sternula

Connecting the Oceans

ANNUAL REPORT

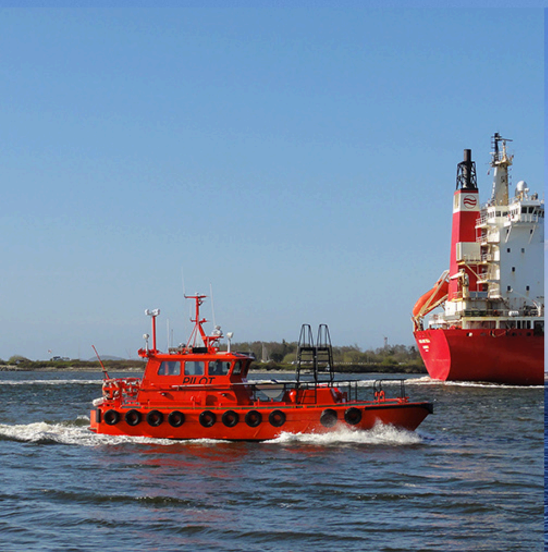
2019/20

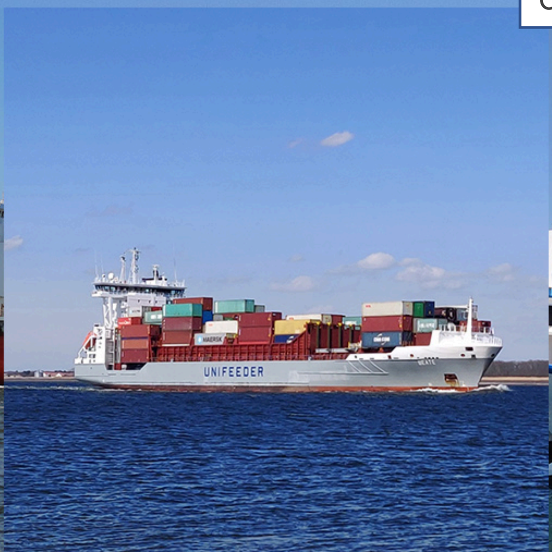
Sternula ApS
Niels Jernes Vej 10
9220 Aalborg Øst
CVR no.: 40650709

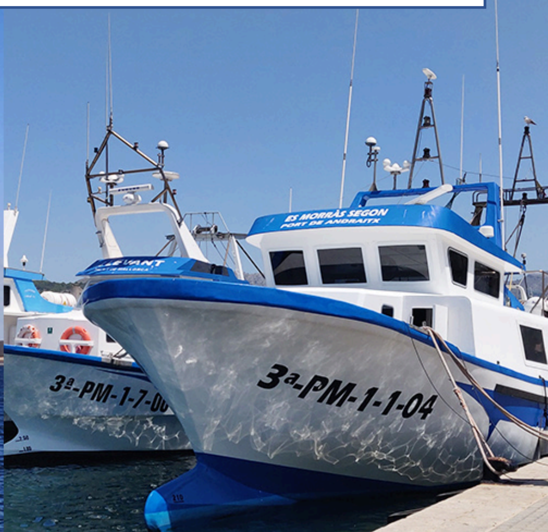
As approved on the Company's Annual General Meeting on 28 May 2021

Lars Moltsen

Chairman of the meeting







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Company details

Company	Sternula ApS, Niels Jernes Vej 10, DK-9220 Aalborg Øst
CVR no.	40 65 07 09
Established	1 July 2019
Registered Office	DK–9220 Aalborg
Financial year	1 July 2019 – 31 December 2020
Board of Directors	Morten Lindblad, chairman Stefan Werner Pielmeier Anders Harbo Thomsen
Board of Executive	Lars Moltsen Stefan Werner Pielmeier
Auditors	EY Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, DK-9000 Aalborg

Danish navy patrol vessel, P524 Nymfen, in Limfjorden near Egense, Northern Denmark

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the Financial Statement of Sternula ApS for the financial year 1 July 2019 – 31 December 2020.

The Financial Statement has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the Financial Statement give a true and fair view of the Company's financial position at 31 December 2020 and of the results of its operations and cash flows for the financial year 1 July 2019 – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Com-pany's activities and financial matters, results of operations, cash flows and financial position.

We recommend that the Annual Report be approved at the Annual General Meeting.

