## Labster Group ApS

Vesterbrogade 149, st.
1620 Copenhagen V, Denmark
CVR No. 38597183

# Annual report 2023

The Annual General Meeting adopted the annual report on 03.07.2024

**Mads Tvillinggaard Bonde**
Chairman of the General Meeting

# Contents

# Entity details

## Entity

Labster Group ApS
Vesterbrogade 149, st.
1620 Copenhagen V, Denmark

Business Registration No.: 38597183
Registered office: Copenhagen, Denmark
Financial year: 01.01.2023 - 31.12.2023

## Board of Directors

Mads Tvillinggaard Bonde, Chairman of the Board
Michael Bodekær Jensen
Lars Fjeldsøe-Nielsen
Victor Ellis Patterson
Scott Aaron Kupor
Shawn Patrick Boom

## Executive Board

Shawn Patrick Boom

## 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 01.01.2023 - 31.12.2023.

The annual report is presented 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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, 03.07.2024

**Executive Board**

**Shawn Patrick Boom**

**Board of Directors**

**Mads Tvillinggaard Bonde**
Chairman of the Board

**Michael Bodekær Jensen**

**Lars Fjeldsøe-Nielsen**

**Victor Ellis Patterson**

**Scott Aaron Kupor**

**Shawn Patrick Boom**

# 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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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.

## 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 Entity'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 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 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 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 Entity'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 Entity'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.

### 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 03.07.2024

**Deloitte**
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

# Management commentary

## Financial highlights

| | 2023<br>DKK'000 | 2022<br>DKK'000 | 2021<br>DKK'000 | 2020<br>DKK'000 | 2019<br>DKK'000 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Gross profit/loss | 72,925 | 82,785 | 74,396 | 56,976 | (3,536) |
| Operating profit/loss | (105,335) | (138,987) | (99,271) | (16,181) | (35,982) |
| Net financials | (11,774) | 29,059 | 16,772 | (8,259) | (3,342) |
| Profit/loss for the year | (122,393) | (110,492) | (74,625) | (21,660) | (34,525) |
| Balance sheet total | 609,749 | 744,931 | 551,509 | 273,914 | 170,927 |
| Investments in property, plant and equipment | 453 | 977 | 1,721 | 0 | 445 |
| Equity | 479,084 | 604,333 | 404,891 | 139,183 | 98,860 |
| Cash flows from operating activities | (86,278) | (62,539) | (45,262) | 40,920 | (34,609) |
| Cash flows from investing activities | (26,572) | (53,607) | (102,720) | (23,771) | (28,210) |
| Cash flows from financing activities | (9,618) | 307,828 | 332,760 | 52,475 | 136,285 |
| | | | | | |
| **Ratios** | | | | | |
| Equity ratio (%) | 78.57 | 81.13 | 73.42 | 50.81 | 57.84 |

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

Key figures has been corrected in year 2022, after correcting material errors in previous years. Key figures has not been adjusted back in time for 2019-2021 affecting profit/loss for the year, balance sheet total and equity.

**Equity ratio (%):**
Equity * 100
Balance sheet total

## Primary activities

Labster is a leading provider of virtual science labs for STEM and healthcare simulations for interactive education. Labster provides cloud-based virtual software simulations primarily to the global education industry, with a majority of its revenue coming from customers in the United States. Labster provides students and educators 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 can be expensive and inefficient, and physical labs cost millions of dollars to create, run and maintain. Labster helps our customers significantly reduce this cost by providing an alternative learning environment and experience. By delivering access to Labster's virtual lab trainings, students are getting access to modern and engaging ways of being educated.

Not only do our customers save on cost, the flexibility and ability to educate beyond what physical restrictions otherwise allow means increases in student engagement and the opportunity for improved learning outcomes, and a more engaged way of learning. All of which can lead to improved value offered to the students.

## Development in activities and finances

During the COVID-19 pandemic, Labster experienced a surge in its customer base and revenue due to the need for online or remote solutions to allow for continuing educational experiences during times where in-person opportunities were limited or not available. Labster was able to deliver a solution during these times where no real alternatives were available to the institutions.

