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Labster ApS

Vesterbrogade 149, st.
1620 Copenhagen V, Denmark
CVR No. 34457808

Annual report 2023

The Annual General Meeting adopted the annual report on 03.07.2024

Mads Tvillinggaard Bonde
Chairman of the General Meeting

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Entity details

Entity

Labster ApS
Vesterbrogade 149, st.
1620 Copenhagen V, Denmark

Business Registration No.: 34457808
Registered office: Copenhagen, Denmark
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Mads Tvillinggaard Bonde, Chairman
Michael Bodekær Jensen

Executive Board

Shawn Patrick Boom

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 Labster ApS 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.

Copenhagen, 03.07.2024

Executive Board

Shawn Patrick Boom

Board of Directors

Mads Tvillinggaard Bonde
Chairman

Michael Bodekær Jensen

Independent auditor's report

To the shareholders of Labster ApS

Opinion

We have audited the financial statements of Labster ApS 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 03.07.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mads Fauerskov
State Authorised Public Accountant
Identification No (MNE) mne35428

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Gross profit/loss	111,975	28,188	(45,153)	43,541	12,619
Operating profit/loss	(44,587)	(100,762)	(172,399)	13,136	(11,741)
Net financials	(15,025)	(3,069)	2,478	(4,012)	(2,959)
Profit/loss for the year	(62,038)	(95,711)	(82,462)	(21,555)	(33,493)
Total assets	236,240	257,413	211,339	137,315	90,202
Investments in property, plant and equipment	390	682	1,072	0	0
Equity	137,728	200,998	139,737	66,616	23,459
Ratios					
Equity ratio (%)	58.30	78.08	66.12	48.51	26.01

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

Key figures has been corrected in year 2022, after correcting material errors in previous years. Key figures has not been adjusted back in time for 2019-2021 affecting profit/loss for the year, balance sheet total and equity.

Equity ratio (%):

$$\frac{\text{Equity} * 100}{\text{Total assets}}$$

Primary activities

Labster is a leading provider of virtual science labs for STEM and healthcare simulations for interactive education. Labster provides cloud-based virtual software simulations primarily to the global education industry, with a majority of its revenue coming from customers in the United States. Labster provides students and educators with access to a realistic virtual laboratory experience that allows them to perform virtual experiments and practice skills in a fun and risk-free learning environment.

High-tech education and training can be expensive and inefficient, and physical labs cost millions of dollars to create, run and maintain. Labster helps our customers significantly reduce this cost by providing an alternative learning environment and experience. By delivering access to Labster's virtual lab trainings, students are getting access to modern and engaging ways of being educated.

Not only do our customers save on cost, the flexibility and ability to educate beyond what physical restrictions otherwise allow means increases in student engagement and the opportunity for improved learning outcomes, and a more engaged way of learning. All of which can lead to improved value offered to the students.

Development in activities and finances

During the COVID-19 pandemic, Labster experienced a surge in its customer base and revenue due to the need for online or remote solutions to allow for continuing educational experiences during times where in-person opportunities were limited or not available. Labster was able to deliver a solution during these times where no real alternatives were available to the institutions.

To facilitate the purchase and adoption of solutions like what Labster offers, during 2020 and 2021 many governments provided funding assistance to institutions in the form of grants and subsidies, aiding in the surge of adoption like what Labster experienced. As the pandemic wound down and there was a return to pre-pandemic in-person teaching, governments reduced, and eventually ended, the subsidies they had previously offered to aide in the purchase of solutions like Labster. The reduced requirement for online solutions, along with ending government subsidies, resulted in a reduction in revenue for Labster starting in 2022, from its highs in 2021. Revenue in 2023 leveled, reducing a small amount from 2022, as there was a normalization of the customers who chose to maintain use of the Labster solution without the government subsidies.

In response to changing market conditions, Labster has taken action and made adjustments in the following ways:

- Acquired UbiSim in 2021 to add a solution to provide nurse training through immersive, customizable VR simulations, offering realistic, safe, and hands-on practice opportunities,
- Adjusted the go-to-market strategy to focus more on selling directly to institutions, versus teachers and students,
- Reducing cost structure in both 2022 and 2023 to better align spending to revenue.

Although the UbiSim offering currently represents a small portion of Labster's overall revenue, UbiSim has seen good revenue growth, and in 2024 Labster expects to continue investing in driving growth in that product line. Additionally, Labster intends to continue reducing overall spending to align to current revenue, even while shifting some incremental spend to the UbiSim business.

