

## **Inscale A/S**

Fredsvej 7

2840 Holte

Central Business Registration

No 33355416

## **Annual report 2019**

The Annual General Meeting adopted the annual report on 18.09.2020

### **Chairman of the General Meeting**

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Name: Henrik Mou

## Contents

	<b><u>Page</u></b>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Consolidated income statement for 2019	8
Consolidated balance sheet at 31.12.2019	9
Consolidated statement of changes in equity for 2019	11
Consolidated cash flow statement for 2019	12
Notes to consolidated financial statements	13
Parent income statement for 2019	17
Parent balance sheet at 31.12.2019	18
Parent statement of changes in equity for 2019	20
Notes to parent financial statements	21
Accounting policies	25

## Entity details

### Entity

Inscale A/S  
Fredsvej 7  
2840 Holte

Central Business Registration No (CVR): 33355416  
Registered in: Rudersdal  
Financial year: 01.01.2019 - 31.12.2019

### Board of Directors

Peter Vejlgård Arbs  
Henrik Mou  
Ulla Berg Mou  
Paul Mark Braem Vedel

### Executive Board

Henrik Mou

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Inscale A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Holte, 18.09.2020

### Executive Board

Henrik Mou

### Board of Directors

Peter Vejlgård Arbs

Henrik Mou

Ulla Berg Mou

Paul Mark Braem Vedel

# Independent auditor's report

## To the shareholders of Inscale A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Inscale A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

### Basis for opinion

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

## Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, 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 conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

København, 18.09.2020

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Jan Larsen  
State Authorised Public Accountant  
Identification No (MNE) mne16541

## Management commentary

	<b>2019</b> <b>DKK'000</b>	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>	<b>2016</b> <b>DKK'000</b>	<b>2015</b> <b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	168.026	133.286	57.828	36.342	25.375
Gross profit/loss	124.426	90.039	2.734	1.127	1.154
Operating profit/loss	2.735	(430)	398	(927)	833
Net financials	(1.711)	(1.215)	(999)	(43)	(56)
Profit/loss for the year	600	(1.520)	(594)	(690)	746
Total assets	54.621	44.533	20.356	13.124	7.166
Investments in property, plant and equipment	15.652	529	-	-	-
Equity	4.530	3.849	4.655	3.249	3.938
<b>Ratios</b>					
Gross margin (%)	74,1	67,6	4,7	3,1	4,5
Net margin (%)	0,4	(1,1)	(1,0)	(1,9)	2,9
Return on equity (%)	14,3	(35,7)	(15,0)	(19,2)	18,9
Equity ratio (%)	8,3	8,6	22,9	24,8	55,0

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

## Management commentary

### Primary activities

INSCALE builds dedicated software development teams through a strategic partnership with our clients. The teams work from one of our offshore development locations. During the course of this partnership, INSCALE manages and advises on the remote software development process between the client and INSCALE's offshore development location.

In providing services to the client, the team works on application development and maintenance of the client's core software solutions. In doing so, the team will be a strategic resource pool for clients' on-going software development efforts.

INSCALE and the Client enter into a long-term relationship where team members acquire in-depth knowledge of client's business and software solutions. We enable our clients to leverage on our engagement model for their business excellence. By adopting INSCALE's approach to building dedicated software development teams, our clients could extend their reach beyond their location into a wider pool of offshore developers and close technology gaps within their existing software development resources.

INSCALE has experienced solid growth internationally in recent years. We have clients in 10 countries. An ambitious growth plan has been set up towards 2024, and the organization will be strengthened in sales and marketing as well as at management levels throughout the organization.

### Development in activities and finances

The profit for the year amounts to DKK 600 thousand, which is satisfactory and in line with the planned and liquidity-requiring expansion plans. The profit for the year is affected by costs regarding establishment of the Entity in Portugal. The company's primary operations have improved and equity amounted to DKK 4.530 thousand.

The Parent company HFUNK ApS has confirmed to support Inscale A/S financially. The equity in HFUNK ApS amounts to DKK 57.058 thousand.

### Events after the balance sheet date

The global pandemic have put a pause to our growth plans – Instead of growth rate of +30% we will have a modest growth of in 2020. We are adapting to the covid 19 scenario along with everyone else and in Q3 2020 we have seen an increased interest in our services. We expect to return to our previous growth rate of +30% in 2021.

No other significant events have occurred after the balance sheet date of importance to the annual report.

## Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue		168.025.665	133.286.265
Own work capitalised		3.413.609	0
Other operating income		316.699	0
Other external expenses		(47.329.792)	(43.247.100)
<b>Gross profit/loss</b>		<b>124.426.181</b>	<b>90.039.165</b>
Staff costs	1	(118.456.963)	(87.835.702)
Depreciation, amortisation and impairment losses	2	(3.233.855)	(2.633.513)
<b>Operating profit/loss</b>		<b>2.735.363</b>	<b>(430.050)</b>
Other financial income	3	932.220	1.103.844
Other financial expenses	4	(2.643.281)	(2.319.258)
<b>Profit/loss before tax</b>		<b>1.024.302</b>	<b>(1.645.464)</b>
Tax on profit/loss for the year	5	(424.696)	125.652
<b>Profit/loss for the year</b>	6	<b>599.606</b>	<b>(1.519.812)</b>

## Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Development projects in progress		3.413.609	0
<b>Intangible assets</b>	<b>7</b>	<b>3.413.609</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		13.672.851	8.140.835
Property, plant and equipment in progress		6.410.940	0
<b>Property, plant and equipment</b>	<b>8</b>	<b>20.083.791</b>	<b>8.140.835</b>
Deposits		1.222.652	1.074.173
<b>Fixed asset investments</b>	<b>9</b>	<b>1.222.652</b>	<b>1.074.173</b>
<b>Fixed assets</b>		<b>24.720.052</b>	<b>9.215.008</b>
Trade receivables		14.854.158	11.612.681
Deferred tax		340.244	459.838
Other receivables		310.200	5.158.338
Income tax receivable		170.201	321.820
Prepayments		6.643.594	11.301.546
<b>Receivables</b>		<b>22.318.397</b>	<b>28.854.223</b>
<b>Cash</b>		<b>7.582.658</b>	<b>6.463.773</b>
<b>Current assets</b>		<b>29.901.055</b>	<b>35.317.996</b>
<b>Assets</b>		<b>54.621.107</b>	<b>44.533.004</b>

## Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		1.090.000	1.090.000
Share premium		0	10.760.000
Retained earnings		3.440.338	(8.001.068)
<b>Equity</b>		<b>4.530.338</b>	<b>3.848.932</b>
Subordinate loan capital		0	4.147.275
Bank loans		4.076.934	0
Finance lease liabilities		0	462.391
Debt to other credit institutions		2.138.911	0
<b>Non-current liabilities other than provisions</b>	10	<b>6.215.845</b>	<b>4.609.666</b>
Current portion of long-term liabilities other than provisions	10	3.660.677	1.466.292
Bank loans		1.132.085	1.589.027
Trade payables		3.806.236	1.606.354
Payables to group enterprises		4.147.275	0
Other payables		8.732.523	7.764.590
Deferred income		22.396.128	23.648.143
<b>Current liabilities other than provisions</b>		<b>43.874.924</b>	<b>36.074.406</b>
<b>Liabilities other than provisions</b>		<b>50.090.769</b>	<b>40.684.072</b>
<b>Equity and liabilities</b>		<b>54.621.107</b>	<b>44.533.004</b>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Subsidiaries	15		

## Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.090.000	10.760.000	(3.486.762)	8.363.238
Corrections of material errors	0	0	(4.514.306)	(4.514.306)
<b>Adjusted equity, beginning of year</b>	<b>1.090.000</b>	<b>10.760.000</b>	<b>(8.001.068)</b>	<b>3.848.932</b>
Transferred from share premium	0	(10.760.000)	10.760.000	0
Exchange rate adjustments	0	0	81.800	81.800
Profit/loss for the year	0	0	599.606	599.606
<b>Equity end of year</b>	<b>1.090.000</b>	<b>0</b>	<b>3.440.338</b>	<b>4.530.338</b>

## Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Operating profit/loss		2.735.363	(430.050)
Amortisation, depreciation and impairment losses		3.233.855	2.633.513
Working capital changes	11	11.441.123	3.490.867
<b>Cash flow from ordinary operating activities</b>		<b>17.410.341</b>	<b>5.694.330</b>
Financial expenses paid		(1.053.099)	(1.077.361)
Income taxes refunded/(paid)		(100.826)	174.401
<b>Cash flows from operating activities</b>		<b>16.256.416</b>	<b>4.791.370</b>
Acquisition etc of intangible assets		(19.033.308)	(3.126.664)
<b>Cash flows from investing activities</b>		<b>(19.033.308)</b>	<b>(3.126.664)</b>
Loans raised		4.189.814	(1.890.001)
Reduction of lease commitments		(294.037)	0
<b>Cash flows from financing activities</b>		<b>3.895.777</b>	<b>(1.890.001)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>1.118.885</b>	<b>(225.295)</b>
Cash and cash equivalents beginning of year		6.463.773	6.689.068
<b>Cash and cash equivalents end of year</b>		<b>7.582.658</b>	<b>6.463.773</b>