To facilitate the purchase and adoption of solutions like what Labster offers, during 2020 and 2021 many governments provided funding assistance to institutions in the form of grants and subsidies, aiding in the surge of adoption like what Labster experienced. As the pandemic wound down and there was a return to pre-pandemic in-person teaching, governments reduced, and eventually ended, the subsidies they had previously offered to aide in the purchase of solutions like Labster. The reduced requirement for online solutions, along with ending government subsidies, resulted in a reduction in revenue for Labster starting in 2022, from its highs in 2021. Revenue in 2023 leveled, reducing a small amount from 2022, as there was a normalization of the customers who chose to maintain use of the Labster solution without the government subsidies.

In response to changing market conditions, Labster has taken action and made adjustments in the following ways:

- Acquired UbiSim in 2021 to add a solution to provide nurse training through immersive, customizable VR simulations, offering realistic, safe, and hands-on practice opportunities,
- Adjusted the go-to-market strategy to focus more on selling directly to institutions, versus teachers and students,
- Reducing cost structure in both 2022 and 2023 to better align spending to revenue.

Although the UbiSim offering currently represents a small portion of Labster's overall revenue, UbiSim has seen good revenue growth, and in 2024 Labster expects to continue investing in driving growth in that product line. Additionally, Labster intends to continue reducing overall spending to align to current revenue, even while shifting some incremental spend to the UbiSim business.

## Profit/loss for the year in relation to expected developments

As a result of the continued investment into development of our products, costs associated with adjusting our go-to-market strategy, and the negative impact on revenue from the normalization of customers' buying behaviors post-pandemic, Labster continued to realize losses during the 2023 year. Although Labster had budgeted more revenues for 2023 than were realized, Management adjusted during the year by spending below budgeted spending levels. As a result, Management considers that the overall financial results for 2023 were in line with expectations.

## Uncertainty relating to recognition and measurement

As a result of deficits in recent years, tax assets have not been fully recognized.

The company invests in the development of Virtual Reality (VR) and simulation technology related to its offerings, including developing a new technology platform for the non-UbiSim offering, with initial release expected to be completed during 2024. Expenses on projects in the development phase are capitalised at cost on initial recognition and are valued on an ongoing basis by Management. Management assesses the completion costs and expected future cash flows for each development project. An impairment loss is recognized if management estimates that the future net income is less than the value of the development project.

Projections of future net income are based on significant estimates and are thus associated with some uncertainty.

## Outlook

For 2024, Labster is projecting revenue to be relatively flat in total, as compared to 2023, with growth in the UbiSim business line, offset by a decline in the other Labster offerings. Management is projecting to reduce spending in 2024 overall, with a larger reduction on the non-UbiSim business partially offset by increased spending on the UbiSim business line.

Although there has not yet been a return to growth in revenue for the non-UbiSim offerings post-pandemic, Management continues to believe that our offerings are well-positioned, particularly with STEM courses in higher-education, to take advantage of the anticipated transition to virtual offerings to compliment schools' in-person offerings. Labster will continue to invest in developing its technology and course catalogues to improve and expand on the value we offer. Additionally, Management anticipates that we will continue to adjust our go-to-market strategy as the market develops and matures.

At the same time, Labster has seen strong revenue growth in its UbiSim offering over the past two years and is well positioned to continue growth in its existing markets for the foreseeable future. In addition, hospitals, long-term care facilities, and home health providers represent significant additional market expansion opportunities.

Expected result for the year 2024 will be between DKK (76,000)k - (106,000)k

## Use of financial instruments

The Group has a policy managed centrally by Management and across all global subsidiaries, with the following objectives: to ensure that financial operations are conducted in an ethical manner; to ensure capital preservation and that exposure to financial risk is managed in a way to minimize the risk and also focus on core business operations, liquidity and that financial operations are contracted with strong counterparties. The policy covers currency, interest, funding, liquidity and financial credit risk management, as well as cash and working capital management. There is limited external interest rate exposure for the Company, though the entities in the Group have receivables and payables between each other. The intercompany balances carry interest rates that are set each year on an arms-lengths basis. As the Group does operate in multiple countries, there is exposure to exchange rate fluctuations, especially in relation to USD vs. EUR/DKK. The Company does not currently actively hedge currency or interest rate risk using derivative instruments.

Although Labster has experienced material cash burn over the past few years, the Company still has significant cash available from earlier investment rounds. It is Management's assessment that Labster Group has sufficient liquidity for continued operations in 2024 and beyond.

