



Brainreader A/S

Niels Jernes Vej 10
9220 Aalborg Øst
CVR No. 33864884

Annual report 2021

The Annual General Meeting adopted the
annual report on 30.05.2022

Thor Birkmand

Chairman of the General Meeting

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Entity details

Entity

Brainreader A/S
Niels Jernes Vej 10
9220 Aalborg Øst

Business Registration No.: 33864884
Registered office: Aalborg
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Peter Thor Munck Birkmand, chairman of the board
Henrik Bak
Jamila Ahdidan
Jens Hansson
Thomas Henderson Mount

Executive Board

Mads Fiig, CEO

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 13.04.2022

Executive Board

Mads Fiig
CEO

Board of Directors

Peter Thor Munck Birkmand
chairman of the board

Henrik Bak

Jamila Ahdidan

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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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, 13.04.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Alexander Brix Kronborg

State Authorised Public Accountant
Identification No (MNE) mne47804

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 194k and the Company is subject to the rules governing loss of capital as laid down in the Danish Companies Act. At the end of 2021, Management initiated the work on a plan for raising capital, and after the balance sheet date two capital rounds have been completed with a total contribution of approx. DKK 8m as part of the plan. See note 1 for further detail.

In 2021, the Company has established a subsidiary in the US and continues to increase activities in the US market, e.g., by strengthening the local organization in the US. Despite the continued reduction in the level of activity in hospitals and clinics due to COVID-19, the Company has maintained its delivery level and gained new customers in 2021. In 2021, the Company also launched a new version of Neuroreader®, which enables longitudinal analyses and heat mapping, among other features.

In 2021, the first drug for treatment of Alzheimer's Disease was approved by FDA, and a number of other drugs are in the pipeline for approval. This opens up new very interesting treatment options for patients and healthcare professionals worldwide, and is expected to be of significance to Neuroreader, which is already a recognized aid for diagnosis.

The Company has generated a loss of DKK 11,700k. Equity amounts to negative DKK 194k at 31 December 2021.

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 received two capital rounds of a total amount of around DKK 8m 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 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		(5,273,485)	(2,552,951)
Staff costs	2	(5,574,843)	(2,561,430)
Depreciation, amortisation and impairment losses	3	(1,011,993)	(733,876)
Operating profit/loss		(11,860,321)	(5,848,257)
Other financial expenses		(240,470)	(60,754)
Profit/loss before tax		(12,100,791)	(5,909,011)
Tax on profit/loss for the year	4	296,523	707,054
Profit/loss for the year		(11,804,268)	(5,201,957)
Proposed distribution of profit and loss			
Retained earnings		(11,804,268)	(5,201,957)
Proposed distribution of profit and loss		(11,804,268)	(5,201,957)

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	6	4,240,325	3,885,413
Intangible assets	5	4,240,325	3,885,413
Other fixtures and fittings, tools and equipment		34,048	9,893
Property, plant and equipment	7	34,048	9,893
Investments in group enterprises		7	0
Financial assets	8	7	0
Fixed assets		4,274,380	3,895,306
Trade receivables		648,114	549,746
Other receivables		527,302	782,054
Income tax receivable		296,523	707,054
Prepayments		140,666	50,363
Receivables		1,612,605	2,089,217
Cash		1,161,825	1,030,020
Current assets		2,774,430	3,119,237
Assets		7,048,810	7,014,543

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		3,683,556	3,415,857
Reserve for development expenditure		3,558,136	2,506,829
Retained earnings		(7,540,025)	(606,646)
Equity		(298,333)	5,316,040
Debt to other credit institutions		5,401,304	0
Other payables		101,127	101,127
Non-current liabilities other than provisions	9	5,502,431	101,127
Payables to other credit institutions		194,938	0
Trade payables		423,570	919,800
Other payables		717,292	677,576
Deferred income		508,912	0
Current liabilities other than provisions		1,844,712	1,597,376
Liabilities other than provisions		7,347,143	1,698,503
Equity and liabilities		7,048,810	7,014,543
Going concern	1		
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		

Statement of changes in equity for 2021

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	3,415,857	2,506,829	(606,646)	5,316,040
Increase of capital	267,699	0	6,132,557	6,400,256
Costs related to equity transactions	0	0	(355,380)	(355,380)
Sale of treasury shares	0	0	145,019	145,019
Transfer to reserves	0	1,051,307	(1,051,307)	0
Profit/loss for the year	0	0	(11,804,268)	(11,804,268)
Equity end of year	3,683,556	3,558,136	(7,540,025)	(298,333)

The company has lost more than 50% of its equity. The company's equity has already been re-established by increase of capital in February and April 2022 of total DKK 8m.

The Company holds no treasury shares as of 31.12.2021

Notes

1 Going concern

After the balance sheet date, the Company has received two capital rounds totalling DKK 8m and expects further capital raising in H2 2022 according to the initiated plan. On this basis, it is Management's opinion that sufficient liquidity has been secured for the Company's going concern. Furthermore, operations in 2022 follow the budget, and there are several positive trends in the Company's business area, in particular from the US market.

2 Staff costs

	2021 DKK	2020 DKK
Wages and salaries	4,734,036	2,312,697
Pension costs	189,198	97,048
Other social security costs	37,301	19,224
Other staff costs	614,308	132,461
	5,574,843	2,561,430
Average number of full-time employees	5	3

3 Depreciation, amortisation and impairment losses

	2021 DKK	2020 DKK
Amortisation of intangible assets	992,918	732,578
Depreciation of property, plant and equipment	19,075	3,298
Profit/loss from sale of intangible assets and property, plant and equipment	0	(2,000)
	1,011,993	733,876

4 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	(296,523)	(707,054)
	(296,523)	(707,054)

5 Intangible assets

	Completed development projects DKK
Cost beginning of year	19,024,552
Additions	1,347,830
Cost end of year	20,372,382
Amortisation and impairment losses beginning of year	(15,139,139)
Impairment losses for the year	(992,918)
Amortisation and impairment losses end of year	(16,132,057)
Carrying amount end of year	4,240,325

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 31.12.2021, the cost of the basic platform still remains with addition of the new version developed in 2021 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	13,191
Additions	43,230
Cost end of year	56,421
Depreciation and impairment losses beginning of year	(3,298)
Depreciation for the year	(19,075)
Depreciation and impairment losses end of year	(22,373)
Carrying amount end of year	34,048

8 Financial assets

	Investments in group enterprises DKK
Additions	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 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK	Outstanding after 5 years 2021 DKK
Debt to other credit institutions	5,401,304	504,934
Other payables	101,127	101,127
	5,502,431	606,061

10 Unrecognised rental and lease commitments

	2021 DKK	2020 DKK
Liabilities under rental or lease agreements until maturity in total	10,000	10,000

11 Contingent liabilities

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

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.

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:

Other fixtures and fittings, tools and equipment	3-4 years
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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.