

CanopyLAB A/S

Filmbyen 24
2650 Hvidovre
Company reg. no. 37 04 00 88

REVISION & RÅDGIVNING

Annual report for 1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 31 August 2020.

Eric Korre Horten
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS British 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 report

Today, the board of directors and the managing director have presented the annual report of CanopyLAB A/S for the financial year 2019 of CanopyLAB A/S.

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 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

The board of directors and the managing director board of directors and the executive board consider the conditions for audit exemption of the 2019 financial statements to be met.

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.

Hvidovre, 9 June 2020

Managing Director

Sahra-Josephine Skræm Hjorth

Board of directors

Jens-Peter Knud Poulsen
Chairman of the Board

Christian Skræm Juul Jensen

Sahra-Josephine Skræm Hjorth

Eric Korre Horten

Auditor's report on compilation of the financial statements

To the shareholders of CanopyLAB A/S

We have compiled the financial statements of CanopyLAB A/S for the financial year 1 January - 31 December 2019 based on the company's bookkeeping and on further information provided by you.

The financial statements comprise the accounting policies, income statement, statement of financial position, statement of changes in equity and notes.

We performed this engagement in accordance with the international standard ISRS 4410 applying to compilation engagements.

We have applied our professional expertise to assist you in the preparation and presentation of the financial statements in accordance with the Danish Financial Statements Act. We have complied with relevant requirements of the Danish Act on Approved Auditors and Audit Firms and with ethical requirements of the Danish Institute of State Authorised Public Accountants, including principles of integrity, objectivity, professional competence and due care.

The financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

As a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us in order to compile the financial statements. Accordingly, we express neither an audit opinion nor a review opinion as to whether the financial statements have been compiled in accordance with the Danish Financial Statements Act.

Brøndby, 9 June 2020

ALBJERG

Statsautoriseret Revisionspartnerselskab
Company reg. no. 35 38 28 79

Palle Valentin Kubach

State Authorised Public Accountant
mne16567

Company information

The company	CanopyLAB A/S Filmbyen 24 2650 Hvidovre Company reg. no. 37 04 00 88 Financial year: 1 January - 31 December
Board of directors	Jens-Peter Knud Poulsen, Chairman of the Board Christian Skræm Juul Jensen Sahra-Josephine Skræm Hjorth Eric Korre Horten
Managing Director	Sahra-Josephine Skræm Hjorth
Auditors	ALBJERG Statsautoriseret Revisionspartnerselskab Ringager 4C, 2.th. 2605 Brøndby
Bankers	Danske Bank A/S

Management commentary

The principal activities of the company

Like previous years, the purpose of the company is to establish an innovative e-learning platform and other related business.

The company has since it was founded developed its own innovative e-learning platform, which has resulted in capitalization of development costs for a total of DKK 6.628.863. In order to meet the requirements for capitalization of development costs, the company has continuously recorded costs and hours on development projects.

Development in activities and financial matters

The results from ordinary activities after tax are DKK -3.086.358 against DKK -3.606.236 last year.

After the end of the financial year the company has received a capital injection with a total of DKK 800.000.

The year 2019 can be characterized as a year of transformation and maturity.

After having the CanopyLAB software on the market for almost two years, we have changed the business model, pricing and sales funnel, marking a shift from only doing network-based enterprise sales, to introducing a clean software as a service product (SaaS) and preparing the launch of an online sales funnel.

The pricing model has been changed to match clear market tendencies towards lower price points, removing barriers of entry for companies and educational institutions of all sizes. This transition from a higher price point does result in us taking a “hit” financially in 2019 but results in a more stable and predictable growth in MRR in 2020.

Financially, the company’s liquidity is strong, with a runway of 24+months.

The CanopyLAB product is now completed, in the sense that the core functionalities are developed, deployed, and have been iterated upon after end-user feedback. The focus moving forward is on diligently maintaining the user-friendly and intuitive design and optimizing the platform. In 2019 we have introduced five different ways in which we use Natural Language Processing (NLP) to make it easier to build engaging learner experiences.

