



Labster ApS

Skelbækgade 2, 4.
1717 Copenhagen V, Denmark
CVR No. 34457808

Annual report 2022

The Annual General Meeting adopted the
annual report on 29.06.2023

Mads Tvillinggaard Bonde
Chairman of the General Meeting

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Entity details

Entity

Labster ApS

Skelbækgade 2, 4.

1717 Copenhagen V, Denmark

Business Registration No.: 34457808

Registered office: Copenhagen, Denmark

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Mads Tvillinggaard Bonde

Michael Bodekær Jensen

Executive Board

Mads Tvillinggaard Bonde

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 01.01.2022 - 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.

Copenhagen, 29.06.2023

Executive Board

Mads Tvillinggaard Bonde

Board of Directors

Mads Tvillinggaard Bonde

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 01.01.2022 - 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

Mads Fauerskov

State Authorised Public Accountant
Identification No (MNE) mne35428

Kasper Vestergaard Jessen

State Authorised Public Accountant
Identification No (MNE) mne42784

Management commentary

Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	1,068	(45,049)	43,541	12,619	5,294
Operating profit/loss	(110,402)	(172,399)	13,136	(11,741)	(15,003)
Net financials	(3,069)	2,478	(4,012)	(2,959)	(2,626)
Profit/loss for the year	(99,247)	(82,462)	(21,555)	(33,493)	(22,317)
Total assets	264,554	211,318	137,315	90,202	74,703
Investments in property, plant and equipment	682	1,072	0	0	0
Equity	176,045	139,737	66,616	23,459	(12,158)
Ratios					
Equity ratio (%)	66.54	66.13	48.51	26.01	(16.28)

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

Equity ratio (%):

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

Total assets

Primary activities

Labster provides cloud based virtual software simulations to the global education industry.

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 is expensive and inefficient. Physical labs cost millions of dollars to 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 provide increases immensely, and their value offered to the students, the student engagement and opportunity for learning outcomes significantly increase with a more engaged way of learning.

Development in activities and finances

During the COVID-19 pandemic, Labster experienced a surge in its customer base, due to the need for providing students and educators a solution to continued education during times where physical education was not available.

Labster was able to deliver a solution to this at times where no real alternatives were available to the institutions. As the demand surged during unprecedented times, a more normalised level and demand for Labster's product has been realised as education systems across markets have started to come back to a level of physical education.

This has resulted in a significant amount of the revenue generated during the pandemic is not materialised as recurring revenue at the same levels in subsequent periods.

For that reason, Labster's overall revenue is also normalising at a lower level than what was seen during FY20 and FY21.

As a result of the normalised market demands and related activities, Labster made a strategic decision to adjust its Go-to-market Strategy as well as Operating Model for the Company's cost structure.

This has resulted in a greater focus on strategically fit selling at the institutional level as well as focusing on maturing our core-markets.

The overall cost base of the business has been undergoing a levelling transformation towards the new normalised post-pandemic activity levels in FY22 and will continue into FY23.

Liquidity

During the financial year, Labster secured additional liquidity and runway by way of securing additional capital through a capital fundraise.

It is the Management's assessment that Labster Group has sufficient liquidity for continued operations in FY23 and beyond.

Profit/loss for the year in relation to expected developments

As a result of this investment in further development of Labster's product and related innovation, as well as investment in future revenue growth, the Company realised a loss of DKK 99,247k for the financial year 2022.

While impact of COVID-19 and timing for normalised market conditions post-pandemic was uncertain and thereby not visible at point of entering FY22, Management is considering the financial results of the year in line with expectations, given the normalised market demand throughout FY22.

Labster ApS UK branch

The Company realised a profit of DKK 3,433k for the financial year 2022. Management considers the results for the year as expected..

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. Expenses in the development phase are capitalised at cost on initial recognition and are valued on an ongoing basis by the Company's Management.

The Company's 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.

Future net income is based on significant estimates and is thus associated with some uncertainty.

Outlook

In FY23 Labster is budgeting minimal net revenue growth as it continues to stabilise and normalise revenue levels for the revenue generated from the unnormalized demand during the pandemic.

While management believes that the appreciation and market maturity for virtual education has surged significantly during the past years, and as such Labster's offering to the market is becoming more relevant and appreciated, the expectation is still that certain customer cohorts are still normalising to post-pandemic demands.

Labster plans to continuously capitalise on and contribute to the evolution of the remote education platform by continuing to increase its market share in new territories, as well as further expand on the existing customer base with new course catalogues.

Additionally, the integration and market offering of the in 2021 acquired asset, UbiSim nursing simulations, has provided significant market confirmation and is expected to further improve our offering to institutions in core markets and grow as a revenue stream in FY23.