### Knowledge resources

The Company's principal non-financial assets consist of its knowledge workforce and the accumulated intellectual property contained in its developed technology and content. The company has developed a deep and comprehensive content library of over 300 simulations that is made available through an integrated learning platform. As such, the company's future revenue and financial performance is largely dependent on the developed platform and content, and how these are improved and expanded upon by our knowledge workers.

### Environmental performance

Labster as a company, and deeply rooted in the Company's mission, is committed to make a positive impact on society and work towards The UN's 17 Sustainable Development Goals. Anywhere from the Company's mission and product that Labster is bringing to the market, to the way that the business is being operated.
By way of the Company's primary purpose and operations being on developing and selling software licences, the Company's operations are not considered to have a significant direct negative impact on the environment, from a perspective of Scope 1 emissions.
Additionally, Scope 2 and 3 emissions are considered to be in line with benchmarkable businesses.
Nonetheless, the Company is committed to conducting environmentally responsible and ambitious operations. The Company is conducting recurring analysis and reporting on its emissions and is looking for continuous opportunities to improve upon its collective efforts around impact on society as well as on the Environmental, Social, and Governance (ESG) agenda.

### Events after the balance sheet date

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

# Consolidated income statement for 2023

| | Notes | 2023<br>DKK | 2022<br>DKK |
|---|---|---|---|
| **Gross profit/loss** | | **72,925,391** | **82,784,748** |
| | | | |
| Staff costs | 1 | (134,494,250) | (162,217,844) |
| Depreciation, amortisation and impairment losses | 2 | (43,765,980) | (59,554,148) |
| **Operating profit/loss** | | **(105,334,839)** | **(138,987,244)** |
| | | | |
| Other financial income | 3 | 28,283,919 | 35,511,441 |
| Other financial expenses | 4 | (40,058,022) | (6,452,666) |
| **Profit/loss before tax** | | **(117,108,942)** | **(109,928,469)** |
| | | | |
| Tax on profit/loss for the year | 5 | (5,283,774) | (563,753) |
| **Profit/loss for the year** | 6 | **(122,392,716)** | **(110,492,222)** |

# Consolidated balance sheet at 31.12.2023

## Assets

| | Notes | 2023<br>DKK | 2022<br>DKK |
|---|---|---|---|
| Completed development projects | 8 | 137,389,661 | 116,736,909 |
| Acquired intangible assets | | 0 | 0 |
| Acquired trademarks | | 103,728 | 0 |
| Development projects in progress | 8 | 10,303,350 | 47,166,973 |
| **Intangible assets** | 7 | **147,796,739** | **163,903,882** |
| | | | |
| Other fixtures and fittings, tools and equipment | | 934,602 | 1,220,327 |
| Leasehold improvements | | 377,034 | 735,530 |
| **Property, plant and equipment** | 9 | **1,311,636** | **1,955,857** |
| | | | |
| Deposits | | 1,117,434 | 1,505,960 |
| **Financial assets** | 10 | **1,117,434** | **1,505,960** |
| | | | |
| **Fixed assets** | | **150,225,809** | **167,365,699** |
| | | | |
| Trade receivables | | 26,322,167 | 13,288,815 |
| Deferred tax | 11 | 2,257,997 | 3,451,239 |
| Other receivables | | 7,614,520 | 10,056,355 |
| Tax receivable | 12 | 10,922,957 | 14,527,092 |
| Prepayments | 13 | 8,007,842 | 9,374,992 |
| **Receivables** | | **55,125,483** | **50,698,493** |
| | | | |
| **Cash** | | **404,397,381** | **526,866,381** |
| | | | |
| **Current assets** | | **459,522,864** | **577,564,874** |
| | | | |
| **Assets** | | **609,748,673** | **744,930,573** |