Aalborg, 28 May 2021
Executive Board:

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Lars Moltsen
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Lars Moltsen

DocuSigned by:
Stefan Pielmeier
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Stefan Werner Pielmeier

Board of Directors:

DocuSigned by:
Morten Lindblad
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Morten Lindblad
Chair

DocuSigned by:
Stefan Pielmeier
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Stefan Werner Pielmeier

DocuSigned by:
Anders Harbo Thomsen
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Anders Harbo Thomsen

Independent auditor's report

To the shareholders of Sternula ApS

Opinion

We have audited the financial statements of Sternula ApS for the financial year 1 July 2019 – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 July 2019 – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

Independent auditor's report

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aalborg, 28 May 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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Hans B. Vistisen
statsaut. revisor
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Management's review

Corporate Background

Sternula ApS was founded in July 2019 by Stefan Pielmeier and Lars Moltsen as the world's first commercial provider of global, satellite-based VDES connectivity to maritime authorities and industry. The vision of the founders was to exploit maturing New Space principles to build and operate a cost-effective satellite constellation offering global VDES connectivity. Moreover, based out of Denmark, a strong maritime nation controlling enormous territorial waters in a Commonwealth with the Faroe Islands and Greenland, the Company taps into a growing eco system of maritime industry needs, solutions, and technology.

Principle Activities of the Company

Sternula provides secure, global satellite-based connectivity for maritime authorities, ship owners, coast guards, and industrial services based on the VDES standard. Sternula is building a Low-Earth Orbit (LEO) satellite infrastructure, where the first satellite is scheduled to launch in 2nd half of 2022. Sternula enables the maritime authority to implement key digital services defined by IMO (e-Navigation) at a much lower cost than what can be achieved using other technologies.

The national maritime authority is obliged to implement services to facilitate effective and safe maritime commerce while enforcing regulations and protection. Such obligations are standardized under United Nations IMO conventions. An obstacle for realizing digital solutions for these obligations (e-Navigation services) is the lack of cost-effective, standardized connectivity options which integrate with critical ship equipment without opening the door to cyber attacks. The new VDES (VHF Data Exchange System) standard offers such secure connectivity. Maritime authorities globally are about to deploy VDES in coastal VHF radio networks in GMDSS area A1 (near-shore waters). Sternula offers VDES coverage via satellite in GMDSS areas A1-A4 (globally). Satellite-based VDES, also known as VDE-SAT, extends coastal VHF radio network coverage. This ensures service provisioning in all waters, and it allows the maritime authority to save costs for deployment of remote VHF coast radio stations.

In addition, VDES can be seen as a maritime internet-of-things (IoT) technology, which can be utilized for a range of commercial services within preventive maintenance of onboard critical systems (engines, boilers, etc.) as well as to connect remote aids-to-navigation and special purpose buoys e.g. for monitoring water pollution.

VDES is the next generation of the AIS technology, which is a carriage requirement under the IMO Safety-of-Life-at-Sea (SOLAS) convention. AIS is deployed today in more than 200,000 vessels. VDES adds new secure data channels, significantly more capacity, and global two-way connectivity via satellite to the AIS system. VDES works over the existing VHF antenna (no extra satellite antenna!) and an upgraded AIS terminal. VDES by design does not allow IP connections. This means that critical onboard systems, such as the ECDIS charting system, engines, and power systems, that are the target of cyber crime, espionage, and terrorism may be connected securely to shore services via VDES.

VDES is standardized by ITU, the United Nations agency for information and communication technologies. Ongoing development of the VDES standard primarily takes place under IALA Working Group 3 (e-Navigation), where Sternula currently holds the chairmanship.

Development in Activities

During its first fiscal year, Sternula grew from an ambitious business idea to a solid start-up company.

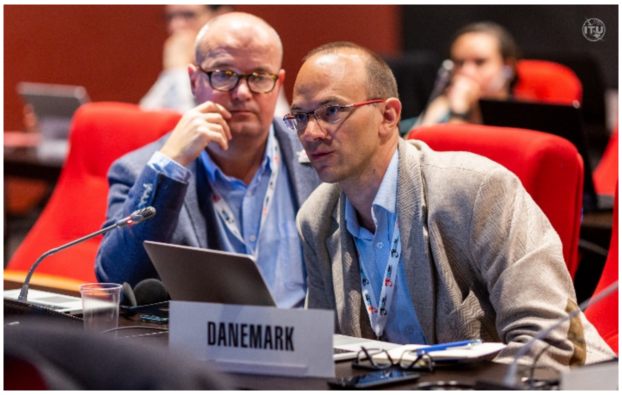
The two founders agreed from the start that Lars Moltsen would assume the role of CEO, leading the overall business development, and Stefan Pielmeier would be the CTO, focusing on technology development. The two together possess the required experience and skills to convert strategy and available technology to action.

