

PUFin ID A/S

Fruebjergvej 3, 2100 København Ø

Company reg. no. 40 91 13 32

Annual report

1 November 2019 - 31 August 2020

The annual report was submitted and approved by the general meeting on the 29 December 2020.

Brady Anderson
Chairman of the meeting

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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 managing director have presented the annual report of PUFin ID A/S for the financial year 1 November 2019 - 31 August 2020.

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 2020 and of the company's results of activities in the financial year 1 November 2019 – 31 August 2020.

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, 29 December 2020

Managing Director

Brady Anderson

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 November 2019 - 31 August 2020, which comprise accounting policies, income statement, statement of financial position 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 2020 and of the results of the company's activities for the financial year 1 November 2019 - 31 August 2020 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 international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 29 December 2020

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 November 2019 - 31 August 2020
1st financial year

Board of directors

Stig Myken
Brady Anderson
Thomas Just Sørensen

Managing Director

Brady Anderson

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.

2019/20**Income statement:**

Gross profit	-540
Profit from ordinary operating activities	-1.696
Net financials	-83
Net profit or loss for the year	-1.461

Statement of financial position:

Balance sheet total	9.547
Investments in property, plant and equipment	86
Equity	1.779

Employees:

Average number of full-time employees	2
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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 -540.000. Income or loss from ordinary activities after tax totals DKK -1.461.000. Management considers the net profit or loss for the year satisfactory.

Events occurring after the end of the financial year

No events have occurred subsequent 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 annual report is presented in DKK. The annual report comprises the first financial year and hence comparative figures are not available.

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 transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

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.

Accounting policies

Income statement

Gross loss

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

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 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 comprise interest. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

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.

Accounting policies

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 when the useful lives of each individual components differ.

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 a cost of less than t.DKK 14 per unit 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.

Investments

Deposits

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

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

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.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium. The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Accounting policies

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.

Income statement

All amounts in DKK.

<u>Note</u>	1/11 2019 - 31/8 2020
Gross loss	-540.452
1 Staff costs	-1.146.142
Depreciation and impairment of equipment	-8.983
Operating profit	-1.695.577
Other financial costs	-82.788
Pre-tax net profit or loss	-1.778.365
2 Tax on net profit or loss for the year	317.689
Net profit or loss for the year	-1.460.676
Proposed appropriation of net profit:	
Allocated from retained earnings	-1.460.676
Total allocations and transfers	-1.460.676

Statement of financial position

All amounts in DKK.

<u>Note</u>	<u>31/8 2020</u>
Assets	
Non-current assets	
3 Other fixtures and fittings, tools and equipment	76.698
Total fixtures and fittings, tools and equipment	<u>76.698</u>
4 Deposits	5.205
Total investments	<u>5.205</u>
Total non-current assets	<u>81.903</u>
Current assets	
5 Income tax receivables	317.689
Other receivables	81.283
Prepayments and accrued income	<u>23.198</u>
Total receivables	<u>422.170</u>
Cash on hand and demand deposits	<u>9.042.649</u>
Total current assets	<u>9.464.819</u>
Total assets	<u>9.546.722</u>

Statement of financial position

All amounts in DKK.

<u>Note</u>	<u>31/8 2020</u>
Equity and liabilities	
Equity	
6 Contributed capital	671.395
7 Share premium	0
8 Retained earnings	1.107.929
Total equity	<u>1.779.324</u>
Liabilities other than provisions	
Other payables	<u>7.258.212</u>
9 Total long term liabilities other than provision	<u>7.258.212</u>
Trade payables	160.409
Payables to associates	1.244
Other payables	<u>347.533</u>
Total short term liabilities other than provisions	<u>509.186</u>
Total liabilities other than provisions	<u>7.767.398</u>
Total equity and liabilities	<u>9.546.722</u>

10 Contingencies

Notes

All amounts in DKK.

	1/11 2019 - 31/8 2020
1. Staff costs	
Salaries and wages	1.101.918
Pension costs	37.779
Other costs for social security	6.445
	<u>1.146.142</u>
Average number of employees	<u>2</u>
2. Tax on net profit or loss for the year	
Tax of the results for the year	-317.689
	<u>-317.689</u>
	<u>31/8 2020</u>
3. Other fixtures and fittings, tools and equipment	
Cost 1 November 2019	0
Additions during the year	85.681
Cost 31 August 2020	<u>85.681</u>
Amortisation and writedown 1 November 2019	0
Depreciation for the year	-8.983
Amortisation and writedown 31 August 2020	<u>-8.983</u>
Carrying amount, 31 August 2020	<u>76.698</u>
4. Deposits	
Cost 1 November 2019	0
Additions during the year	5.205
Cost 31 August 2020	<u>5.205</u>
Carrying amount, 31 August 2020	<u>5.205</u>

Notes

All amounts in DKK.

	<u>31/8 2020</u>
5. Income tax receivables	
Income tax receivables 1 November 2019	0
Calculated corporate tax for the present year	<u>317.689</u>
	<u>317.689</u>
6. Contributed capital	
Contributed capital 1 November 2019	40.000
Cash capital increase	192.177
Transferred from retained earnings	<u>439.218</u>
	<u>671.395</u>
7. Share premium	
Share premium 1 November 2019	0
Share premium account for the year	3.007.823
Transferred to results brought forward	<u>-3.007.823</u>
	<u>0</u>
8. Retained earnings	
Retained earnings 1 November 2019	0
Transferred to contributed capital	-439.218
Profit or loss for the year brought forward	-1.460.676
Transferred from share premium account	<u>3.007.823</u>
	<u>1.107.929</u>

Notes

All amounts in DKK.

9. Liabilities other than provision

	Total payables 31 Aug 2020	Current portion of long term payables	Long term payables 31 Aug 2020	Outstanding payables after 5 years
Other payables	7.258.212	0	7.258.212	0
	7.258.212	0	7.258.212	0

10. Contingencies

Contingent assets

The company has not recognized a deferred tax of t.DKK 169 dues 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; 50,000 DKK in FY 2020/21, 100,000 DKK in FY 2021/22 and 250,000 DKK from FY 2022/23.