Profit/loss for the year in relation to expected developments

As a result of the continued investment into development of our products, costs associated with adjusting our go-to-market strategy, and the negative impact on revenue from the normalization of customers' buying behaviors post-pandemic, Labster continued to realize losses during the 2023 year. Although Labster had budgeted more revenues for 2023 than were realized, Management adjusted during the year by spending below budgeted spending levels. As a result, Management considers that the overall financial results for 2023 were in line with expectations.

Uncertainty relating to recognition and measurement

As a result of deficits in recent years, tax assets have not been fully recognized.

The company invests in the development of Virtual Reality (VR) and simulation technology related to its offerings, including developing a new technology platform for the non-UbiSim offering, with initial release expected to be completed during 2024. Expenses on projects in the development phase are capitalised at cost on initial recognition and are valued on an ongoing basis by Management. Management assesses the completion costs and expected future cash flows for each development project. An impairment loss is recognized if management estimates that the future net income is less than the value of the development project.

Projections of future net income are based on significant estimates and are thus associated with some uncertainty.

Outlook

For 2024, Labster is projecting revenue to be relatively flat in total, as compared to 2023, with growth in the UbiSim business line, offset by a decline in the other Labster offerings. Management is projecting to reduce spending in 2024 overall, with a larger reduction on the non-UbiSim business partially offset by increased spending on the UbiSim business line.

Although there has not yet been a return to growth in revenue for the non-UbiSim offerings post-pandemic, Management continues to believe that our offerings are well-positioned, particularly with STEM courses in higher-education, to take advantage of the anticipated transition to virtual offerings to compliment schools' in-person offerings. Labster will continue to invest in developing its technology and course catalogues to improve and expand on the value we offer. Additionally, Management anticipates that we will continue to adjust our go-to-market strategy as the market develops and matures.

At the same time, Labster has seen strong revenue growth in its UbiSim offering over the past two years and is well positioned to continue growth in its existing markets for the foreseeable future. In addition, hospitals, long-term care facilities, and home health providers represent significant additional market expansion opportunities.

Expected result for the year 2024 will be between DKK (65,000)k - (95,000)k

Use of financial instruments

The Group has a policy managed centrally by Management and across all global subsidiaries, with the following objectives: to ensure that financial operations are conducted in an ethical manner; to ensure capital preservation and that exposure to financial risk is managed in a way to minimize the risk and also focus on core business operations, liquidity and that financial operations are contracted with strong counterparties. The policy covers currency, interest, funding, liquidity and financial credit risk management, as well as cash and working capital management. There is limited external interest rate exposure for the Company, though the entities in the Group have receivables and payables between each other. The intercompany balances carry interest rates that are set each year on an arms-lengths basis. As the Group does operate in multiple countries, there is exposure to exchange rate fluctuations, especially in relation to USD vs. EUR/DKK. The Company does not currently actively hedge currency or interest rate risk using derivative instruments.

Although Labster has experienced material cash burn over the past few years, the Company still has significant cash available from earlier investment rounds. It is Management's assessment that Labster Group has sufficient liquidity for continued operations in 2024 and beyond.

Knowledge resources

The Company's principal non-financial assets consist of its knowledge workforce and the accumulated intellectual property contained in its developed technology and content. The company has developed a deep and comprehensive content library of over 300 simulations that is made available through an integrated learning platform. As such, the company's future revenue and financial performance is largely dependent on the developed platform and content, and how these are improved and expanded upon by our knowledge workers.

Environmental performance

Labster as a company, and deeply rooted in the Company’s mission, is committed to make a positive impact on society and work towards The UN’s 17 Sustainable Development Goals. Anywhere from the Company’s mission and product that Labster is bringing to the market, to the way that the business is being operated.

By way of the Company’s primary purpose and operations being on developing and selling software licences, the Company's operations are not considered to have a significant direct negative impact on the environment, from a perspective of Scope 1 emissions.

Additionally, Scope 2 and 3 emissions are considered to be in line with benchmarkable businesses. Nonetheless, the Company is committed to conducting environmentally responsible and ambitious operations. The Company is conducting recurring analysis and reporting on its emissions and is looking for continuous opportunities to improve upon its collective efforts around impact on society as well as on the Environmental, Social, and Governance (ESG) agenda.

