

CARDLAB INNOVATION ApS

Hørkær 14C, 1.
2730 Herlev

CVR no. 34 62 61 89

Annual report for 2021
(9th Financial year)

Adopted at the annual general meeting on
30 June 2022

Katrine Bjarni
chairman

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of CARDLAB INNOVATION ApS for the financial year 1 January - 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Herlev, 30 June 2022

Executive board

Frank Sandeløv
CEO

Supervisory board

Kim Wagner Jørgensen
Chairman

Steen L. Hørdum
Deputy chairman

Søren Bruun Pedersen

Susan Ponthus Jackson

Independent auditor's report

To the shareholder of CARDLAB INNOVATION ApS

Opinion

We have audited the financial statements of CARDLAB INNOVATION ApS for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 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 the 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 our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We point out that there is considerable uncertainty, that can raise considerable doubts about the company's ability to continue its operations. We refer to note 10 in the financial statements, which states that it is currently uncertain how new capital will be obtained, but the management believes that the total planned activities will provide the necessary liquidity. In addition, the company's parent company issues a declaration of support.

Our conclusion is not modified as a result of this matter.

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

Independent auditor's report

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 company'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 company'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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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 management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, 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 management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review 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 management's review.

Frederiksberg, 30 June 2022

Revisionsfirmaet Albrechtsen
Statsautoriseret Revisionsaktieselskab
CVR no. 77 92 64 10

Bjarne Albrechtsen
statsautoriseret revisor
MNE no. mne12177

Company details

The company

CARDLAB INNOVATION ApS
Hørkær 14C, 1.
2730 Herlev

CVR no.: 34 62 61 89

Reporting period: 1 January - 31 December 2021

Domicile: Herlev

Supervisory board

Kim Wagner Jørgensen, chairman
Steen L. Hørdum, deputy chairman
Søren Bruun Pedersen
Susan Ponthus Jackson

Executive board

Frank Sandeløv, CEO

Auditors

Revisionsfirmaet Albrechtsen
Statsautoriseret Revisionsaktieselskab
Lindevangs Allé 4
2000 Frederiksberg

Management's review

Business review

The company's purpose is to conduct development, production and sale of electronic products, to license patents and other intellectual property rights from the parent company CardLab ApS for the commercial exploitation, and any other related activities.

Recognition and measurement uncertainties

The recognition and measurement of items in the annual report is not associated with any uncertainty.

Financial review

Technologically 2021 yielded continuation of the Company's biometric card project with standard biometric cards. Preparation for sale and further development of customer card products, has been continued but slowed down due to the Covid-19 pandemic effects like lack of production capacity and component supply.

In 2021, The company again received significant recognition and awards as one of the leading innovative companies in EU and completed under the Horizon 2020 the development of card solutions to provide protection of critical infrastructure by two different production ready designs. The company continued in the EU business acceleration program with participation in several events to promote the company and did for the first time participate in Trustech tradeshow with a strategic partnership booth.

The company managed in 2021 to complete the relocation of production to facilities outside China, creating much stronger production quality control capabilities.

The company continues its increased focus on the biometric area with the completion of the Horizon 2020 project resulting in standard biometric cards that despite Covid-19 delays was ready for limited sale mid-2021 restricted by component availability. The biometric card focus is by the management still considered the safe road to stable growth, as we during 2021 have seen a steady and significant increase in customer interest for convenient, hygienic high security solutions for access, ID, Crypto and other areas.

Net profit of the company's earnings in 2021 showed a non-satisfactory loss of 4.832 tkr.

Management's review

Significant events occurring after the end of the financial year

After the end of the financial year, the company have still experienced a considerable uncertainty around some customer's ability to complete their projects due to Covid-19 pandemic lockdown of significant parts of the world causing uncertainty among both suppliers and customers and long delays on component supply.

The company expect it still will be negatively affected in 2022, but an increased number of customer projects and demand for CardLab standard biometric card products is expected to cause a strong increase in the Company's card production as soon as the component situation normalizes in the expected timeframe late 2022/ early 2023.

Future expectations

With reduced restrictions caused by the Covid-19 pandemic, it is expected that 2022 will yield an increase of turnover, partly through new agreed customer pilots and client related development agreements and license agreements, with significant pilots in 2022 and volume based breakthrough for products based on the Companies standard card solutions and technologies in 2023.

