
Lorenz Technology ApS

Sivlandvænget 3, 1., DK-5260 Odense S

Annual Report for
1 July 2020 - 30 June 2021

CVR No. 38 45 92 28

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 3/12 2021

Helge Munk
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Lorenz Technology ApS for the financial year 1 July 2020 - 30 June 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2021 of the Company and of the results of the Company operations for 2020/21.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Odense S, 3 December 2021

Executive Board

Lars Kristian Skaarup
CEO

Board of Directors

Helge Munk
Chairman

Lars Lorentz

Kirsten Winther

Esben Hallundbæk Østergaard

Ralf Astrup

Independent Auditor's report

To the shareholders of Lorenz Technology ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2021 and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lorenz Technology ApS for the financial year 1 July 2020 - 30 June 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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.

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, in our view, 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 in Management's Review.

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.

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.

Independent Auditor's report

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 judgement and maintain professional scepticism 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.
- 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.

Odense M, 3 December 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mette Holy Jørgensen

State Authorised Public Accountant

mne34359

Anders Kronborg Choy

State Authorised Public Accountant

mne44142

Company information

The Company	Lorenz Technology ApS Sivlandvænget 3, 1. DK-5260 Odense S Telephone: +45 61337073 Website: www.lorenztechnology.com CVR No: 38 45 92 28 Financial period: 1 July 2020 - 30 June 2021 Incorporated: 3 March 2017 Financial year: 4th financial year Municipality of reg. office: Odense
Board of Directors	Helge Munk, chairman Lars Lorenzt Kirsten Winther Esben Hallundbæk Østergaard Ralf Astrup
Executive board	Lars Kristian Skaarup
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Munkebjergvænget 1, 3. og 4. sal 5230 Odense M

Management's review

Key activities

The purpose of the company is development and sale of technological products, Intelligent Drone Solutions and drones for security, safety and surveillance. Throughout the financial year the company has signed contracts with new customers and the focus on export markets has grown the number of reseller and customers within Europe.

Development in the year

The income statement of the Company for 2020/21 shows a loss of DKK 7,725,001, and at 30 June 2021 the balance sheet of the Company shows positive equity of DKK 3,034,768.

The company has incurred research and development costs in P/L of approx. MDKK 8,0 before tax during 2020/21. Management has chosen not to capitalize a development asset, although it is the assessment that the conditions for recognition of a development asset are met.

Management has evaluated the effect of the Covid19 pandemic with the following conclusion:

Starting the financial year of 2020/21 most of the markets relevant for Lorenz Technology was in a lockdown, meaning all fairs and exhibitions and travel has been limited.

The pandemic had a severe effect of limiting our access to export markets and local customers. After the end of the financial year, export markets are again open and the activity level on fairs and exhibitions are starting to pick up. Traveling has made it possible to reach export markets again.

The supply chain has during the end of the financial year been challenged by extended delivery times. The company has built up products in stock to make sure supply chain issues are not affecting sales and deliveries.

The outset for 2021/2022 is looking positive as markets are opening up and travel within Europe is possible and the use of innovative technologies for security, safety and surveillance is in focus again.

Capital resources

The company's liquidity reserve is limited and management and investors are working on securing financing of sufficient liquidity to realize the budget of financial year 2021/2022 and 2022/2023. The work is ongoing with positive statements from current investors. The current state is described in Note 1 regarding going concern.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at June 30th 2021 of the company and the results of activities of the company for the financial year 2020/2021 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 July 2020 - 30 June 2021

	Note	2020/21 DKK	2019/20 DKK
Gross profit		1,609,827	1,202,091
Staff expenses	2	-9,861,946	-8,057,580
Depreciation and impairment losses of property, plant and equipment	3	-934,444	-841,658
Profit/loss before financial income and expenses		-9,186,563	-7,697,147
Financial income		408	875
Financial expenses	4	-182,247	-163,151
Profit/loss before tax		-9,368,402	-7,859,423
Tax on profit/loss for the year	5	1,643,401	1,486,862
Net profit/loss for the year		-7,725,001	-6,372,561

Distribution of profit

	2020/21 DKK	2019/20 DKK
Proposed distribution of profit		
Retained earnings	-7,725,001	-6,372,561
	-7,725,001	-6,372,561

Balance sheet 30 June 2021

Assets

	Note	2020/21 DKK	2019/20 DKK
Other fixtures and fittings, tools and equipment		643,889	1,234,882
Property, plant and equipment	6	<u>643,889</u>	<u>1,234,882</u>
Fixed assets		<u>643,889</u>	<u>1,234,882</u>
Finished goods and goods for resale		68,145	0
Inventories		<u>68,145</u>	<u>0</u>
Trade receivables		466,186	51,194
Other receivables		1,360,782	1,104,895
Corporation tax		3,130,263	2,263,151
Prepayments		133,334	117,142
Receivables		<u>5,090,565</u>	<u>3,536,382</u>
Cash at bank and in hand		<u>3,597,437</u>	<u>7,761,477</u>
Current assets		<u>8,756,147</u>	<u>11,297,859</u>
Assets		<u>9,400,036</u>	<u>12,532,741</u>

