loss**

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Retained earnings	(40,255,709)	(52,773,378)
Minority interests' share of profit/loss	(2,149,554)	(954,076)
	<b>(42,405,263)</b>	<b>(53,727,454)</b>

## 7 Intangible assets

	Completed development projects DKK	Acquired rights DKK	Development projects in progress DKK
Cost beginning of year	0	299,770	2,969,000
Exchange rate adjustments	0	(18,916)	0
Transfers	2,969,000	0	(2,969,000)
Additions	1,521,900	0	150,418
<b>Cost end of year</b>	<b>4,490,900</b>	<b>280,854</b>	<b>150,418</b>
Amortisation and impairment losses beginning of year	0	(217,406)	0
Exchange rate adjustments	0	16,114	0
Impairment losses for the year	(1,180,333)	0	0
Amortisation for the year	(1,086,892)	(24,780)	0
<b>Amortisation and impairment losses end of year</b>	<b>(2,267,225)</b>	<b>(226,072)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>2,223,675</b>	<b>54,782</b>	<b>150,418</b>

## 8 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.

## 9 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	13,447,445	1,141,393	3,463,665
Exchange rate adjustments	(1,455,476)	(23,374)	(411,644)
Transfers	1,802,099	0	(1,802,099)
Additions	2,213,073	102,646	164,935
Disposals	0	(13,789)	0
<b>Cost end of year</b>	<b>16,007,141</b>	<b>1,206,876</b>	<b>1,414,857</b>
Depreciation and impairment losses beginning of year	(3,000,553)	(837,563)	0
Exchange rate adjustments	505,067	11,755	0
Depreciation for the year	(3,084,226)	(128,528)	0
Reversal regarding disposals	0	3,919	0
<b>Depreciation and impairment losses end of year</b>	<b>(5,579,712)</b>	<b>(950,417)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>10,427,429</b>	<b>256,459</b>	<b>1,414,857</b>

## 10 Fixed asset investments

	Deposits DKK	Other receivables DKK
Cost beginning of year	1,204,687	1,320,044
Disposals on divestments etc.	0	(1,320,044)
Additions	411,737	0
<b>Cost end of year</b>	<b>1,616,424</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>1,616,424</b>	<b>0</b>

## 11 Other receivables

Other receivables comprise of DKK 6,2 mio. cash funding paid in to 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 is released to the company at the financial report release date.

## 12 Prepayments

Prepayments compose of prepaid expenses relating to coming financial years.

## 13 Debt to other credit institutions

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.

## 14 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.

## 15 Non-current liabilities other than provisions

	Due after more than 12 months 2019/20 DKK	Outstanding after 5 years 2019/20 DKK
Debt to other credit institutions	12,083,810	12,083,810
Prepayments received from customers	13,271,028	0
	<b>25,354,838</b>	<b>12,083,810</b>

**16 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
	<b>2,733,347</b>			

**17 Changes in working capital**

	2019/20 DKK	2018/19 DKK
Increase/decrease in inventories	(3,886,218)	1,249,877
Increase/decrease in receivables	(7,938,258)	(844,355)
Increase/decrease in trade payables etc.	1,020,605	(4,988,163)
	<b>(10,803,871)</b>	<b>(4,582,641)</b>

**18 Unrecognised rental and lease commitments**

	2019/20 DKK	2018/19 DKK
Total liabilities under rental or lease agreements until maturity	<b>260,500</b>	<b>23,310</b>

**19 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

## Parent income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Revenue		3,579,812	2,055,269
Other operating income		117,880	74,676
Cost of sales		(2,365,418)	(2,836,250)
Other external expenses		(7,565,044)	(17,137,597)
<b>Gross profit/loss</b>		<b>(6,232,770)</b>	<b>(17,843,902)</b>
Staff costs	5	(21,250,611)	(28,587,034)
Depreciation, amortisation and impairment losses	6	(2,353,653)	(214,128)
<b>Operating profit/loss</b>		<b>(29,837,034)</b>	<b>(46,645,064)</b>
Income from investments in group enterprises		1,328,742	(7,941,568)
Other financial income	7	2,376,908	4,706,901
Other financial expenses	8	(5,001,064)	(7,603,094)
<b>Profit/loss before tax</b>		<b>(31,132,448)</b>	<b>(57,482,825)</b>
Tax on profit/loss for the year	9	4,632,415	1,454,930
<b>Profit/loss for the year</b>	10	<b>(26,500,033)</b>	<b>(56,027,895)</b>

# Parent balance sheet at 30.09.2020

## Assets

	Notes	2019/20 DKK	2018/19 DKK
Completed development projects	12	2,223,675	0
Acquired rights		37,494	49,993
Development projects in progress	12	150,418	2,969,000
<b>Intangible assets</b>	11	<b>2,411,587</b>	<b>3,018,993</b>
Other fixtures and fittings, tools and equipment		80,183	167,532
<b>Property, plant and equipment</b>	13	<b>80,183</b>	<b>167,532</b>
Investments in group enterprises		0	0
Receivables from group enterprises		13,552,233	30,381,027
Deposits		1,201,729	923,773
<b>Fixed asset investments</b>	14	<b>14,753,962</b>	<b>31,304,800</b>
<b>Fixed assets</b>		<b>17,245,732</b>	<b>34,491,325</b>
Raw materials and consumables		0	749,632
<b>Inventories</b>		<b>0</b>	<b>749,632</b>
Trade receivables		303,380	2,162,123
Receivables from group enterprises		1,889,900	0
Other receivables	15	6,698,424	312,207
Tax receivable	16	0	223,675
Prepayments	17	479,304	718,850
<b>Receivables</b>		<b>9,371,008</b>	<b>3,416,855</b>
<b>Cash</b>		<b>5,012,789</b>	<b>6,917,938</b>
<b>Current assets</b>		<b>14,383,797</b>	<b>11,084,425</b>
<b>Assets</b>		<b>31,629,529</b>	<b>45,575,750</b>



**Equity and liabilities**

	<b>Notes</b>	<b>2019/20</b> <b>DKK</b>	<b>2018/19</b> <b>DKK</b>
Contributed capital		1,019,578	793,575
Share premium		266,428,115	238,934,238
Reserve for development costs		1,851,792	2,315,820
Retained earnings		(256,651,439)	(235,428,705)
<b>Equity</b>		<b>12,648,046</b>	<b>6,614,928</b>
Provisions for investments in group enterprises		0	19,649,123
<b>Provisions</b>		<b>0</b>	<b>19,649,123</b>
Debt to other credit institutions	19	12,083,810	0
Prepayments received from customers		0	7,772,010
<b>Non-current liabilities other than provisions</b>	<b>20</b>	<b>12,083,810</b>	<b>7,772,010</b>
Bank loans		3,655	47,558
Payables to other credit institutions	19	0	1,730,100
Convertible and profit-sharing debt instruments	21	1,500,000	0
Prepayments received from customers		30,088	1,670,775
Trade payables		686,506	3,318,151
Other payables		4,677,424	4,773,105
<b>Current liabilities other than provisions</b>		<b>6,897,673</b>	<b>11,539,689</b>
<b>Liabilities other than provisions</b>		<b>18,981,483</b>	<b>19,311,699</b>
<b>Equity and liabilities</b>		<b>31,629,529</b>	<b>45,575,750</b>
Going concern	1		
Unusual circumstances	2		
Events after the balance sheet date	3		
Uncertainty relating to recognition and measurement	4		
Unrecognised rental and lease commitments	22		
Contingent liabilities	23		
Assets charged and collateral	24		
Related parties with controlling interest	25		

## Parent statement of changes in equity for 2019/20

	Contributed capital DKK	Share premium DKK	Reserve for development costs DKK	Retained earnings DKK	Total DKK
Equity beginning of year	793,575	238,934,238	2,315,820	(235,428,705)	6,614,928
Increase of capital	226,003	27,493,877	0	0	27,719,880
Exchange rate adjustments	0	0	0	575,437	575,437
Other entries on equity	0	0	0	4,237,834	4,237,834
Transfer to reserves	0	0	(464,028)	464,028	0
Profit/loss for the year	0	0	0	(26,500,033)	(26,500,033)
<b>Equity end of year</b>	<b>1,019,578</b>	<b>266,428,115</b>	<b>1,851,792</b>	<b>(256,651,439)</b>	<b>12,648,046</b>

# Notes to parent financial statements

## 1 Going concern

The Company has in 2020 continued projects with large scale partners in India and Ghana and Management expects increased global activities and increasing commercial business results in 2020/21 both in India and Africa. At present, BLUETOWN is increasing its business in Ghana with the sale of data bundles and internet connections to end users and institutions. In the summer of 2020, BLUETOWN established some precise performance measures to document “proof of business” –based on an internet project in Ghana 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.

During the last four 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.