Events after the balance sheet date

No 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		**111,974,874**	**28,187,586**
Staff costs	1	(29,291,388)	(51,004,568)
Depreciation, amortisation and impairment losses	2	(22,471,354)	(10,156,002)
Other operating expenses		(104,798,826)	(67,789,121)
Operating profit/loss		**(44,586,694)**	**(100,762,105)**
Income from investments in group enterprises		(4,788,177)	1,911,157
Other financial income	3	7,823,459	3,743,837
Other financial expenses	4	(22,848,574)	(6,812,669)
Profit/loss before tax		**(64,399,986)**	**(101,919,780)**
Tax on profit/loss for the year	5	2,362,085	6,208,999
Profit/loss for the year	6	**(62,037,901)**	**(95,710,781)**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	8	61,406,100	53,216,039
Acquired trademarks		103,728	0
Development projects in progress	8	3,199,517	21,398,362
Intangible assets	7	**64,709,345**	**74,614,401**
Other fixtures and fittings, tools and equipment		615,502	606,605
Leasehold improvements		351,103	647,859
Property, plant and equipment	9	**966,605**	**1,254,464**
Investments in group enterprises		0	4,568,283
Receivables from group enterprises		21,324,883	33,231,045
Deposits		135,000	539,550
Financial assets	10	**21,459,883**	**38,338,878**
Fixed assets		**87,135,833**	**114,207,743**
Trade receivables		9,981,112	3,406,032
Receivables from group enterprises		110,070,337	103,183,442
Other receivables		4,518,339	8,253,118
Joint taxation contribution receivable	11	14,928,426	12,566,341
Prepayments	12	4,558,657	5,875,673
Receivables		**144,056,871**	**133,284,606**
Cash		**5,047,622**	**9,921,091**
Current assets		**149,104,493**	**143,205,697**
Assets		**236,240,326**	**257,413,440**

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		240,000	240,000
Translation reserve		4,914,132	6,146,777
Reserve for net revaluation according to the equity method		0	4,568,282
Reserve for development expenditure		50,392,381	58,199,233
Retained earnings		82,181,092	131,843,859
Equity		**137,727,605**	**200,998,151**
Debt to other credit institutions		9,499,679	12,413,072
Other payables		1,339,799	1,253,761
Deferred income	13	5,361,718	6,348,051
Non-current liabilities other than provisions	14	**16,201,196**	**20,014,884**
Current portion of non-current liabilities other than provisions	14	4,989,170	6,713,752
Prepayments received from customers		171,064	8,954
Trade payables		3,274,644	5,582,608
Payables to group enterprises		47,275,874	6,090,755
Other payables		3,154,238	2,220,024
Deferred income	15	23,446,535	15,784,312
Current liabilities other than provisions		**82,311,525**	**36,400,405**
Liabilities other than provisions		**98,512,721**	**56,415,289**
Equity and liabilities		**236,240,326**	**257,413,440**
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Non-arm’s length related party transactions	20		
Group relations	21		

Statement of changes in equity for 2023

	Contributed capital DKK	Translation reserve DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	240,000	6,146,777	4,568,282	120,640,567	44,448,919	176,044,545
Corrections of material errors	0	0	0	(62,441,334)	87,394,940	24,953,606
Adjusted equity, beginning of year	**240,000**	**6,146,777**	**4,568,282**	**58,199,233**	**131,843,859**	**200,998,151**
Exchange rate adjustments	0	(1,232,645)	0	0	0	(1,232,645)
Transfer to reserves	0	0	0	(7,806,852)	7,806,852	0
Profit/loss for the year	0	0	(4,568,282)	0	(57,469,619)	(62,037,901)
Equity end of year	**240,000**	**4,914,132**	**0**	**50,392,381**	**82,181,092**	**137,727,605**

Notes

1 Staff costs

	2023 DKK	2022 DKK
Wages and salaries	25,108,005	45,461,256
Pension costs	2,171,438	2,718,983
Other social security costs	2,011,945	2,824,329
	29,291,388	**51,004,568**

Average number of full-time employees	**39**	**103**

In accordance with section 98(b) section 3 in the Danish Financial act, management remuneration is not disclosed separately.

2 Depreciation, amortisation and impairment losses

	2023 DKK	2022 DKK
Amortisation of intangible assets	14,105,363	9,734,640
Impairment losses on intangible assets	7,725,304	0
Depreciation of property, plant and equipment	562,436	421,362
Impairment losses on property, plant and equipment	78,251	0
	22,471,354	**10,156,002**

3 Other financial income

	2023 DKK	2022 DKK
Financial income from group enterprises	5,717,222	2,839,090
Other interest income	214,528	10,925
Exchange rate adjustments	1,891,709	893,822
	7,823,459	**3,743,837**

4 Other financial expenses

	2023 DKK	2022 DKK
Financial expenses from group enterprises	1,026,024	514,647
Other interest expenses	1,819,352	2,853,709
Exchange rate adjustments	20,003,198	3,432,187
Other financial expenses	0	12,126
	22,848,574	**6,812,669**

The Exchange rate adjustments is due to intercompany loans in currency other than DKK.