## Notes to consolidated financial statements

	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	104.198.224	77.688.702
Pension costs	1.709.310	1.087.086
Other social security costs	8.132.556	3.140.105
Other staff costs	4.416.873	5.919.809
	<b>118.456.963</b>	<b>87.835.702</b>
Average number of employees	<b>371</b>	<b>281</b>
	<b>Remunera- tion of manage- ment 2019 DKK</b>	<b>Remunera- tion of manage- ment 2018 DKK</b>
Total amount for management categories	3.040.834	2.886.034
	<b>3.040.834</b>	<b>2.886.034</b>
	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Depreciation of property, plant and equipment	3.709.167	2.633.513
Profit/loss from sale of intangible assets and property, plant and equipment	(475.312)	0
	<b>3.233.855</b>	<b>2.633.513</b>
	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>3. Other financial income</b>		
Exchange rate adjustments	932.220	1.103.844
	<b>932.220</b>	<b>1.103.844</b>
	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	720.000	720.150
Other interest expenses	333.099	357.211
Exchange rate adjustments	1.590.182	1.241.897
	<b>2.643.281</b>	<b>2.319.258</b>

## Notes to consolidated financial statements

	<b>2019</b> <b>DKK</b>	<b>2018</b> <b>DKK</b>
<b>5. Tax on profit/loss for the year</b>		
Current tax	252.445	(174.401)
Change in deferred tax	172.251	48.749
	<b>424.696</b>	<b>(125.652)</b>

	<b>2019</b> <b>DKK</b>	<b>2018</b> <b>DKK</b>
<b>6. Proposed distribution of profit/loss</b>		
Retained earnings	599.606	(1.519.812)
	<b>599.606</b>	<b>(1.519.812)</b>

	<b>Develop- ment projects in progress DKK</b>
<b>7. Intangible assets</b>	
Additions	3.413.609
<b>Cost end of year</b>	<b>3.413.609</b>
<b>Carrying amount end of year</b>	<b>3.413.609</b>

### Development projects

The group has capitalised 3.414 t.DKK in development projects in progress, which relates to the development of a new ERP system.

	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Property, plant and equipment in progress DKK</b>
<b>8. Property, plant and equipment</b>		
Cost beginning of year	15.658.106	0
Additions	9.241.183	6.410.940
<b>Cost end of year</b>	<b>24.899.289</b>	<b>6.410.940</b>
Depreciation and impairment losses beginning of year	(7.517.271)	0
Depreciation for the year	(3.709.167)	0
<b>Depreciation and impairment losses end of year</b>	<b>(11.226.438)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>13.672.851</b>	<b>6.410.940</b>

## Notes to consolidated financial statements

	<b>Deposits DKK</b>
<b>9. Fixed asset investments</b>	
Cost beginning of year	1.074.173
Additions	148.479
<b>Cost end of year</b>	<b>1.222.652</b>
<b>Carrying amount end of year</b>	<b>1.222.652</b>

	<b>Due within 12 months 2019 DKK</b>	<b>Due within 12 months 2018 DKK</b>	<b>Due after more than 12 months 2019 DKK</b>
<b>10. Liabilities other than provisions</b>			
Bank loans	934.247	0	4.076.934
Finance lease liabilities	1.634.646	1.466.292	0
Debt to other credit institutions	1.091.784	0	2.138.911
	<b>3.660.677</b>	<b>1.466.292</b>	<b>6.215.845</b>

	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>11. Change in working capital</b>		
Increase/decrease in receivables	7.620.990	(7.764.186)
Increase/decrease in trade payables etc	2.838.348	(8.872.632)
Other changes	981.785	20.127.685
	<b>11.441.123</b>	<b>3.490.867</b>

	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>12. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b>4.032.828</b>	<b>4.032.828</b>

### 13. Contingent liabilities

The entity participates in a Danish joint taxation arrangement in which HFUNK ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

### 14. Assets charged and collateral

The group has not itself provided collateral or made mortgages.