In July 2020, the Company completed a large investor round by which guaranteed new capital and COVID-19 loan capital from Vækstfonden of a total amount of DKK 40 million reestablished the Company's equity. The capital contribution came from both new and existing shareholders.

In 2019/20, the Company reduced its expenses which has reduced the operating loss compared to last year. The majority of the Company's debt and other accounts payable were settled. The Company has a non-current loan from Vækstfonden totalling DKK 12 million.

At the beginning of 2021, the cash position of the Company was once again impaired, and the Company has initiated plans to prepare for a listing of BLUETOWN on a marketplace or from private or industrial cornerstone investors.

As the Company wants the fastest possible scaling to be able to quickly obtain a positive cash position, it has engaged a foreign certified advisor to be in charge of a large raising of capital during the summer of 2021 to be able to accelerate the scaling. As part of this engagement, it is also assessed on a current basis whether BLUETOWN should use the present stock market to secure equity for the scaling and thereby generate liquidity to the Company.

Until the end of September 2021, BLUETOWN has a cash need of minimum DKK 20 million that is currently unfunded. BLUETOWN has in February 2021 entered into an agreement with a certified Swedish corporate finance partner involving the injection of DKK 65 million before July 1, 2021. Out of the DKK 65 million, DKK 15 million is to be injected in BLUETOWN already during April 2021. BLUETOWN has currently guaranteed funding until April 2021. The funds are expected to be injected from a listing on a marketplace or from private or industrial cornerstone investors.

By the end of February 2021, and until the planned injections before July 1, 2021, 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 2020, no agreements have been made on additional contribution of

cash from February 2021 and forward.

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 2020/21. The capital requirement for the period 1 March 2021 up to and by the end of September 2021 constitutes a minimum of DKK 20 million. 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 the planned listing, related equity investments or loans of significance would be obtained, Management has concluded that it is appropriate to prepare the annual report based on going concern.

## **2 Unusual circumstances**

In 2019 the Company decided to scale down its activities in Bluetown Tanzania Ltd. until specific projects have materialized. As a result of this, the intercompany receivable from Bluetown Tanzania Ltd. of DKK 13.7 million has for now been written down to zero as of 30 September 2020. The write-down was recognized in prior years.

In February 2021 the Bluetown Group decided not to issue a letter of support to Bluetown Tanzania Ltd. and liquidate the entity. No obligation to cover remaining liabilities in the subsidiary exist.

Due to this the recognized provision for the investment in the group enterprise has been reversed in the Parent Bluetown ApS as profit for the year from investments in group enterprises.

## **3 Events after the balance sheet date**

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

## **4 Uncertainty relating to recognition and measurement**

As at 30 September 2020, Bluetown ApS has a receivable from the subsidiary Bluetown in Mauritius of DKK 13.6 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 can be attached to the valuation of intercompany receivables, if Bluetown does not, to a significant extent, realise its business case or obtains funding.

## 5 Staff costs

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	22,640,138	31,283,986
Other social security costs	246,223	272,048
	<b>22,886,361</b>	<b>31,556,034</b>
Staff costs classified as assets	(1,635,750)	(2,969,000)
	<b>21,250,611</b>	<b>28,587,034</b>

Number of employees at balance sheet date	<b>22</b>	<b>42</b>
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	<b>Remuneration of manage- ment 2019/20 DKK</b>	<b>Remuneration of manage- ment 2018/19 DKK</b>
Executive Board	4,850,000	3,241,934
Board of Directors	58,333	180,000
	<b>4,908,333</b>	<b>3,421,934</b>

### 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.

## 6 Depreciation, amortisation and impairment losses

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	1,099,391	12,503
Impairment losses on intangible assets	1,180,333	0
Depreciation on property, plant and equipment	77,479	201,625
Profit/loss from sale of intangible assets and property, plant and equipment	(3,550)	0
	<b>2,353,653</b>	<b>214,128</b>

## 7 Other financial income

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	2,364,001	1,683,363
Other interest income	12,907	458,298
Exchange rate adjustments	0	2,565,240
	<b>2,376,908</b>	<b>4,706,901</b>

## 8 Other financial expenses

	2019/20 DKK	2018/19 DKK
Other interest expenses	1,222,458	7,123,495
Exchange rate adjustments	3,778,606	479,599
	<b>5,001,064</b>	<b>7,603,094</b>

## 9 Tax on profit/loss for the year

	2019/20 DKK	2018/19 DKK
Current tax	0	186,692
Adjustment concerning previous years	(4,632,415)	(1,641,622)
	<b>(4,632,415)</b>	<b>(1,454,930)</b>

Tax income comprises tax credit received in accordance with Danish Tax Assessment Act (Ligningsloven) section 8X for the income year 2018 and 2019. Tax credit for the income year 2020 will be recognized when received.