5 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Current tax	(453,616)	(5,500,000)
Adjustment concerning previous years	0	1,388,001
Refund in joint taxation arrangement	(1,908,469)	(2,097,000)
	(2,362,085)	**(6,208,999)**

6 Proposed distribution of profit and loss

	2023 DKK	2022 DKK
Retained earnings	(62,037,901)	(95,710,781)
	(62,037,901)	**(95,710,781)**

7 Intangible assets

	Completed development projects DKK	Acquired trademarks DKK	Development projects in progress DKK
Cost beginning of year	78,115,958	0	21,398,362
Addition through business combinations etc	0	124,474	0
Transfers	22,274,678	0	(22,274,678)
Additions	0	0	11,801,137
Disposals	0	0	(7,725,304)
Cost end of year	**100,390,636**	**124,474**	**3,199,517**
Amortisation and impairment losses beginning of year	(24,899,919)	0	0
Amortisation for the year	(14,084,617)	(20,746)	0
Amortisation, depreciation and impairment losses on assets disposed of	0	0	(7,725,304)
Reversal regarding disposals	0	0	7,725,304
Amortisation and impairment losses end of year	**(38,984,536)**	**(20,746)**	**0**
Carrying amount end of year	**61,406,100**	**103,728**	**3,199,517**

8 Development projects

The development projects of the enterprise comprise the development of fully interactive advanced lab simulations based on mathematical algorithms that support open-ended investigations. The lab simulations include gamification elements such as an immersive 3D universe, storytelling and a scoring system which stimulates students' natural curiosity and highlights the connection between science and the real world.

The development projects in progress proceed as planned and are expected to be completed within 1-3 years.

Labster is working with leading universities globally including MIT, Harvard and Imperial College, and have received grant funding for cutting edge R&D projects.

The completed development projects have shown their worth as the software is currently being used by California State University, Harvard, Gwinnett Technical College, MIT, Exeter University, University of New Haven, Stanford, University of New England, Trinity College, University of Hong Kong and Berkeley among others internationally.

The management has not identified indication of impairment of the recognised projects.

With reference to section 83(2) of the Danish Financial Statement Act, deferred tax is set off against the capitalized costs for development projects in the reserve for development costs under equity.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	944,016	810,045
Additions	390,277	0
Disposals	0	(91,084)
Cost end of year	**1,334,293**	**718,961**
Depreciation and impairment losses beginning of year	(337,411)	(162,186)
Impairment losses for the year	0	(78,251)
Depreciation for the year	(381,380)	(181,056)
Reversal regarding disposals	0	53,635
Depreciation and impairment losses end of year	**(718,791)**	**(367,858)**
Carrying amount end of year	**615,502**	**351,103**

10 Financial assets

	Investments in group enterprises DKK	Receivables from group enterprises DKK	Deposits DKK
Cost beginning of year	1	33,231,045	539,550
Exchange rate adjustments	0	(1,083,584)	0
Additions	0	3,103,803	190,624
Disposals	0	(13,557,426)	(595,174)
Cost end of year	**1**	**21,693,838**	**135,000**
Revaluations beginning of year	4,568,282	0	0
Exchange rate adjustments	(149,061)	0	0
Transfers	368,956	0	0
Share of profit/loss for the year	(4,788,177)	0	0
Revaluations end of year	**0**	**0**	**0**
Transfers	(368,956)	0	0
Investments with negative equity value depreciated over receivables	368,955	(368,955)	0
Impairment losses end of year	**(1)**	**(368,955)**	**0**
Carrying amount end of year	**0**	**21,324,883**	**135,000**

Disposals of receivables from group enterprises comprises repayment of loan.

Investments in subsidiaries	**Registered in**	**Equity interest %**
Labster Inc.	United States of America	100.00

11 Joint taxation contribution receivable

Joint taxation contribution receivable: DKK 14,928 thousand

<u>Distributed as follows:</u>

- Tax credit scheme: DKK 14,850 thousand
- Tax credit scheme potentiel repayment obligation: DKK -3,927 thousand
- Joint taxation receivable: DKK 4,005 thousand

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.