The first critical milestone for the company was the expected allocation of radio spectrum to satellite-based VDES at the ITU Would Radio Conference in November 2019. Stefan Pielmeier went to Sharm El Sheikh, Egypt, representing Denmark on VDES discussions and promoting the aligned EU strategy on the topic, led by Norway. The telecom world agreed that, with a few exceptions, new dedicated VHF spectrum should be assigned to VDES via satellite.

Management's review

Initial activities in the company had been financed by the founders. However, following the ITU radio spectrum allocation, the company had to find additional financial resources, and the strategy was to first secure "soft money" for required R&D and later private capital for preparing commercial operations.

As a result of this strategy, Sternula was able to sign an investment agreement with Innovation Fund Denmark on the MARIOT project in January 2020 together with a strong consortium of partners consisting of GateHouse, Space Inventor, Danish Meteorological Institute, Aalborg University, and Satlab. The total budget for the project is DKK 26,7 million, where DKK 20 million is a "soft money" grant from Innovation Fund Denmark. The project was effectively started in February 2020 and will be completed by January 2023.



Stefan Pielmeier at the ITU World Radio Conference 2019

During 2020, Sternula also won a seat in two incubation programs, Maritime Stars (5 best Danish maritime start-ups selected by MARCOD/MARLOG) and ESA BIC Denmark (10 most promising space tech. start-ups selected by the Danish ESA Business Incubation Center). These activities helped strengthen our presence in the Danish maritime and space sectors.

In November, Sternula signed a loan agreement with Nordjysk Lånefond up to DKK 5 million, and in December, an investment agreement worth DKK 500 thousand was closed with SAT Invest owned by Søren Lund Thomsen and Anders Harbo Thomsen, two successful Danish business owners. These arrangements are primarily meant for allocating resources to the commercial setup, secondarily for the co-funding of R&D activities in scope of the MARIOT project.

By the end of 2020, the world's first analyst report on the emerging VDES market was released by Data Bridge Market Research making predictions for the period 2021-2028. It names Sternula is the leader in the niche of satellite-based VDES connectivity (along with other leaders in VDES ship terminals and services).

Overall, the development in activities during fiscal year 2020 was very satisfactory and in line with plans.

Financial Development

The net result of the fiscal year was negative DKK 352 thousand. The main cash contributions were share capital and premium of DKK 550 thousand and funding from Innovation Fund Denmark and ESA BIC Denmark of totally DKK 1,475 thousand. The main expenses during the year were salaries and costs of satellite components. A total of DKK 1,564 thousand is activated as intangible assets, and the resulting equity by the end of the year is DKK 198 thousand.

These numbers are according to budgets, and they demonstrate a company in pre-revenue phase where significant R&D investments are converted into assets as planned.

Events after the Balance Date

In January 2021, the founders have sold 25.7% of company shares to Nordic Data Group ApS owned by Morten Lindblad. Morten Lindblad comes with a background in economics and as a very successful entrepreneur, thereby supplementing the competencies of the management team. At the same time, a 3-member board was established with Morten Lindblad as the chairman together with Anders Harbo Thomsen and Stefan Pielmeier as its members.

In May 2021, the company signed an investment agreement with a syndicate of 21 private investors contributing DKK 6,6 million of new share capital and premium.

Management's review

Future Expectations

We believe that the VDES technology will be a significant improvement to the safety of sailors and to the operational efficiency of many parts of the maritime industry. By taking an active role in securing that the technology develops and matures, we can make a difference both to society and to the potential of our own business.

Sternula was the world's first to announce a global, commercial VDES satellite network, and the company will continue its involvement in ongoing standardization activities under IALA, ITU, and IMO. This strategy was recognized by Data Bridge Market Research in their 2021-2028 market predictions published in early 2021. Sternula was named in this first market analyst report as the expected leader of the market niche of VDES connectivity.

