BUUS JENSEN
Statsautoriserede
Revisorer

Brain+ ApS

c/o Health Tech Hub Copenhagen, Dampfærgevej 28, 1., 2100 København Ø

Company reg. no. 36 43 94 40

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 23 April 2021.

Kim Baden-Kristensen
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Contents

Management's report

Today, the board of directors and the managing director have presented the annual report of Brain+ ApS for the financial year 1 January - 31 December 2020.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Copenhagen, 21 April 2021

Managing Director

Kim Baden-Kristensen

Board of directors

Ulrik Ditlev Seemann Eriksen	Jonas Nilsen	Kim Arvid Nielsen

Independent auditor's report

To the shareholders of Brain+ ApS

Opinion

We have audited the financial statements of Brain+ ApS for the financial year 1 January - 31 December 2020, which comprise income statement and statement of financial position, statement of changes in equity, and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the company in accordance with international ethical requirements for auditors (IESBA’s Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

The company has capitalized 23.804.946 DKK as development projects. Valuation of development projects is subject to uncertainty. We refer to note 1 to the financial statements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 unless management either intends to liquidate the company 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the 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 express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 21 April 2021

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Lotte Nørskov
State Authorised Public Accountant
mne32825

Company information

The company	Brain+ ApS c/o Health Tech Hub Copenhagen Dampfærgevej 28, 1. 2100 København Ø	
	Company reg. no.	36 43 94 40
	Established:	17 April 2012
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Board of directors	Ulrik Ditlev Seemann Eriksen Jonas Nilsen Kim Arvid Nielsen	
Managing Director	Kim Baden-Kristensen	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Parent company	Brain+ Holding ApS	

Management commentary

The principal activities of the company

Like previous years, the principal activities are software development.

Uncertainties about recognition or measurement

Management's assessment of uncertainty in recognition and measurement is as follows:

Due to the ambitious and innovative nature of the Brain + project, the management acknowledges a number of possible sources uncertainties and risks, which are closely monitored and have individual measures to mitigate the risk.

The most significant risks are:

RISK – COMMERCIAL/FUNDING:
That product development, market introduction and building revenue takes longer than planned. The impact of Covid on this was described in the management commentary. Covid has had both negative in the short term, but a positive impact in the medium to long term positive, due to accelerating the acceptance and adoption of digital health.

Mitigation for revenue:

- The company has, assuming zero sales and expected invest-/ and funding activities, a minimum liquidity until Q4 2021
- The company has raised a bridge funding round with commitments of 10 million DKK from investors as of April 2021.
- The Danish sales pipeline is growing (despite COVID), with two 3-year recurring contracts closed in Q4 2020, and more expected in 2021.

Mitigation for development activities:
The company has implemented Agile development and quality / project management systems (62304 (Software life cycle) (Status - 1st implementation completed) 62366, (Usability) (Status - 1st implementation completed) 14971 (Risk analysis) (Status - 1st implementation done)). The focus in 2021 will further be to implement a quality management system (QMS), and begin work on ISO-certifications.

RISK - CLINICAL / EVIDENCE
That the clinical trials do not give the hoped-for results. Clinical trials are delayed.

Mitigation: This is a risk inherent to any innovative scientific project, and more independent studies will be necessary; however good early indications are already coming in from the Oxford study. The other simple mitigation is that Brain+ has a broad clinical development program, with 10 solid studies, all executed by reputable research institutions and principal investigators. This means that Brain+ can afford if some of the trials fail (which is to be expected when considering the usual success rate in life sciences), as long as one or several in the program succeed.

