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Labster Group ApS
Højbro Plads 10
1200 København K
Central Business Registration
No 38597183

Annual report 2019

The Annual General Meeting adopted the annual report on 17.09.2020

Chairman of the General Meeting

Mads T Bonde

Name: Mads Tvillinggaard Bonde

Contents

Entity details

Entity
Labster Group ApS
Højbro Plads 10
1200 København K

Central Business Registration No (CVR): 38597183
Registered in: København
Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Mads Tvillinggaard Bonde, chairman
Michael Bodekær Jensen
Lars Fjeldsøe-Nielsen
David Helgason
Victor Ellis Patterson

Executive Board
Mads Tvillinggaard Bonde
Michael Bodekær Jensen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Labster Group ApS for the financial year 01.01.2019 - 31.12.2019.

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 Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 17.09.2020

Executive Board

Mads T Bonde

Mads Tvillinggaard Bonde

Michael Bodekær Jensen

Board of Directors

Mads T Bonde

Mads Tvillinggaard Bonde
chairman

Michael Bodekær Jensen

Lars Fjeldsøe-Nielsen

David Helgason

Victor Ellis Patterson

Independent auditor's report

To the shareholders of Labster Group ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Labster Group ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group’s and the Parent’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 consolidated financial statements and the parent 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 Group's and the Parent’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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Aarhus, 17.09.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Mads Fauerskov

Mads Fauerskov
State Authorised Public Accountant
Identification No (MNE) mne35428

Management commentary

	2019 DKK'000	2018 DKK'000
Financial highlights		
Key figures		
Gross loss	(3.536)	4.948
Operating profit/loss	(35.982)	(24.122)
Net financials	(3.342)	(3.170)
Profit/loss for the year	(34.525)	(22.692)
Profit/loss excl minority interests	(34.525)	(22.692)
Total assets	170.927	79.145
Investments in property, plant and equipment	445	-
Equity	98.860	(8.833)
Equity excl minority interests	98.860	(8.833)
Cash flows from (used in) operating activities	(43.100)	11.481
Cash flows from (used in) investing activities	(19.709)	(37.533)
Cash flows from (used in) financing activities	136.285	6.242
Ratios		
Return on equity (%)	(76,7)	-
Equity ratio (%)	57,8	(11,2)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Since the Company is not subject to reporting class C until the financial year 2019, no financial highlights are disclosed for the financial years 2015-2017.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	Profit/loss excl minority interests x 100 / Average equity excl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity excl minority interests x 100 / Total assets	The financial strength of the entity.

Management commentary

Primary activities

Labster provides cloud based virtual software simulations to the global education industry. The company provides students with access to a realistic virtual laboratory experience that allows them to perform virtual experiments and practice skills in a fun and risk-free learning environment.

High tech education and training is expensive and inefficient. Physical labs cost millions of dollars to run and maintain. Labster helps our customers significantly reduce this cost by providing an alternative learning environment. Not only do our customers save on cost but learning outcomes significantly increase with a more engaged way of learning.

Development in activities and finances

FY19 was a high growth year for Labster. This was driven by significant investment in the company’s North America Sales model.

As a result of this aggressive investment in revenue growth the company realized a loss of DKK 34,525k for the financial year 2019. Management considers the results for the year as expected.

Material errors in previous years

In the annual report for 2018, the company has offset public grants in development projects in progress and completed development projects. This is in violation of the set-off prohibition in section 13 (1) of the Danish Financial Statements Act. Consequently, the Company has adjusted the misstatement. The misstatement is found to be material and has been adjusted in equity beginning of year and by restating the comparative figures. For further description of the adjustment, please refer to the related paragraph in the accounting policies.

Labster ApS UK branch

The Company realised a loss of DKK 1,581k for the financial year 2019. Management considers the results for the year as expected.

Liquidity

It is the Management's assessment that Labster Group have sufficient liquidity for continued operations. Labster Group has completed an investment round where GGV joined as a new investor and Series B investors co-subscribed. The capital increase was carried out and registered on 20 July 2020.

Outlook

In FY20 Labster is forecasting continued revenue growth.

This global growth is primarily driven by an increased demand for online education as a result of the COVID-19 pandemic.

