

Transition note of effects from transition to International Financial Reporting Standards (IFRS)

The transition to IFRS is reported in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The main rule is that all applicable IFRS and IAS standards that have entered force and been adopted by the EU are to be applied retrospectively.

However, IFRS 1 provides a number of optional exemptions and mandatory exceptions to the requirement for retrospective application. Below are the exemptions from complete retrospective application, permitted by IFRS, that Bawat has elected to apply in the transition to IFRS.

Leases

Bawat has elected the exemption of applying IFRS 16 from the transition date January 1, 2020 forward (IFRS 1). The exemption selected means that the lease liability is measured at the present value of lease payments remaining discounted by the lessee's incremental borrowing rate. Right-of-use assets are measured at an amount corresponding to the lease liability.

Moreover, Bawat has made the following choices based on IFRS 1 at the transition date:

- to exclude short-term leases (leases where the original lease period is long term, but where the remaining lease period is less than 12 months) in the calculation of the lease liability.
- to exclude leases where the underlying asset has a low value in the calculation of the lease liability.
- to apply one discount rate to a portfolio of leasing agreements with similar characteristics.
- to use hindsight, such as determining the lease term if the lease contains possibilities for extending or terminating the lease.

Reconciliation between previous accounting policies and IFRS

The reconciliation between previous accounting policies and IFRS is presented in the following tables.

STATEMENT OF FINANCIAL POSITION

Bawat A/S, legal entity, according to previous accounting principles		Bawat Group, according to IFRS		January 1, 2020			December 31, 2020			December 31, 2021			
tDKK	tDKK	Notes	According to previous accounting principles	Total impact of transition to IFRS	According IFRS	Notes	According to previous accounting principles	Total impact of transition to IFRS	According IFRS	Notes	According to previous accounting principles	Total impact of transition to IFRS	According IFRS
ASSETS	ASSETS												
	Fixed assets												
	Intangible assets												
Completed development projects	Development projects	a)	18 907	-4 925	13 981	a)	53 697	-20 762	32 935	a)	46 673	-18 188	28 486
Acquired rights	Patents and other rights		1 394	0	1 394		1 510	0	1 510		1 514	0	1 514
Development projects in progress	Development projects in progress	a)	37 481	-15 231	22 250	a)	0	0	0	a)	0	0	0
	Tangible fixed assets												
-	Right-of-use assets	b)	0	934	934	b)	0	400	400	b)	0	1 331	1 331
Other fixtures and fittings, tools and equipment	Property, plant and equipment	c)	264	5	269		155	0	155		55	0	55
	Financial assets												
-	Equity investments in group enterprises	c)	95	-95	0	c)	135	-135	0	c)	24	-24	0
Investments in joint ventures	Investments in joint ventures		0	0	0		0	0	0		20	0	20
Deposits	Deposits	c)	201	28	229		201	6	207	c)	181	0	181
Deferred tax assets	Deferred tax assets	d)	5 838	-5 838	0	d)	5 921	-5 921	0		0	0	0
	Current receivables												
Work in progress for third parties	Contract assets		0	0	0		467	0	467		1 526	0	1 526
Trade receivables	Trade receivables	c)	346	33	379	c)	1 339	52	1 392	c)	754	2	757
Income tax receivable	Current tax assets		1 734	0	1 734		1 069	0	1 069		248	0	248
Other receivables	Other current receivables		419	0	419		1 097	0	1 097		721	0	721
Prepayments	Prepaid expenses		13	0	13		110	0	110		51	0	51
Cash	Cash and cash equivalents	c)	15 228	46	15 274	c)	5 578	5	5 583	c)	3 442	13	3 455
TOTAL ASSETS	TOTAL ASSETS		81 919	-25 043	56 876		71 279	-26 353	44 926		55 209	-16 864	38 344