Management commentary

Development in activities and financial matters

2020 has been a year like no other, with lives, habits and business seeing dramatic change to the way things are done. Brain+ has also been affected by Covid both positively and negatively. The company already had a very flexible company culture with a free work from home environment, thus the transition to 80-100% of employees working from home has come fairly easily and works well. The major negative impact has been delays in clinical trials with Brain+ products that involve people who are increased risk of Covid, namely older people and people already in high risk groups for other diseases and conditions, such as Alzheimer’s and dementia. Trials with Oxford University with Aarhus University using the Starry Night memory test have thus been delayed. On the positive side the starry night memory test has been repurposed for remote testing in people's homes enabling and more scalable model for testing.

Overall the two large collaboration projects Alzheimer's detect and prevent and AD shield have received an extension of 12 month to accommodate the impact of Covid on clinical trials. Another negative impact has been the inability to meet with potential clients face to face which has in the beginning of the year made relationship building more difficult, however people have gotten used to online meetings and towards the end of 2020 having customer meetings started becoming easier.

On the very positive side is the fact that Covid has changed or accelerated the positive attitude towards digital solutions both among customers users partners. This means the potential an ease of adoption of the type of digital products that Brain+ is producing has most likely leapfrogged ahead by four to five years increasing the potential in the short term and the long term.

Brain+ also partnered with a consortium, consisting of a German, company Nurogames, specialized in digital health, and its old ally, Aarhus University, to apply for a grant to develop a cutting edge treatment for people with mild cognitive impairment or carriers of the APOE4 gene (risk gene for developing dementia). Brain+ was awarded this project, which will commence in Q2 2021.

Despite the difficulties of COVID Brain+ moved from a piloting phase in the public municipal market for health care into a sales phase and closed its first multi-year recurring contracts in Q4 of 2022. This business to government / business to business commercial model will be scaled in the coming years to generate revenues, to gain feedback from users, and to get data, which can be used to optimize the functioning of the products.

Brain+ entered into numerous dialogues with pharmaceutical companies that are active in the central nervous system (CNS) space, many of them focusing on Alzheimer's disease and dementia, in order to partner and collaborate on bringing Brain+ technologies and products to the market. Alzheimer's and dementia remain some of the largest unsolved disease burdens that humanity is facing today.

Brain+ also deepened its commitment to becoming a leading digital therapeutics company. This entails the plan to take several of its products on a more traditional biopharma development journey involving regulatory certifications like the CE mark and running the necessary large scale pivotal trials to achieve this, and ultimately to get reimbursed at a large scale. In other words, to create digital medicines.

Towards this objective a number of processes have begun with specialized expert consultant houses; both on intellectual property rights and regulatory affairs, and Brain+ intends to expand its own in-house capabilities in these areas during 2021. Going down this path (which is both new from and the perspective of the digital health space, but traditional from the perspective of the life science industry) will also enable to a much larger degree collaborations with large pharmaceutical companies and other strategic partners with very high requirements towards quality, clinical evidence and compliance to regulatory requirements.

In the industry of digital therapeutics multi-million dollar licensing deals have taken place between pharmaceutical companies an digital therapeutics companies in recent years. Achieving such a deal requires intense multiyear investments in R&D, regulatory compliance, quality management and several other areas. Brain+ has begun and will continue to invest in these required areas in the coming years.

On the financial side Brain+ had a deficit of 1,0 million kr on its operations primarily created by the depreciation of assets and the fact that 2020 was not a revenue generating year or a funding year. Overall, the Brain+ financials are as expected in an R&D company at this stage of maturity. Brain+ is in an active funding process and aims to secure in the range of 15-25 million kroner in the Q2 + Q3 of 2021, and has already secured significant commitments towards this objective.

In summary, although COVID has been challenging, because it has caused numerous delays, we believe the total outcome will end up being very positive for digital health technologies, and in particular for digital therapeutics.