## Equity and liabilities

| | Notes | 2023<br>DKK | 2022<br>DKK |
|---|---|---|---|
| Contributed capital | 14 | 642,985 | 642,083 |
| Translation reserve | | 1,522,063 | 4,387,968 |
| Retained earnings | | 476,919,447 | 599,303,089 |
| **Equity** | | **479,084,495** | **604,333,140** |
| | | | |
| Debt to other credit institutions | | 9,499,679 | 12,413,072 |
| Deposits | | 92,605 | 0 |
| Other payables | | 1,339,799 | 1,253,761 |
| Deferred income | 15 | 5,361,718 | 6,348,051 |
| **Non-current liabilities other than provisions** | 16 | **16,293,801** | **20,014,884** |
| | | | |
| Current portion of non-current liabilities other than provisions | 16 | 4,989,170 | 6,713,752 |
| Bank loans | | 19,966 | 68,348 |
| Prepayments received from customers | | 419,397 | 0 |
| Trade payables | | 5,909,105 | 7,155,216 |
| Tax payable | | 1,170,664 | 696,211 |
| Other payables | | 6,675,207 | 12,988,922 |
| Deferred income | 17 | 95,186,868 | 92,960,100 |
| **Current liabilities other than provisions** | | **114,370,377** | **120,582,549** |
| | | | |
| **Liabilities other than provisions** | | **130,664,178** | **140,597,433** |
| | | | |
| **Equity and liabilities** | | **609,748,673** | **744,930,573** |
| | | | |
| Assets charged and collateral | 19 | | |
| Non-arm's length related party transactions | 20 | | |
| Subsidiaries | 21 | | |

# Consolidated statement of changes in equity for 2023

| | Contributed capital DKK | Translation reserve DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|---|
| Equity beginning of year | 642,083 | 4,387,968 | 603,230,108 | 608,260,159 |
| Adjustment of material errors | 0 | 0 | (3,927,019) | (3,927,019) |
| **Adjusted equity, beginning of year** | **642,083** | **4,387,968** | **599,303,089** | **604,333,140** |
| | | | | |
| Increase of capital | 902 | 0 | 15,104 | 16,006 |
| Costs related to equity transactions | 0 | 0 | (6,030) | (6,030) |
| Exchange rate adjustments | 0 | (2,865,905) | 0 | (2,865,905) |
| Profit/loss for the year | 0 | 0 | (122,392,716) | (122,392,716) |
| **Equity end of year** | **642,985** | **1,522,063** | **476,919,447** | **479,084,495** |

# Consolidated cash flow statement for 2023

| | Notes | 2023<br>DKK | 2022<br>DKK |
|---|---|---|---|
| Operating profit/loss | | (105,334,839) | (138,987,244) |
| Amortisation, depreciation and impairment losses | | 43,765,980 | 59,554,418 |
| Working capital changes | 18 | (27,719,917) | (12,748,136) |
| Other adjustments | | (29,037) | 19,139 |
| **Cash flow from ordinary operating activities** | | **(89,317,813)** | **(92,161,823)** |
| Financial income received | | 28,283,920 | 35,511,441 |
| Financial expenses paid | | (40,058,022) | (6,452,666) |
| Taxes refunded/(paid) | | 14,813,433 | 563,620 |
| **Cash flows from operating activities** | | **(86,278,482)** | **(62,539,428)** |
| Acquisition etc. of intangible assets | | (26,598,745) | (52,356,819) |
| Acquisition etc. of property, plant and equipment | | (453,320) | (977,034) |
| Sale of property, plant and equipment | | 91,084 | 0 |
| Acquisition of fixed asset investments | | (190,624) | (272,841) |
| Sale of fixed asset investments | | 579,150 | 0 |
| **Cash flows from investing activities** | | **(26,572,455)** | **(53,606,694)** |
| **Free cash flows generated from operations and investments before financing** | | **(112,850,937)** | **(116,146,122)** |
| Repayments of loans etc. | | (6,713,752) | (2,122,168) |
| Cash capital increase | | 16,006 | 307,843,588 |
| Costs incurred during change of contributed capital | | (6,030) | 0 |
| Short-term bank loans | | (48,382) | 25,615 |
| Exchange rate adjustments on Equity | | (2,865,905) | 2,081,080 |
| **Cash flows from financing activities** | | **(9,618,063)** | **307,828,115** |
| **Increase/decrease in cash and cash equivalents** | | **(122,469,000)** | **191,681,993** |
| Cash and cash equivalents beginning of year | | 526,866,381 | 335,184,388 |
| **Cash and cash equivalents end of year** | | **404,397,381** | **526,866,381** |

| | | |
|---|---|---|
| Cash and cash equivalents at year-end are composed of: | | |
| Cash | 404,397,381 | 526,866,381 |
| **Cash and cash equivalents end of year** | **404,397,381** | **526,866,381** |