We expect that the first VDES-capable AIS transceivers will reach the market in the beginning of 2022. From around the same time, coastal VHF networks will be upgraded to VDES. Our planned first satellite launch in 2nd half of 2022 fits nicely with these developments. We plan to ramp up capacity such that we operate 60 active satellites by 2030, providing global near-realtime coverage. By this time, we expect that around 500,000 maritime entities are equipped with VDES terminals, leading to a total market for satellite-based VDES connectivity at around DKK 4 billion per year.

The COVID-19 pandemic has resulted in increased demands for digitalization in the maritime industry. Many types of maintenance services have traditionally been dependent on onboard physical inspections by technicians, but travel restrictions and reductions in face-to-face meetings means that service providers are looking for remote-controlled solutions. This has been recognized by IMO which is discussing when to integrate VDES in the SOLAS and GMDSS standards.

We plan to execute our business plan and satellite constellation expansions through financing secured by a series of capital increases over the coming years. During the next two years, this shall happen as an unlisted company. The current expectation is to complete a stock market listing on the Nasdaq First North Denmark market in 2023.

The Sternula team during 2020: Patricia Broda, Lars Moltsen, and Stefan Pielmeier

Financial statements 1 July 2019 – 31 December 2020

Income statement

Note	t.DKK	2019/20 (18 months)
	Other external costs	-193
	Gross profit	-193
2	Staff costs	-279
3	Depreciation	-47
	Profit/loss before net financials	-519
4	Financial expenses	-64
	Profit/loss before tax	-583
5	Tax for the year	231
	Profit/loss for the year	-352

Allocation of profit/(loss) for the year

Note	t.DKK	2019/20
	Retained earnings	-1,572
	Reserve for development costs	1,220
		-352

Statement of comprehensive income

Note	t.DKK	2019/20
	Net result	-352
	Other comprehensive income	0
	Total comprehensive income	-352

Financial statements 1 July 2019 – 31 December 2020

Balance sheet

Note	t.DKK	2020
	ASSETS	
	Non-current assets	
6	Intangible assets	1,564
7	Lease assets	189
8	Deposits	41
	Total non-current assets	1,794
	Current assets	
	Other receivables	169
	Prepayments and accrued income	52
9	Tax receivable	251
	Total current assets	472
	TOTAL ASSETS	2,266
	EQUITY AND LIABILITIES	
	Equity	
10	Share capital	53
	Reserve for development costs	1,220
	Retained earnings	-1,075
	Total equity	198
	Non-current liabilities	
7	Lease liabilities	125
	Other payables	25
	Total non-current liabilities	150
	Current liabilities	
11	Deferred tax	20
12	Bank debt	127
7	Lease liabilities	64
12	Shareholders debt	52
	Trade payables	10
	Other payables	170
	Deferred income	1,475
	Total current liabilities	1,918
	TOTAL EQUITY AND LIABILITIES	2,266

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14 Collateral
15 Financial risks
16 Related parties
17 New Accounting standards

Financial statements 1 July 2019 – 31 December 2020

Statement of changes in equity

Note	t.DKK	Share capital	Retained earnings	Reserve for development costs	Total
	Equity at 1 July 2019	50	0	0	50
	Capital injection	3	497	0	500
	Transferred distribution of profit/loss	0	-1,572	1,220	-352
	Other comprehensive income	0	0	0	0
	Equity at 31 December 2020	53	-1,075	1,220	198

In December 2020 the company made a capital injection based on an investment agreement with an investor. The capital injection amounts to DKK 2.5 thousand with premium of 20,000 corresponding to a total capital injection of DKK 500 thousand.

Financial statements 1 July 2019 – 31 December 2020

Cash flow statement

Note	t.DKK	2019/20
	Profit/loss before net financials	-519
	Depreciation and amortisation	47
		-472
	Cash generated from operations before changes in working capital	-472
	Changes in working capital	1,418
	Cash generated from operations	946
	Interest paid	-64
	Cash flows from operating activities	882
	Acquisition of intangible assets	-1,564
	Cash flows from investing activities	-1,564
	Loan financing:	
	Increase of debt to shareholder	52
	Increase of bank debt	127
	Lease payments	-47
	Shareholders:	
	Capital injection	550
	Cash flows from financing activities	682
	Cash beginning of the year	0
	Cash flows for the year	0
	Cash and cash equivalents, year end	0

Financial statements 1 July 2019 – 31 December 2020

Notes

1 Accounting policies

Sternula ApS is a public limited company registered in Denmark. The financial statements section of the annual report for the period 1 July 2019 – 31 December 2020 comprises the financial statements of Sternula ApS.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The financial statement is the company's first annual report, which is why it does not include comparative figures.