The global education industry is more ripe than ever for disruption. Labster are in a unique position to re-define Science learning and ultimately deliver positive results to students now and over the coming years.

Management commentary

Labster will continue to focus on re-investment into the growth of the business. This will include both geographical and vertical expansion into new markets such as EMEA, and new verticals such as high school later in FY20 and FY21.

Particular risks

The uncertainty in COVID-19's impact on the global financial market is a major risk. The majority of institutions globally were switching education to online formats in early 2020, significantly increasing the demand for Labster's product and thus the load on our cloud infrastructure. The server capacity is constantly being monitored and maintained as we continue to scale up.

An additional major risk in 2020 is the uncertainty of COVID-19's impact on institution budgets. Since Labster is a premium service, Labster may be hit by budget cuts among our existing customer base. We continue to position Labster's services as an alternative to expensive physical science campuses/buildings, in order to demonstrate the cost reductions Labster can and is providing to our customers.

Research and development activities

During FY20 Labster is primarily focused on improving upon our core product offering to provide an excellent product experience to our customers. This includes improving upon our product accessibility, our customer portal and integration with learning management systems.

Events after the balance sheet date

At the date of the Annual report 2019, the COVID-19 virus has set its marks throughout the whole world. Management expects that the lockdown will have a positive economic impact on the core markets and as a result, a positive financial impact on the expected results for 2020.

Labster closed a new equity round in June 2020 of $9M to drive growth acceleration in new markets and verticals.

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

Consolidated income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross loss		**(3.536.225)**	**4.948.057**
Staff costs	1	(23.954.875)	(23.751.624)
Depreciation, amortisation and impairment losses	2	(8.490.913)	(5.318.171)
Operating profit/loss		**(35.982.013)**	**(24.121.738)**
Other financial income		350.213	173.704
Other financial expenses		(3.691.897)	(3.344.039)
Profit/loss before tax		**(39.323.697)**	**(27.292.073)**
Tax on profit/loss for the year	3	4.798.421	4.600.389
Profit/loss for the year	4	**(34.525.276)**	**(22.691.684)**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Completed development projects		61.592.473	40.293.153
Acquired intangible assets		1.439.978	477.948
Development projects in progress		12.980.548	16.829.830
Intangible assets	5	**76.012.999**	**57.600.931**
Other fixtures and fittings, tools and equipment		422.437	0
Leasehold improvements		0	0
Property, plant and equipment	6	**422.437**	**0**
Deposits		1.158.327	284.223
Fixed asset investments	7	**1.158.327**	**284.223**
Fixed assets		**77.593.763**	**57.885.154**
Trade receivables		4.203.616	4.840.001
Other receivables		1.611.959	1.041.358
Income tax receivable		5.500.484	7.070.743
Prepayments	8	1.223.268	990.094
Receivables		**12.539.327**	**13.942.196**
Cash		**80.793.507**	**7.317.238**
Current assets		**93.332.834**	**21.259.434**
Assets		**170.926.597**	**79.144.588**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital		468.757	315.704
Retained earnings		98.391.254	(9.149.151)
Equity		**98.860.011**	**(8.833.447)**
Deferred tax	9	695.000	0
Provisions		**695.000**	**0**
Other payables		20.930.812	26.865.008
Deferred income		19.449.560	22.641.692
Non-current liabilities other than provisions	10	**40.380.372**	**49.506.700**
Current portion of long-term liabilities other than provisions	10	10.205.354	7.775.821
Bank loans		10.808	3.357.026
Trade payables		1.056.172	1.885.895
Other payables		3.022.521	4.121.808
Deferred income		16.696.359	21.330.785
Current liabilities other than provisions		**30.991.214**	**38.471.335**
Liabilities other than provisions		**71.371.586**	**87.978.035**
Equity and liabilities		**170.926.597**	**79.144.588**
Unrecognised rental and lease commitments	12		
Assets charged and collateral	13		
Transactions with related parties	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	315.704	0	(8.942.953)	(8.627.249)
Corrections of material errors	0	0	(206.198)	(206.198)
Adjusted equity, beginning of year	**315.704**	**0**	**(9.149.151)**	**(8.833.447)**
Increase of capital	153.053	142.085.426	0	142.238.479
Other entries on equity	0	(142.085.426)	142.065.680	(19.746)
Profit/loss for the year	0	0	(34.525.275)	(34.525.275)
Equity end of year	**468.757**	**0**	**98.391.254**	**98.860.011**