# Notes to consolidated financial statements

## 1 Staff costs

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Wages and salaries | 117,260,674 | 143,324,453 |
| Pension costs | 4,136,204 | 5,532,165 |
| Other social security costs | 13,097,372 | 13,295,803 |
| Other staff costs | 0 | 65,423 |
| | **134,494,250** | **162,217,844** |

| | | |
|---|---|---|
| Average number of full-time employees | **178** | **215** |

| | Remuneration of management 2023<br>DKK | Remuneration of management 2022<br>DKK |
|---|---|---|
| Total amount for management categories | 6,145,002 | 4,071,021 |
| | **6,145,002** | **4,071,021** |

**Special incentive programmes**

The company's general meeting has authorized the Board of Directors to issue warrants for total nom. DKK 52,251.19 corresponding to 5,225,119 shares a nom. DKK 0.01. Warrants can be issued to employees in the Group. Warrants give the right to subscribe for C shares in the company against payment of an exercise price determined by the Board of Directors.

As of 31 December 2023, the company has issued 3,088,753 warrants, of which 601,963 warrants have been used to subscribe for shares. Thus, 2,486,790 warrants have been issued, corresponding to a nominal value of DKK 24,867.90, which have not yet been exercised. The subscription price is DKK 2 per share of nom. DKK 0.01.

## 2 Depreciation, amortisation and impairment losses

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Amortisation of intangible assets | 26,744,487 | 29,978,985 |
| Impairment losses on intangible assets | 15,961,401 | 28,808,564 |
| Depreciation on property, plant and equipment | 981,841 | 766,599 |
| Impairment losses on property, plant and equipment | 78,251 | 0 |
| | **43,765,980** | **59,554,148** |

## 3 Other financial income

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Other interest income | 15,934,993 | 1,114,539 |
| Exchange rate adjustments | 12,348,926 | 34,396,902 |
| | **28,283,919** | **35,511,441** |

The group has significant deposists in foreign currency, which has had an positive impact to exchange rate adjustments.

## 4 Other financial expenses

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Other interest expenses | 2,497,460 | 2,364,067 |
| Exchange rate adjustments | 37,560,562 | 4,076,473 |
| Other financial expenses | 0 | 12,126 |
| | **40,058,022** | **6,452,666** |

The group has significant deposists in foreign currency, which has had an negative impact to exchange rate adjustments.

## 5 Tax on profit/loss for the year

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Current tax | 4,090,532 | (5,138,330) |
| Change in deferred tax | 1,193,242 | 387,063 |
| Adjustment concerning previous years | 0 | 5,315,020 |
| | **5,283,774** | **563,753** |

## 6 Proposed distribution of profit/loss

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Retained earnings | (122,392,716) | (110,492,222) |
| | **(122,392,716)** | **(110,492,222)** |

## 7 Intangible assets

| | Completed development projects DKK | Acquired intangible assets DKK | Acquired trademarks DKK | Development projects in progress DKK |
|---|---|---|---|---|
| Cost beginning of year | 218,764,827 | 4,766,485 | 0 | 47,166,973 |
| Transfers | 47,376,493 | 0 | 0 | (47,376,493) |
| Additions | 0 | 0 | 124,474 | 26,474,271 |
| Disposals | 0 | 0 | 0 | (15,961,401) |
| **Cost end of year** | **266,141,320** | **4,766,485** | **124,474** | **10,303,350** |
| Amortisation and impairment losses beginning of year | (102,027,918) | (4,766,485) | 0 | 0 |
| Amortisation for the year | (26,723,741) | 0 | (20,746) | 0 |
| Amortisation and impairment losses on assets disposed of | 0 | 0 | 0 | (15,961,401) |
| Reversal regarding disposals | 0 | 0 | 0 | 15,961,401 |
| **Amortisation and impairment losses end of year** | **(128,751,659)** | **(4,766,485)** | **(20,746)** | **0** |
| **Carrying amount end of year** | **137,389,661** | **0** | **103,728** | **10,303,350** |

## 8 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 is 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.

## 9 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment DKK | Leasehold improvements DKK |
|---|---|---|
| Cost beginning of year | 2,127,021 | 976,539 |
| Additions | 453,320 | 0 |
| Disposals | 0 | (91,084) |
| **Cost end of year** | **2,580,341** | **885,455** |
| Depreciation and impairment losses beginning of year | (906,694) | (241,009) |
| Impairment losses for the year | 0 | (78,251) |
| Depreciation for the year | (739,045) | (242,796) |
| Reversal regarding disposals | 0 | 53,635 |
| **Depreciation and impairment losses end of year** | **(1,645,739)** | **(508,421)** |
| **Carrying amount end of year** | **934,602** | **377,034** |