Liquidity and cash reserves

The Parent Company have invested in the company and have undertaken to invest further capital in execution of the planned development and commercialization activities. Based the increased customer activity further operation and expansion should gradually be possible via organic growth but planned to be accelerated by injection of further funding.

Accounting policies

The annual report of CARDLAB INNOVATION ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2021 is presented in DKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

Accounting policies

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

Accounting policies

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Development projects, patents and licences

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 7- 10 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Other machinery and equipment	3-5 years	0 %

Assets costing less than DKK 30.700 are expensed in the year of acquisition.

Accounting policies

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Impairment of fixed assets

The carrying amount of intangible assets, items of property, plant and equipment and investments in subsidiaries, associates and participating interests is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Receivables

Receivables are measured at amortised cost.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

The company and all its Danish group entities are taxed on a joint basis. The current income tax charge is allocated between the jointly taxed entities relative to their taxable income. Tax losses are allocated based on the full absorption method. The jointly taxed entities are eligible for the Danish Tax Prepayment Scheme.

Accounting policies

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Income statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Gross profit		-1.871.796	-825.434
Staff costs	1	-1.187.273	-2.791.258
Resultat af primær drift		-3.059.069	-3.616.692
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-2.298.102	-3.735.327
Profit/loss before net financials		-5.357.171	-7.352.019
Financial income	3	91.002	40.260
Financial costs	4	-25.683	-199.767
Profit/loss before tax		-5.291.852	-7.511.526
Tax on profit/loss for the year	5	471.507	1.252.396
Profit/loss for the year		-4.820.345	-6.259.130
Reserve for fair value of investment assets		9.725.421	1.410.389
Retained earnings		-14.545.766	-7.669.519
		-4.820.345	-6.259.130

Balance sheet 31 December

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Assets			
Completed development projects		15.427.495	17.527.679
Development projects in progress		<u>6.743.481</u>	<u>6.064.586</u>
Intangible assets	6	<u>22.170.976</u>	<u>23.592.265</u>
Plant and machinery		0	197.916
Other fixtures and fittings, tools and equipment		<u>0</u>	<u>0</u>
Tangible assets		<u>0</u>	<u>197.916</u>
Deposits	8	<u>151.907</u>	<u>151.907</u>
Fixed asset investments		<u>151.907</u>	<u>151.907</u>
Total non-current assets		<u>22.322.883</u>	<u>23.942.088</u>
Raw materials and consumables		529.467	719.392
Work in progress		320.510	345.113
Finished goods and goods for resale		<u>390.919</u>	<u>440.474</u>
Stocks		<u>1.240.896</u>	<u>1.504.979</u>
Trade receivables		359.023	28.003
Other receivables		1.775.111	1.231.360
Corporation tax		459.564	1.285.599
Joint taxation contributions receivable		11.943	0
Prepayments		<u>54.295</u>	<u>7.262</u>
Receivables		<u>2.659.936</u>	<u>2.552.224</u>
Cash at bank and in hand		<u>245.610</u>	<u>198.127</u>
Total current assets		<u>4.146.442</u>	<u>4.255.330</u>
Total assets		<u><u>26.469.325</u></u>	<u><u>28.197.418</u></u>

Balance sheet 31 December

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Equity and liabilities			
Share capital		10.800.000	10.800.000
Share premium account		0	12.352.523
Reserve for development expenditure		17.293.361	7.567.940
Retained earnings		<u>-11.054.452</u>	<u>-8.861.210</u>
Equity		<u>17.038.909</u>	<u>21.859.253</u>
Payables to group enterprises		5.291.538	3.509.254
Other payables		325.375	320.540
Deposits		<u>4.576</u>	<u>4.576</u>
Total non-current liabilities	9	<u>5.621.489</u>	<u>3.834.370</u>
Trade payables		1.228.951	792.690
Payables to shareholders and management		137.954	0
Other payables		2.355.689	1.624.772
Deferred income		<u>86.333</u>	<u>86.333</u>
Total current liabilities		<u>3.808.927</u>	<u>2.503.795</u>
Total liabilities		<u>9.430.416</u>	<u>6.338.165</u>
Total equity and liabilities		<u>26.469.325</u>	<u>28.197.418</u>
Uncertainty about the continued operation (going concern)	10		
Contingent liabilities	11		

Statement of changes in equity

	Share capital	Share premi- um account	Reserve for development expenditure	Retained ear- nings	Total
Equity at 1 January 2021	10.800.000	12.352.523	7.567.940	-8.861.209	21.859.254
Net profit/loss for the year	0	-12.352.523	9.725.421	-14.545.766	-17.172.868
Transfer from share premium account	0	0	0	12.352.523	12.352.523
Equity at 31 December 2021	10.800.000	0	17.293.361	-11.054.452	17.038.909

