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Kvantify ApS

Rosenvænget Allé 11 1., 2100 København Ø

Company reg. no. 42 95 80 93

Annual report

1 January - 31 December 2023

The annual report was submitted and approved by the general meeting on the 13 May 2024.

Hans Henrik Hernesniemi Knudsen
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 statement

Today, the Board of Directors and the Managing Director have approved the annual report of Kvantify ApS for the financial year 1 January - 31 December 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.

København Ø, 13 May 2024

Managing Director

Hans Henrik Hernesniemi Knudsen

Board of directors

Hans Henrik Hernesniemi Knudsen	Clive William Eley	Nikolaj Thomas Zinner
Allan Grønlund		

The independent practitioner’s report

To the Shareholders of Kvantify ApS

Conclusion

We have performed an extended review of the financial statements of Kvantify ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies. 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.

Aarhus, 13 May 2024

Grant Thornton
Certified Public Accountants
Company reg. no. 34 20 99 36

Brian Christensen
State Authorised Public Accountant
mne35438

Company information

The company	Kvantify ApS Rosenvænget Allé 11 1. 2100 København Ø
	Company reg. no. 42 95 80 93 Established: 7 January 2022 Financial year: 1 January - 31 December
Board of directors	Hans Henrik Hernesniemi Knudsen Clive William Eley Nikolaj Thomas Zinner Allan Grønlund
Managing Director	Hans Henrik Hernesniemi Knudsen
Auditors	Grant Thornton, Godkendt Revisionspartnerselskab Agerøvej 31A, 2. sal 8381 Tilst
Subsidiary	Kvantify Ltd., London

Management´s review

Description of key activities of the company

The company's purpose is to develop knowledge about the practical use of quantum computers and software that utilizes quantum computers for relevant industries, as well as related business at the management's discretion.

Development in activities and financial matters

Net loss for the year totals T.DKK -11.443 against T.DKK -7.453 last year. Management considers the net loss for the year as expected.

In 2023, the focus was primarily on product development and customer-specific projects. The company's primary income is expected to come from grants as well as project income, but will increasingly be supplemented with product sales.

The company is currently testing products in collaboration with customers while other products are expected to be ready for customer testing in mid-2024.

The company's liquidity and capital availability in 2024 will consist of already existing capital, new capital as well as already approved grants from various actors.

As a start-up that continues to invest in future growth, the company will increase its capital in 2024 through new investors as well as further investments from current investors. The company is engaging with potential new investors to secure additional capital. It is expected that the existing promissory notes will be converted into equity.

Events occurring after the end of the financial year

From the balance sheet date until today, no circumstances have arisen that upset the assesment of the annual report.

Income statement

All amounts in DKK.

Note		1/1 - 31/12 2023	7/1 - 31/12 2022
	Gross profit	**-1.586.514**	**-2.581.228**
2	Staff costs	-12.786.563	-6.372.445
	Depreciation and impairment of property, land, and equipment	-212.150	-101.273
	Operating profit	**-14.585.227**	**-9.054.946**
	Other financial income from group enterprises	6.975	0
	Other financial income	594	383
	Other financial expenses	-700.095	-10.723
	Pre-tax net profit or loss	**-15.277.753**	**-9.065.286**
	Tax on net profit or loss for the year	3.834.987	1.612.309
	Net profit or loss for the year	**-11.442.766**	**-7.452.977**
	Proposed distribution of net profit:		
	Allocated from retained earnings	-11.442.766	-7.452.977
	Total allocations and transfers	**-11.442.766**	**-7.452.977**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2023	2022
	Non-current assets		
	Other fixtures, fittings, tools and equipment	472.878	608.555
	Total property, plant, and equipment	472.878	608.555
	Investments in group enterprises	0	0
	Deposits	342.211	293.859
	Total investments	342.211	293.859
	Total non-current assets	**815.089**	**902.414**
	Current assets		
	Trade receivables	2.478.000	285.012
	Receivables from group enterprises	1.289.722	0
	Income tax receivables	3.834.987	1.612.309
	Other receivables	43.914	283.539
	Prepayments	239.919	0
	Total receivables	7.886.542	2.180.860
	Cash and cash equivalents	9.590.513	5.094.802
	Total current assets	**17.477.055**	**7.275.662**
	Total assets	**18.292.144**	**8.178.076**

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities

Note		2023	2022
	Equity		
	Contributed capital	85.143	85.143
	Retained earnings	-4.360.886	7.081.880
	Total equity	**-4.275.743**	**7.167.023**
	Liabilities other than provisions		
	Other payables	12.526.123	0
	Payables to shareholders and management	5.916.616	0
3	Total long term liabilities other than provisions	18.442.739	0
	Trade payables	2.269.556	125.963
	Other payables	1.855.592	885.090
	Total short term liabilities other than provisions	4.125.148	1.011.053
	Total liabilities other than provisions	**22.567.887**	**1.011.053**
	Total equity and liabilities	**18.292.144**	**8.178.076**

1 Liquidity and capital availability

4 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2023	85.143	7.081.880	7.167.023
Retained earnings for the year	0	-11.442.766	-11.442.766
	85.143	**-4.360.886**	**-4.275.743**

Notes

All amounts in DKK.

1. Liquidity and capital availability

In 2023, the focus was primarily on product development and customer-specific projects. The company's primary income is expected to come from grants as well as project income, but will increasingly be supplemented with product sales.

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The company's liquidity and capital availability in 2024 will consist of already existing capital, new capital as well as already approved grants from various actors.

As a start-up that continues to invest in future growth, the company will increase its capital in 2024 through new investors as well as further investments from current investors. The company is engaging with potential new investors to secure additional capital. It is expected that the existing promissory notes will be converted into equity.

		1/1 - 31/12 2023	7/1 - 31/12 2022
2.	**Staff costs**		
	Salaries and wages	11.167.636	5.709.630
	Pension costs	1.389.413	591.573
	Other costs for social security	229.514	71.242
		12.786.563	**6.372.445**
	Average number of employees	31	12

Notes

All amounts in DKK.

3. Long term labilities other than provisions

	Total payables 31 Dec 2023	Current portion of long term payables	Long term payables 31 Dec 2023	Outstanding payables after 5 years
Other payables	12.526.123	0	12.526.123	0
Payables to shareholders and management	5.916.616	0	5.916.616	0
	18.442.739	**0**	**18.442.739**	**0**

The debt obligations consist of convertible promissory notes.

4. Contingencies

Contingent liabilities

Rent obligations:

The company has entered into tenancy agreements with a notice of termination of 6 months. The annual rent constitutes T.DKK. 1.200.

Accounting policies

The annual report for Kvantify ApS 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.

The annual report last year covered the period from January 7th to December 31st, 2022, which is why the comparative figures are not directly comparable.

Income statement

Gross loss

Gross loss comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

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

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

Revenue is recognised in the income statement on the completion of sales. This is generally considered to be the case when:

- The service has been provided before the end of the financial year
- A binding sales agreement exists
- The sales price has been determined
- Payment has been received, or is anticipated with a reasonable degree of certainty.

This ensures that recognition does not take place until the total income and costs and stage of completion at the reporting date can be reliably validated and it seems probable that the economic benefits, including payments, will flow to the enterprise.

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

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

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

Accounting policies

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 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, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

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.

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.

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.

Investments

Investments in group enterprises

Investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Accounting policies

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises but are not represented in the parent, the following accounting policies have been applied.

Investments in group enterprises with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

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

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.

Accounting policies

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

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

Cash and cash equivalents

Cash and cash equivalents 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.

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.