C-Leanship A/S

Søndervej 11, 4700 Næstved

CVR no. 33 39 24 27

Annual report 2019

Approved at the Company's annual general meeting on 19 May 2020

Chairman:

....
Carsten Raasten

Building a better
working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of C-Leanship A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 19 May 2020
Executive Board:

Jonas Kaasing Rasmussen

Board of Directors:

Dan Åke Enstedt
Chairman

Jesper Højer

Roger Lennert Valentin Persson

Henrik Lars Olof Engqvist

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of C-Leanship A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 19 May 2020
Executive Board:

Jonas Kaasing Rasmussen

Board of Directors:

Dan Åke Enstedt Chairman	Jesper Højer	Roger Lennert Valentin Persson

Henrik Lars Olof Engqvist

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of C-Leanship A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 19 May 2020
Executive Board:

Jonas Kaasing Rasmussen

Board of Directors:

Dan Åke Enstedt Chairman	Jesper Højer	Roger Lennert Valentin Persson

Henrik Lars Olof Engqvist

Independent auditor's report

To the shareholders of C-Leanship A/S

Opinion

We have audited the financial statements of C-Leanship A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 19 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Rasmus Bloch Jespersen
State Authorised Public Accountant
mne35503

Management's review

Business review

During 2019, C-Leanship continued to build up sales volume and expanding the customer base by establishing repeat business mainly with the world's largest container shipping lines. C-Leanship offers their customers a full hull cleaning in port during cargo operation. This not just saves fuel for our customers it also eliminates off hire time since the vessels can be cleaned without being taken out of schedule. The Company has confirmations from our customers that they save both valuable fuel and operations time by cleaning in port.

The service that C-Leanship offers the market is new in that sense that cleaning can be done in one port call safely without divers. By offering our customers reliable services in our first port in Singapore, we are now focusing on building up the sales volumes by convincing our customers to move cleanings from other ports and suppliers to C-Leanship in Singapore.

C-Leanship's long-term plan is to establish hull cleaning services in multiple ports around the world.

The market for hull cleanings is expected to grow in the future for the following reasons:

- Availability of safe, gentle and environmental friendly cleanings with no negative impact on operations is expected to increase the cleaning frequency as shipping lines save substantial amount of fuel by operating with clean hulls
- New environmental legislations to avoid spreading of invasive species will request the shipping lines to clean their hulls frequently

C-Leanship has established a solid foundation for future expansion by building up a market position, developing a technology to provide its services and developing the organisation and operational skills to offer the market hull cleanings that address the customers' current and future needs. During 2019, C-Leanship has developed a second generation hull cleaning machine that will increase our delivery capacity by reducing the cleaning time even further and open up new market segment by offering hull cleanings at anchorage. The new machine is also prepared to fulfill further environmental requirements.

The reductions of CO_2 emission from a hull cleaning of a mid-size container vessel is estimated to 3,000 tonne of CO_2 per year, and one machine doing 200 cleanings per year will facilitate a reduction of CO_2 emissions by 0,6 Mtonne/year. By comparison, the CO_2 emissions from Swedish Domestic Air traffic is estaimated to 0,5 Mtonne/year.

Recognition and measurement uncertainties

The Company's completed development project 'ShipShine 1' is capitalised in the balance sheet at DKK 12,022 thousand and the in-progress development project 'Ship Shine 2' is capitalised in the balance sheet at DKK 9,626 thousand. Further, the Company has capitalised payments for the construction of 'ShipShiner 2' of DKK 12,427 thousand.

C-Leanship has verified its technology and the concept of cleaning a large vessel in port during one port call in a safe, gentle and environmental friendly way. C-Leanship's customer has also verified the fuel savings generated by hull cleanings done by C-Leanship.

C-Leanship develops a second generation Shipshiner (the machine that perfom the underwater cleanings) based on the experience from the first machine. There is always risk involved in developing a new machine, and C-Leanship has taken several steps to mitigate those risks by establishing a project organisation with large experience in this kind of development. The second-generation machine has been tested, with promising results, prior to delivery to Singapore. Final verification of functionality of the new machine is planned to be performed during Q2 2020 before the new machine is taken into commercial operation. Over the last years, C-Leanship has build up extensive experience in underwater hull cleaning. This experience is of large value in our future development.

