

M-PAYG ApS

2200 København N

CVR No. 37267570

Annual Report 2018

3. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 28 May 2019

Asger Trier Bing
Chairman

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Management's Statement

Today, Management has considered and adopted the Annual Report of M-PAYG ApS for the financial year 1 January 2018 - 31 December 2018.

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 assets, liabilities and financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January 2018 - 31 December 2018.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

The conditions for not conducting an audit of the Financial Statement have been met.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 28 May 2019

Management

Asger Trier Bing
Man. Director

Rajesh Veluswamy
Manager

David Reerman Dizon
Manager

Board of Directors

Per Reimer

Asger Trier Bing

Camilla Bredholt

Iver Alex Tesdorpf Unsgaard

David Reerman Dizon

Auditor's Report on Compilation of Financial Statements

To the day-to-day management of M-PAYG ApS

We have compiled the Financial Statements of M-PAYG ApS for the financial year 1 January 2018 - 31 December 2018 based on the Company's bookkeeping and other information provided by it.

The Financial Statements comprise Accounting Policies, Income Statement, Balance Sheet and Notes.

We have completed the engagement of Compiling Financial Information in accordance with The International Standards on Related Services, ISRS 4410, Compilation Engagements.

We have applied our professional expertise to assist you in the preparation and presentation of these Financial Statements in accordance with the Danish Financial Statements Act. We have complied with relevant provisions in the Danish Act on Auditors and Audit Firms as well as Danish Auditors' (FSR) ethical rules for auditors, including principles of integrity, objectivity, professional competence and due care.

The Financial Statement and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement regarding financial information is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you have given us in order for us to compile the Financial Statements. Accordingly, we do not express an audit or review opinion on whether the Financial Statements are prepared in accordance with the Danish Financial Accounts Act.

Copenhagen, 28 May 2019

HARBOE CONSULT ApS - Godkendt Revisionsvirksomhed

CVR-no. 35649417

Michael Harboe
Registered Public Accountant
mne661

Company details

Company	M-PAYG ApS 2200 København N
CVR No.	37267570
Date of formation	1 December 2015
Registered office	København
Financial year	1 January 2018 - 31 December 2018
Supervisory Board	Per Reimer Asger Trier Bing, Man. Director Camilla Bredholt Iver Alex Tesdorpf Unsgaard David Reerman Dizon, Manager
Executive Board	Asger Trier Bing, Man. Director Rajesh Veluswamy, Manager David Reerman Dizon, Manager
Auditors	HARBOE CONSULT ApS - Godkendt Revisionsvirksomhed Grønningen 17, st. th. 1270 København K CVR-no.: 35649417

Management's Review

Primary activities

The main activity for M-PAYG is to design, develop and produce small-scale decentralized solar home systems and source complementary appliances that are affordable to low-income households and smaller businesses in emerging markets. M-PAYG's core mission is to offer the best tailored energy solutions to people without. M-PAYG facilitates that customers can buy the products on credit from relevant financial partners and repay their monthly instalments through mobile payments.

Insecurity regarding recognition or measurement

There is no material insecurity regarding recognition or measurement.

Exceptional circumstances

No exceptional circumstances have affected recognition or measurement.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 January 2018 - 31 December 2018 shows a result of DKK -331.829 and the Balance Sheet at 31 December 2018 a balance sheet total of DKK 6.349.056 and an equity of DKK 5.800.576.

In 2018 M-PAYG expanded into both Kenya and Malawi. M-PAYG also went through an extensive cost-reduction project to lower unit costs and setup a scalable supply chain in China.