Basis for preparation

The financial statements are presented in DKK which is the functional currency of the Sternula ApS.

Going concern statement

In connection with the financial reporting, the Board of Directors, and the Executive Board have assessed whether presentation of the annual report under the going concern assumption is well-founded. The Board of Directors and the Executive Board have concluded that no such factors exist at the balance sheet date that may cast doubt on the Company's ability to continue as a going concern at least until the next balance sheet date. The conclusion is based on knowledge of the Company, the outlook and the uncertainties and risks identified in this respect as well as an examination of budgets, including the expected developments in liquidity, capital base, etc., existing credit facilities, including contractual and expected maturity periods as well as other terms and conditions. Thus, it is considered appropriate, reasonable and well-founded to base the financial reporting on the going concern assumption.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Implementation of new or amended standards and interpretations

Sternula has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 July 2019 – 31 December 2020.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to sale, advertising, administration, premises etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements 1 July 2019 – 31 December 2020

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expenses, exchange gains and losses on transactions denominated in foreign currencies. Furthermore surcharges and allowances under the on-account tax scheme.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

Balance sheet

Intangible assets

Other intangible assets include development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

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

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Leases

Leased assets and lease commitments are recognised in the balance sheet when the leased asset under a lease entered into regarding a specific identifiable asset is made available to the Company in the lease term, and when the Company obtains the right to almost all economic benefits from the use of the identified asset and the right to control the use of the identified asset.

On initial recognition, lease commitments are measured at the present value of the future lease payments discounted by an incremental borrowing rate (5%). The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the lease asset in a similar economic environment. The Company estimates the IBR using observable inputs.

The lease commitment is measured at amortised cost according to the effective interest method. The lease commitment is recalculated when the underlying contractual cash flows change due to changes in an index or an interest rate if the Company's estimate of a residual value guarantee changes or if the Company changes its assessment of whether call options, extension options or termination options can reasonably be expected to be exercised.

Financial statements 1 July 2019 – 31 December 2020

Notes

1 Accounting policies (continued)

On initial recognition, the leased asset is measured at cost, corresponding to the value of the lease commitment adjusted for prepaid lease payments plus directly related costs and estimated costs for demolition, repairs or the like and less discounts or other types of incentive payments received from the lessor. Leased assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant & Machinery 2 - 3 years

The Company has chosen not to recognise leased assets of a low value and short-term leases in the balance sheet. Instead, related lease payments are recognised on a straight-line basis in the income statement.

Impairment of fixed assets

Development projects in progress are subject to an annual impairment test.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognized at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 July 2019 – 31 December 2020

Notes

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises government grants and payments received concerning income in subsequent financial reporting years.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are subject to only minor risks of changes in value.

Financial statements 1 July 2019 – 31 December 2020

Notes

	t.DKK	2019/20 (18 months)
2	**Staff costs**	
	Wages and salaries	965
	Other social security costs	7
		972
	Wages and salaries capitalised as development projects	-693
		279
	Average number of full-time employees	1
3	**Depreciation**	
	Leasing assets	-47
4	**Financial expenses**	
	Other financial expenses	-59
	Leasing expenses	-5
		-64
5	**Tax for the year**	
	Current tax for the year	251
	Deferred tax adjustment for the year	-20
		231
	Tax for the year can be specified as follows:	
	Estimated 22 % tax on the profit/loss before tax	128
	Tax effect of:	
	Other tax adjustments	103
		231
	Effective tax rate	40%

Financial statements 1 July 2019 – 31 December 2020

Notes

6 Intangible assets

t.DKK	Development projects in progress
Cost at 1 July 2019	0
Additions	1,564
Cost at 31 December 2020	1,564
Amortisation and impairment losses at 1 July 2019	0
Amortisation	0
Amortisation and impairment losses at 31 December 2020	0
Carrying amount at 31 December 2020	1,564

Completed development projects

Since this financial statement regards the first financial year of the Company, there is not any completed development projects yet.

Development projects in progress

Development projects in progress regards the MARIOT project at 31 December 2020. The relating expenses primarily consists of wages, salaries and other costs which directly or indirectly can be related to the Company's development activities and which fulfil the criteria for recognition.

The MARIOT project is expected to be complete in 2023.