C-Leanship is offering a service that to some extent has not been available on the market before. Most hull cleanings have been done by divers at anchorage. There is always a risk that it takes longer time than expected to get customers to recognise and accept new services or services delivered in a new way. C-Leanship needs to work closely with existing and new customers to present our services and convince them to use them.

Management's review

C-Leanship expects to have competitors offering similar services. By having access to Saab leading underwater technology, we believe that we can develop our services to secure that we always can offer the market attractive services. C-Leanship's future business case is based on the assumption that the Company will have competitors offering similar services.

During 2019, the owners have invested equity to fund operation and developped a new Shipshiner. C-Leanship has made an impairment test by estimating the expected value of the discounted future Cash flow (DCF) generated by the business to be established. Management's conclusion is that this DCF value exceeds the value of the capitalised development cost.

As a result of the value in use calculation, Management did not identify any needs for impairment of its non-current assets. As such, the Company has not accounted for impairment losses.

Due to uncertainties as to future income and cash flows from the ShipShiner, the valuation of the non-current asset is subject to Management's assessments and estimations and, consequently, to measurement uncertainties.

Unusual matters having affected the financial statements

Going concern

The Company's operations are financed by operational cash-flows from sale of hull cleaning services and capital injections from investors and issuance of convertible debt to the current shareholders.

Management assesses that the Company will have sufficient funds from funding provided after the balance sheet date and cash flows from projected revenue to meet the Company's operational liquidity requirements through 31 December 2020.

On this basis, Management assesses that there is no significant uncertainty associated with going concern and as such presents the financial statements for 2019 on a going concern assumption.

Financial review

The income statement for 2019 shows a loss of DKK 19,644,535 against a loss of DKK 26,116,764 last year, and the balance sheet at 31 December 2019 shows equity of DKK 24,175,017.

Events after the balance sheet date

Subsequent to the balance sheet date, the Company issued short-term convertible loans totalling USD 1,000 thousand.

Following the worldwide COVID-19 virus outbreak, starting Q1 2020, Management is analysing the impact on the Company's business and the environments in which it operates. Management considers COVID-19 to constitute a non-adjusting event and has as such not adjusted any figures in the financial statements for 2019 due to the impact from COVID-19.

No other significant events have occurred subsequent to the end of the financial year.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Gross loss	-17,192,789	-13,734,393
5	Staff costs	-1,751,827	-2,225,930
6	Amortisation/depreciation of intangible assets and property, plant and equipment	-6,677,061	-7,336,750
	Profit/loss before net financials	-25,621,677	-23,297,073
	Income from investments in group entities	5,615,742	0
7	Financial income	185,469	137,504
8	Financial expenses	-1,518,200	-4,227,971
	Profit/loss before tax	-21,338,666	-27,387,540
9	Tax for the year	1,694,131	1,270,776
	Profit/loss for the year	-19,644,535	-26,116,764

	Recommended appropriation of profit/loss		
	Reserve for development costs	-49,802	-49,802
	Retained earnings/accumulated loss	-19,594,733	-26,066,962
		-19,644,535	-26,116,764

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Non-current assets		
10	Intangible assets		
	Completed development projects	12,022,123	15,158,329
	Development projects in progress	9,625,835	3,443,860
		21,647,958	18,602,189
11	Property, plant and equipment		
	Operational equipment	55,847	3,492,619
	Other fixtures and fittings, tools and equipment	47,000	75,200
	Equipment in progress	12,427,105	0
		12,529,952	3,567,819
12	Financial assets		
	Investments in group entities	532,294	532,294
		532,294	532,294
	Total non-current assets	34,710,204	22,702,302
	Current assets		
	Receivables		
	Trade receivables	1,047,839	1,246,519
	Receivables from group entities	0	742,873
	Income taxes receivable	1,711,294	326,259
	Other receivables	83,285	53,125
	Prepayments	480,394	276,637
		3,322,812	2,645,413
	Cash	6,256,859	2,009,117
	Total current assets	9,579,671	4,654,530
	TOTAL ASSETS	44,289,875	27,356,832

