SHUTE Sensing Solutions A/S

Oldenvej 1 A, 3490 Kvistgård

Company reg. no. 36 53 72 21

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 26 June 2023.

Milan Sufi
Chairman of the meeting

Contents

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 %.

Management's statement

Today, the board of directors and the executive board have presented the annual report of SHUTE Sensing Solutions A/S for the financial year 1 January - 31 December 2022.

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 2022 and of the company's results of activities in the financial year 1 January – 31 December 2022.

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 at the Annual General Meeting.

Kvistgård, 26 June 2023

Executive board

Bjørn Henrik Stenbock Andersen   Kristian Nielsen

Board of directors

Peter Morten Moselund   Bjørn Henrik Stenbock Andersen   Monika Luniewska Jensen

Ole Bang

Independent auditor's report

To the Shareholders of SHUTE Sensing Solutions A/S

Opinion

We have audited the financial statements of SHUTE Sensing Solutions A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. 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 financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 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 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' 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.

Material Uncertainty Related to Going Concern

We draw attention to the fact that there is significant uncertainty that may raise considerable doubt about the company's ability to continue operations. We refer to note 1 in the annual accounts, from which it appears that the company has a negative equity of DKK -1,096 million as of 31 December 2022. The management has in note 1 described the assumptions for going concern in 2023. The capital increase in cash and the expected positive cash flow from the operations are expected to be sufficient for the continuing operations. Based on this the management has decided to present the annual accounts as going concern.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

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.

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 judgment and maintain professional skepticism 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.

Independent auditor's report

- 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.

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 Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 26 June 2023

Redmark
Godkendt Revisionspartnerselskab
Company reg. no. 29 44 27 89

Henrik Juul Thomsen
State Authorised Public Accountant
mne33734

Company information

The company	SHUTE Sensing Solutions A/S Oldenvej 1 A 3490 Kvistgård	
	Company reg. no.	36 53 72 21
	Established:	9 February 2015
	Domicile:	
	Financial year:	1 January - 31 December
Board of directors	Peter Morten Moselund Bjørn Henrik Stenbock Andersen Monika Luniewska Jensen Ole Bang	
Executive board	Bjørn Henrik Stenbock Andersen Kristian Nielsen	
Auditors	Redmark Godkendt Revisionspartnerselskab Dirch Passers Allé 76 2000 Frederiksberg	

Management´s review

The principal activities of the company

The company's purpose is to develop, manufacture and sell fiber based optical sensors for use in industry.

Development in activities and financial matters

The gross profit for the year totals 398.451 DKK against 1.764.784 DKK last year. The results from ordinary activities after tax are DKK -2.231.197 against DKK 2.006.054 last year. The management consider the results unsatisfactory.

Capital rediness

The company has as of 31 December 2022 an equity of DKK -1,093 million and the short-term liabilities are larger than current assets. The losses for the previous years show that the continued operations and development require additional capital.

The company believes in increased turnover in 2023 on the basis of more orders received and the budget for 2023 shows a positive cash flow in the region of DKK 200,000. In addition to this, the company uses the tax credit scheme and, based on the annual accounts for 2022, a positive liquidity of around DKK 600,000 is expected. After the end of the financial year the company has made a capital increase of DKK 148,028 at a price of DKK 1,422 amounting in total to DKK 2,104,958 on date 3th April 2023. The capital increase including premium was made with cash payment of DKK 812,146 and debt conversion of DKK 1,144,784.

Based on the above circumstances, the company's management believes that the company is a going concern.

Events occurring after the end of the financial year

After the end of the financial year the company has made a capital increase as described in aboved section Capital rediness.