Furthermore, the UbiSim Nursing product is projected to enable Labster to open up for new faculties within current institutions as well as potential new verticals, such as Healthcare- and Nursing programs across the North American market and into Europe.

The current state of the global education industry represents a significant opportunity for innovation and transformation. Labster is uniquely positioned to spearhead this disruption by revolutionising the approach to STEM education and thereby generating positive outcomes for students both presently and in the future, ultimately to "enable and educate the next generation of scientists."

Expected result for the year 2023 will be between DKK (50,000)k - (80,000)k.

Knowledge resources

The Company's principal assets in terms of knowledge resources consist of its workforce and the accumulated expertise in the development of virtual reality laboratories.

The company has developed a deep and comprehensive content library of 300+ simulations that is all made available through an integrated learning platform.

As such, the company's future revenue potential is largely dependent on the developed platform and content,

and how this is innovated further on, by knowledge resources, to enable future and growing revenue streams in different segments of the market.

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 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		1,068,110	(45,049,360)
Staff costs	2	(50,493,562)	(49,327,330)
Depreciation, amortisation and impairment losses	3	(19,796,080)	(13,529,403)
Other operating expenses		(41,180,651)	(64,492,789)
Operating profit/loss		(110,402,183)	(172,398,882)
Income from investments in group enterprises		1,911,157	73,770,354
Other financial income	4	3,743,837	4,868,997
Other financial expenses	5	(6,812,669)	(2,391,285)
Profit/loss before tax		(111,559,858)	(96,150,816)
Tax on profit/loss for the year	6	12,312,999	13,689,000
Profit/loss for the year	7	(99,246,859)	(82,461,816)

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	9	107,626,002	50,774,021
Development projects in progress	9	47,041,392	70,911,272
Intangible assets	8	154,667,394	121,685,293
Other fixtures and fittings, tools and equipment		606,605	569,685
Leasehold improvements		647,859	423,826
Property, plant and equipment	10	1,254,464	993,511
Investments in group enterprises		4,568,283	2,500,493
Receivables from group enterprises		33,231,045	38,613,088
Deposits		539,550	539,550
Financial assets	11	38,338,878	41,653,131
Fixed assets		194,260,736	164,331,935
Trade receivables		3,406,032	3,384,448
Receivables from group enterprises		20,249,286	11,282,017
Other receivables		8,253,118	5,890,934
Joint taxation contribution receivable	12	22,597,360	17,884,060
Prepayments	13	5,866,719	5,883,288
Receivables		60,372,515	44,324,747
Cash		9,921,091	2,660,957
Current assets		70,293,606	46,985,704
Assets		264,554,342	211,317,639

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		240,000	240,000
Translation reserve		6,146,777	2,342,800
Reserve for net revaluation according to the equity method		4,568,282	2,500,492
Reserve for development expenditure		120,640,567	94,914,528
Retained earnings		44,448,919	39,739,607
Equity		176,044,545	139,737,427
Debt to other credit institutions		12,413,072	14,535,240
Other payables		1,253,761	1,266,046
Deferred income	14	6,348,051	10,401,387
Non-current liabilities other than provisions	15	20,014,884	26,202,673
Current portion of non-current liabilities other than provisions	15	6,713,752	5,840,122
Bank loans		0	747,036
Trade payables		5,099,000	9,241,990
Payables to group enterprises		38,194,217	5,444,783
Other payables		2,703,632	6,680,313
Deferred income	16	15,784,312	17,423,295
Current liabilities other than provisions		68,494,913	45,377,539
Liabilities other than provisions		88,509,797	71,580,212
Equity and liabilities		264,554,342	211,317,639
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	17		
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Statement of changes in equity for 2022

	Contributed capital DKK	Translation reserve DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	240,000	2,342,800	2,500,492	94,914,528	39,739,607
Exchange rate adjustments	0	3,803,977	0	0	0
Group contributions etc	0	0	0	0	131,750,000
Transfer to reserves	0	0	0	25,726,039	(25,726,039)
Profit/loss for the year	0	0	2,067,790	0	(101,314,649)
Equity end of year	240,000	6,146,777	4,568,282	120,640,567	44,448,919

	Total DKK
Equity beginning of year	139,737,427
Exchange rate adjustments	3,803,977
Group contributions etc	131,750,000
Transfer to reserves	0
Profit/loss for the year	(99,246,859)
Equity end of year	176,044,545

Notes

1 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.