Notes

	<u>2021</u> DKK	<u>2020</u> DKK
1 Staff costs		
Wages and salaries	812.455	2.497.169
Pensions	343.259	271.571
Other social security costs	31.559	22.518
	<u>1.187.273</u>	<u>2.791.258</u>
Average number of employees	<u>7</u>	<u>7</u>
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	2.100.184	721.930
Depreciation tangible assets	197.918	197.916
Impairment intangible assets	0	2.815.481
	<u>2.298.102</u>	<u>3.735.327</u>
3 Financial income		
Exchange gains	91.002	40.260
	<u>91.002</u>	<u>40.260</u>
4 Financial costs		
Financial expenses, group entities	0	134.971
Other financial costs	25.683	48.444
Exchange loss	0	16.352
	<u>25.683</u>	<u>199.767</u>

Notes

	<u>2021</u> DKK	<u>2020</u> DKK
5 Tax on profit/loss for the year		
Current tax for the year	-471.507	-1.252.396
	<u>-471.507</u>	<u>-1.252.396</u>

6 Intangible assets

	<u>Completed de- velopment pro- jects</u>	<u>Development projects in progress</u>
Cost at 1 January 2021	26.220.788	6.990.066
Additions for the year	0	2.088.929
Disposals for the year	0	-1.014.199
Cost at 31 December 2021	<u>26.220.788</u>	<u>8.064.796</u>
Impairment losses and amortisation at 1 January 2021	8.693.109	1.321.315
Amortisation for the year	2.100.184	0
Impairment losses and amortisation at 31 December 2021	<u>10.793.293</u>	<u>1.321.315</u>
Carrying amount at 31 December 2021	<u>15.427.495</u>	<u>6.743.481</u>

7 Tangible assets

	<u>Plant and ma- chinery</u>	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2021	2.399.509	142.995
Cost at 31 December 2021	<u>2.399.509</u>	<u>142.995</u>

Notes

7 Tangible assets (continued)

	Plant and ma- chinery	Other fixtures and fittings, tools and equipment
Impairment losses and depreciation at 1 January 2021	2.201.591	142.995
Depreciation for the year	<u>197.918</u>	<u>0</u>
Impairment losses and depreciation at 31 December 2021	<u>2.399.509</u>	<u>142.995</u>
Carrying amount at 31 December 2021	<u>0</u>	<u>0</u>

8 Fixed asset investments

	Deposits
Cost at 1 January 2021	<u>151.907</u>
Cost at 31 December 2021	<u>151.907</u>
Carrying amount at 31 December 2021	<u>151.907</u>

9 Long term debt

	Debt at 1 January 2021	Debt at 31 December 2021	Instalment next year	Debt outstan- ding after 5 years
Payables to group enterprises	3.509.254	5.291.538	0	0
Other payables	320.540	325.375	0	0
Deposits	<u>4.576</u>	<u>4.576</u>	<u>0</u>	<u>0</u>
	<u>3.834.370</u>	<u>5.621.489</u>	<u>0</u>	<u>0</u>

Notes

10 Uncertainty about the continued operation (going concern)

Investment in development activities is in nature related with risk, and the assessment of the investments made is therefore related with some uncertainty. It's management's assessment that the value of intangible assets as a minimum have a value corresponding to booked value, and are therefore measured at cost in the financial statements.

The transition of the company from a development company to technology and card supplier company is however confirmed by the interest from major industry players in the technology. On basis of this a substantial sale is foreseen and a capital raise is ongoing to strengthen the position of the company as a strong going concern in expansion.

It's the management's assessment that the increased sale, capital raise and transition into a production company will secure the Company as a strong going concern.

11 Contingent liabilities

Contingent rent liabilities

The company has a 6 months cancelation period regarding the office lease in DKK 220.647 as per end of the year.

Joint taxation

The company is jointly taxed with its parent company, MemeTech A/S (management company), and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

Other contingent liabilities not recognised in balance sheet

For parent company debts to Vækstfonden, DKK 5.503k, the company has provided security in company assets representing a nominal value of DKK 2.400k. This security comprises inventories, trade receivables, Intangible fixed assets and Tangible fixes asset, with a total book value of 23.790.181 per 31. december 2021.