The Company has tax receivables for several income years as a result of ongoing tax audits. The Company has initiated a dialogue with the tax authorities on the use of the tax credit scheme, and the first income years 2019 (DKK 5,500 thousand) and 2020 (DKK 3,396 thousand) have been approved for payment by the Danish Tax Agency after the balance sheet date - 2021 have been paid within the balance sheet date.

The remaining income year 2022 (DKK 5,500 thousand) and the current income year 2023 (DKK 454 thousand) have not yet been processed by the Danish Tax Agency.

Moreover, there is a potential repayment obligation regarding errors in previous years, see "Material errors in previous years" under accounting policies.

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 income statement of profit or loss.

12 Prepayments

Prepayments comprises incurred costs relating to subsequent financial years. Prepayments are measured at cost.

13 Deferred income

The company's long deferred income in non-current liabilities consist of accrued grants related to acquisition of intangible assets.

14 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due within 12 months 2022 DKK	Due after more than 12 months 2023 DKK
Debt to other credit institutions	3,282,018	2,668,193	9,499,679
Other payables	0	0	1,339,799
Deferred income	1,707,152	4,045,559	5,361,718
	4,989,170	**6,713,752**	**16,201,196**

15 Deferred income

The company's deferred income in current liabilities consist of accrued grants related to acquisition of intangible assets.

16 Unrecognised rental and lease commitments

	2023 DKK	2022 DKK
Liabilities under rental or lease agreements until maturity in total	**542,250**	**1,549,708**

17 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Labster Group ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities,and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18 Assets charged and collateral

A floating charge of a nominal amount of tDKK 38,900 has been provided as security for loan, EIFO and Triplepoint Capital covering the Company's goodwill, domain names and rights protected by the Danish Consolidate Patents Act, the Danish Consolidate Trademark Act, the Danish Consolidate Designs Act, the Danish Utility Models Act, the Danish Patterns Act, the Danish Copyright Act and the Danish Act on Protection of the Design of Semiconductor Products (topography), operating equipment and unsecured claims relating to the sale of goods and services, also including inventories of raw materials, semi-manufactures and finished goods as well as vehicles that are not or have not previously been registered.

The carrying amount of intangible assets and trade receivables is tDKK 74,690 (2022: tDKK 78,020)

19 Related parties with controlling interest

Labster Group ApS, CVR-nr: 38597183, Copenhagen owns all shares in the Entity, thus exercising control.

20 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Labster Group ApS, CVR-nr: 38597183, Copenhagen.

Accounting policies

Reporting class
This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Consolidated financial statements
Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Material errors in previous years
Since the presentation of the annual report for 2022, the Company has identified an error in the accounting treatment of development projects, where the Company has incorrectly capitalised development costs for IP rights that are not owned by the Company but by a group enterprise. The erroneous capitalisation has resulted in a material error related to the Company's capitalised development costs, including amortisation and impairment losses, of net DKK 80,052 thousand for the period 2015-2022, and a repayment obligation for joint taxation of DKK 3,927 thousand related to payments received from the tax credit scheme in 2021.

It was also found that the transfer pricing settlements in a jointly taxed company have been incorrectly calculated, which has led to a significant error in the recognition of the Company's joint taxation contribution receivable in 2022 of DKK 6,104 thousand.

The findings have been corrected in the 2023 annual report with retroactive effect, and the comparative figures for 2022 have been restated. The effect of the correction can be summarised as follows:

* Profit for 2022 has increased by DKK 3,536 thousand.
* The balance sheet total has decreased by DKK 7,141 thousand.
* Equity is affected by DKK 24,954 thousand

The effect is recognised in 2022, and comparative figures for the financial year 2022 have been restated. The correction has therefore not had an impact on the income statement for the financial year 2023.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year with minor reclassifications

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 rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales, other operating income, own work capitalized 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. Revenue from licences is recognised on a straight-line basis over the licence period as delivery takes place.

Own work capitalised

Own work capitalised comprises staff costs and other 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 the sale of intangible assets and property, plant and equipment, and salary refunds.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

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

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

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and plant and equipment.

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

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

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period used is 7 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.The amortisation period used is 5 years.

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

Property, plant and equipment

Leasehold Improvements and 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	3-5 years
Leasehold improvements	3-5 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 recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

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

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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

Cash flow statement
Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Labster Group ApS, Business Reg. No. 38597183.