In 2019 and moving forward, we have prioritized re-connecting with our roots in the Danish and international research communities. After the conclusion of 2019, we have been awarded a grant of DKK 14 million under the Grand Solutions scheme at Innovation Fund Denmark, through a joint application with Aalborg University, Arla, Port of Aalborg, and University College North Jutland. The focus is on automated qualitative assessment and providing students with feedback based on artificial intelligence. This project helps us with a continued commitment to research-based innovation and co-creation. DKK 6.7 million is earmarked for CanopyLAB.

Management commentary

As a result of COVID 19 and the ongoing pandemic which continues to disrupt the world after the conclusion of this budget period, digital learning has gone from an emerging trend to a mega-trend overnight. The strategic decisions in terms of pricing, transitioning to SaaS, etc. proved right and right on time. As a direct result of that, combined with the April 2020 acquisition of Peruvian publishing startup Yopublic, enables us to bring clients on an end-to-end journey from “analog” to a completely digital educational institution or company. This brings with it expectations of 300 % in revenue growth from 2019 to 2020.

In light of the pandemic, we have re-committed to our mission of providing free access to informal learning opportunities through the LAB. We believe firmly that the pandemic provides companies like ours the opportunity to contribute to positive change, especially in emerging markets who could otherwise be left behind in an era of rapid digitization and where students are isolated from their educational institutions and one another.

Events occurring after the end of the financial year

After the end of the financial year, no events have taken place that will significantly upset the company's financial position.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Gross profit	186.827	-637.120
1 Staff costs	-1.933.358	-3.003.549
Amortisation and impairment of intangible assets	-1.850.796	-773.619
Profit before net financials	-3.597.327	-4.414.288
Other financial costs	-369.501	-219.894
Pre-tax net profit or loss	-3.966.828	-4.634.182
2 Tax on net profit or loss for the year	880.470	1.027.946
Net profit or loss for the year	-3.086.358	-3.606.236
Proposed appropriation of net profit:		
Transferred to other statutory reserves	1.062.098	2.134.741
Allocated from retained earnings	-4.148.456	-5.740.977
Total allocations and transfers	-3.086.358	-3.606.236

Statement of financial position at 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Assets		
Non-current assets		
3		
Concessions, patents, licenses, trademarks, and similar rights acquired	76.715	61.730
4		
Development projects in progress and prepayments for intangible assets	4.348.386	2.993.292
Total intangible assets	<u>4.425.101</u>	<u>3.055.022</u>
5		
Deposits	61.500	60.000
Total investments	<u>61.500</u>	<u>60.000</u>
Total non-current assets	<u>4.486.601</u>	<u>3.115.022</u>
Current assets		
Trade receivables	566.481	680.205
Deferred tax assets	785.661	606.857
Income tax receivables	701.666	639.124
Other receivables	89.242	116.866
Prepayments and accrued income	495	13.078
Total receivables	<u>2.143.545</u>	<u>2.056.130</u>
Cash on hand and demand deposits	<u>0</u>	<u>351.425</u>
Total current assets	<u>2.143.545</u>	<u>2.407.555</u>
Total assets	<u>6.630.146</u>	<u>5.522.577</u>

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Equity			
6	Contributed capital	610.421	600.363
8	Reserve for development costs	4.055.390	2.993.292
9	Retained earnings	-4.191.686	-1.433.245
	Total equity	<u>474.125</u>	<u>2.160.410</u>
Liabilities other than provisions			
10	Other payables	<u>4.127.563</u>	<u>2.000.000</u>
	Total long term liabilities other than provisions	<u>4.127.563</u>	<u>2.000.000</u>
	Current portion of long term payables	0	45.965
	Bank loans	646.073	0
	Trade payables	535.254	527.047
	Other payables	847.131	532.780
	Accruals and deferred income	<u>0</u>	<u>256.375</u>
	Total short term liabilities other than provisions	<u>2.028.458</u>	<u>1.362.167</u>
	Total liabilities other than provisions	<u>6.156.021</u>	<u>3.362.167</u>
	Total equity and liabilities	<u>6.630.146</u>	<u>5.522.577</u>
11 Charges and security			