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	3,410,463	2,931,892
	Share premium account	143,527,841	119,696,299
	Reserve for development costs	7,699,059	2,926,920
	Reserve for non-paid-in capital	0	-13,057,734
	Retained earnings	-130,462,346	-106,045,672
	Total equity	24,175,017	6,451,705
14	Non-current liabilities		
	Deferred tax	4,355,407	4,354,802
	Provision for holiday	69,085	0
	Payables to group entities	3,774,019	4,495,294
	Grants payables	2,448,291	2,448,291
	Total non-current liabilities	10,646,802	11,298,387
	Current liabilities		
	Other credit institutions	725,272	700,290
	Convertible debt instruments	44,917	38,557
	Trade payables	1,814,382	339,511
	Payables to group entities	6,174,911	8,423,326
	Other payables	708,574	105,056
	Total current liabilities	9,468,056	9,606,740
	Total liabilities	20,114,858	20,905,127
	TOTAL EQUITY AND LIABILITIES	44,289,875	27,356,832

1	Accounting policies
2	Financing and the going concern assumption
3	Recognition and measurement uncertainties
4	Events after the balance sheet date
15	Contractual obligations and contingencies, etc.
16	Contingent assets
17	Collateral
18	Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Share premium account	Reserve for development costs	Reserve for non-paid-in capital	Retained earnings	Total
Equity at 1 January 2019	2,931,892	119,696,299	2,926,920	-13,057,734	-106,045,672	6,451,705
Capital increase	478,571	23,831,542	0	13,057,734	0	37,367,847
Transfer through appropriation of loss	0	0	-49,802	0	-19,594,733	-19,644,535
Development costs capitalised in the year	0	0	4,821,941	0	-4,821,941	0
Equity at 31 December 2019	3,410,463	143,527,841	7,699,059	0	-130,462,346	24,175,017

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of C-Leanship A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Public grants

Public grants received to cover expenses are recognised in the income statement once it is probable that all criteria for being receiving the grant are satisfied. Grants which must be repaid under certain circumstances are only recognised in the income statement if they are not expected to be repaid. Grants that are expected to be repaid are recognised as grants payables under liabilities.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from rendering of hull cleaning services is recognised as revenue as the service is rendered, implying that revenue corresponds to the market value of services rendered in the year (production method).

Income from operating leases where the Company is lessor: Leases where the Company does not transfer all the significant risks and rewards of ownership of the assets to the lessee are classified as operational leases. Rent from operational lease agreements is recognised as income in the period in which they are generated.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross loss

The items revenue, other operating income and external expenses have been aggregated into one item in the income statement called gross loss in accordance with section 32 of the Danish Financial Statements Act.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of non-current assets.

Other external expenses

Other external expenses include the year's expenses relating to administration, office rent, patent and licence expenditures, bad debts, payments under operating leases and development costs that do not meet the recognition criteria for capitalisation.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost for completed development projects is amortised over the expected useful life.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	7 years
Development projects in progress	0 years

The residual value of intangible assets is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
Operational equipment	3 years

The residual value of tangible assets is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Profit from investments in subsidiaries

Dividend from investments in subsidiaries is recognised in the income statement in the year of declaration. Distribution of dividend where the dividend exceeds the profit for the year or where the carrying amount of the Company’s investments in the subsidiary exceeds the carrying amount of the subsidiary’s net asset value will be evidence of impairment, meaning that an impairment must be conducted.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, interest on convertible debt instruments, realised and unrealised exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Tax for the year includes tax credit for development activities at the applicable tax rate for the year in question, if the Company is deemed to qualify for the tax credit.

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, the capitalised development projet is allocated and reclassified to relevant asset classes under completed development projects and property plant and equipment and are amortised or depreciated as such on a straight-line basis over the estimated useful life of the respective assets.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

As regards self-produced assets, the cost includes the cost of materials and labour, etc. directly relating to the production.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in subsidiaries

Investments in subsidiaries are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write-down is made to such lower value.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash consists of cash in banks.

Equity

Reserve for non-paid-in share capital

Non paid in share capital is presented according to the net method, implying that it does not affect the size of equity. The non paid in share capital is presented in a separate item under equity. An amount corresponding to the non paid in share capital is re classified from "Retained earnings" to "Reserve for non paid in capital".

Reserve for development costs

The reserve for development costs comprises recognised development costs adjusted for deferred tax. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Income taxes

Current tax payable and receivable, which includes receivable tax credits, are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provisions for deferred tax are calculated of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

Liabilities

Financial liabilities comprising trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Convertible loans

Convertible loans are broken down into a liability element and an equity element based on the relevant instrument of debt. On initial recognition, the liability is recognised at the fair value of a similar liability without a conversion right. The remaining amount of the convertible loan is recognised as equity. On subsequent recognition, the liability is measured at amortised cost until converted or repaid. The equity element is not re measured after initial recognition.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Financing and the going concern assumption

The Company's operations are financed by operational cash-flows from sale of hull cleaning services and capital injections from investors and issuance of convertible debt to the current shareholders.