After the end of the financial year, no events, beside the aboved described capital increase, have occurred that could alter the compan's financial position significant.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2022	2021
	Gross profit	**398.451**	**1.764.784**
2	Staff costs	-2.989.640	-4.479.080
	Depreciation and impairment of property, land, and equipment	-164.834	-164.834
	Operating profit	**-2.756.023**	**-2.879.130**
	Other financial income	0	35
	Other financial expenses	-74.014	-8.549
	Pre-tax net profit or loss	**-2.830.037**	**-2.887.644**
	Tax on net profit or loss for the year	598.840	881.590
	Net profit or loss for the year	**-2.231.197**	**-2.006.054**
	Proposed distribution of net profit:		
	Allocated from retained earnings	-2.231.197	-2.006.054
	Total allocations and transfers	**-2.231.197**	**-2.006.054**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2022	2021
	Non-current assets		
3	Other fixtures and fittings, tools and equipment	192.190	357.024
	Total property, plant, and equipment	192.190	357.024
	Total non-current assets	**192.190**	**357.024**
	Current assets		
	Trade receivables	0	133.235
	Income tax receivables	598.840	1.545.224
	Other receivables	49.322	217.845
	Prepayments	5.156	3.138
	Total receivables	653.318	1.899.442
	Cash and cash equivalents	0	300.280
	Total current assets	**653.318**	**2.199.722**
	Total assets	**845.508**	**2.556.746**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2022	2021
	Equity		
	Contributed capital	702.901	702.901
	Retained earnings	-1.796.156	435.040
	Total equity	**-1.093.255**	**1.137.941**
	Long term labilities other than provisions		
	Other payables	361.674	350.294
	Total long term liabilities other than provisions	361.674	350.294
	Bank debts	70.560	0
	Trade payables	48.520	86.198
	Other payables	1.458.009	907.813
	Deferred income	0	74.500
	Total short term liabilities other than provisions	1.577.089	1.068.511
	Total liabilities other than provisions	**1.938.763**	**1.418.805**
	Total equity and liabilities	**845.508**	**2.556.746**

1 Capital readiness

4 Charges and security

5 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2022	702.901	435.041	1.137.942
Profit or loss for the year brought forward	0	-2.231.197	-2.231.197
	702.901	**-1.796.156**	**-1.093.255**

Notes

All amounts in DKK.

1. Capital readiness

The company has as of 31 December 2022 an equity of DKK -1,093 million and the short-term liabilities are larger than current assets. The losses for the previous years show that the continued operations and development require additional capital.

The company believes in increased turnover in 2023 on the basis of more orders received and the budget for 2023 shows a positive cash flow in the region of DKK 200,000. In addition to this, the company uses the tax credit scheme and, based on the annual accounts for 2022, a positive liquidity of around DKK 600,000 is expected. After the end of the financial year the company has made a capital increase of DKK 148,028 at a price of DKK 1,422 amounting in total to DKK 2,104,958 on date 3th April 2023. The capital increase including premium was made with cash payment of DKK 812,146 and debt conversion of DKK 1,144,784.

Based on the above circumstances, the company's management believes that the company is a going concern.

		2022	2021
2.	**Staff costs**		
	Salaries and wages	2.859.592	4.315.964
	Pension costs	63.019	81.600
	Other costs for social security	67.029	81.516
		2.989.640	**4.479.080**
	Average number of employees	6	9
3.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2022	824.168	824.168
	Cost 31 December 2022	**824.168**	**824.168**
	Depreciation and writedown 1 January 2022	-467.144	-302.310
	Depreciation for the year	-164.834	-164.834
	Depreciation and writedown 31 December 2022	**-631.978**	**-467.144**
	Carrying amount, 31 December 2022	**192.190**	**357.024**

Notes

All amounts in DKK.

4. Charges and security

For mortgage, DKK 500.000, the company has provided security in company assets representing a nominal value of DKK 192.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Other fixtures and fittings, tools and equipment	192

The company has, as collateral of debt to one of the investors, received a letter of indemnity (business mortgages) nom. DKK 500.000. This security comprises the assets below and all rights to the company’s developed products.

5. Contingencies

Contingent liabilities

The company has agreed to a rental contract with a notice period of 6 months and a monthly payment of 18.545 DKK. A total contingent liabillity of this noticed period equal 111 t.DKK.

Accounting policies

The annual report for SHUTE Sensing Solutions A/S 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.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income statement

Gross profit

Gross profit comprises the revenue, 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. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, and premises.

Staff costs

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

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment of intangible and tangible assets, respectively.

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 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.

Statement of financial position

Property, plant, and equipment

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.

Accounting policies

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 and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %

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 as other operating income or other operating expenses.

Receivables

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

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.

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.

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.

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.

Accounting policies

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

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

Accruals and deferred income

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