Bawat A/S, legal entity, according to previous accounting principles	Bawat Group, according to IFRS	January 1, 2020				December 31, 2020				December 31, 2021			
tDKK	tDKK	Notes	According to previous accounting principles	Total impact of transition to IFRS	According IFRS	Notes	According to previous accounting principles	Total impact of transition to IFRS	According IFRS	Notes	According to previous accounting principles	Total impact of transition to IFRS	According IFRS
EQUITY AND LIABILITIES	EQUITY AND LIABILITIES												
Equity	Equity												
Share capital	Share capital		9 089	0	9 089		9 089	0	9 089		10 273	0	10 273
Reserve for net revaluation under the equity method	Other reserves	c)	88	-88	0	c)	129	-129	0	b), c), d), e), f)	18	-18	0
Retained earnings incl. profit or loss for the year	Retained earnings (including profit or loss for the year)	b), c), d), e)	15 964	-5 719	10 245	b), c), d), e)	373	-5 306	-4 933		-17 867	2 011	-15 857
	Equity attributable to shareholders of the parent company		25 141	-5 807	19 334		9 591	-5 435	4 156		-7 576	1 992	-5 584
Non-current liabilities	Non-current liabilities												
Mortgage loans	Liabilities to credit institutions	e)	27 982	719	28 701	e)	30 243	590	30 834	e)	30 043	-505	29 538
-	Lease liabilities	b)	0	449	449	b)	0	0	0	b)	0	890	890
Other payables	Other non-current liabilities	e)	3 517	-750	2 767	e)	3 906	-1 125	2 781	e)	2 992	-1 500	1 492
Deferred income	Deferred income	a)	17 845	-17 845	0	a)	18 188	-18 188	0	a)	18 188	-18 188	0
Current liabilities	Current liabilities												
Credit institutions	Borrowings		24	0	24		40	0	40		2 624	0	2 624
Lease liabilities	Lease liabilities	b)	0	486	486	b)	0	449	449	b)	0	457	457
Trade payables	Trade payables	c)	2 373	0	2 373	c)	2 065	4	2 069	c)	1 789	43	1 833
Contract work in progress, liabilities	Contract liabilities		366	0	366		1 859	0	1 859		1 407	0	1 407
Payables to group enterprises	Payables to group enterprises	c)	22	-22	0	c)	71	-71	0	c)	0	-50	-50
Other payables	Other current liabilities	c)	2 337	39	2 376	c)	2 743	-4	2 739	c)	5 668	-4	5 664
Deferred income	Deferred income	a)	2 312	-2 312	0	a)	2 574	-2 574	0		73	0	73
Total current liabilities	TOTAL EQUITY AND LIABILITIES		81 919	-25 043	56 876		71 279	-26 353	44 926		55 209	-16 864	38 344

Bawat A/S, legal entity, according to previous accounting principles		Bawat Group, according to IFRS		2020			2021		
tDKK	tDKK	Notes	According to previous accounting principles	Total impact of transition to IFRS	According IFRS	Notes	According to previous accounting principles	Total impact of transition to IFRS	According IFRS
Gross loss	Total	a), b), c)	-761	-616	-1 376	a), b), c)	-376	-2 085	-2 461
Staff costs	Personnel costs	c)	-10 020	-813	-10 833	c), f)	-11 523	-453	-11 976
Other operating expense	Other operating expense		-15	0	-15		0	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	a), b)	-6 891	1 474	-5 417	a), b)	-8 468	2 053	-6 415
Profit/loss before financial income and expenses	Profit/loss before financial income and expenses	e)	-17 687	46	-17 641	e)	-20 366	-486	-20 852
Income from investments in subsidiaries	Income from investments in subsidiaries	c)	41	-41	0	c)	-113	113	0
Financial income	Finance income	e)	8	886	893	e)	11	1 975	1 986
Financial expenses	Finance expenses	b) e)	-2 718	-435	-3 154	b) e)	-2 869	-547	-3 416
Net financials	Finance net	b), c) e)	-2 669	409	-2 260	b), c) e)	-2 970	1 540	-1 430
Loss before tax	Loss before income tax		-20 356	455	-19 901		-23 337	1 055	-22 282
Tax on loss for the year	Income tax expense	d)	4 807	-84	4 723		248	0	248
Loss for the year	Loss of the year		-15 549	371	-15 178		-23 089	1 055	-22 035
-	Total comprehensive loss for the year		-15 549	371	-15 178		-23 089	1 055	-22 035

a) Government grants

Bawat has received government grants from different government authorities. The received amounts are granted for development projects. Government grants shall be recognised in profit or loss on a systematic basis over the period in which the entity recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to assets, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Under previous applied accounting principles Bawat has accounted for the grants as deferred income. Bawat applies the treatment in IAS 20 to offset received grants in 2020 and 2021 from the carrying amount of the development projects. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense. In the statement of financial position, Bawat has reclassified deferred income as a deduction from the carrying amount of development projects. In total 17 845 tDKK were reclassified In the opening balance January 1, 2020 divided between development projects in progress and completed. 605 tDKK and 2 574 tDKK has been additionally reclassified by the end of December 31, 2020 and December 31, 2021.