## Notes to consolidated financial statements

	<u>Registered in</u>	<u>Equity inte- rest %</u>
<b>15. Subsidiaries</b>		
Inscale Asia SDN Bhd.	Malaysia	100,0
Inscale Facilitation SDN Bhd.	Malaysia	100,0
Inscale Portugal Ltd.	Portugal	100,0
Inscale QT Ukraine, LLC	Ukraine	100,0
Inscale Ukraine Ltd.	Ukraine	100,0

## Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue		162.255.451	120.162.122
Other operating income		316.699	0
Cost of sales		(155.700.788)	(111.140.478)
Other external expenses		(7.319.910)	(4.513.898)
<b>Gross profit/loss</b>		<b>(448.548)</b>	<b>4.507.746</b>
Staff costs	1	(5.080.085)	(2.894.232)
Depreciation, amortisation and impairment losses		(319.627)	(20.044)
<b>Operating profit/loss</b>		<b>(5.848.260)</b>	<b>1.593.470</b>
Income from investments in group enterprises		6.900.887	(2.634.573)
Other financial income	2	932.219	1.103.843
Other financial expenses	3	(1.212.989)	(1.533.803)
<b>Profit/loss before tax</b>		<b>771.857</b>	<b>(1.471.063)</b>
Tax on profit/loss for the year	4	(172.251)	(48.749)
<b>Profit/loss for the year</b>	5	<b>599.606</b>	<b>(1.519.812)</b>

## Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Development projects in progress		3.413.609	0
<b>Intangible assets</b>	6	<b>3.413.609</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		1.487.941	528.126
<b>Property, plant and equipment</b>	7	<b>1.487.941</b>	<b>528.126</b>
Investments in group enterprises		4.433.800	1.424.489
Deposits		1.222.653	1.074.173
<b>Fixed asset investments</b>	8	<b>5.656.453</b>	<b>2.498.662</b>
<b>Fixed assets</b>		<b>10.558.003</b>	<b>3.026.788</b>
Trade receivables		14.817.291	11.496.834
Receivables from group enterprises		15.121.909	9.396.557
Deferred tax	10	0	207.017
Other receivables		976.608	0
Prepayments	9	1.330.724	9.205.684
<b>Receivables</b>		<b>32.246.532</b>	<b>30.306.092</b>
<b>Cash</b>		<b>2.434.194</b>	<b>1.416.786</b>
<b>Current assets</b>		<b>34.680.726</b>	<b>31.722.878</b>
<b>Assets</b>		<b>45.238.729</b>	<b>34.749.666</b>

## Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		1.090.000	1.090.000
Share premium		0	10.760.000
Retained earnings		3.440.338	(8.001.068)
<b>Equity</b>		<b>4.530.338</b>	<b>3.848.932</b>
Deferred tax	10	0	34.766
Provisions for investments in group enterprises	11	2.402.561	6.376.201
<b>Provisions</b>		<b>2.402.561</b>	<b>6.410.967</b>
Subordinate loan capital		0	4.147.275
Bank loans		4.076.934	0
Debt to other credit institutions		2.138.911	0
<b>Non-current liabilities other than provisions</b>	12	<b>6.215.845</b>	<b>4.147.275</b>
Current portion of long-term liabilities other than provisions	12	2.026.031	0
Bank loans		1.132.085	1.589.027
Trade payables		558.804	796.097
Payables to group enterprises		6.086.403	93.904
Other payables		1.708.147	3.159.022
Deferred income	13	20.578.515	14.704.442
<b>Current liabilities other than provisions</b>		<b>32.089.985</b>	<b>20.342.492</b>
<b>Liabilities other than provisions</b>		<b>38.305.830</b>	<b>24.489.767</b>
<b>Equity and liabilities</b>		<b>45.238.729</b>	<b>34.749.666</b>
Contingent liabilities	14		
Assets charged and collateral	15		
Related parties with controlling interest	16		

## Parent statement of changes in equity for 2019

	<b>Contributed capital DKK</b>	<b>Share premium DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	1.090.000	10.760.000	679.340	12.529.340
Corrections of material errors	0	0	(4.514.306)	(4.514.306)
Changes in accounting policies	0	0	(4.166.103)	(4.166.103)
<b>Adjusted equity, beginning of year</b>	<b>1.090.000</b>	<b>10.760.000</b>	<b>(8.001.069)</b>	<b>3.848.931</b>
Transferred from share premium	0	(10.760.000)	10.760.000	0
Exchange rate adjustments	0	0	81.801	81.801
Profit/loss for the year	0	0	599.606	599.606
<b>Equity end of year</b>	<b>1.090.000</b>	<b>0</b>	<b>3.440.338</b>	<b>4.530.338</b>

