



Brainreader A/S

Niels Jernes Vej 10
9220 Aalborg Øst
CVR No. 33864884

Annual report 2022

The Annual General Meeting adopted the
annual report on 29.06.2023

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 2022	8
Balance sheet at 31.12.2022	9
Statement of changes in equity for 2022	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: 01.01.2022 - 31.12.2022

Board of Directors

Peter Thor Munck Birkmand
Henrik Bak
Jens Hansson
Thomas Henderson Mount

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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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, 29.06.2023

Executive Board

Mads Fiig

Board of Directors

Peter Thor Munck Birkmand

Henrik Bak

Jens Hansson

Thomas Henderson Mount

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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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, 29.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Rasmus Villadsen 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 is positive despite the fact that equity at the balance sheet date is negative by DKK 6,364k 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 2022 more than DKK 15m has been contributed by way of equity increases and convertible loans, and after the balance sheet date approx. DKK 3m has been invested as part of the plan. See note 1 for further detail.

In 2022, the Company expanded its activities in the US, e.g. by strengthening the local organization in the US. Sales cycles remain long, however the Company has been able to retain existing customers and add new during 2022. A first important VAR partnership was completed with Infinitt Healthcare in North America in June 2022, and the strategy to expand partly via partners continues to be pursued. In 2022, the Company also launched several new Neuroreader features in response to customer requests. Most important is an asymmetry report showing 12 structures added for brain index asymmetry and 20 new brain volume indexes. The Brainreader Mediationserver was upgraded to allow for improved user management and seamless integration through PACS allowing users to access Neuroreader seamless through their worklist.

During 2022, additional drugs for treatment of Alzheimer's Disease were approved by FDA, and an increasing number of other drugs are in the pipeline for approval. This opens new very interesting treatment options for patients and healthcare professionals worldwide and is expected to be of significance to Neuroreader by way of the application as part of triage, and already being a superior quality and recognized aid for diagnosis.

The Company has generated a loss of DKK 17,374k. Equity amounts to negative DKK 6,364k on 31 December 2022.

The original platform, which was developed in previous years, is still capitalized, see note 5 for further information.

Events after the balance sheet date

After the balance sheet date, the Company has secured approx. DKK 3m by way of loans and commitments for further capital with reference to note 1.

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 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		(10,246,664)	(5,851,080)
Staff costs	2	(6,451,544)	(4,997,248)
Depreciation, amortisation and impairment losses	3	(496,395)	(1,011,993)
Operating profit/loss		(17,194,603)	(11,860,321)
Other financial expenses		(531,527)	(240,470)
Profit/loss before tax		(17,726,130)	(12,100,791)
Tax on profit/loss for the year	4	351,643	296,523
Profit/loss for the year		(17,374,487)	(11,804,268)
Proposed distribution of profit and loss			
Retained earnings		(17,374,487)	(11,804,268)
Proposed distribution of profit and loss		(17,374,487)	(11,804,268)

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	6	5,382,533	4,240,325
Intangible assets	5	5,382,533	4,240,325
Other fixtures and fittings, tools and equipment		66,979	34,048
Property, plant and equipment	7	66,979	34,048
Investments in group enterprises		7	7
Financial assets	8	7	7
Fixed assets		5,449,519	4,274,380
Trade receivables		0	648,114
Receivables from group enterprises		410,691	0
Other receivables		201,338	527,302
Income tax receivable	9	351,643	296,523
Prepayments		38,438	140,666
Receivables		1,002,110	1,612,605
Cash		506,741	1,161,825
Current assets		1,508,851	2,774,430
Assets		6,958,370	7,048,810

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		4,006,653	3,683,556
Reserve for development expenditure		4,198,376	3,558,136
Retained earnings		(14,569,487)	(7,540,025)
Equity		(6,364,458)	(298,333)
Subordinate loan capital		6,436,301	0
Debt to other credit institutions		5,406,239	5,401,304
Other payables		105,911	101,127
Non-current liabilities other than provisions	10	11,948,451	5,502,431
Payables to other credit institutions		401,825	194,938
Trade payables		567,531	423,570
Other payables		405,021	717,292
Deferred income		0	508,912
Current liabilities other than provisions		1,374,377	1,844,712
Liabilities other than provisions		13,322,828	7,347,143
Equity and liabilities		6,958,370	7,048,810
Going concern	1		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Assets charged and collateral	13		

Statement of changes in equity for 2022

	Contributed capital DKK	Share premium DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	3,683,556	0	3,558,136	(7,540,025)	(298,333)
Increase of capital	323,097	10,985,265	0	0	11,308,362
Transferred from share premium	0	(10,985,265)	0	10,985,265	0
Transfer to reserves	0	0	640,240	(640,240)	0
Profit/loss for the year	0	0	0	(17,374,487)	(17,374,487)
Equity end of year	4,006,653	0	4,198,376	(14,569,487)	(6,364,458)

Notes

1 Going concern

After the balance sheet date, the Company has secured approx DKK 3m by way of loans and commitments for further capital.

On this basis, it is Management's opinion that sufficient liquidity has been secured for the Company's going concern. Furthermore, operations in 2023 follow the budget, and there are several positive trends in the Company's business area, in particular from the US market.

2 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	6,095,938	4,753,984
Pension costs	271,748	189,198
Other social security costs	62,037	37,301
Other staff costs	21,821	16,765
	6,451,544	4,997,248
Average number of full-time employees	5	5

3 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	456,171	992,918
Depreciation of property, plant and equipment	40,224	19,075
	496,395	1,011,993

4 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	(351,643)	(296,523)
	(351,643)	(296,523)

5 Intangible assets

	Completed development projects DKK
Cost beginning of year	20,372,382
Additions	1,598,379
Cost end of year	21,970,761
Amortisation and impairment losses beginning of year	(16,132,057)
Impairment losses for the year	(456,171)
Amortisation and impairment losses end of year	(16,588,228)
Carrying amount end of year	5,382,533

6 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 31.12.2022, the cost of the basic platform still remains with addition of the new version developed in 2022 which comprises three key areas:

1. Re-design and new software development of our Mediationserver with major improvements
2. Neuroreader backend software development to integrate with new Mediationserver
3. Software development of Brainreader specific operational systems

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 5 years.

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

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	56,421
Additions	73,155
Cost end of year	129,576
Depreciation and impairment losses beginning of year	(22,373)
Depreciation for the year	(40,224)
Depreciation and impairment losses end of year	(62,597)
Carrying amount end of year	66,979

8 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

9 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.

10 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Subordinate loan capital	6,436,301	0
Debt to other credit institutions	5,406,239	504,934
Other payables	105,911	105,911
	11,948,451	610,845

11 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	39,990	10,000

12 Contingent liabilities

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

13 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 5,689 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.

Changes in accounting policies

In accordance with the offsetting prohibition in the Danish Financial Statements Act, §13, litra. 1, No. 8 is staff costs, which is associated with work carried out for oneself bill and activated, previously offset in staff costs. These are now presented separately in the income statement as "work done for own account and listed under assets" under Gross Profit/Loss.

The changes result in an increase of the personnel costs in 2022 of 862 k.DKK and in 2021 at 428 k.DKK. Changes has also had an decrease effect on the gross profit/loss. It changed presentation has not had an impact on the year result, balance sheet or equity.

Comparison figures are adapted to the changed accounting practices.

Apart from the above areas, the annual report is submitted according to the same accounting practices like 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 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 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 5 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.

Deferred income

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