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Berlitz Language Services Scandinavia A/S

Borgergade 28, 3., 1300 Copenhagen

Company reg. no. 81 97 95 10

Annual report

1 January - 31 December 2023

The annual report was submitted and approved by the general meeting on the 16 July 2024.

Lorenzo Torquati
Chairman of the meeting

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

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Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Berlitz Language Services Scandinavia A/S 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.

Copenhagen, 16 July 2024

Managing Director

Lorenzo Torquati

Board of directors

Kim Berger Christensen Chairman	Michela Locarno	Lorenzo Torquati

Independent auditor's report

To the Shareholder of Berlitz Language Services Scandinavia A/S

Opinion

We have audited the financial statements of Berlitz Language Services Scandinavia A/S for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under 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 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 audit in accordance with International Standards on Auditing (ISAs) and the 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 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. It is a material condition for the company's ability to continue as a going concern that the company can realize the expected growth in revenue and profits for the coming years in accordance with management expectations. To ensure the necessary liquidity to finance the planned activities for 2024, the parent company, Northsun Education Group S.R.L., has issued a letter of support for the financial year 2024. Our opinion is not modified in respect of this matter.

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.

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 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 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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.

Statement on Management’s Review

Management is responsible for Management’s Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management’s Review and, in doing so, consider whether 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 Management’s Review provides the information required under the Danish Financial Statements Act.

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

Copenhagen V, 16 July 2024

RSM Danmark
Statsautoriseret Revisionspartnerselskab
Company reg. no. 25 49 21 45

Peter Arent Benkjer
State Authorised Public Accountant
mne35785

Marco Mosegaard Brøndsted
State Authorised Public Accountant
mne49081

Company information

The company	Berlitz Language Services Scandinavia A/S Borgergade 28, 3. 1300 Copenhagen
	Company reg. no. 81 97 95 10 Established: 15 September 1977 Domicile: Copenhagen Financial year: 1 January - 31 December
Board of directors	Kim Berger Christensen, Chairman Michela Locarno Lorenzo Torquati
Managing Director	Lorenzo Torquati
Auditors	RSM Danmark Statsautoriseret Revisionspartnerselskab Ved Vesterport 6, 5. sal 1612 København V

Description of key activities of the company

The principal activity of the company is language education services in Denmark, Norway and Finland.

Uncertainties connected with recognition or measurement

Management refers to note 1 in the financial statements and their expectations for positive results and cash flows for 2024. To ensure the necessary liquidity for 2024 planned activities, they requested and received a letter of support from the parent company, Northsun Education Group S.R.L. Management remains optimistic about the business outlook in the Nordic region, citing growth and success in winning significant public and private tenders throughout the area.

Management expect deferred revenue to be on same level as in the Financial statement of 2023, therefore management don't expect a negative cash effect regarding changes in deferred Revenue in 2024 on a monthly basis

Development in activities and financial matters

The gross profit for the year totals DKK 18.947.041 against DKK 15.391.771 last year. Result from ordinary activities after tax totals DKK 3.322.938 against DKK -445.349 last year. Management considers the net result for the year satisfactory.

The annual report is effected by material errors in previous year, we refer to accounting policies for more information.

Expected developments

The company's revenue and earnings in the first six months of 2024 exceed management's already positive expectations. The management expects positive results for the remainder of 2024.

Branches abroad

The language schools of the branches in Norway and Finland are located centrally in Oslo and Helsinki.

Accounting policies

The annual report for Berlitz Language Services Scandinavia 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.

Material errors in previous years

The annual report is affected by the correction of a significant matter regarding the financial year 2022.

The issue in 2022 relates to incorrect deferred revenue balance. The correction have affected the financial statements as follows for the figures in 2022: Equity has been increased by DKK 251 thousand, deferred revenue has been reduced by DKK 1.635 thousand, trade receivables has been reduced by DKK 1.384 thousand and the net profit for the year has improved by DKK 251 thousand.

Recognition and measurement in general

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

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

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

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

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

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

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.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Exchange rate differences when converting an integrated unit are included in the income statement, as financial items.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross profit

Gross profit 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 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Sale of language lessons is recognised in the income statement at the time of delivery of the lessons. Sale of various materials for the lessons is recognised in the income statement when the materials are handed out to the student. 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 expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

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

Depreciation, amortisation, and write-down for impairment

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

Financial income and expenses

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

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. Land is not subject to depreciation.

