PKF Munkebo Vindelev
Statsautoriseret Revisionsaktieselskab

Accountants &
business advisers

PUFin ID A/S

Fruebjergvej 3, 2100 København Ø

Company reg. no. 40 91 13 32

Annual report

1 September 2020 - 31 August 2021

The annual report was submitted and approved by the general meeting on the 27 January 2022.

Thomas Just Sørensen
Chairman of the meeting

Contents

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 %.

Management's report

Today, the board of directors and the executive board have presented the annual report of PUFin ID A/S for the financial year 1 September 2020 - 31 August 2021.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company’s assets, equity and liabilities, and financial position at 31 August 2021 and of the company’s results of activities in the financial year 1 September 2020 – 31 August 2021.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

København Ø, 27 January 2022

Executive board

Brady Anderson Line Klit Olsen

Board of directors

Stig Myken Brady Anderson Thomas Just Sørensen

Independent auditor's report

To the shareholders of PUFin ID A/S

Opinion

We have audited the financial statements of PUFin ID A/S for the financial year 1 September 2020 - 31 August 2021, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 August 2021 and of the results of the company's activities for the financial year 1 September 2020 - 31 August 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

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

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Glostrup, 27 January 2022

PKF Munkebo Vindelev
State Authorised Public Accountants
Company reg. no. 14 11 92 99

Kasper Vindelev
State Authorised Public Accountant
mne29389

Company information

The company	PUFin ID A/S Fruebjergvej 3 2100 København Ø	
	Company reg. no.	40 91 13 32
	Established:	1 November 2019
	Domicile:	Copenhagen
	Financial year:	1 September 2020 - 31 August 2021 2nd financial year
Board of directors	Stig Myken Brady Anderson Thomas Just Sørensen	
Executive board	Brady Anderson Line Klit Olsen	
Auditors	PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab Hovedvejen 56 2600 Glostrup	
Bankers	Danske Bank, Holmens Kanal 2-12, 1092 København K	

Financial highlights

DKK in thousands.	2020/21	2019/20
Income statement:		
Gross profit	-1.931	-540
Profit from operating activities	-7.352	-1.696
Net financials	-353	-83
Net profit or loss for the year	-6.966	-1.461
Statement of financial position:		
Balance sheet total	5.953	9.547
Investments in property, plant and equipment	1.656	86
Equity	-5.186	1.779
Employees:		
Average number of full-time employees	5	2

The financial highlights for 2019/20 solely comprise the period 1 November 2019 - 31 august 2020.

Management commentary

The principal activities of the company

The object of the company is to develop and commercialise technologies based on optical authentication of random patterns.

Development in activities and financial matters

The gross loss for the year totals DKK -1.931.000 against DKK -540.000 last year. Income or loss from ordinary activities after tax totals DKK -6.966.000 against DKK -1.461.000 last year. Management considers the net profit or loss for the year satisfactory.

The company has lost more than half of the equity. The management anticipates that the equity can be restored through a combination of capital increase and future earnings.

Events occurring after the end of the financial year

No events have occurred to the balance sheet date which would have material impact on the financial position of the company.

Accounting policies

The annual report for PUFin ID A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

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

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, writedowns 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.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

Gross loss

Gross loss comprises the revenue, research and development costs and other external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for sales, premises and administration.

Staff costs

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

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown 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.

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 writedown 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.

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.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Property, plant, and equipment in progress

Property, plant, and equipment in progress are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Impairment loss relating to non-current assets

The carrying amount of both intangible and 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. Writedown 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. Impairment relating to goodwill is not reversed.

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables and direct wages. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

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.

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 and accrued income

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

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank.

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.

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Liabilities other than provisions

Liabilities concerning payables to suppliers and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement

All amounts in DKK.

Note		1/9 2020 - 31/8 2021	1/11 2019 - 31/8 2020
	Gross loss	**-1.931.206**	**-540.452**
1	Staff costs	-4.911.501	-1.146.142
	Depreciation and impairment of property, land, and equipment	-45.968	-8.983
	Impairment of current assets exceeding usual impairment	-463.384	0
	Profit before net financials	**-7.352.059**	**-1.695.577**
	Other financial costs	-353.020	-82.788
	Pre-tax net profit or loss	**-7.705.079**	**-1.778.365**
2	Tax on net profit or loss for the year	739.390	317.689
	Net profit or loss for the year	**-6.965.689**	**-1.460.676**
	Proposed appropriation of net profit:		
	Allocated from retained earnings	-6.965.689	-1.460.676
	Total allocations and transfers	**-6.965.689**	**-1.460.676**

Statement of financial position at 31 August

All amounts in DKK.

