

SkySpecs ApS

Jyllandsgade 8, 1., 7100 Vejle

Annual report

2023

Company reg. no. 39 70 09 80

The annual report was submitted and approved by the general meeting on the 30 June 2024.

Allan Møller Larsen
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

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Management's statement

Today, the Board of Directors and the Executive Board have approved the annual report of SkySpecs ApS for the financial year 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Vejle, 30 June 2024

Executive board

Daniel Alan Ellis

Allan Møller Larsen

Thomas Kevin Brady Jr.

Board of directors

Daniel Alan Ellis
Chairman of the board

Allan Møller Larsen

Thomas Kevin Brady Jr.

The independent practitioner's report

To the Shareholders of SkySpecs ApS

Conclusion

We have performed an extended review of the financial statements of SkySpecs ApS for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under the Danish Financial Statements Act.

Based on the work performed, in our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR - Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Practitioner's responsibilities for the extended review of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Practitioner's responsibilities for the extended review of the Financial Statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures in order to obtain limited assurance for our conclusion on the financial statements and in addition perform specifically required supplementary procedures to obtain further assurance for our conclusion.

The independent practitioner's report

An extended review comprises procedures that primarily consist of making inquiries of Management and others within the Company, as appropriate, analytical procedures and the specifically required supplementary procedures as well as evaluation of the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on the financial statements.

Statement on the Management's Review

Management is responsible for the Management's Review.

Our conclusion on the financial statements does not cover the Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements, our responsibility is to read the Management's Review and, in doing so, consider whether the Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the extended review, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in the Management's Review.

Vejle, 30 June 2024

Martinsen

State Authorised Public Accountants
Company reg. no. 32 28 52 01

Jakob Bjerrum Olsen

State Authorised Public Accountant
mne46636

Company information

The company	SkySpecs ApS Jyllandsgade 8, 1. 7100 Vejle
	Company reg. no. 39 70 09 80 Established: 4 July 2018 Financial year: 1 January 2023 - 31 December 2023
Board of directors	Daniel Alan Ellis, Chairman of the board Allan Møller Larsen Thomas Kevin Brady Jr.
Executive board	Daniel Alan Ellis Allan Møller Larsen Thomas Kevin Brady Jr.
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Dandyvej 3 B 7100 Vejle
Parent company	SkySpecs Inc.

Management´s review

Description of key activities of the company

The objective of the Company is to develop software and artificial intelligence for the predictive maintenance of renewable industrial assets.

Development in activities and financial matters

The gross profit for the year totals DKK 11.006.999 against DKK 12.874.443 last year. Income or loss from ordinary activities after tax totals DKK 1.058.777 against DKK 551.490 last year.

During the preparation of the annual accounts for 2023, it has been established that the annual accounts for 2022 contained a material error, because of wrong use of tax rules. The error has been corrected in the annual accounts for 2023, and the correction has been made via the opening equity and comparative figures have been restated. The corrected error reduces the equity per 1 January 2023 by DKK 415 thousand and increases corporate tax by DKK 415 thousand.

Accounting policies

The annual report for SkySpecs ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Material errors in previous years

During the preparation of the annual accounts for 2023, it has been established that the annual accounts for 2022 contained a material error, because of wrong use of tax rules. The error has been corrected in the annual accounts for 2023, and the correction has been made via the opening equity and comparative figures have been restated. The corrected error reduces the equity per 1 January 2023 by DKK 415 thousand and increases corporate tax by DKK 415 thousand.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Income statement

Gross profit

Gross profit comprises the revenue other operating income, and other external costs.

The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

Accounting policies

Revenue comprises the value of services provided during the year, including outlay for customers less VAT and price concessions directly associated with the sale.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration and premises.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Accounting policies

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Impairment loss relating to non-current assets

The carrying amount of tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Accounting policies

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2023</u>	<u>2022</u>
Gross profit	11.006.999	12.874.443
1 Staff costs	-9.973.439	-11.361.909
Depreciation and impairment of property, land, and equipment	-126.915	-111.222
Operating profit	906.645	1.401.312
Other financial income from group enterprises	251.176	0
Other financial income	352.819	0
Other financial expenses	-120.241	-406.386
Pre-tax net profit or loss	1.390.399	994.926
Tax on net profit or loss for the year	-331.622	-443.436
Net profit or loss for the year	1.058.777	551.490
Proposed distribution of net profit:		
Transferred to retained earnings	1.058.777	551.490
Total allocations and transfers	1.058.777	551.490

Balance sheet at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2023</u>	<u>2022</u>
Non-current assets		
Other fixtures, fittings, tools and equipment	212.898	287.916
Total property, plant, and equipment	212.898	287.916
Total non-current assets	212.898	287.916
Current assets		
Receivables from group enterprises	10.162.556	7.644.734
Other receivables	113.684	187.728
Prepayments	24.450	133.399
Total receivables	10.300.690	7.965.861
Cash and cash equivalents	1.155.820	2.069.897
Total current assets	11.456.510	10.035.758
Total assets	11.669.408	10.323.674

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2023</u>	<u>2022</u>
Equity		
Contributed capital	72.000	72.000
Retained earnings	9.465.965	8.407.188
Total equity	9.537.965	8.479.188
Provisions		
Provisions for deferred tax	9.000	20.600
Total provisions	9.000	20.600
Liabilities other than provisions		
Trade payables	129.058	141.947
Income tax payable	651.896	583.964
Other payables	1.341.489	1.097.975
Total short term liabilities other than provisions	2.122.443	1.823.886
Total liabilities other than provisions	2.122.443	1.823.886
Total equity and liabilities	11.669.408	10.323.674

2 Contingencies

Notes

All amounts in DKK.

	<u>2023</u>	<u>2022</u>
1. Staff costs		
Salaries and wages	8.655.993	9.997.161
Pension costs	1.272.289	1.317.319
Other costs for social security	<u>45.157</u>	<u>47.429</u>
	<u>9.973.439</u>	<u>11.361.909</u>
Average number of employees	<u>13</u>	<u>14</u>
2. Contingencies		
Contingent liabilities		
		DKK in thousands
Rent liabilities		<u>174</u>
Total contingent liabilities		<u>174</u>