

Absolute Zero ApS

Blytækkervej 6
2400 København NV

CVR no. 38 01 04 25

Annual report for the period 12 September 2016 – 27 February 2018

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

31 May 2018

Hannes Becker
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Absolute Zero ApS for the financial period 12 September 2016 – 27 February 2018.

The annual report has been prepared 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 27 February 2018 and of the results of the Company's operations for the financial period 12 September 2016 – 27 February 2018.

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 31 May 2018
Executive Board:

Hannes Becker

Board of Directors:

Michael Frank
Chairman

Hannes Becker



Independent auditor's report

To the shareholders of Absolute Zero ApS

Opinion

We have audited the financial statements of Absolute Zero ApS for the financial period 12 September 2016 – 27 February 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 27 February 2018 and of the results of the Company's operations for the financial period 12 September 2016 – 27 February 2018 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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



Independent auditor's report

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.
- 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review 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's review.

Copenhagen, 31 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
MNE no. 34283

Absolute Zero ApS
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Management's review

Company details

Absolute Zero ApS
Blytækkervej 6
2400 København NV

Telephone:	+45 51 95 99 89
Website:	www.absolutezerovr.com
E-mail:	admin@absolutezerovr.com

CVR no.:	38 01 04 25
Established:	12 September 2016
Registered office:	
Financial period:	12 September 2016 – 27 February 2018

Board of Directors

Michael Frank, Chairman
Hannes Becker

Executive Board

Hannes Becker,

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Management's review

Operating review

Principal activities

Absolute Zero ApS is a camera manufacturing SME that is designing, developing and selling 360 degree technologies. That includes hardware and software. Our current portfolio, and portfolio in development, comprise 360 cameras, 360 drones, apps, cloud-based software, and algorithms.

Events after the balance sheet date

No subsequent events have occurred which significantly could affect the company's financial position.

Financial statements 12 September – 27 February

Income statement

	Note	12. sep 2016 – 27. feb 2018
DKK		
Gross profit		264,972
Staff costs	2	-504,652
Operating profit/loss		-239,680
Financial income		14
Financial expenses		-12,052
Profit/Loss before tax		-251,718
Tax on profit/loss for the year		55,378
Loss for the year		-196,340
Proposed profit appropriation/distribution of loss		
Reserve for development costs		2,010,334
Retained earnings		-2,206,674

Financial statements 12 September – 27 February

Balance sheet

DKK	Note	2018
ASSETS		
Fixed assets		
Intangible assets	3	
Development projects in progress		<u>2,702,351</u>
		<u>2,702,351</u>
Total fixed assets		<u>2,702,351</u>
Current assets		
Receivables		
Trade receivables		45,250
Corporation tax		<u>403,700</u>
		<u>448,950</u>
Cash at bank and in hand		<u>197,975</u>
Total current assets		<u>646,925</u>
TOTAL ASSETS		<u><u>3,349,276</u></u>

Financial statements 12 September – 27 February

Balance sheet

DKK	Note	2018
EQUITY AND LIABILITIES		
Equity		
Contributed capital		162,500
Share premium		712,500
Reserve for development costs		2,010,334
Retained earnings		-2,206,674
Total equity		678,660
Provisions		
Provisions for deferred tax		348,322
Total provisions		348,322
Liabilities other than provisions		
Non-current liabilities		
Debt to related parties		2,070,000
		2,070,000
Current liabilities		
Payables to group entities		181,230
Other payables		71,064
		252,294
Total liabilities other than provisions		2,322,294
TOTAL EQUITY AND LIABILITIES		3,349,276
Contractual obligations, contingencies, etc.		
	4	
Related party disclosures	5	

Financial statements 12 September – 27 February

Statement of changes in equity

	Contributed capital	Share premium	Reserve for development costs	Retained earnings	Total
Equity at 12 September 2016	162,500	712,500	0	0	875,000
Transferred over the distribution of loss	0	0	2,010,334	-2,206,674	-196,340
Equity at 27 February 2018	162,500	712,500	2,010,334	-2,206,674	678,660

Financial statements 12 September – 27 February

Notes

1 Accounting policies

The annual report of Absolute Zero ApS for 2016/18 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.

Revenue

Income from the sale of goods, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, 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 income and expense.

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development costs are capitalised in the balance sheet, when the future expected cash flows are assessed as probable and the future net present value of cash flows can at least cover the capitalised value. Costs capitalised on development projects have to be related to the specific project and be measured accurately in order to be capitalised.

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.

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.

Financial statements 12 September – 27 February

Notes

1 Accounting policies (continued)

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 other than provisions

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.

Cash and cash equivalents

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.

Provisions

Provisions comprise anticipated costs of #. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Warranties comprise obligations to make good any defects within the warranty period of #-# years. Provisions are recognised based on the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

When it is probable that total costs will exceed total income from a construction contract, the total projected loss on the work is recognised as a provision. The provision is recognised as production costs.

2 Staff costs

	12. sep 2016 – 27. feb 2018
DKK	
Wages and salaries	500,647
Other social security costs	4,005
	504,652
Average number of full-time employees	1

3 Intangible assets

	Development projects in progress
DKK	
Cost at 12 September 2016	125,000
Additions for the year	2,577,351
Cost at 27 February 2018	2,702,351
Carrying amount at 27 February 2018	2,702,351

4 Contractual obligations, contingencies, etc.

The Company participates in a Danish joint taxation arrangement with Zero VR Holding IVS. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

5 Related party disclosures

Ownership

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the contributed capital:

Zero VR Holding IVS
c/o Hannes Becker
Blytækkervej 6
2400 København NV

Styrelsen For Forskning og Uddannelse
Bredgade 40-42
1260 København