Note	Assets	2021	2020
	Non-current assets		
3	Other fixtures and fittings, tools and equipment	108.807	76.698
4	Property, plant, and equipment under construction including pre-payments for property, plant, and equipment	1.577.728	0
	Total property, plant, and equipment	1.686.535	76.698
5	Deposits	65.727	5.205
	Total investments	65.727	5.205
	Total non-current assets	**1.752.262**	**81.903**
	Current assets		
	Work in progress	0	0
	Total inventories	0	0
	Trade receivables	312.500	0
6	Income tax receivables	1.062.467	317.689
	Other receivables	407.531	81.283
	Prepayments and accrued income	21.228	23.198
	Total receivables	1.803.726	422.170
	Cash on hand and demand deposits	2.396.976	9.042.649
	Total current assets	**4.200.702**	**9.464.819**
	Total assets	**5.952.964**	**9.546.722**

Statement of financial position at 31 August

All amounts in DKK.

Equity and liabilities

Note		2021	2020
	Equity		
	Contributed capital	671.395	671.395
	Retained earnings	-5.857.760	1.107.929
	Total equity	**-5.186.365**	**1.779.324**
	Provisions		
	Other provisions	2.210.635	0
	Total provisions	**2.210.635**	**0**
	Liabilities other than provisions		
	Other payables	7.590.964	7.258.212
7	Total long term liabilities other than provisions	7.590.964	7.258.212
	Trade payables	674.003	160.409
	Payables to associates	1.244	1.244
	Other payables	662.483	347.533
	Total short term liabilities other than provisions	1.337.730	509.186
	Total liabilities other than provisions	**8.928.694**	**7.767.398**
	Total equity and liabilities	**5.952.964**	**9.546.722**

8 **Contingencies**

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium	Retained earnings	Total
Equity 1 November 2019	40.000	0	0	40.000
Cash capital increase	192.177	3.007.823	0	3.200.000
Retained earnings for the year	0	0	-1.460.676	-1.460.676
Transferred from share premium	0	-3.007.823	3.007.823	0
Transferred from retained earnings	439.218	0	-439.218	0
Equity 1 September 2020	671.395	0	1.107.929	1.779.324
Retained earnings for the year	0	0	-6.965.689	-6.965.689
	671.395	**0**	**-5.857.760**	**-5.186.365**

Notes

All amounts in DKK.

		1/9 2020 - 31/8 2021	1/11 2019 - 31/8 2020
1.	**Staff costs**		
	Salaries and wages	4.710.038	1.101.918
	Pension costs	174.513	37.779
	Other costs for social security	26.950	6.445
		4.911.501	**1.146.142**
	Average number of employees	5	2
2.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	-789.960	-317.689
	Adjustment of tax for previous years	50.570	0
		-739.390	**-317.689**

		31/8 2021	31/8 2020
3.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 September 2020	85.681	0
	Additions during the year	78.077	85.681
	Cost 31 August 2021	**163.758**	**85.681**
	Amortisation and writedown 1 September 2020	-8.983	0
	Amortisation and depreciation for the year	-45.968	-8.983
	Amortisation and writedown 31 August 2021	**-54.951**	**-8.983**
	Carrying amount, 31 August 2021	**108.807**	**76.698**
4.	**Property, plant, and equipment under construction including pre-payments for property, plant, and equipment**		
	Additions during the year	1.577.728	0
	Cost 31 August 2021	**1.577.728**	**0**
	Carrying amount, 31 August 2021	**1.577.728**	**0**

Notes

All amounts in DKK.

		31/8 2021	31/8 2020
5.	**Deposits**		
	Cost 1 September 2020	5.205	0
	Additions during the year	90.086	5.205
	Disposals during the year	-29.564	0
	Cost 31 August 2021	**65.727**	**5.205**
	Carrying amount, 31 August 2021	**65.727**	**5.205**
6.	**Income tax receivables**		
	Income tax receivables 1 September 2020	317.689	0
	Adjustment of tax paid in previous years	-45.182	0
	Income tax receivables concerning previous years	272.507	0
	Income tax calculated for the current year	789.960	317.689
		1.062.467	**317.689**

7. Liabilities other than provision

	Total payables 31 Aug 2021	Current portion of long term payables	Long term payables 31 Aug 2021	Outstanding payables after 5 years
Other payables	7.590.964	0	7.590.964	0
	7.590.964	**0**	**7.590.964**	**0**

8. Contingencies

Contingent assets

The company has not recognized a deferred tax of t.DKK 1.729 due to uncertainty regarding future usage.

Contingent liabilities

Royalty liabilities

The company has entered into a license agreement with Københavns Universitet with the following royalty payments; 100.000 DKK in FY 2021/22 and 250.000 DKK in FY 2022/23.