2 Staff costs

	2022	2021
	DKK	DKK
Wages and salaries	45,461,256	39,419,927
Pension costs	2,718,983	3,989,737
Other social security costs	2,312,428	5,909,980
Other staff costs	895	7,686
	50,493,562	49,327,330
Average number of full-time employees	103	78

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

3 Depreciation, amortisation and impairment losses

	2022	2021
	DKK	DKK
Amortisation of intangible assets	19,374,718	13,451,168
Depreciation of property, plant and equipment	421,362	78,235
	19,796,080	13,529,403

4 Other financial income

	2022	2021
	DKK	DKK
Financial income from group enterprises	2,839,090	5,082,315
Other interest income	10,925	0
Exchange rate adjustments	893,822	(213,318)
	3,743,837	4,868,997

5 Other financial expenses

	2022	2021
	DKK	DKK
Financial expenses from group enterprises	514,647	199,812
Other interest expenses	2,853,709	1,732,388
Exchange rate adjustments	3,432,187	459,085
Other financial expenses	12,126	0
	6,812,669	2,391,285

6 Tax on profit/loss for the year

	2022	2021
	DKK	DKK
Current tax	(5,500,000)	(5,500,000)
Change in deferred tax	0	(6,084,000)
Adjustment concerning previous years	1,388,001	0
Refund in joint taxation arrangement	(8,201,000)	(2,105,000)
	(12,312,999)	(13,689,000)

7 Proposed distribution of profit and loss

	2022	2021
	DKK	DKK
Retained earnings	(99,246,859)	(82,461,816)
	(99,246,859)	(82,461,816)

8 Intangible assets

	Completed development projects DKK	Development projects in progress DKK
Cost beginning of year	93,711,960	70,911,272
Transfers	73,798,586	(73,798,586)
Additions	0	52,356,819
Disposals	0	(2,428,113)
Cost end of year	167,510,546	47,041,392
Amortisation and impairment losses beginning of year	(42,937,939)	0
Impairment losses for the year	0	(2,428,113)
Amortisation for the year	(16,946,605)	0
Reversal regarding disposals	0	2,428,113
Amortisation and impairment losses end of year	(59,884,544)	0
Carrying amount end of year	107,626,002	47,041,392

9 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.

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	641,521	430,225
Transfers	44,228	(44,228)
Additions	258,267	424,048
Cost end of year	944,016	810,045
Depreciation and impairment losses beginning of year	(71,836)	(6,399)
Depreciation for the year	(265,575)	(155,787)
Depreciation and impairment losses end of year	(337,411)	(162,186)
Carrying amount end of year	606,605	647,859

11 Financial assets

	Investments in group enterprises DKK	Receivables from group enterprises DKK	Deposits DKK
Cost beginning of year	1	38,613,088	539,550
Exchange rate adjustments	0	3,669,015	0
Additions	0	2,151,886	0
Disposals	0	(11,202,944)	0
Cost end of year	1	33,231,045	539,550
Exchange rate adjustments	156,634	0	0
Transfers	2,500,492	0	0
Share of profit/loss for the year	1,911,156	0	0
Revaluations end of year	4,568,282	0	0
Impairment losses beginning of year	2,500,492	0	0
Transfers	(2,500,492)	0	0
Impairment losses end of year	0	0	0
Carrying amount end of year	4,568,283	33,231,045	539,550

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

12 Joint taxation contribution 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 income statement of profit or loss.

13 Prepayments

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

14 Deferred income

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

15 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK
Debt to other credit institutions	2,668,193	1,794,563	12,413,072
Other payables	0	0	1,253,761
Deferred income	4,045,559	4,045,559	6,348,051
	6,713,752	5,840,122	20,014,884

16 Deferred income

Deferred income comprises .

17 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	1,549,708	2,643,795

18 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.

19 Assets charged and collateral

A floating charge of a nominal amount of DKK 38,900k has been provided as security for bank loan, Vaekstfonden 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 DKK 158,095k (2021: 125,069k).

20 Related parties with controlling interest

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

21 Non-arm's length related party transactions

Labster ApS has received group contribution of DKK 131,750k in 2022 from Labster Group ApS. Other than the group contribution no other related party transactions have been conducted on a non-arm's length basis in the financial year.

22 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).

Changes in accounting policies

The Entity has changed its accounting policies with regard to presentation of own work capitalized and public grants.

The change in accounting policies has not led to a decrease or increase in equity, assets or liabilities. Own work capitalized was previously shown as a deduct of staff cost, but is now presented on a separate line, as part of gross profit. Public grants was deducted in amortizations of intangible assets but is now shown on a separate line, as part of gross profit.

The comparative figures have been restated following the change in accounting policies.

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

Consolidated financial statements

Referring to section 112(1) 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 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, 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.

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.

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, 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 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.

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.