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Share premium</u>	<u>Reserve for development costs</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2018	540.401	0	858.551	762.903	2.161.855
Cash capital increase	59.962	3.544.829	0	0	3.604.791
Profit or loss for the year brought forward	0	0	0	-5.740.977	-5.740.977
Transferred to retained earnings	0	-3.544.829	0	3.544.829	0
Transferred from results brought forward	0	0	2.134.741	0	2.134.741
Equity 1 January 2019	600.363	0	2.993.292	-1.433.245	2.160.410
Cash capital increase	10.058	1.390.015	0	0	1.400.073
Transferred from results brought forward	0	0	1.062.098	-4.148.456	-3.086.358
Transferred to retained earnings	0	-1.390.015	0	1.390.015	0
	610.421	0	4.055.390	-4.191.686	474.125

Notes

All amounts in DKK.

	<u>2019</u>	<u>2018</u>
1. Staff costs		
Salaries and wages	1.904.191	2.944.772
Other costs for social security	29.167	58.777
	<u>1.933.358</u>	<u>3.003.549</u>
Average number of employees	<u>6</u>	<u>7</u>
2. Tax on net profit or loss for the year		
Adjustment for the year of deferred tax	-178.804	-388.822
Other taxes	-701.666	-639.124
	<u>-880.470</u>	<u>-1.027.946</u>
3. Concessions, patents, licenses, trademarks, and similar rights acquired		
Cost 1 January 2019	64.980	0
Additions during the year	31.485	64.980
Cost 31 December 2019	<u>96.465</u>	<u>64.980</u>
Amortisation and writedown 1 January 2019	-3.250	0
Amortisation for the year	-16.500	-3.250
Amortisation and writedown 31 December 2019	<u>-19.750</u>	<u>-3.250</u>
Carrying amount, 31 December 2019	<u>76.715</u>	<u>61.730</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
4. Development projects in progress and prepayments for intangible assets		
Cost 1 January 2019	3.763.661	858.551
Additions during the year	<u>3.189.390</u>	<u>2.905.110</u>
Cost 31 December 2019	<u>6.953.051</u>	<u>3.763.661</u>
Amortisation and writedown 1 January 2019	-770.369	0
Amortisation for the year	<u>-1.834.296</u>	<u>-770.369</u>
Amortisation and writedown 31 December 2019	<u>-2.604.665</u>	<u>-770.369</u>
Carrying amount, 31 December 2019	<u>4.348.386</u>	<u>2.993.292</u>
<p>Development costs are capitalized in the balance sheet when they have been used to develop software or improve existing software, which gives a real increased value in use for the customers.</p> <p>The future of the development project and the sales potential follow the company's expectations. Since 2017 the software have been in such a condition, that several contracts has been initiated with customers who will purchase the software, and an implementation process has begun. It is the management's assessment that there is a market for the developed software that supports several languages and is therefore not limited to the Danish market.</p> <p>The company's capitalized development project is reviewed on an ongoing basis for indications of impairment. If this is the case, write-down is made to a lower recoverable amount. The continuous measurement of the recoverable amount of the company's development projects is inherently subject to discretion. It is the management's assessment that per December 31 2019, there is no impairment required.</p>		
5. Deposits		
Cost 1 January 2019	60.000	60.000
Additions during the year	<u>1.500</u>	<u>0</u>
Cost 31 December 2019	<u>61.500</u>	<u>60.000</u>
Carrying amount, 31 December 2019	<u>61.500</u>	<u>60.000</u>
6. Contributed capital		
Contributed capital 1 January 2019	600.363	540.401
Cash capital increase	<u>10.058</u>	<u>59.962</u>
	<u>610.421</u>	<u>600.363</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
7. Share premium		
Share premium account for the year	1.390.015	3.544.829
Transferred to retained earnings	<u>-1.390.015</u>	<u>-3.544.829</u>
	<u>0</u>	<u>0</u>
8. Reserve for development costs		
Reserve for development costs 1 January 2019	2.993.292	858.551
Transferred from results brought forward	<u>1.062.098</u>	<u>2.134.741</u>
	<u>4.055.390</u>	<u>2.993.292</u>
9. Retained earnings		
Retained earnings 1 January 2019	-1.433.245	762.903
Profit or loss for the year brought forward	-4.148.456	-5.740.977
Transferred from share premium	<u>1.390.015</u>	<u>3.544.829</u>
	<u>-4.191.686</u>	<u>-1.433.245</u>
10. Other payables		
Total other payables	<u>4.127.563</u>	<u>2.000.000</u>
Share of liabilities due after 5 years	<u>0</u>	<u>2.000.000</u>
11. Charges and security		
As collateral for loans, DKK 4.002.738, security has been granted in the companys assets.		

