



Brainreader A/S

Niels Jernes Vej 10
9220 Aalborg Øst
CVR No. 33864884

Annual report 2023

The Annual General Meeting adopted the annual report on 26.06.2024

Peter Thor Munck Birkmand
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2023	8
Balance sheet at 31.12.2023	9
Statement of changes in equity for 2023	11
Notes	12
Accounting policies	16

Entity details

Entity

Brainreader A/S
Niels Jernes Vej 10
9220 Aalborg Øst

Business Registration No.: 33864884
Registered office: Aalborg
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Peter Thor Munck Birkmand
Henrik Bak
Jens Hansson
Thomas Henderson Mount
Timothy Tankosic

Executive Board

Mads Fiig

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Brainreader A/S for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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.

Aalborg, 04.06.2024

Executive Board

Mads Fiig

Board of Directors

Peter Thor Munck Birkmand

Henrik Bak

Jens Hansson

Thomas Henderson Mount

Timothy Tankosic

Independent auditor's report

To the shareholders of Brainreader A/S

Opinion

We have audited the financial statements of Brainreader A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Aarhus, 04.06.2024

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Rasmus Volert Madsen

State Authorised Public Accountant

Identification No (MNE) mne45822

Management commentary

Primary activities

The Company's primary activities consist of developing and commercialising medical image processing software which is able to analyse MR scans of the brain and assess degeneration of brain structures. The customers are radiology departments at public and private hospitals as well as private scanning clinics

Development in activities and finances

The Company's course of development remains positive despite the fact that equity at the balance sheet date is negative by DKK 15,52k and the Company is subject to the rules governing loss of capital as laid down in the Danish Companies Act. Management remains engaged in efforts to raise capital. During 2023 more than DKK 4,9m in new financing has been contributed, the majority by way of convertible loans, and after the balance sheet date approx. DKK 4,4m has been invested or committed for equity investment in 2024 as part and in total DKK 5,4m has been secured including loans. Alongside new equity investments in 2024, the Company expects the majority of the loans from current shareholders to be converted into equity. See note 1 for further detail.

In 2023, the Company continued its market focus on the US. However due to slower than expected investor appetite in the sector the Company cautiously reduced opex early in Q1 to a sustainable level. The channel strategy and focus on developing VAR partners continued to be important to grow the business resulting in an overall customer growth of 27% vs 2022. At the same time the number of Neuroreader reports grew 22% vs previous year. Version 3.4.0 of the Mediation server was successfully launched in Q4 offering customers a unique federated system resulting in a successful datacenter integration enabling a leading PACS' vendor to offer new and existing clinical users access to a Neuroreader report through their current worklist. First part of our ISO 13485 recertification was successfully completed with the second part scheduled for May 2024. The current version of Neuroreader 2.7.1 continue to outperform in terms of stability and customer satisfaction. Initial development of Neuroreader 2.8.0 started with focus on post processing T2 MRI images allowing new Neuroreader reports to be developed for launch in 2024.

The Company has generated a loss of DKK 9,157k, compared to DKK 17,374k in 2022. Equity amounts to negative DKK 15,52k on 31 December 2023. The original platform, which was developed in previous years, is still capitalized, see note 6 for further information.

Events after the balance sheet date

After the balance sheet date, the Company has secured approx. DKK 5,4m by way of equity investments and commitments for further capital with reference to note 1.

As of January 1 2024 the AMA (American Medical Association) released CPT III code 0865TT and 0866T paving the way for future reimbursement of brain volumetrics. (CPT Category III code set, a temporary set of codes for emerging technologies, services, procedures, and service paradigms). This is considered a major milestone and driver supporting the adoption of Brain Volumetrics.

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

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		(2,241,294)	(10,246,668)
Staff costs	2	(4,641,758)	(6,451,544)
Depreciation, amortisation and impairment losses	3	(648,430)	(496,395)
Operating profit/loss		(7,531,482)	(17,194,607)
Other financial income		3,768	0
Other financial expenses	4	(1,869,947)	(531,523)
Profit/loss before tax		(9,397,661)	(17,726,130)
Tax on profit/loss for the year	5	240,354	351,643
Profit/loss for the year		(9,157,307)	(17,374,487)
Proposed distribution of profit and loss			
Retained earnings		(9,157,307)	(17,374,487)
Proposed distribution of profit and loss		(9,157,307)	(17,374,487)

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	7	5,859,041	5,382,533
Intangible assets	6	5,859,041	5,382,533
Other fixtures and fittings, tools and equipment		34,558	66,979
Property, plant and equipment	8	34,558	66,979
Investments in group enterprises		7	7
Financial assets	9	7	7
Fixed assets		5,893,606	5,449,519
Trade receivables		3,279	0
Receivables from group enterprises		0	410,691
Other receivables		59,033	201,338
Income tax receivable	10	240,354	351,643
Prepayments		8,200	38,438
Receivables		310,866	1,002,110
Cash		3,846	506,741
Current assets		314,712	1,508,851
Assets		6,208,318	6,958,370

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		4,006,653	4,006,653
Reserve for development expenditure		4,570,052	4,198,376
Retained earnings		(24,098,470)	(14,569,487)
Equity		(15,521,765)	(6,364,458)
Subordinate loan capital		7,508,945	6,436,301
Debt to other credit institutions		4,456,251	5,406,239
Payables to owners and management		5,667,349	0
Other payables		74,876	105,911
Non-current liabilities other than provisions	11	17,707,421	11,948,451
Current portion of non-current liabilities other than provisions	11	2,088,000	0
Bank loans		131,688	0
Payables to other credit institutions		0	401,825
Trade payables		510,455	567,531
Payables to group enterprises		759,876	0
Other payables		532,643	405,021
Current liabilities other than provisions		4,022,662	1,374,377
Liabilities other than provisions		21,730,083	13,322,828
Equity and liabilities		6,208,318	6,958,370
Going concern	1		
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		

Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	4,006,653	4,198,376	(14,569,487)	(6,364,458)
Transfer to reserves	0	371,676	(371,676)	0
Profit/loss for the year	0	0	(9,157,307)	(9,157,307)
Equity end of year	4,006,653	4,570,052	(24,098,470)	(15,521,765)

Notes

1 Going concern

After the balance sheet date, the Company has secured approx. DKK 5,4m by way of loans and commitments for further capital from new investors, hereof DKK 4,4m in equity, and significant efforts are being directed at the continued fundraising in the Nordic countries and US in particular. Combined with the projected operational results and the conversion of loans amounting to approx. 12,801k from current shareholders and management, the equity will be restored.

Based on the realized increase in the Company's customer base in the US in 2023 and the progress with several distribution channels, the progress in product development as well as the development in the market in extension of release of CPT codes as of January 1, 2024, in the US market, the assumptions for the projected growth are considered reasonable. On this basis, it is Management's opinion that sufficient liquidity is secured for the Company's going concern.

2 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	4,359,865	6,095,938
Pension costs	219,708	271,748
Other social security costs	53,082	62,037
Other staff costs	9,103	21,821
	4,641,758	6,451,544
Average number of full-time employees	6	5

3 Depreciation, amortisation and impairment losses

	2023	2022
	DKK	DKK
Amortisation of intangible assets	616,009	456,171
Depreciation of property, plant and equipment	32,421	40,224
	648,430	496,395

4 Other financial expenses

	2023	2022
	DKK	DKK
Financial expenses from group enterprises	1,798,226	0
Other interest expenses	20,407	396,496
Exchange rate adjustments	51,314	100,092
Other financial expenses	0	34,935
	1,869,947	531,523

5 Tax on profit/loss for the year

	2023	2022
	DKK	DKK
Current tax	(240,354)	(351,643)
	(240,354)	(351,643)

6 Intangible assets

	Completed development projects DKK
Cost beginning of year	21,970,761
Additions	1,092,517
Cost end of year	23,063,278
Amortisation and impairment losses beginning of year	(16,588,228)
Amortisation for the year	(616,009)
Amortisation and impairment losses end of year	(17,204,237)
Carrying amount end of year	5,859,041

7 Development projects

Completed development projects and projects in progress comprise the development of the Company's software to be used for analysis of MRI data from radiology departments at public and private hospitals.

As of 31.12.2023 the cost of the basic platform still remains with addition of the new version developed in 2023 which comprises three key areas:

1. New software developments of Mediationserver with major improvements
2. Neuroreader software development for next version
3. Software development of Brainreader specific operational system

All above activities has as per our QMS system and regulatory requirements required clinical and statistical validations prior to release.

Completed development projects are amortised over a period of 10 years.

Management has not identified any further indication of impairment on the carrying amount.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	129,576
Cost end of year	129,576
Depreciation and impairment losses beginning of year	(62,597)
Depreciation for the year	(32,421)
Depreciation and impairment losses end of year	(95,018)
Carrying amount end of year	34,558

9 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	7
Cost end of year	7
Carrying amount end of year	7

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Brainreader Inc.	Delaware	Inc.	100

10 Tax receivable

The outstanding corporate tax receivable included in the balance sheet relates to the use of the tax credit scheme under section 8X of the Danish Tax Assessment Act, whereby the company receives payment for the tax value of losses resulting from research and development expenses. Based on the review of the criteria for using the scheme, it is management's clear understanding that the company is eligible to use the scheme, and the recognition has been made based on this assessment. There is a risk that the Danish Tax Authority may determine that the conditions for using the scheme have not been met. If so, subsequent financial years will be negatively affected by the reduction of the outstanding corporate tax receivable through "Tax for the year" in the consolidated statement of profit or loss and other comprehensive income.

11 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due after more than 12 months 2023 DKK	Outstanding after 5 years 2023 DKK
Subordinate loan capital	0	7,508,945	0
Debt to other credit institutions	2,088,000	4,456,251	0
Payables to owners and management	0	5,667,349	0
Other payables	0	74,876	74,876
	2,088,000	17,707,421	74,876

Payables to owners and management consist of subordinate loan capital, which first are due for payment when other creditors are covered.

12 Unrecognised rental and lease commitments

	2023 DKK	2022 DKK
Liabilities under rental or lease agreements until maturity in total	0	39,990

13 Contingent liabilities

The Company has entered an agreement with EIFO assuming a maximum of 1.1 million DKK, only applicable by a favorable exit.

14 Assets charged and collateral

Debt to Vækstfonden is secured by way of an indemnity letter, with security in immaterial assets, inventory and operation equipment. with a total value of 5,893 k.DKK.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Own work capitalised

Own work capitalised comprises staff costs incurred in the financial year and recognised in cost for proprietary intangible assets.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from salary reimbursement.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and foreign currency transactions, 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 losses on securities, payables and foreign currency transactions, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet**Intellectual property rights etc.**

Intellectual property rights etc comprise development projects completed and in progress.

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.

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

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

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

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

Property, plant and equipment

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

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

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

	Useful life
Other fixtures and fittings, tools and equipment	3-4 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

Receivables

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

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 bank deposits.

Other financial liabilities

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