Consolidated cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		(35.982.014)	(24.121.738)
Working capital changes	11	(10.144.644)	38.773.078
Cash flow from ordinary operating activities		**(46.126.658)**	**14.651.340**
Financial income received		350.213	173.704
Financial expenses paid		(3.691.897)	(3.344.039)
Income taxes refunded/(paid)		6.368.680	0
Cash flows from operating activities		**(43.099.662)**	**11.481.005**
Depreciation and amortization		8.490.913	5.318.171
Fixed Assets		(444.657)	0
Other cash flows from investing activities		(27.754.865)	(42.850.925)
Cash flows from investing activities		**(19.708.609)**	**(37.532.754)**
Loans raised		0	6.178.492
Repayments of loans etc		(5.934.193)	0
Changes in share capital		153.053	320
Changes in Reserves from Investments / Currency Changes		142.065.680	63.632
Cash flows from financing activities		**136.284.540**	**6.242.444**
Increase/decrease in cash and cash equivalents		**73.476.269**	**(19.809.305)**
Cash and cash equivalents beginning of year		7.317.238	27.126.543
Cash and cash equivalents end of year		**80.793.507**	**7.317.238**

Notes to consolidated financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	42.784.359	29.337.251
Other social security costs	1.095.929	730.754
Other staff costs	281.222	179.895
Staff costs classified as assets	(20.206.635)	(6.496.276)
	23.954.875	**23.751.624**
Average number of employees	**68**	**53**

	Remuneration of management 2019 DKK
Board of Directors	4.024.414
	4.024.414

	2019 DKK	2018 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	8.468.693	5.318.171
Depreciation of property, plant and equipment	22.220	0
	8.490.913	**5.318.171**

	2019 DKK	2018 DKK
3. Tax on profit/loss for the year		
Current tax	(5.493.421)	(4.600.389)
Change in deferred tax	695.000	0
	(4.798.421)	**(4.600.389)**

	2019 DKK	2018 DKK
4. Proposed distribution of profit/loss		
Retained earnings	(34.525.276)	(22.691.684)
	(34.525.276)	**(22.691.684)**

Notes to consolidated financial statements

	Completed develop-ment projects DKK	Acquired intangible assets DKK	Develop-ment projects in progress DKK
5. Intangible assets			
Cost beginning of year	48.271.324	1.797.972	16.829.830
Transfers	28.796.219	0	(28.796.219)
Additions	0	1.933.824	24.946.937
Cost end of year	**77.067.543**	**3.731.796**	**12.980.548**
Amortisation and impairment losses beginning of year	(7.978.171)	(1.320.024)	0
Amortisation for the year	(7.496.899)	(971.794)	0
Amortisation and impairment losses end of year	**(15.475.070)**	**(2.291.818)**	**0**
Carrying amount end of year	**61.592.473**	**1.439.978**	**12.980.548**

Development projects

The development projects of the Group comprise the development of fully interactive advanced lab simulations based on mathematical algorithms that support open-ended investigations. The lab simulations include gamification elements such as an immersive 3D universe, storytelling and a scoring system which stimulates students' natural curiosity and highlights the connection between science and the real world.

The development projects in progress proceed as planned and are expected to be completed within 1-3 years. All projects in progress are expected to generate income which exceeds the investment as a minimum.

Labster ApS are working with leading universities globally including MIT, Harvard and Imperial College, and have received grant funding for cutting edge R&D projects.

The completed development projects have shown their worth as the software is currently being used by California State University, Harvard, Gwinnett Technical College, MIT, Exeter University, University of New Haven, Stanford, University of New England, Trinity College, University of Hong Kong and Berkeley among others internationally.

The management has not identified indication of impairment of the recognized projects.

With reference to section 83(2) of the Danish Financial Statement Act, deferred tax is set off against the capitalized costs for development projects in the reserve for development costs under equity.