## Notes to parent financial statements

	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	4.723.545	2.823.191
Pension costs	270.901	0
Other staff costs	85.639	71.041
	<b>5.080.085</b>	<b>2.894.232</b>
Average number of employees	<b>6</b>	<b>3</b>
	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>2. Other financial income</b>		
Exchange rate adjustments	932.219	1.103.843
	<b>932.219</b>	<b>1.103.843</b>
	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>3. Other financial expenses</b>		
Financial expenses from group enterprises	720.000	720.000
Other interest expenses	47.354	174.180
Exchange rate adjustments	445.635	639.473
Other financial expenses	0	150
	<b>1.212.989</b>	<b>1.533.803</b>
	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>4. Tax on profit/loss for the year</b>		
Change in deferred tax	172.251	48.749
	<b>172.251</b>	<b>48.749</b>
	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>5. Proposed distribution of profit/loss</b>		
Retained earnings	599.606	(1.519.812)
	<b>599.606</b>	<b>(1.519.812)</b>

## Notes to parent financial statements

	<b>Develop- ment projects in progress DKK</b>
<b>6. Intangible assets</b>	
Additions	3.413.609
<b>Cost end of year</b>	<b>3.413.609</b>
<b>Carrying amount end of year</b>	<b>3.413.609</b>
<b>Development projects</b>	
	<b>Other fixtures and fittings, tools and equipment DKK</b>
<b>7. Property, plant and equipment</b>	
Cost beginning of year	549.924
Additions	1.279.442
<b>Cost end of year</b>	<b>1.829.366</b>
Depreciation and impairment losses beginning of year	(21.798)
Depreciation for the year	(319.627)
<b>Depreciation and impairment losses end of year</b>	<b>(341.425)</b>
<b>Carrying amount end of year</b>	<b>1.487.941</b>

## Notes to parent financial statements

	<b>Investments in group enterprises DKK</b>	<b>Deposits DKK</b>
<b>8. Fixed asset investments</b>		
Cost beginning of year	2.738.482	1.074.173
Additions	0	148.480
<b>Cost end of year</b>	<b>2.738.482</b>	<b>1.222.653</b>
Revaluations beginning of year	1.424.489	0
Share of profit/loss for the year	1.530.264	0
<b>Revaluations end of year</b>	<b>2.954.753</b>	<b>0</b>
Impairment losses beginning of year	(2.738.482)	0
Share of profit/loss for the year	1.479.047	0
<b>Impairment losses end of year</b>	<b>(1.259.435)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>4.433.800</b>	<b>1.222.653</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

### 9. Prepayments

Prepayments consist of insurance, subscription fees etc.

### 10. Deferred tax

Deferred tax assets are measured at net realizable value, and are based on management's best estimate of the ability to use losses carried forward.

### 11. Provisions for investments in group enterprises

Provisions for investments in group enterprises consists of provisions for negativ equity in subsidiaries.

	<b>Due within 12 months 2019 DKK</b>	<b>Due after more than 12 months 2019 DKK</b>
<b>12. Liabilities other than provisions</b>		
Bank loans	934.247	4.076.934
Debt to other credit institutions	1.091.784	2.138.911
	<b>2.026.031</b>	<b>6.215.845</b>

### 13. Deferred income

Short-term deferred income include deferred revenue.

## Notes to parent financial statements

### 14. Contingent liabilities

The entity participates in a Danish joint taxation arrangement in which HFUNK ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

### 15. Assets charged and collateral

The company has not itself provided collateral or made mortgages.

### 16. Related parties with controlling interest

The main company closely related to Inscale A/S is HFUNK ApS. No disclosures of transactions with related parties as management believes that all transactions with related parties has been carried out on arms length basis.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

### Material errors in previous years

The company has identified an error regarding the accounts for a foreign supplier, as well as bonus accrued regarding employees from a foreign subsidiary. The errors relate to the period 2017, and have therefore not affected the comparative figures for 2018. The equity at the beginning of the year has been reduced by a total of 4.514.306 DKK.

### Changes in accounting policies

The company has changed its accounting policies regarding recognition and measurement of investments in affiliated companies. These are now recognized and measured according to the equity method. Previously, investments in affiliated companies were recognized and measured at cost.

The change in practice takes place, as the management considers the presentation of added value in investments on an ongoing basis, to give a more true and fair view.

The change in practice has the following consequences:

- The resultat for 2018 was 1.115 t.DKK, which has now been changed to (1.520) t.DKK.
- Assets at 31.12.2018 was 36.064 t.DKK, which has now been changed to 34.750 t.DKK.
- Equity at 31.12.2018 was 12.529 t.DKK, which has now been changed to 8.363 t.DKK.

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority

## Accounting policies

interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

### Income statement

#### Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

#### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

#### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

#### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

#### Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

#### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

## Accounting policies

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

#### Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

## Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment 3-5 years

Estimated useful lives and residual values are reassessed annually. Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at 0 DKK. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date. Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability. Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Cash

Cash comprises cash in hand and bank deposits.

### Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised

## Accounting policies

cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.