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ZyberSafe ApS

Erik Husfeldts Vej 7
2630 Taastrup
CVR No. 36447753

Annual report 2021

The Annual General Meeting adopted the annual report on 12.05.2022

Alex Pløger
Chairman of the General Meeting

Contents

Entity details

Entity

ZyberSafe ApS
Erik Husfeldts Vej 7
2630 Taastrup

Business Registration No.: 36447753
Registered office: Høje Taastrup
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Anton Bjørn Therkildsen
Niels Erik Blangstrup Zibrandtsen
Jette Aagaard Madsen

Executive Board

Anton Bjørn Therkildsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of ZyberSafe ApS for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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

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

Taastrup, 12.05.2022

Executive Board

Anton Bjørn Therkildsen

Board of Directors

Anton Bjørn Therkildsen

Niels Erik Blangstrup Zibrandtsen

Jette Aagaard Madsen

Independent auditor's report

To the shareholders of ZyberSafe ApS

Opinion

We have audited the financial statements of ZyberSafe ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 12.05.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Thomas Rosquist Andersen
State Authorised Public Accountant
Identification No (MNE) mne31482

Management commentary

Primary activities
The company focuses on producing own unique encryption hardware IT security solutions and selling IT security solutions to clients.

Description of material changes in activities and finances
The Company's Income Statement of the financial year 1 January 2021 - 31 December 2021 shows a result of TDKK (10.068) and the Balance Sheet at 31 December 2021 a balance sheet total of TDKK 5.160 and an equity of TDKK 2.921. The loss for the year is affected by a 5.315 TDKK write down of development projects.

The Company received 14.671 TDKK in Group contributions from shareholders.

Management finds the result in accordance with the plan for the year 2021, and is satisfied with the progress and development of the company according the long term plan. Management believes that progress of 2021 is well within the threshold and according to the overall plan.

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 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		**(1,058,465)**	**916,326**
Staff costs	1	(2,996,504)	(3,678,733)
Depreciation, amortisation and impairment losses		(5,634,403)	(867,208)
Operating profit/loss		**(9,689,372)**	**(3,629,615)**
Other financial expenses	2	(490,709)	(413,923)
Profit/loss before tax		**(10,180,081)**	**(4,043,538)**
Tax on profit/loss for the year	3	366,292	1,024,939
Profit/loss for the year		**(9,813,789)**	**(3,018,599)**
Proposed distribution of profit and loss			
Retained earnings		(9,813,789)	(3,018,599)
Proposed distribution of profit and loss		**(9,813,789)**	**(3,018,599)**

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	4	1,461,076	359,733
Development projects in progress	4	0	6,296,438
Intangible assets		**1,461,076**	**6,656,171**
Other fixtures and fittings, tools and equipment		135,322	156,841
Property, plant and equipment		**135,322**	**156,841**
Fixed assets		**1,596,398**	**6,813,012**
Manufactured goods and goods for resale		953,681	680,350
Prepayments for goods		94,000	239,850
Inventories		**1,047,681**	**920,200**
Trade receivables		424,141	1,167,709
Other receivables		0	484,116
Income tax receivable		0	110,164
Joint taxation contribution receivable		255,097	180,020
Prepayments		13,285	13,774
Receivables		**692,523**	**1,955,783**
Cash		**2,078,363**	**3,504,886**
Current assets		**3,818,567**	**6,380,869**
Assets		**5,414,965**	**13,193,881**

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		765,700	755,000
Reserve for development expenditure		1,139,639	5,191,816
Retained earnings		1,269,688	(8,078,481)
Equity		**3,175,027**	**(2,131,665)**
Other provisions		46,000	46,000
Provisions		**46,000**	**46,000**
Other payables		378,877	374,662
Non-current liabilities other than provisions		**378,877**	**374,662**
Trade payables		132,289	315,849
Payables to group enterprises		122,540	13,211,944
Other payables		656,277	1,315,352
Deferred income		903,955	61,739
Current liabilities other than provisions		**1,815,061**	**14,904,884**
Liabilities other than provisions		**2,193,938**	**15,279,546**
Equity and liabilities		**5,414,965**	**13,193,881**
Unrecognised rental and lease commitments	5		
Contingent liabilities	6		
Group relations	7		

Statement of changes in equity for 2021

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	755,000	5,191,816	(8,078,481)	(2,131,665)
Capital increase by debt conversion	10,700	0	438,300	449,000
Group contributions etc	0	0	14,671,481	14,671,481
Transfer to reserves	0	(4,052,177)	4,052,177	0
Profit/loss for the year	0	0	(9,813,789)	(9,813,789)
Equity end of year	**765,700**	**1,139,639**	**1,269,688**	**3,175,027**

Notes

1 Staff costs

	2021 DKK	2020 DKK
Wages and salaries	2,769,388	3,736,235
Pension costs	373,950	339,150
Other social security costs	21,527	28,026
Other staff costs	63,639	63,322
	3,228,504	**4,166,733**
Staff costs classified as assets	(232,000)	(488,000)
	2,996,504	**3,678,733**

Average number of full-time employees	**4**	**5**

2 Other financial expenses

	2021 DKK	2020 DKK
Financial expenses from group enterprises	472,429	392,980
Other interest expenses	18,280	20,943
	490,709	**413,923**

3 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Change in deferred tax	0	(1,337,062)
Adjustment concerning previous years	(111,195)	0
Refund in joint taxation arrangement	(255,097)	312,123
	(366,292)	**(1,024,939)**

4 Development projects

As previous years Zybersafe has treated certain cost as Development cost in this. The development costs are related to the development of the company's unique core basic encryption hardware products along with add on applications, test of the platform, documentation etc.

Management expects the value of the development cost will carry value for many years as the business model is centered around the sale of these hardware encryption boxes. The development can be used worldwide and is future proofed for capacities up to at least 10/100 Gbit.

5 Unrecognised rental and lease commitments

	2021 DKK	2020 DKK
Liabilities under rental or lease agreements until maturity in total	257,844	257,844

6 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where LNZ Holding Zibra 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.

7 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

LNZ Holding Zibra ApS
Høveltevej 67
DK-3460 Birkerød
CVR-no. 39 18 89 96

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

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

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.

Income statement

Gross profit or loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Revenue

Revenue from the sale of goods and services in the income statement when the risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write downs.

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 write-downs of receivables recognised in current assets.

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

Repayments from public authorities are deducted from staff costs.

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

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 consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised 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

Intangible assets
Intangible assets comprise completed development projects.

Development projects are 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 periods used are 5 years.

Impairment of intangible assets
The carrying amount of intangible assets is reviewed annually to determine whether there is an indication of impairment beyond the annual depreciation. If this is the case, a write-down is made to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub suppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5 years

Estimated useful lives and residual values are reassessed annually.

Impairment of fixed assets
The carrying amount of tangible fixed assets is reviewed annually to determine whether there is an indication of impairment beyond the annual depreciation. If this is the case, a write-down is made to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials and consumables.

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

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

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 contribution receivables 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 provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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.