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
6. Property, plant and equipment		
Cost beginning of year	18.031	50.600
Additions	444.668	0
Disposals	(18.031)	(50.600)
Cost end of year	**444.668**	**0**
Depreciation and impairment losses beginning of year	(18.031)	(50.600)
Depreciation for the year	(22.231)	0
Reversal regarding disposals	18.031	50.600
Depreciation and impairment losses end of year	**(22.231)**	**0**
Carrying amount end of year	**422.437**	**0**

	Deposits DKK
7. Fixed asset investments	
Cost beginning of year	284.298
Additions	874.029
Cost end of year	**1.158.327**
Carrying amount end of year	**1.158.327**

8. Prepayments

Costs incurred relating to the subsequent financial year.

	2019 DKK
9. Deferred tax	
Intangible assets	17.071.679
Property, plant and equipment	(11.322)
Tax losses carried forward	(11.384.686)
Other taxable temporary differences	(4.980.671)
	695.000
Changes during the year	
Recognised in the income statement	695.000
End of year	**695.000**

Notes to consolidated financial statements

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years DKK
10. Liabilities other than provisions				
Other payables	7.013.222	5.648.613	20.930.812	1.898.500
Deferred income	3.192.132	2.127.208	19.449.560	4.596.541
	10.205.354	**7.775.821**	**40.380.372**	**6.495.041**

	2019 DKK	2018 DKK
11. Change in working capital		
Increase/decrease in receivables	(167.390)	(3.669.635)
Increase/decrease in trade payables etc	(9.977.254)	42.442.713
	(10.144.644)	**38.773.078**

	2019 DKK	2018 DKK
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements with associates until maturity	**223.800**	**0**

13. Assets charged and collateral

A floating charge of a nominal amount of DKK 38,900k has been provided as security for bank loan, Vaekstfonden and Triplepoint Capital covering the Company’s goodwill, domain names and rights protected by the Danish Consolidate Patents Act, the Danish Consolidate Trademark Act, the Danish Consolidate Designs Act, the Danish Utility Models Act, the Danish Patterns Act, the Danish Copyright Act and the Danish Act on Protection of the Design of Semiconductor Products (topography), operating equipment and unsecured claims relating to the sale of goods and services, also including inventories of raw materials, semi-manufactures and finished goods as well as vehicles that are not or have not previously been registered.

The carrying amount of intangible assets and trade receivables is DKK 83,241.

14. Non-arm’s length related party transactions

Transactions with related parties are only disclosed in the annual report if they are not on arms length terms. No such transactions have been conducted in the financial year except for tax-exempt group contributions among the companies.

Notes to consolidated financial statements

	Registered in	Equity interest %
15. Subsidiaries		
Labster ApS	Denmark	100,0
Labster Inc	USA	100,0
Learn Technologies GmbH	Switzerland	100,0

Parent income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross loss		**(31.731)**	**(29.833)**
Income from investments in group enterprises		(45.065.625)	(24.465.565)
Other financial income		906.820	0
Other financial expenses		(1.112)	(197.889)
Profit/loss before tax		**(44.191.648)**	**(24.693.287)**
Tax on profit/loss for the year		0	0
Profit/loss for the year	2	**(44.191.648)**	**(24.693.287)**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Investments in group enterprises		24.407.593	34.435
Fixed asset investments	3	**24.407.593**	**34.435**
Fixed assets		**24.407.593**	**34.435**
Income tax receivable		5.500.000	7.077.302
Receivables		**5.500.000**	**7.077.302**
Cash		**77.092.480**	**3.116.176**
Current assets		**82.592.480**	**10.193.478**
Assets		**107.000.073**	**10.227.913**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital	4	468.757	315.704
Retained earnings		100.956.325	2.768.948
Equity		**101.425.082**	**3.084.652**
Trade payables		30.000	12.500
Payables to group enterprises		44.991	7.130.761
Joint taxation contribution payable		5.500.000	0
Current liabilities other than provisions		**5.574.991**	**7.143.261**
Liabilities other than provisions		**5.574.991**	**7.143.261**
Equity and liabilities		**107.000.073**	**10.227.913**
Staff costs	1		
Contingent liabilities	5		
Assets charged and collateral	6		
Related parties with controlling interest	7		
Transactions with related parties	8		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	315.704	0	47.098.739	47.414.443
Changes in accounting policies	0	0	(44.329.791)	(44.329.791)
Adjusted equity, beginning of year	**315.704**	**0**	**2.768.948**	**3.084.652**
Increase of capital	153.053	142.085.426	0	142.238.479
Exchange rate adjustments	0	0	88.783	88.783
Other entries on equity	0	(142.085.426)	142.290.242	204.816
Profit/loss for the year	0	0	(44.191.648)	(44.191.648)
Equity end of year	**468.757**	**0**	**100.956.325**	**101.425.082**