- M-PAYG won a project from Nordic Climate Facility to finance upstart and sales in Malawi.
- M-PAYG acquired MyC4 premises and team in Kenya in order to leverage experiences related to partnering with banks and microfinance institutions as the primary go-to-market channel.
- M-PAYG has continued to invest significantly into product development along with a scalable production set-up in China together with a leading Danish contract manufacturer. After a series of commercial pilots in East Africa over the summer of 2018, M-PAYG successfully produced and shipped the first large container loads to Kenya and Malawi where new warehouse/distribution centers were established. Further, both a technical support function as well as a logistics function were established in the regional Kenyan office to ensure efficient on-the-ground operations.
- In parallel, a cost cutting project was started with the purpose of further lowering the production and unit cost for our product to ensure that we can keep a cost leader position moving forward. This was partially financially backed by Innovation Fund Denmark, who had made an investment in late 2017.
- A heavy emphasis on the IT team, has ensured continued robustness of the M-PAYG Cloud platform and ensured that the functionalities meet the local partner demand.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which could influence the evaluation of this annual report.

Accounting Policies

Reporting Class

The Annual Report of M-PAYG ApS for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Annual Report has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with the adoption of individual rules from class C.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

General Information

Basis of recognition and measurement

The financial statement have been prepared under the historical cost princip.

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Gross profit/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.

Gross profit is a combination of the items of revenue, change in inventories of finished goods, work in progress and goods for resale, other operation income, cost of raw and consumables and other external expenses.

Revenue

Income from delivery of services is recognised on a straight-line basis in net sales, as the service is delivered.

Research and development costs

Research and development costs not meeting the criteria for capitalisation and amortisation of capitalised development costs are also recognised under production costs. Amortisation of goodwill is also recognised to the extent that the goodwill relates to the production activity. Furthermore, a provision for loss on the projects is also recognised.

Staff expenses

Staff expenses comprise wages, salaries and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimbursement, pensions and social security costs.

Amortisation and impairment of tangible and intangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Useful life	Residual value
Completed development projects	5 years	0%

Research and development costs

Research and development costs that do not meet the criteria for capitalisation are recognised in the Income Statement as they are paid.

Development projects that are clearly defined and identifiable, and which are expected to generate future economic profits, are recognised as intangible assets at cost less accumulated amortization and any write-downs. Amortization is calculated on a straight-line basis over the expected useful life, usually 3-6 years. Other development costs are recognised in the income statement.

Borrowing costs relating to financing of development costs are recognised in the income statement.

Income from investments in group enterprises and associates

Income from equity investments comprises dividends received from group enterprises and associates in so far as they do not exceed the accumulated earnings in the group enterprise or the associate during the ownership period.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, finance charges in respect of finance leases, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges and allowances under the tax repayment scheme.

Accounting Policies

Tax on net profit for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Accounting Policies

Balance Sheet

Intangible assets

Clearly defined and identifiable development projects where the technical rate of utilisation, sufficient resources and a potential future market or development potential in the Company are provable and where the intention is to manufacture, market or use the product or process are recognised as intangible assets if the value in use can be determined reliably and it is sufficiently certain that future earnings can cover production, sales and administration costs as well as total development costs.

Other development costs are recognised as costs in the Income Statement as they incur.

Development costs comprise costs, including wages, salaries and amortisation, that are directly or indirectly attributable to the development activities of the enterprise and meet the recognition criteria.

Capitalised development costs are measured at cost on initial recognition and subsequently at the lower of cost less accumulated amortisation and the recoverable amount.

Equity investments in group enterprises and associates

Equity investments in group enterprises and associates are measured at cost. Dividends that exceed accumulated earnings of the group enterprise or the associate during the ownership period are treated as a reduction of the cost. If cost exceeds the net realisable value, a write-down to this lower value will be performed.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Impairment of accounts receivables past due is established on individual assessment of receivables.

Accrued income, assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity

Proposed dividend for the year is recognised as a separate item in equity.

Provisions

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Accounting Policies

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the Income Statement over the life of the financial instrument.

Mortgage debt is accordingly measured at amortised cost, corresponding to the outstanding balance in case of cash loans. In case of bond loans, amortised cost corresponds to the outstanding balance determined as the underlying cash value of the loans at the time of borrowing adjusted for amortisation of capital losses on the loans over the repayment period.