Balance sheet 30 June 2021

Liabilities and equity

	Note	2020/21	2019/20
		DKK	DKK
Share capital		331,927	316,121
Retained earnings		2,702,841	7,943,648
Equity		3,034,768	8,259,769
Payables to group enterprises		1,800,000	1,800,000
Other payables		1,999,316	598,089
Long-term debt	7	3,799,316	2,398,089
Trade payables		328,169	157,965
Other payables	7	2,034,004	1,394,007
Deferred income		203,779	322,911
Short-term debt		2,565,952	1,874,883
Debt		6,365,268	4,272,972
Liabilities and equity		9,400,036	12,532,741
Going concern	1		
Contingent assets, liabilities and other financial obligations	8		
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Statement of changes in equity

	Share capital	Share premium account	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 July	316,121	0	7,943,648	8,259,769
Cash capital increase	15,806	2,484,194	0	2,500,000
Net profit/loss for the year	0	0	-7,725,001	-7,725,001
Transfer from share premium account	0	-2,484,194	2,484,194	0
Equity at 30 June	331,927	0	2,702,841	3,034,768

Notes to the Financial Statements

1. Going concern

Net loss after tax for the year amounts to TDKK 7.725 against TDKK 6.373 last year. The total equity amounts to TDKK 3.035 per June 30, 2021 against TDKK 8.260 the year before.

The company has been challenged in 2020/21 by lockdowns in relevant markets as a result of the Covid-19 pandemic. This has led to restrictions on the possibility of participating in fairs and exhibitions, travelling to customers and relations and marketing of the company's products in general. In addition, the company is affected by regulatory conditions in Denmark, which has led to a delay in the signing of customer contracts and, in turn, postponement of expected revenues.

The outset for 2021/2022 is looking positive as markets are opening up and travel within Europe is possible and the use of innovative technologies for security, safety and surveillance is in focus again.

Based on the current liquidity resources, management expects that additional liquidity will be needed no later than Q1 2022. After the end of the financial year, a process has been initiated for a new capital raise, where management expects existing and new investors to contribute with the necessary liquidity.

The existing investor Helge Munk Holding ApS has signed a letter of financial support valid until June 30, 2022, and limited to MDKK 4. Based on this as well as management's expectations for revenues and capital injections from existing and new investors, management presents the financial statements on the assumption of going concern.

	2020/21	2019/20
	DKK	DKK
2. Staff Expenses		
Wages and salaries	9,108,602	7,421,356
Pensions	490,568	426,817
Other social security expenses	162,481	103,921
Other staff expenses	100,295	105,486
	9,861,946	8,057,580
Average number of employees	21	14

	2020/21	2019/20
	DKK	DKK
3. Depreciation and impairment losses of property, plant and equipment		
Depreciation of property, plant and equipment	934,444	841,658
	934,444	841,658

Notes to the Financial Statements

	<u>2020/21</u>	<u>2019/20</u>
	DKK	DKK
4. Financial expenses		
Interest paid to group enterprises	108,000	134,432
Other financial expenses	70,445	27,139
Exchange loss	3,802	1,580
	<u>182,247</u>	<u>163,151</u>

	<u>2020/21</u>	<u>2019/20</u>
	DKK	DKK
5. Income tax expense		
Current tax for the year	-1,643,401	-1,486,862
	<u>-1,643,401</u>	<u>-1,486,862</u>

6. Property, plant and equipment

	<u>Other fixtures and fittings, tools and equipment</u>
	DKK
Cost at 1 July	2,375,290
Additions for the year	419,730
Disposals for the year	-104,377
Cost at 30 June	<u>2,690,643</u>
Impairment losses and depreciation at 1 July	1,140,408
Depreciation for the year	934,444
Reversal of impairment and depreciation of sold assets	-28,098
Impairment losses and depreciation at 30 June	<u>2,046,754</u>
Carrying amount at 30 June	<u>643,889</u>
Amortised over	<u>3-5 years</u>

Notes to the Financial Statements

7. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2020/21	2019/20
	DKK	DKK
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	1,800,000	1,800,000
Long-term part	<u>1,800,000</u>	<u>1,800,000</u>
Within 1 year	0	0
	<u>1,800,000</u>	<u>1,800,000</u>
Other payables		
After 5 years	0	0
Between 1 and 5 years	1,999,316	598,089
Long-term part	1,999,316	598,089
Within 1 year	0	0
Other short-term payables	2,034,004	1,394,007
	<u>4,033,320</u>	<u>1,992,096</u>

Total debt of 1.800 TDKK as of 30 June 2021 steps back for other interest-bearing debt.

2020/21	2019/20
DKK	DKK

8. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with lender

Floating charge totalling 2.000 TDKK, which provides security in simple receivables, stocks of raw materials, semi-finished and finished goods, consumables and equipment and intellectual property rights etc., for a total carrying amount of:

1,178,220	1,286,076
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Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	0	36,070
	<u>0</u>	<u>36,070</u>

Rent, non-cancellation period 6 months	120,978	118,604
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Notes to the Financial Statements

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Helge Munk Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

9. Accounting policies

The Annual Report of Lorenz Technology ApS for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. 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 flow 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 will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
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The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

Impairment of fixed assets

The carrying amounts of property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.