## 10 Financial assets

| | Deposits DKK |
|---|---|
| Cost beginning of year | 1,505,960 |
| Additions | 190,624 |
| Disposals | (579,150) |
| **Cost end of year** | **1,117,434** |
| **Carrying amount end of year** | **1,117,434** |

## 11 Deferred tax

| **Changes during the year** | 2023 DKK | 2022 DKK |
|---|---|---|
| Beginning of year | 3,451,239 | 3,838,302 |
| Recognised in the income statement | (1,193,242) | (387,063) |
| **End of year** | **2,257,997** | **3,451,239** |

Deferred tax relates to intangible assets, property, plant and equipment and other provisions.

**Deferred tax assets**

The deferred tax asset recognized relates to loss carryforwards in the US company, Labster Inc. The group has 320MDKK in loss carryforward in the Danish companies not recognized as deferred tax assets in the financial statement.

## 12 Tax receivable

Tax receivable: DKK 10,923 thousand

Distributed as follows:

- Tax credit scheme: DKK 14,850 thousand

- Tax credit scheme potentiel repayment obligation: DKK -3,927 thousand

The outstanding corporate tax receivable included in the balance sheet relates to the use of the tax credit scheme under section 8X of the Danish Tax Assessment Act, whereby the company receives payment for the tax value of losses resulting from research and development expenses.

The Company has tax receivables for several income years as a result of ongoing tax audits. The Company has initiated a dialogue with the tax authorities on the use of the tax credit scheme, and the first income years 2019 (DKK 5,500 thousand) and 2020 (DKK 3,396 thousand) have been approved for payment by the Danish Tax Agency after the balance sheet date - 2021 have been paid within the balance sheet date.

The remaining income year 2022 (DKK 5,500 thousand) and the current income year 2023 (DKK 454 thousand) have not yet been processed by the Danish Tax Agency.

Moreover, there is a potential repayment obligation regarding errors in previous years, see "Material errors in previous years" under accounting policies.

Based on the review of the criteria for using the scheme, it is management's clear understanding that the group is eligible to use the scheme, and the recognition has been made based on this assessment. There is a risk that the Danish Tax Authority may determine that the conditions for using the scheme have not been met. If so, subsequent financial years will be negatively affected by the reduction of the outstanding corporate tax receivable through "Tax for the year" in the income statement of profit or loss.

## 13 Prepayments

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

## 14 Contributed capital

| | Number | Par value DKK | Nominal value DKK |
|---|---|---|---|
| A-shares | 9,473,221 | 0.01 | 94,732 |
| B-shares | 19,480,766 | 0.01 | 194,808 |
| C-shares | 511,754 | 0.01 | 5,118 |
| D-shares | 21,806,854 | 0.01 | 218,068 |
| E-shares | 7,546,584 | 0.01 | 75,466 |
| F-shares | 5,389,192 | 0.01 | 53,891 |
| | **64,208,371** | | **642,083** |

## 15 Deferred income

The company's deferred income in non-current liabilities consist of accrued income from public grants.

### 16 Non-current liabilities other than provisions

| | Due within 12 months 2023 DKK | Due within 12 months 2022 DKK | Due after more than 12 months 2023 DKK | Outstanding after 5 years 2023 DKK |
|---|---|---|---|---|
| Debt to other credit institutions | 3,282,018 | 2,668,193 | 9,499,679 | 1,905,514 |
| Deposits | 0 | 0 | 92,605 | 0 |
| Other payables | 0 | 0 | 1,339,799 | 1,266,046 |
| Deferred income | 1,707,152 | 4,045,559 | 5,361,718 | 0 |
| | **4,989,170** | **6,713,752** | **16,293,801** | **3,171,560** |

### 17 Deferred income

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

### 18 Changes in working capital

| | 2023 DKK | 2022 DKK |
|---|---|---|
| Increase/decrease in receivables | (20,147,324) | (8,736,285) |
| Increase/decrease in trade payables etc. | (7,572,593) | (4,011,851) |
| | **(27,719,917)** | **(12,748,136)** |

### 19 Assets charged and collateral

A floating charge of a nominal amount of DKK 38,900k has been provided as security for loan, EIFO 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 192,726k (2022: 158,095k).