## 10 Proposed distribution of profit and loss

	2019/20 DKK	2018/19 DKK
Retained earnings	(26,500,033)	(56,027,895)
	<b>(26,500,033)</b>	<b>(56,027,895)</b>

## 11 Intangible assets

	Completed development projects DKK	Acquired rights DKK	Development projects in progress DKK
Cost beginning of year	0	125,000	2,969,000
Transfers	2,969,000	0	(2,969,000)
Additions	1,521,900	0	150,418
<b>Cost end of year</b>	<b>4,490,900</b>	<b>125,000</b>	<b>150,418</b>
Amortisation and impairment losses beginning of year	0	(75,007)	0
Impairment losses for the year	(1,180,333)	0	0
Amortisation for the year	(1,086,892)	(12,499)	0
<b>Amortisation and impairment losses end of year</b>	<b>(2,267,225)</b>	<b>(87,506)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>2,223,675</b>	<b>37,494</b>	<b>150,418</b>

## 12 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.

### 13 Property, plant and equipment

	<b>Other fixtures and fittings, tools and equipment DKK</b>
Cost beginning of year	832,360
Disposals	(13,789)
<b>Cost end of year</b>	<b>818,571</b>
Depreciation and impairment losses beginning of year	(664,828)
Reversal of impairment losses	3,919
Depreciation for the year	(77,479)
<b>Depreciation and impairment losses end of year</b>	<b>(738,388)</b>
<b>Carrying amount end of year</b>	<b>80,183</b>

### 14 Fixed asset investments

	<b>Investments in group enterprises DKK</b>	<b>Receivables from group enterprises DKK</b>	<b>Deposits DKK</b>
Cost beginning of year	6,640	30,381,027	923,773
Additions	0	3,976,906	277,956
<b>Cost end of year</b>	<b>6,640</b>	<b>34,357,933</b>	<b>1,201,729</b>
Impairment losses beginning of year	(6,640)	0	0
Exchange rate adjustments	575,438	0	0
Adjustments on equity	4,237,834	0	0
Share of profit/loss for the year	1,328,742	0	0
Investments with negative equity value depreciated over receivables	(6,142,014)	(1,156,577)	0
Investments with negative equity value transferred to provisions	0	(19,649,123)	0
<b>Impairment losses end of year</b>	<b>(6,640)</b>	<b>(20,805,700)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>0</b>	<b>13,552,233</b>	<b>1,201,729</b>

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 4 describing uncertainty relating to recognition and measurement.

### 15 Other receivables

Other receivables comprise of DKK 6,2 million cash funding paid in to 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 is expected released to the company at the financial report release date.

#### 16 Tax receivable

The Company has a material unrecognized tax asset. The tax is incumbent upon tax loss carried forward of DKK 179 million. Based on the expected use of the tax asset, the value of the tax asset has not been recognized.

#### 17 Prepayments

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

#### 18 Provisions for investments in group enterprises

Group enterprises with negative equity are measured at DKK 0. The negative equity value exceed the amount receivable, why the remaining amount is recognized under provisions, as the Parent Bluetown ApS has a constructive obligation to cover the liabilities of the subsidiaries.

#### 19 Debt to other credit institutions

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.

#### 20 Non-current liabilities other than provisions

	Due after more than 12 months 2019/20 DKK	Outstanding after 5 years 2019/20 DKK
Debt to other credit institutions	12,083,810	12,083,810
	<b>12,083,810</b>	<b>12,083,810</b>

#### 21 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
	<b>1,500,000</b>			

#### 22 Unrecognised rental and lease commitments

	2019/20 DKK	2018/19 DKK
Total liabilities under rental or lease agreements until maturity	<b>260,500</b>	<b>23,310</b>



### **23 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.

### **24 Assets charged and collateral**

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

### **25 Related parties with controlling interest**

BTH ApS holds as the largest shareholder 11,96 % of the voting rights in Bluetown ApS as of 30 september 2020

# 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**

Minority interests comprise the minority interests' share of subsidiaries' equity in which the subsidiary is not wholly owned by the Parent.

**Other provisions**

Other provisions comprise provisions related to investments in group enterprises. See separate description of accounting policies under investments in group enterprises.

**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.