Accounting policies

The annual report for CanopyLAB 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.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

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.

Income statement

Gross profit

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

Revenue is recognised in the income statement if delivery 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.

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, premises, loss on receivables etc.

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 on, amortisation of, and writedown for impairment of intangible assets, respectively.

Financial income and expenses

Financial income and expenses comprise interest, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Accounting policies

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

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Development projects that are clearly defined and identifiable where the technical feasibility, sufficient resources and a potential future market or development opportunity in the company can be demonstrated and where it is intended to manufacture, market or use the project are recognized as intangible assets if the cost can be calculated reliable, and there is sufficient assurance that future earnings can cover production, sales and administration costs. Other development costs are recognized in the income statement as costs are incurred.

After completion of the development work, capitalized development costs are amortized on a straight-line basis over the estimated useful life. The amortization period is 3 years.

Patents

Patents are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract-period, however, for a maximum of 10 years.

Gain and loss from the sale of development projects, patents and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Impairment loss relating to non-current assets

The carrying amount of intangible 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.

Investments

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

Accounting policies

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable 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.

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 receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Liabilities 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.

Dette dokument er underskrevet af nedenstående parter, der med deres underskrift har bekræftet dokumentets indhold samt alle datoer i dokumentet.

This document is signed by the following parties with their signatures confirming the documents content and all dates in the document.

Sahra-Josephine Skræm Hjorth

Som Direktør NEM ID
PID: 9208-2002-2-986080096236
Tidspunkt for underskrift: 31-08-2020 kl.: 20:28:20
Underskrevet med NemID

Sahra-Josephine Skræm Hjorth

Som Bestyrelsesmedlem NEM ID
PID: 9208-2002-2-986080096236
Tidspunkt for underskrift: 31-08-2020 kl.: 20:28:20
Underskrevet med NemID

Eric Korre Horten

Som Dirigent NEM ID
PID: 9208-2002-2-047793126857
Tidspunkt for underskrift: 31-08-2020 kl.: 14:21:18
Underskrevet med NemID

Eric Korre Horten

Som Bestyrelsesmedlem NEM ID
PID: 9208-2002-2-047793126857
Tidspunkt for underskrift: 31-08-2020 kl.: 14:21:18
Underskrevet med NemID

Christian Skræm Juul Jensen

Som Bestyrelsesmedlem NEM ID
PID: 9208-2002-2-305428670129
Tidspunkt for underskrift: 31-08-2020 kl.: 14:27:50
Underskrevet med NemID

Jens-Peter Knud Poulsen

Som Bestyrelsesformand NEM ID
PID: 9208-2002-2-901149164513
Tidspunkt for underskrift: 31-08-2020 kl.: 14:58:47
Underskrevet med NemID

Palle Kubach

Som Revisor NEM ID
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Tidspunkt for underskrift: 01-09-2020 kl.: 08:22:49
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