### 20 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.

## 21 Subsidiaries

| | Registered in | Corporate form | Ownership % |
|---|---|---|---|
| Labster ApS | Denmark | ApS | 100.00 |
| Labster Inc (owned by Labster ApS) | USA | Inc | 100.00 |
| Labster GmbH | Switzerland | GmbH | 100.00 |
| Ubisim SA | Switzerland | SA | 100.00 |
| Ubisim Inc (owned by Ubisim SA) | Canada | Inc | 100.00 |
| Labster Spain (owned by Labster GmbH) | Spain | S.L | 100.00 |

# Parent income statement for 2023

| | Notes | 2023 DKK | 2022 DKK |
|---|---|---|---|
| **Gross profit/loss** | | **(621,324)** | **(32,499)** |
| | | | |
| Income from investments in group enterprises | | (129,159,106) | (145,704,836) |
| Other financial income | 1 | 23,416,244 | 38,033,132 |
| Other financial expenses | 2 | (14,120,061) | (691,019) |
| **Profit/loss before tax** | | **(120,484,247)** | **(108,395,222)** |
| | | | |
| Tax on profit/loss for the year | 3 | (1,908,469) | (2,097,000) |
| **Profit/loss for the year** | 4 | **(122,392,716)** | **(110,492,222)** |

# Parent balance sheet at 31.12.2023

## Assets

| | Notes | 2023<br>DKK | 2022<br>DKK |
|---|---|---|---|
| Investments in group enterprises | | 137,727,604 | 180,105,798 |
| **Financial assets** | 5 | **137,727,604** | **180,105,798** |
| **Fixed assets** | | **137,727,604** | **180,105,798** |
| Receivables from group enterprises | | 36,857,940 | 35,671,868 |
| Other receivables | | 169,307 | 0 |
| Tax receivable | 6 | 10,922,957 | 10,469,341 |
| Prepayments | 7 | 74,840 | 0 |
| **Receivables** | | **48,025,044** | **46,141,209** |
| **Cash** | | **315,864,169** | **411,126,760** |
| **Current assets** | | **363,889,213** | **457,267,969** |
| **Assets** | | **501,616,817** | **637,373,767** |

## Equity and liabilities

| | Notes | 2023<br>DKK | 2022<br>DKK |
|---|---|---|---|
| Contributed capital | | 642,985 | 642,083 |
| Translation reserve | | 1,522,063 | 4,387,968 |
| Retained earnings | | 476,919,447 | 599,303,089 |
| **Equity** | | **479,084,495** | **604,333,140** |
| | | | |
| Provisions for investments in group enterprises | 8 | 7,463,430 | 0 |
| **Provisions** | | **7,463,430** | **0** |
| | | | |
| Trade payables | | 119,270 | 225,000 |
| Payables to group enterprises | | 21,196 | 20,249,286 |
| Joint taxation contribution payable | | 14,928,426 | 12,566,341 |
| **Current liabilities other than provisions** | | **15,068,892** | **33,040,627** |
| | | | |
| **Liabilities other than provisions** | | **15,068,892** | **33,040,627** |
| | | | |
| **Equity and liabilities** | | **501,616,817** | **637,373,767** |
| | | | |
| Employees | 9 | | |
| Contingent liabilities | 10 | | |
| Non-arm's length related party transactions | 11 | | |

# Parent statement of changes in equity for 2023

| | Contributed capital DKK | Translation reserve DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|---|
| Equity beginning of year | 642,083 | 4,387,968 | 603,230,108 | 608,260,159 |
| Adjustment of material errors | 0 | 0 | (3,927,019) | (3,927,019) |
| **Adjusted equity, beginning of year** | **642,083** | **4,387,968** | **599,303,089** | **604,333,140** |
| Increase of capital | 902 | 0 | 15,104 | 16,006 |
| Costs related to equity transactions | 0 | 0 | (6,030) | (6,030) |
| Exchange rate adjustments | 0 | (2,865,905) | 0 | (2,865,905) |
| Profit/loss for the year | 0 | 0 | (122,392,716) | (122,392,716) |
| **Equity end of year** | **642,985** | **1,522,063** | **476,919,447** | **479,084,495** |

# Notes to parent financial statements

## 1 Other financial income

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Financial income from group enterprises | 3,844,643 | 702,386 |
| Other interest income | 13,549,670 | 1,000,358 |
| Exchange rate adjustments | 6,021,931 | 36,330,388 |
| | **23,416,244** | **38,033,132** |

The company has significant deposists in foreign currency, which has had an positive impact to exchange rate adjustments.