Management assesses that the Company will have sufficient funds from funding provided after the balance sheet date and cash flows from projected revenue to meet the Company's operational liquidity requirements through 31 December 2020.

On this basis, Management assesses that there is no significant uncertainty associated with going concern and as such presents the financial statements for 2019 on a going concern assumption.

3 Recognition and measurement uncertainties

The Company's completed development project 'ShipShine 1' is capitalised in the balance sheet at DKK 12,022 thousand and the in-progress development project 'Ship Shine 2' is capitalised in the balance sheet at DKK 9,626 thousand. Further, the Company has capitalised payments for the construction of 'ShipShiner 2' of DKK 12,427 thousand.

C-Leanship has verified its technology and the concept of cleaning a large vessel in port during one port call in a safe, gentle and environmental friendly way.

C-Leanship develops a second generation 'ShipShiner' (the machine that perfoms the underwater cleanings) based on the experience from the first machine. There is always risks involved in developing a new machine, and C-Leanship has taken several steps to mitigate those risks by establishing a project organisation with large experience in this kind of development. Over the last years, C-Leanship has built up extensive experience in underwater hull cleaning. This experience is of large value in our future development.

C-Leanship is offering a service that to some extent has not been available on the market before. Most hull cleanings have been done by divers at anchorage. There is always a risk that it takes longer time than expected to get customers to recognise and accept new services or services delivered in a new way. C-Leanship needs to work closely with existing and new customers to present their services and convince them to use them.

C-Leanship expects to have competitors offering similar services. By having access to Saab leading underwater technology, C-Leanship believes that they can develop their services to secure that they always can offer the market attractive services. C-Leanship's future business case is based on the assumption that the Company will have competitors offering similar services.

C-Leanship has made an impairment test by estimating the expected value of the discounted future cash flow (DCF) generated by the business to be established. Management's conclusion is that the recoverable amount exceeds the carrying value of the capitalised development costs.

As a result of the value in use calculation, Management did not identify any needs for impairment of its non-current assets. As such, the Company has not accounted for impairment losses.

Due to uncertainties as to future income and cash flows from the 'ShipShiner', the valuation of the non-current asset is subject to Management's assessments and estimations and, consequently, to measurement uncertainties.

Financial statements 1 January - 31 December

Notes to the financial statements

4 Events after the balance sheet date

Subsequent to the balance sheet date, the Company issued short-term convertible loans totalling USD 1,000 thousand.

Following the worldwide COVID-19 virus outbreak, starting Q1 2020, Management is analysing the impact on the Company's business and the environments in which it operates. Management considers COVID-19 to constitute a non-adjusting event and has as such not adjusted any figures in the financial statements for 2019 due to the impact from COVID-19.

No other significant events have occurred subsequent to the end of the financial year.

	DKK	2019	2018
5	Staff costs		
	Wages/salaries	1,589,339	1,887,544
	Pensions	30,000	240,000
	Other social security costs	76,418	89,750
	Other staff costs	56,070	8,636
		1,751,827	2,225,930
	Average number of full-time employees	2	2
6	Amortisation/depreciation of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	3,136,206	3,136,206
	Depreciation of property, plant and equipment	3,540,855	4,200,544
		6,677,061	7,336,750
7	Financial income		
	Exchange adjustments	81,793	79,167
	Other financial income	103,676	58,337
		185,469	137,504
8	Financial expenses		
	Interest expenses, group entities	629,481	0
	Interest expenses, debt instruments	6,360	2,663,494
	Exchange loss, debt instruments	618,724	1,486,962
	Other financial expenses	263,635	77,515
		1,518,200	4,227,971

Financial expenses for 2019 include interest expenses and foreign exchange adjustments of DKK 1,012 thousand, which relates to 2018.