In the statement of comprehensive income 2021 and 2020, Bawat has reclassified 2 574 tDKK and 2 013 tDKK respectively from recognized other operating income to depreciation, amortisation and impairment of intangible assets and property, plant and equipment.

b) Leases

Bawat as lessee

At the date of transition to IFRS, a lease liability measured at the present value of the remaining lease payments is recognised in the balance sheet of 934 tDKK and a right-of-use asset is measured at an amount corresponding to the value of the lease liability, since no prepayments have occurred. In the statement of comprehensive income, right-of-use assets are amortised over the term of the lease on a straight-line basis and interest on the lease liability is calculated using a fixed interest rate for the liability recognised in each period.

In the statement of comprehensive income, depreciation of right-of-use assets and an interest expense are treated as financial expenses instead of lease payments, which were previously treated as other external expenses. Depreciation of right-of-use assets amounted to 522 tDKK for the 2021 financial year and 534 tDKK for the 2020 financial year. The interest expense amounted to 42 tDKK for the 2021 financial year and 53 tDKK for the 2020 financial year.

The weighted average incremental borrowing rate used on initial application (January 1, 2020) was 8 percent.

c) Consolidated financial statements

The subsidiary in Singapore that is wholly owned has been consolidated under IFRS. Under previous applied accounting principles has the subsidiary been accounted for according to the equity method why a reclassification within equity has been made between “Other reserves” and “Retained earnings” consisting of the profit or loss for the year from the subsidiary in Singapore. The consolidation of the subsidiary has led to new added amounts in the statement of financial position and in the statement of comprehensive income.

d) Deferred tax

Deferred tax assets related to loss carry-forwards or other future tax deductions are recognized to the extent that it is probable that the deduction can be offset against future taxable profits. Bawat has reversed previously recognized deferred taxes under local GAAP of 5 837 tDKK by the end of December 31, 2021. In the transition to IFRS the reversal has been adjusted and recorded in the opening balance as of January 1, 2020 and a recorded impact in the statement of comprehensive income during 2020.

e) Financial instruments

Bawat has an external loan dating back to 2016 with interest rate terms relating to non-financial factors that are closely related to the company. When these terms are met they will result in changes in future cash flows for the loan from lower interest rates applied. In accordance with IFRS, an entity shall at inception estimate the future cash flows of a loan in accordance with the loan terms, including an estimation of what point in time the lower interest rate will apply. These estimates are applied when calculating the effective interest rate of the loan. At the transition date to IFRS the gross carrying amount has been adjusted to reflect the present value of the estimated future contractual cash flows discounted at the original effective interest rate. Adjustments in the opening balance in accordance with IFRS have been recognized in retained earnings, with a total amount of net 31 tDKK.

Amendments to the loan agreement, as well as changes in management’s best estimate of future cash flows for the loan, after the date of transition to IFRS has resulted in modification adjustments to the amortized cost of the loan. These modifications have been calculated as the difference between the amortized cost before amendment or changes in estimates of future cash flows, and the present value of the new estimated future contractual cash flows discounted using the original effective interest rate of the loan. Modification adjustments are reflected in profit or loss within the finance net. The total net impact amounted to a positive adjustment of 1 470 tDKK in 2021 and 504 tDKK in 2020.

f) Share-based payment

In the beginning of 2021, Bawat issued a share-based program settled with equity instruments and with a vesting period of 4 years. A valuation of the fair value of issued warrants has been carried out. The fair value of the instruments at the date of allotment is expensed in the profit or loss over the vesting period, with a corresponding adjustment of shareholders’ equity. In the statement of comprehensive income 2021, Bawat has recognized a personnel cost of 453 tDKK with a corresponding increase in equity.

STATEMENT OF CHANGES IN EQUITY

tDKK	Equity attributable to shareholders of the parent company				Total
	Share capital	Share premium	Other reserves	Retained earnings (including profit or loss for the year)	
Opening balance Jan 1, 2020	9.089	-	88	15.964	25.141
Impact of transition to IFRS	-	-	-88	-5.719	-5.807
Profit/loss for the year	-	-	-	-15.178	-15.178
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-15.178	-15.178
Closing balance Dec 31, 2020	9.089	-	-	-4.933	4.156
Opening balance Jan 1, 2021	9.089	-	-	-4.933	4.156
Profit/loss for the year	-	-	-	-22.035	-22.035
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-22.035	-22.035
<i>Transactions with owners:</i>					
Share-based payments	-	-	-	453	453
Issue of shares	1.184	-	-	10.657	11.841
Total transactions with owners	1.184	-	-	11.110	12.294
Closing balance Dec 31, 2021	10.273	-	-	-15.857	5.584

STATEMENT OF CASH FLOWS

tDKK	2021	2020
Cash flow from operating activities	-10.266	-7.609
Cash flows from Investing activities	-1.335	-1.583
Cash flows from financing activities	+9.496	-486
Total cash flow	-2.105	-9.677