## 2 Other financial expenses

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Financial expenses from group enterprises | 21,196 | 687,205 |
| Other interest expenses | 1,974 | 3,814 |
| Exchange rate adjustments | 14,096,891 | 0 |
| | **14,120,061** | **691,019** |

The company has significant deposists in foreign currency, which has had an negative impact to exchange rate adjustments.

## 3 Tax on profit/loss for the year

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Current tax | 1,908,469 | 2,097,000 |
| | **1,908,469** | **2,097,000** |

## 4 Proposed distribution of profit and loss

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Retained earnings | (122,392,716) | (110,492,222) |
| | **(122,392,716)** | **(110,492,222)** |

## 5 Financial assets

| | Investments in group enterprises DKK |
|---|---:|
| Cost beginning of year | 514,718,508 |
| **Cost end of year** | **514,718,508** |
| Impairment losses beginning of year | (334,612,710) |
| Exchange rate adjustments | (2,904,609) |
| Amortisation of goodwill | (9,137,919) |
| Share of profit/loss for the year | (120,021,187) |
| Investments with negative equity value depreciated over receivables | 82,222,091 |
| Investments with negative equity value transferred to provisions | 7,463,430 |
| **Impairment losses end of year** | **(376,990,904)** |
| **Carrying amount end of year** | **137,727,604** |

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

Goodwill is at the end of 31.12.2023 DKK 0.

## 6 Tax receivable

The outstanding corporate tax receivable included in the balance sheet relates to the use of the tax credit scheme under section 8X of the Danish Tax Assessment Act, whereby the company receives payment for the tax value of losses resulting from research and development expenses. Based on the review of the criteria for using the scheme, it is management's clear understanding that the company is eligible to use the scheme, and the recognition has been made based on this assessment. There is a risk that the Danish Tax Authority may determine that the conditions for using the scheme have not been met. If so, subsequent financial years will be negatively affected by the reduction of the outstanding corporate tax receivable through "Tax for the year" in the income statement of profit or loss.

For further information, please refer to note 12 in the notes to consolidated financial statements.

## 7 Prepayments

The company's prepayments and accrued income consist of costs already paid.

## 8 Provisions for investments in group enterprises

Provisions for Investments in group enterprises consists of Parents legal or constructive obligation to cover the liabilities of the relevant enterprises.

## 9 Employees

Number of employees is 1, who are not paid in the company, which consists of the director of the company.

## 10 Contingent liabilities

The company has provided a surety bond against the subsidiary's debt to EIFO, which amounts to a total of 16,3 mio DKK

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 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

## 11 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.

# Accounting policies

## Reporting class

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

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

## Material errors in previous years

Since the presentation of the annual report for 2022, the Group and Parent has identified an error in the accounting treatment of taxable treatment relating to the tax credit scheme, and joint taxation in a subsidiary.

Group:
* Profit for 2022 has increased by DKK 3,927 thousand.
* The balance sheet total has decreased by DKK 3,927 thousand.
* Equity is affected by DKK 3,927 thousand

Parent:
* Profit for 2022 has increased by DKK 3,927 thousand.
* The balance sheet total has decreased by DKK 13,958 thousand.
* Equity is affected by DKK 3,927 thousand

The effect is recognised in 2022, and comparative figures for the financial year 2022 have been restated. The correction has therefore not had an impact on the income statement for the financial year 2023.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year with minor reclassifications

## 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. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

## 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 takeover 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 financial expenses.

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. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in 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 at 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, own work capitalized, cost of sales 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.

**Own work capitalised**
Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets.

**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.

**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.

**Staff costs**
Staff costs comprise wages and salaries, and 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.

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Balance sheet

**Intellectual property rights etc.**
Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights.

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.

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 period of amortisation 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 on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis 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. Land is not depreciated.

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, 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**
Investments in group enterprises are recognised and measured in the parent financial statements 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 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 in 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.

**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. 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.

**Tax payable or receivable**
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed 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 of bank deposits.

**Other provisions**

Other provisions comprise Group enterprises with negative equity value for which If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss.

The provision is recognised is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

**Other financial liabilities**

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

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**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, and 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 taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and 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, and the raising of loans, inception of finance leases, repayments of 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.