	DKK	2019	2018
9	Tax for the year		
	Estimated tax charge for the year	-1,360,678	-298,652
	Deferred tax adjustments in the year	605	-972,124
	Tax adjustments, prior years	-334,058	0
		-1,694,131	-1,270,776

Financial statements 1 January - 31 December

Notes to the financial statements

10 Intangible assets

DKK	Completed development projects	Development projects in progress	Total
Cost at 1 January 2019	21,953,442	3,443,860	25,397,302
Additions in the year	0	6,181,975	6,181,975
Disposals in the year	0	0	0
Cost at 31 December 2019	21,953,442	9,625,835	31,579,277
Impairment losses and amortisation at 1 January 2019	6,795,113	0	6,795,113
Amortisation in the year	3,136,206	0	3,136,206
Impairment losses and amortisation at 31 December 2019	9,931,319	0	9,931,319
Carrying amount at 31 December 2019	12,022,123	9,625,835	21,647,958
Amortised over	7 years		

Reference made to note 3.

11 Property, plant and equipment

DKK	Operational equipment	Other fixtures and fittings, tools and equipment	Equipment in progress	Total
Cost at 1 January 2019	12,573,430	103,156	0	12,676,586
Additions in the year	75,883	0	12,427,105	12,502,988
Cost at 31 December 2019	12,649,313	103,156	12,427,105	25,179,574
Impairment losses and depreciation at 1 January 2019	9,080,811	27,956	0	9,108,767
Depreciation in the year	3,512,655	28,200	0	3,540,855
Impairment losses and depreciation at 31 December 2019	12,593,466	56,156	0	12,649,622
Carrying amount at 31 December 2019	55,847	47,000	12,427,105	12,529,952
Depreciated over	3 years	3-5 years		

Reference is made to note 3.

Financial statements 1 January - 31 December

Notes to the financial statements

12 Investments

DKK	Investments in group entities
Cost at 1 January 2019	532,294
Cost at 31 December 2019	532,294
Carrying amount at 31 December 2019	532,294

Reference made to note 3.

Name	Legal form	Domicile	Interest
Subsidiaries			
C-leanship Singapore Pte.Ltd.	Pte. Ltd.	Singapore	100.00%

DKK	2019	2018
13 Share capital		
Analysis of the share capital:		
3,410,463 shares of DKK 1.00 nominal value each	3,410,463	2,931,892
	3,410,463	2,931,892

Analysis of changes in the share capital over the past 5 years:

DKK	2019	2018	2017	2016	2015
Opening balance	2,931,892	601,368	588,868	552,682	245,503
Capital increase	478,571	2,330,524	12,500	36,186	307,179
	3,410,463	2,931,892	601,368	588,868	552,682

14 Non-current liabilities

The Company has received financial support from the Danish Maritime Fund totalling DKK 2,448 thousand, including a grant of DKK 951 thousand relating to the ‘PropShiner’ development project.

The Company has obtained a patent based on the result of the development project, and the financial support will be repaid, once the development project generates a profit.

DKK	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Deferred tax	4,355,407	0	4,355,407	0
Provision for holiday	69,085	0	69,085	0
Payables to group entities	9,948,930	6,174,911	3,774,019	0
Grants payables	2,448,291	0	2,448,291	0
	16,821,713	6,174,911	10,646,802	0

Financial statements 1 January - 31 December

Notes to the financial statements

15 Contractual obligations and contingencies, etc.

Contingent liabilities

In accorance with the Company's service agreement with its subsidiary C-Leanship Pte. Ltd., the Company is obligated to compensate C-Leanship Singapore Pte. Ltd. for all costs related to C-Leanship Singapore Pte. Ltd.'s supply of services to the Company with a mark-up of 10%.

In 2018, the Company entered into the joint taxation with other Danish Saab Group companies. The Company is jointly taxed and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment.

Other financial obligations

Other rent and lease liabilities:

DKK	2019	2018
Rent and lease liabilities	12,000	12,000

16 Contingent assets

The Company has tax loss carry-forwards totalling DKK 101,439 thousand (2018: DKK 79,663 thousand). The nominal value thereof is 22%, totalling DKK 22,317 thousand (2018: DKK 17,517 thousand), which has not been recognised in the balance sheet due to the uncertainty as to application of the tax losses.

17 Collateral

No security for loans had been placed at 31 December 2019.

18 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Saab AB	Stockholm, Sweden	Olof Palmes gata 17, 5th floor, SE-111 22 Stockholm, Sweden
Saab Ventures AB	Linköping, Sweden	Bröderna Ugglas Gata, 581 88 Linköping