Expected developments

2021 will be an exciting year with results coming in from several clinical trials (Covid allowing), and the expansion of the team, acceleration of business development activities and maturation of the Brain+ products. Brain+ sees this as a key step towards is ambition and *Our mission is to restore patients' independence and quality of life by treating, detecting, and ultimately preventing Alzheimer's and dementia*

Events occurring after the end of the financial year

Brain+ closed a bridge funding round of 10 million DKK, which prepares Brain+ for the next stage of its development, and means the ability to now expand the team with new competencies needed for its Digital therapeutics ambitions.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2020	2019
	Gross profit	**6.394.383**	**5.736.776**
3	Staff costs	-6.492.827	-5.685.021
	Depreciation, amortisation, and impairment	-925.988	-1.232.786
	Operating profit	**-1.024.432**	**-1.181.031**
	Other financial income	0	31
4	Other financial costs	-227.902	-293.499
	Pre-tax net profit or loss	**-1.252.334**	**-1.474.499**
	Tax on net profit or loss for the year	274.234	322.698
	Net profit or loss for the year	**-978.100**	**-1.151.801**
	Proposed appropriation of net profit:		
	Transferred to other reserves	-847.353	572.944
	Allocated from retained earnings	-130.747	-1.724.745
	Total allocations and transfers	**-978.100**	**-1.151.801**

Statement of financial position at 31 December

All amounts in DKK.

Note	Assets	2020	2019
	Non-current assets		
5	Completed development projects and rights arising from development projects	7.346.956	8.265.325
6	Development projects in progress and prepayments for intangible assets	16.457.990	9.000.855
	Total intangible assets	23.804.946	17.266.180
7	Other fixtures and fittings, tools and equipment	30.516	22.473
	Total property, plant, and equipment	30.516	22.473
	Total non-current assets	**23.835.462**	**17.288.653**
	Current assets		
	Trade receivables	0	21.922
	Receivables from group enterprises	513.998	71.485
	Tax receivables from group enterprises	0	432.812
	Other receivables	189.528	224.784
	Prepayments and accrued income	14.594	15.481
	Total receivables	718.120	766.484
	Cash on hand and demand deposits	1.362.457	632.531
	Total current assets	**2.080.577**	**1.399.015**
	Total assets	**25.916.039**	**18.687.668**

Statement of financial position at 31 December

All amounts in DKK.

Note	**Equity and liabilities**	2020	2019
	Equity		
	Contributed capital	95.830	95.830
	Reserve for development costs	1.470.358	2.317.711
	Other statutory reserves	13.965	13.965
	Retained earnings	2.525.112	2.655.859
	Total equity	**4.105.265**	**5.083.365**
	Provisions		
	Provisions for deferred tax	1.507.978	1.782.212
	Total provisions	**1.507.978**	**1.782.212**
	Liabilities other than provisions		
	Convertible and profit sharing debt instruments	386.625	329.750
	Other payables	1.742.295	1.359.969
8	Total long term liabilities other than provisions	2.128.920	1.689.719
	Trade payables	196.810	390.400
	Payables to associates	260.276	252.695
	Other payables	1.445.267	1.157.285
9	Accruals and deferred income	16.271.523	8.331.992
	Total short term liabilities other than provisions	18.173.876	10.132.372
	Total liabilities other than provisions	**20.302.796**	**11.822.091**
	Total equity and liabilities	**25.916.039**	**18.687.668**

1 Uncertainties concerning recognition and measurement

2 Special items

10 Charges and security

11 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development costs	Other statutory reserves	Retained earnings	Total
Equity 1 January 2019	95.830	1.744.767	13.965	4.380.604	6.235.166
Provisions of the results for the year	0	0	0	-1.724.745	-1.724.745
Transferred from results brought forward	0	572.944	0	0	572.944
Equity 1 January 2020	95.830	2.317.711	13.965	2.655.859	5.083.365
Provisions of the results for the year	0	0	0	-130.747	-130.747
Transferred from results brought forward	0	-847.353	0	0	-847.353
	95.830	**1.470.358**	**13.965**	**2.525.112**	**4.105.265**

Notes

All amounts in DKK.

1. Uncertainties concerning recognition and measurement

The company has capitalized 23.804.946 DKK as development projects.