For the purpose of offering incentive pay in the form of share options, the Company's Board of Directors is authorised for the period until 5 July 2025 once or several times to increase the Company's share capital with up to nominally 30,618.92 shares in total without pre-emption right for the Company's shareholders. The authorisation empowers the Board of Directors to determine the terms for the granted share options, including the exercise price.

Notes to parent financial statements

	2019	2018
1. Staff costs		
Average number of employees	**0**	**0**

	2019 DKK	2018 DKK
2. Proposed distribution of profit/loss		
Retained earnings	(44.191.648)	(24.693.287)
	(44.191.648)	**(24.693.287)**

	Investments in group enterprises DKK
3. Fixed asset investments	
Cost beginning of year	44.364.226
Additions	69.350.000
Cost end of year	**113.714.226**
Impairment losses beginning of year	(44.329.791)
Exchange rate adjustments	88.783
Share of profit/loss for the year	(33.147.526)
Other adjustments	(11.918.099)
Impairment losses end of year	**(89.306.633)**
Carrying amount end of year	**24.407.593**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	Number	Par value DKK	Nominal value DKK
4. Contributed capital			
Contributed capital	468.757	1	468.757
	468.757		**468.757**

Notes to parent financial statements

5. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

6. Assets charged and collateral

None.

7. Related parties with controlling interest

None.

8. Non-arm's length related party transactions

Transactions with related parties are only disclosed in the annual report if they are not on arms length terms. No such transactions have been conducted in the financial year except for tax-exempt group contributions in the subsidiaries in the group.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The Company is not subject to reporting class C until the financial year 2019. The financial statements are presented according to the below accounting policies:

Material errors in previous years
In the annual report for 2018, the subsidiary has offset public grants in development projects in progress and completed development projects. This is in violation of the set-off prohibition in section 13 (1) of the Danish Financial Statements Act. Consequently, the Company has adjusted the misstatement. The misstatement is found to be material and has been adjusted in equity beginning of year and by restating the comparative figures.

Grants amount to DKK 24,769k and is a significant misstatement in the 2018 financial statements for Labster ApS.

As a result, the error has been corrected in 2018, whereby completed development projects have changed by DKK 14,912k, so that the item is DKK 42,943k in 2018, against previously recognized DKK 28,031k. Development projects in progress have changed by DKK 9,651k, so that the item is DKK 16,830k in 2018, against previously recognized DKK 7,179k The grants are similarly recognized in 2018 as deferred income (liability) with DKK (24,769k), against previously recognized DKK 0.

The total impact of the adjustment amounts to DKK 206k and is recognised directly on equity at 01.01.2019.

Changes in accounting policies
The accounting policies have been changed compared to previous years in relation to measurement of investments in group enterprises. In previous years, investments in group enterprises were measured at cost. This year, all investments in group enterprises are according to the equity method as this is assessed to give a true and fair view of the financial statements.

The comparative figures for previous financial years have been restated in this relation with the following impact:

Equity at 01.01.2018: DKK 47,578k.

Adjustment of profit/loss at 01.01.2018: DKK -19,840k.

Impact on equity 2018: DKK - 24,490k.

Total impact on equity at 01.01.2019: 44,330k.

Impact on profit for 2019: DKK -44,977k

Impact on equity at 31.12.2019: DKK -89.307k.

Accounting policies

Except for the above and minor reclassifications, the accounting policies applied are consistent with those applied last year

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or

Accounting policies

financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income and external expenses etc.

Revenue

Revenue from the sale of services is recognized in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. Revenue from licences is recognised on a straight-line basis over the licence period as delivery takes place.

Fair value adjustments of investment property

Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Accounting policies

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Accounting policies

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3-7 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation

Accounting policies

will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.