Other liabilities, comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Income Statement

	Note	2018 kr.	2017 kr.
Gross profit		695.465	-226.998
Employee benefits expense	1	-811.176	-852.228
Profit from ordinary operating activities		-115.712	-1.079.226
Income from investments in group enterprises and associates		-585.888	0
Finance expences		-50.416	-15.615
Profit from ordinary activities before tax		-752.016	-1.094.841
Tax expense on ordinary activities	2	420.188	21.188
Profit		-331.828	-1.073.653
 Proposed distribution of results			
Transferred to Reserve for development expenditure		1.227.819	1.250.516
Retained earnings		-1.559.647	-2.324.169
Distribution of profit		-331.828	-1.073.653

Balance Sheet as of 31 December

	Note	2018 kr.	2017 kr.
Assets			
Development projects in progress		3.177.352	1.250.516
Intangible assets		3.177.352	1.250.516
Long-term investments in group enterprises	3, 4	6.796	267
Long-term receivables from group enterprises		1.163.768	0
Deposits		19.845	0
Investments		1.190.409	267
Fixed assets		4.367.761	1.250.783
Short-term tax receivables		423.904	0
Other short-term receivables		87.308	269.404
Receivables		511.212	269.404
Cash and cash equivalents		1.470.083	511.317
Current assets		1.981.296	780.721
Assets		6.349.057	2.031.504

Balance Sheet as of 31 December

	Note	2018 kr.	2017 kr.
Liabilities and equity			
Contributed capital		164.252	126.562
Share premium		7.041.805	2.795.995
Reserve for development expenditure		2.478.335	1.250.516
Retained earnings		-3.883.816	-2.324.169
Equity		5.800.576	1.848.904
Provisions for deferred tax	5	278.830	0
Provisions		278.830	0
Trade payables		153.073	63.506
Other payables		116.578	119.094
Short-term liabilities other than provisions		269.651	182.601
Liabilities other than provisions within the business		269.651	182.601
Liabilities and equity		6.349.057	2.031.504
Contingent liabilities	6		
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M-PAYG ApS

Statement of changes in Equity

	Contributed capital	Share premium	Retained earnings	Development expenditure	Total
Equity 1 January 2018	126.562	2.795.995	-2.324.169	1.250.516	1.848.904
Increase of capital	37.690	4.245.810	0	0	4.283.500
Profit (loss)	0	0	-1.559.647	1.227.819	-331.828
Equity 31 December 2018	164.252	7.041.805	-3.883.816	2.478.335	5.800.576

Notes

	2018	2017
1. Employee benefits expense		
Wages and salaries	1.353.329	815.404
Post-employment benefit expense	41.160	0
Social security contributions	17.781	11.096
Employee expenses transferred to assets	-622.750	0
Other employee expense	21.657	25.728
	811.177	852.228

Average number of employees	3	2
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2. Tax expense

Deferred tax, adjustment	278.830	0
Payout through the tax credit scheme	-423.904	-21.188
Adjustment Tax previous years	-275.114	0
	-420.188	-21.188

3. Long-term investments in group enterprises

Cost at the beginning of the year	267	0
Addition during the year, incl. improvements	6.529	267
Cost at the end of the year	6.796	267
Carrying amount at the end of the year	6.796	267

4. Disclosure in long-term investments in group enterprises and associates*Group enterprises*

Name	Registered office	Share held in %	Equity	Profit
M-payg Limited	Dar es salaam, Tanzania	99,00	-12.957	-9.193
M-payg EA Limited	Nairobi, Kenya	100,00	-504.276	-510.674
M-payg Malawi Limited	Lilongwe, Malawi	100,00	-78.264	-78.264
			-595.497	-598.131

5. Provisions for deferred tax

Deferred tax	278.830	0
Balance at the end of the year	278.830	0

6. Contingent liabilities

No contingent liabilities exist at the balance sheet date.

Notes

2018

2017

7. Collaterals and securities

No securities or mortgages exist at the balance sheet date.