The measurement of the development projects is subject to uncertainty

Management's assessment of uncertainty in recognition and measurement is as follows:

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Notes

All amounts in DKK.

2. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items also include other significant amounts of a nonrecurring nature.

As mentioned in the management commentary, the net profit or loss for the year is affected by a number of factors that differ from what is considered by management to be part of operating activities.

Special items for the year are specified below, indicating where they are recognised in the income statement.

Income:		
COVID-19 Salary Compensation Scheme	335.807	0
	335.807	0
Special items are recognised in the following items in the financial statements:		
Other operating income	335.807	0
Profit of special items, net	**335.807**	**0**

3. Staff costs

Salaries and wages	6.390.749	5.574.046
Other costs for social security	102.078	110.975
	6.492.827	**5.685.021**
Average number of employees	14	14

4. Other financial costs

Financial costs, group enterprises	5.380	5.496
Other financial costs	222.522	288.003
	227.902	**293.499**

Notes

All amounts in DKK.

5. Completed development projects and rights arising from development projects

Cost 1 January 2020	11.225.434	2.041.740
Additions during the year	0	9.183.694
Cost 31 December 2020	**11.225.434**	**11.225.434**
Amortisation and writedown 1 January 2020	-2.960.109	-1.735.479
Amortisation for the year	-918.369	-1.224.630
Amortisation and writedown 31 December 2020	**-3.878.478**	**-2.960.109**
Carrying amount, 31 December 2020	**7.346.956**	**8.265.325**

6. Development projects in progress and prepayments for intangible assets

Cost 1 January 2020	9.000.855	6.226.449
Additions during the year	7.457.135	20.344.700
Disposals during the year	0	-17.570.294
Cost 31 December 2020	**16.457.990**	**9.000.855**
Carrying amount, 31 December 2020	**16.457.990**	**9.000.855**

7. Other fixtures and fittings, tools and equipment

Cost 1 January 2020	50.952	26.541
Additions during the year	15.662	24.411
Cost 31 December 2020	**66.614**	**50.952**
Depreciation and writedown 1 January 2020	-28.479	-20.323
Depreciation for the year	-7.619	-8.156
Depreciation and writedown 31 December 2020	**-36.098**	**-28.479**
Carrying amount, 31 December 2020	**30.516**	**22.473**

All amounts in DKK.

8. Liabilities other than provision

	Total payables 31 Dec 2020	Current portion of long term payables	Long term payables 31 Dec 2020	Outstanding payables after 5 years
Convertible and profit sharing debt instruments	386.625	0	386.625	0
Other payables	1.742.295	0	1.742.295	527.731
	2.128.920	**0**	**2.128.920**	**527.731**

9. Accruals and deferred income

Received funding development projects	16.271.523	8.331.992
	16.271.523	**8.331.992**

10. Charges and security

For part of other payables, the company has provided security in company assets representing a nominal value of DKK 250.000. This security comprises intangible assets.

11. Contingencies

Joint taxation

With Brain+ Holding ApS, company reg. no 34478201 as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligations to withhold tax on interest, royalties, and dividends of the jointly taxed companies.

The liabilities amount to a maximum amount corresponding to the share of the company capital, which is owned directly or indirectly by the ultimate parent company.

The jointly taxed enterprises' total known net liability to the Danish tax authorities emerges from the financial statements of the administration company.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for Brain+ ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Own work capitalised

Own work capitalised includes staff cost and other internal costs incurred during the financial year and recognised in the cost of proprietary intangible and tangible fixed assets.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation, amortisation, and writedown for the year and profit and loss on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects and rights

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

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

Profit and loss from the sale of development projects and rights are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement under amortisation and writedown for impairment.

Property, plant, and equipment

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement under depreciation.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

According to the rules of joint taxation, Brain+ ApS is proportionally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Accounting policies

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.