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 and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %

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.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Deposits

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

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. 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. Impairment relating to goodwill is not reversed.

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 goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling 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

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

Cash and cash equivalents

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

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.

Deferred income
Payments received concerning future income are recognised under deferred income.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2023	2022
	Gross profit	**18.947.041**	**15.391.771**
2	Staff costs	-15.610.259	-15.332.822
	Depreciation and impairment of non-current assets	-15.911	-28.258
	Operating profit	**3.320.871**	**30.691**
	Other financial income	465.067	91.690
3	Other financial expenses	-463.000	-567.730
	Pre-tax net profit or loss	**3.322.938**	**-445.349**
	Tax on net profit or loss for the year	0	0
	Net profit or loss for the year	**3.322.938**	**-445.349**
	Proposed distribution of net profit:		
	Transferred to retained earnings	3.322.938	0
	Allocated from retained earnings	0	-445.349
	Total allocations and transfers	**3.322.938**	**-445.349**

Balance sheet at 31 December

All amounts in DKK.

Assets

Note		2023	2022
	Non-current assets		
	Other fixtures, fittings, tools and equipment	59.726	81.724
	Total property, plant, and equipment	59.726	81.724
	Deposits	238.409	231.209
	Total investments	238.409	231.209
	Total non-current assets	**298.135**	**312.933**
	Current assets		
	Manufactured goods and goods for resale	393.578	288.095
	Total inventories	393.578	288.095
	Trade receivables	5.725.887	4.608.602
	Other receivables	61.054	63.383
	Prepayments	442.973	535.233
	Total receivables	6.229.914	5.207.218
	Cash and cash equivalents	2.926.267	2.291.915
	Total current assets	**9.549.759**	**7.787.228**
	Total assets	**9.847.894**	**8.100.161**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2023	2022
	Equity		
	Contributed capital	500.000	500.000
	Retained earnings	-10.678.484	-14.001.422
	Total equity	**-10.178.484**	**-13.501.422**
	Liabilities other than provisions		
	Other payables	469.995	454.101
	Total long term liabilities other than provisions	469.995	454.101
	Trade payables	892.551	2.919.930
	Payables to group enterprises	1.920.501	2.015.127
	Other payables	4.780.753	4.565.877
	Deferred income	11.962.578	11.646.548
	Total short term liabilities other than provisions	19.556.383	21.147.482
	Total liabilities other than provisions	**20.026.378**	**21.601.583**
	Total equity and liabilities	**9.847.894**	**8.100.161**

1 Uncertainties relating to going concern

4 Contingencies

5 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2023	500.000	-14.252.351	-13.752.351
Correction of material error	0	250.929	250.929
Adjusted equity 1 January 2023	500.000	-14.001.422	-13.501.422
Retained earnings for the year	0	3.322.938	3.322.938
	500.000	**-10.678.484**	**-10.178.484**

Notes

All amounts in DKK.

	2023	2022

1. Uncertainties relating to going concern

The company has incurred a negative equity of DKK 10.178.484 as of 31 December 2023,and the company's current liabilities exceeded its total assets by DKK 10.476.619.

The company's revenue and earnings in the first seven months of 2024 exceed management's already positive expectations, and the company's operations are cash positive when the financial statements are issued.

The management expects positive results and cash flows for the remainder of 2024. To ensure the necessary liquidity to finance the planned activities for 2024, the parent company, Northsun Education Group S.R.L., has issued a letter of support for the financial year 2024.

It is a material condition for the company's ability to continue as a going concern that the company can realize the expected growth in revenue and profits for the coming years in accordance with management expectations.

Based on the above actions and assumptions, Management expects to have the necessary liquidity to finance the planned activities for the coming year. The financial statements have been prepared in accordance with the going concern principle.

2. Staff costs

	2023	2022
Salaries and wages	14.374.184	14.505.461
Pension costs	1.019.413	568.442
Other costs for social security	216.662	258.919
	15.610.259	**15.332.822**
Average number of employees	51	52

3. Other financial expenses

	2023	2022
Other financial costs	463.000	567.730
	463.000	**567.730**

All amounts in DKK.

4. Contingencies

Contingent liabilities

	DKK in thousands
Lease liabilities	1.882
Total contingent liabilities	**1.882**

5. Related parties

Consolidated financial statements

Northsun Education Group S.r.l., Viale della Carriera, 109, Fermo (FM), 63900 Italia is preparing consolidated financial statements for the smallest group.