Capitalised development costs are measured at the lower of cost or recoverable amount. Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Impairment testing of development projects in process

Management has high expectations for the future sales of the systems and has not identified an indication of impairment in relation to the carrying amount.

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7 Leases

t.DKK	2020
Cost at 1 July 2019	0
Additions	236
Cost at 31 December 2020	236
Amortisation and impairment losses at 1 July 2019	0
Amortisation	-47
Amortisation and impairment losses at 31 December 2020	-47
Carrying amount at 31 December 2020	189

Leasing liabilities

When measuring the leasing liability, the Company has used an average alternative borrowing rate to discount future leasing payments of 5%.

Maturity Analysis

t.DKK	2020
Under 1 year	124
Between 1-3 years	62
Between 3-5 years	0
Total non-discounted leasing debt at 31 December 2021	186
Short Term Leasing debt	125
Long Term Leasing debt	64

Leasing in profit and loss

t.DKK	2019/20
Interests related to leasing	5
Expenses related to low value leasing:	
Assets	33

For 2019/20, the Company has paid DKK 85 thousand relating to leasing contracts of which interest payments related to recognized leasing liabilities amount to DKK 5 thousand, and installments on recognized leasing debt amount to DKK 47 thousand.

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8 Deposits

Deposits consist of a deposit of DKK 41 thousand regarding a rental contract.

9 Tax receivables

	t.DKK
Tax receivables at 1 July 2019	0
Current tax for the year	251
Tax receivables at 31 December 2020	251

A part of the tax loss for the year is caused by development costs. According to the Danish tax legislation the tax value (22%) of development costs can be paid out subsequent to the filing of the taxable income for the year. Accordingly, the tax loss carried forward is reduced to zero.

10 Share capital

	t.DKK
Opening balance	50
Capital increase	3
Share capital at 31 December 2020	53

11 Deferred tax

	t.DKK
Deferred tax at 1 July 2019	0
Deferred tax adjustment for the year	20
Deferred tax at 31 December 2020	20

Deferred tax relates to:

Intangible assets	344
Deferred income	-324
	20

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12 Interest-bearing debt

The Entity has taken out the following loans:

Loan	Maturity	Fixed/ floating rate	Effective interest rate 2019/20	Carrying amount 2020
			%	DKK'000
Bank debt DKK (SPN)	2021	Fixed	**4,95**	**116**
Shareholder debt	2021	Fixed	**10,0**	**52**
				168

The liabilities can be specified as follows:

t.DKK	2020
Bank debt	
0-1 years	116
1-5 years	0
	116
Shareholder debt	
0-1 years	52
1-5 years	0
	52
Total liabilities other than provisions	168

The liabilities are recognised in the balance sheet as follows:

Non-current liabilities other than provisions	0
Current liabilities other than provisions	168
	168
Fair value	168

13 Changes in liabilities arising from financing activities

DKK	1 July 2019	Cash flow	Non-cash changes	31 December 2020
Lease liability	0	-47	236	189
Bank debt	0	127	0	127
Shareholder debt	0	52	0	52
Total liabilities from financing activities	0	132	236	368

14 Collateral

The Company has not provided any security pledges on 31 December 2020.

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15 Financial risks

General risk management

The Company does not actively engage in speculation of financial risks.

Credit risks

Credit risk is the risk that a counterparty will not meet its obligations. Its financing activities include deposits with banks and financial institutions. Maximum exposure corresponds to the carrying amount.

The Company assesses the risks of losses on an ongoing basis and, if necessary, write-downs are made according to the Company's policies.

Foreign exchange risks

The Company's expenses are mainly incurred in DKK. There is no foreign currency hedging regarding transactions in foreign currency.

Interest rate risk

The Company's loans are carried at fixed interest rates. A change in the interest level will have a limited effect on the result or equity.

Liquidity risks

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Company's budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Company manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

The Company's long-term financing consists of subsidies regarding the MARIOT project and will be complemented by capital increases and an expected listing on Nasdaq First North in 2023.

16 Related parties

Related parties comprise the Board of Directors and management team. Furthermore, related parties comprise companies in which the above-mentioned persons have significant interests.

There has been no related parties transactions besides wages, salaries and smaller loans and credits to Board of Directors and management team.

17 New accounting standards

The Company intends to adopt the new and amended standards and interpretations, if applicable, when it become effective. No significant impact on financial statements are expected from the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Entity's financial statements.