

SubReader ApS

c/o SubReader
Sankt Gertruds Stræde 5, 5.
1129 København K
Denmark

CVR no. 37 25 80 24

Annual report 2020

The annual report was presented and approved at the
Company's annual general meeting on

17 June 2021

Alexander Gram Jensen
Chairman

Contents

Statement by the Executive Board	2
Auditor's report on the compilation of financial statements	3
Management's review	4
Company details	4
Operating review	5
Financial statements 1 January – 31 December	6
Income statement	6
Balance sheet	7
Statement of changes in equity	9
Notes	10

SubReader ApS
Annual report 2020
CVR no. 37 25 80 24

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of SubReader ApS for the financial year 1 January – 31 December 2020.

The annual report, which has not been audited, is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 17 June 2021
Executive Board:

Alexander Gram Jensen
CEO

Anders Bredgaard

Management confirms that the Company fulfills the requirements to be exempt of audit.



Auditor's report on the compilation of financial statements

To the Management of SubReader ApS

We have compiled the financial statements of SubReader ApS for the financial year 1 January – 31 December 2020 based on the Company's bookkeeping records and other information provided by you.

The financial statements comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies.

We performed our work in accordance with ISRS 4410 *Engagements to Compile Financial Statements*.

We have applied our professional expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the Danish Financial Statements Act. We have complied with the independence and other ethical requirements of the IESBA Codes of Ethics, which is based on fundamental principles of integrity, objectivity, professional competence and due care.

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

Since 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 to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion as to whether these financial statements are prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 17 June 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
mne34283

SubReader ApS
Annual report 2020
CVR no. 37 25 80 24

Management's review

Company details

SubReader ApS
c/o SubReader
Sankt Gertruds Stræde 5, 5.
1129 København K
Denmark

Telephone: 60 14 35 51
Website: www.subreader.dk

CVR no.: 37 25 80 24
Established: 27 November 2015
Registered office: Copenhagen
Financial year: 1 January – 31 December

Executive Board

Alexander Gram Jensen, CEO
Anders Bredgaard

Management's review

Operating review

Principal activities

SubReader ApS serves the purpose of developing and distributing accessibility tools, that help people with especially reading disabilities to participate on equal terms as everyone else.

Development in activities and financial position

The Company's income statement for 2020 shows a profit of DKK -1,647,942 as against DKK -1,198,349 in 2019. Equity in the Company's balance sheet at 31 December 2020 stood at DKK -407,475 as against DKK 1,240,467 at 31 December 2019.

The financial year was in line with forecast, and results for the year are considered satisfactory.

The year has been heavily influenced by the COVID-pandemic, which SubReader ApS found to have two contradicting impacts. The cinemas have been closed, thus leading to a significant reduction in sales of SubReader Cinema, and postponement of deals in the pipeline. On the positive side, SubReader ApS has ridden the wave of increases in streaming and TV usage. This has influenced the usage of previous paying users, but not directly influenced the intake of new subscriptions.

Throughout the year, the development team has focused on finetuning the product-market fit, which is critical for the growth of the subscription business. The main focus has been on the usability and experience of the app.

The Company's sales effort towards schools has been maintained by Vitec-MV A/S, who experienced decreased buying power throughout the first half year due to school closures, but experienced increased customer intake in the last half year, for SubReader School.

Several dialogues with business partners have been established in 2020, but it can be concluded that these imply long decision-making processes, which takes time and patience. We are currently in dialogue with all public service channels in the Nordics, with a focus on becoming an accessibility provider. Furthermore, we have dialogues with several commercial streaming providers, and in 2020 we managed to agree on an integration with Blockbuster and launched an integration to Disney+ when they launched in Denmark.

Our increase in paying users has not been satisfactory and below the projected growth. The lacking growth of new users can be attributed to lack of product-market fit, which is a current development focus. Furthermore, it has taken longer to educate the Swedish market in the concept of spoken subtitles.

Further Subreader ApS received a development grant from Innobooster amounting to 768.000 DKK.

Events after the balance sheet date

No events have occurred after the financial year-end which could significantly affect the Company's financial position.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2020	2019
Gross loss		-481,428	-216,160
Staff costs	2	-1,006,582	-1,004,561
Depreciation, amortisation and impairment losses		-9,780	-3,575
Loss before financial income and expenses		-1,497,790	-1,224,296
Financial income		7,570	0
Financial expenses		-157,722	-661
Loss before tax		-1,647,942	-1,224,957
Tax on loss for the year	3	0	26,608
Loss for the year		-1,647,942	-1,198,349
Proposed distribution of loss			
Retained earnings		-1,647,942	-1,198,349
		-1,647,942	-1,198,349

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2020	2019
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixtures and fittings, tools and equipment		16,001	25,781
Total fixed assets		16,001	25,781
Current assets			
Receivables			
Trade receivables		65,958	156,796
Receivables from group entities		0	693,609
Other receivables		120,256	170,494
		186,214	1,020,899
Cash at bank and in hand		766,899	1,348,137
Total current assets		953,113	2,369,036
TOTAL ASSETS		969,114	2,394,817

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital		56,085	56,085
Retained earnings		<u>-463,560</u>	<u>1,184,382</u>
Total equity		<u>-407,475</u>	<u>1,240,467</u>
Liabilities			
Non-current liabilities			
Debt to credit institutions		<u>1,132,097</u>	<u>1,000,000</u>
Current liabilities			
Trade payables		0	-1,403
Payables to group entities		74,612	0
Other payables		159,619	144,026
Payables to shareholders and Management		<u>10,261</u>	<u>11,727</u>
		<u>244,492</u>	<u>154,350</u>
Total liabilities		<u>1,376,589</u>	<u>1,154,350</u>
TOTAL EQUITY AND LIABILITIES		<u><u>969,114</u></u>	<u><u>2,394,817</u></u>
Contractual obligations, contingencies, etc.	4		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	56,085	1,184,382	1,240,467
Transferred over the distribution of loss	<u>0</u>	<u>-1,647,942</u>	<u>-1,647,942</u>
Equity at 31 December 2020	<u><u>56,085</u></u>	<u><u>-463,560</u></u>	<u><u>-407,475</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of SubReader ApS for 2020 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue from the sale of goods where installation is a condition for significant risks being considered to have been transferred to the buyer is recognised as revenue when installation has been completed.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax on loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

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

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	5 years
--	---------

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash at bank and in hand

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

DKK	<u>2020</u>	<u>2019</u>
2 Staff costs		
Wages and salaries	958,231	984,837
Pensions	21,959	0
Other social security costs	7,771	6,438
Other staff costs	<u>18,621</u>	<u>13,286</u>
	<u>1,006,582</u>	<u>1,004,561</u>
Average number of full-time employees	<u>6</u>	<u>6</u>
3 Tax on loss for the year		
Current tax for the year	0	-27,833
Deferred tax for the year	<u>0</u>	<u>54,441</u>
	<u>0</u>	<u>26,608</u>
4 Contractual obligations, contingencies, etc.		

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax.