

Lyngsoe Systems A/S

Lyngsø Alle 3
DK-9600 Aars

CVR No. 17 70 27 85

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting

on 18/3 20 19


chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Financial highlights	6
Operating review	8
Financial statements 1 January – 31 December	17
Income statement	17
Balance sheet	18
Statement of changes in equity	20
Cash flow statement	21
Notes	22

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lyngsoe Systems A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Aars, 18 February 2019
Executive Board:

Jens Villads Bjerregaard

Thomsen CEO

Board of Directors:

Jørgen Bardenfleth
Chairman

Rasmus P. B. Lokvig

Finn H. Mathiassen

Vilhelm
Hahn-Petersen

Jesper Jarlbæk

Carsten N. Knudsen



Independent auditor's report

To the shareholders of Lyngsoe Systems A/S

Opinion

We have audited the financial statements of Lyngsoe Systems A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Emphasis of matter

We draw attention to note 2 to the financial statements, which describes uncertainty related to the measurement of receivables. Our opinion is not modified in respect of this matter.

Management's responsibility 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 that 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.



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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.



Independent auditor's report

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 the Management's review

Management is responsible for the Management's review.

Our opinion 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 audit 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 audit, 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 Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 18 February 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Henrik O. Larsen
State Authorised
Public Accountant
mne15839

Steffen S. Hansen
State Authorised
Public Accountant
mne32737

Management's review

Financial highlights

DKK'000	Lyngsoe Systems A/S				
	2018	2017	2016	2015	2013/14 (18 mth)
Key figures					
Revenue	232,519	213,259	257,801	215,010	331,900
Gross profit	109,111	114,460	115,320	107,849	159,675
EBITDA, before special items**	-	-	-	-	-
EBITDA	15,644	10,820	10,248	9,454	12,172
Operating profit	9,601	5,293	4,788	3,794	431
Income from group entities	5,257	8,420	10,158	-144	-3,295
Earnings before tax	15,589	10,451	13,555	4,643	-6,762
Profit/loss for the year	13,524	10,107	12,705	3,244	-6,453
Fixed assets	61,749	63,640	60,463	51,047	50,366
Current assets	115,565	107,497	100,700	100,110	91,088
Total assets	177,314	171,137	161,163	151,157	141,454
Equity	49,187	36,423	28,273	14,579	11,487
Provisions	16,447	14,052	13,690	13,355	11,413
Non-current liabilities other than provisions	12,555	13,197	13,982	14,777	13,397
Current liabilities other than provisions	99,125	107,465	105,218	108,446	105,157
Net working capital	29,931	11,946	14,707	11,140	18,707
Net interest-bearing debt	33,609	29,245	39,370	40,342	44,872
Cash flows for the year	-5,017	9,323	1,223	5,910	-2,831
Portion relating to investments in property, plant and equipment	1,005	1,520	348	445	384
Return on invested capital	15.6%	10.5%	9.7%	5.8%	0.6%
Solvency ratio	29.1%	21.3%	17.5%	9.6%	8.1%
Return on equity	14.6%	31.2%	59.3%	24.9%	-34.3%
Average number of full-time employees	146	158	152	145	150

* Consolidated figures for Lyngsoe Systems Holding A/S, Parent Company of the Group.

**EBITDA before special items, is adjusted for one-off (non-recurring) items of an exceptional or extraordinary nature

Management's review

Financial highlights

Financial ratios

Financial ratios are calculated in accordance with the guidelines "Recommendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on invested capital	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$
Invested capital	Operational intangible assets and property, plant and equipment as well as net working capital
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$

Management's review

Operating review

Lyngsoe Systems has been a world leader in the field of cutting-edge electronic logistics control for more than 40 years and is leading within the Radio Frequency IDentification (RFID) technology. We are renowned for innovation, out-of-the-box thinking and the ability to put ideas into practice combining our capabilities with off the shelf components.

The Lyngsoe Systems value proposition is to offer best in class logistical solutions across the customer supply chain, offering real-time visibility, traceability and data capture to increase customer revenues, reduce OPEX and ensure quality throughout the value chain.

With a proven track record of more than 5,000 installations in more than 60 countries, the Lyngsoe Systems team can demonstrate extensive experience in customer logistics knowledge, solution design, software development, integration, service and maintenance. In addition, we offer complete project management and consultancy services in any local, regional or even global setting.

More information can be found on the Group's website at www.lyngsoesystems.com.

Main Activities of the Group

The Lyngsoe Systems Group focuses primarily on the following market segments:

- Postal & Logistics
- Library
- Airports & Airlines
- Healthcare
- Manufacturing and Supply Chain
- Customs and Shipping.

Postal & Logistics Solutions

Lyngsoe Postal & Logistics supports the world's postal services being successful in transforming their business to match current and future demands. We address the needed support and integration with e-tailers both domestic and cross border. We provide solutions for capacity management within Postal & Logistic businesses through efficient data capture on our Lyngsoe Live Logistic platform (Real Time Location System) and dedicated software applications utilizing this data enabling the postal operators to optimize their business.

We develop and maintain control systems for automatic registration, handling and sorting systems and other mechanical solutions.

Management's review

Operating review

Library Solutions

Lyngsoe Library improves patron service and library efficiency by automating material handling of libraries globally by means of sortation, advanced self-service and intelligent material management systems. By using Lyngsoe systems, heavy and/or time-consuming processes are automated enabling library staff to accomplish more patron-oriented tasks while improving the physical work environment at a reduced operating cost. From the largest institutional libraries to the smallest branches, Lyngsoe provides complete library automation solutions to meet the specific needs and requirements of the most modern way of operating today's libraries in a constantly changing educational and cultural environment.

Airports & Airlines Solutions

Lyngsoe's portfolio of RFID readers and the Lyngsoe Live Logistics platform allows Airlines and Airports to improve the baggage handling performance by enhancing visibility and traceability through the baggage flow from check-in to claim belt. This enables airports and airlines to achieve substantial cost savings by reducing manual and labour-intensive scanning as well as reduce turn-around time for flights at the gate. Just as important it enables airlines in cutting down the number of lost baggage items and hence increase traveller's satisfaction

We develop and maintain control systems for automatic baggage handling and sorting systems and other mechanical solutions.

Healthcare Solutions

Lyngsoe's Healthcare solutions provides for RFID and IOT based real time tracking of objects such as beds, medical devices as well as medicines and personnel. This enables hospitals to optimize logistics flows, reducing valuable time for the staff, increase utilization of resources and increase safety for patients.

Manufacturing and Supply Chain Solutions

Lyngsoe's Manufacturing and Supply Chain Solutions entails a broad variety of pallet, conveyor and sorter control systems, which allows customers and partners to take advantage of Lyngsoe's differentiating data capture technology. The solutions support mission-critical systems, reduces complexity, optimizes performance and reduces costs. In the food industry, we provide for full traceability of products including temperature monitoring.

Customs & Shipping Solutions

Lyngsoe's Customs & Shipping Solutions provides the ultimate in container seal management utilizing high security electronic seals. We support government authorities and private companies in allowing automatic border control detection of container tampering, as well as providing them with full tracking capabilities.

Management's review

Operating review

Group Structure

The Group is structured as a matrix organization, the business units constituting one dimension, and Marketing, Development/Delivery and Service, including Shared Services as a support function, constituting the other dimension.

Through Lyngsoe Systems Holding A/S, the Company owns 100% of Lyngsoe Systems A/S.

Lyngsoe Systems A/S has three active subsidiaries which are situated in Frederick, Maryland, USA; Toronto, Canada; and Hamburg, Germany.

The purpose of the company in the USA is to sell and support our solutions in the North American continent. The company has established all necessary functions: sales, project execution, service and support. The majority of the projects are delivered from Lyngsoe Systems A/S in Denmark.

The company in Canada works in the field of RFID-technology delivering high quality products, development and expertise. Besides that, the company supports our intensive marketing in the North American continent in cooperation with our subsidiary in the USA.

The company in Germany has as its main purpose to serve the German market for library systems.

Acquisition of the Company by the Danish Private Equity Fund, CataCap

In March 2014, Lyngsoe Systems Holding A/S and all affiliated subsidiaries including Lyngsoe systems A/S were acquired by CC Track Holding A/S, now Lyngsoe Systems Holding A/S (Parent Company).

The Company is controlled by the Private Equity Fund, CataCap. The voting shares is distributed with 80% to CataCap, 14% to a majority of the ceding company and 6% to the group management.

CataCap is a member of DVCA (Danish Venture Capital and Private Equity Association). The company and the Group behind it will strive to fulfil the guidelines issues by DVCA, even if at present the Group does not qualify as a large class C-company. More information about DVCA is found on <http://dvca.dk>.

Management's review

Operating review

Development in Activities and Finance during 2018

During 2018, the Company continued product development activities at a high level, see the section "Product Development", while at the same time continuing high focus on customers in our markets and improving efficient execution.

Operating review (Group Level)

Regarding financial performance and development for the Lyngsoe System's Group, reference is made to the consolidated financial statements of Lyngsoe Systems Holding A/S. Financial highlights on page 6 include the consolidated financial key figures for 2018, and the following is highlighted from group level:

- Consolidated revenue was DKK 269.5 million and consolidated gross profit was 145.1 million. (2017: DKK 260.1 million and DKK 155.1 million, respectively)
- Consolidated EBITDA normalized for one-off items totalling DKK 4.1 million amounted to DKK 28.0 million. (2017: DKK 2.8 million and 28.1 million, respectively). Consolidated EBITDA was DKK 23.9 million. (2017: 25.2 million).
- Cash flows from operating activities amounted to DKK 11.0 million (2017: DKK 33.7 million) due to negative development in working capital partly arising from a high invoicing level end of year and thereby higher receivables end of year.
- The solvency ratio accounted for 42.1% versus 41.2% 31 December 2017.
- Net Interest-bearing Debt end of 2018 amounted to DKK 30.7 million, from DKK 27.8 million at 31 December 2017.

Operating review (Lyngsoe Systems A/S)

Lyngsoe Systems A/S is the main group entity, where the majority of activity and shared services are being conducted. The Company's revenue was DKK 232.5 million as against DKK 213.3 million in 2017. The Company's gross profit was DKK 109.1 million versus 114.5 million in 2017.

EBITDA was DKK 15.6 million as against DKK 10.8 million in 2017.

After depreciation and amortisation, operating profit was DKK 9.6 million as against DKK 5.3 million for the previous accounting period.

Net results from subsidiaries represented DKK 5.3 million as against DKK 8.4 million in 2017.

Profit for the year was DKK 13.5 million (2017: DKK 10.1 million), which is considered satisfactory.

Cash flows from operating activities were DKK 29.1 million (2017: DKK 25.9 million). After investments, net, totalling DKK 11.8 million (2017: DKK 7.6 million) and net outflow from financing activities of DKK 22.2 million (2017: DKK 9.0 million), cash flows were DKK -5.0 million (2017: DKK 9.3 million).

Management's review

Operating review

Uncertainty regarding Measurement of Receivables

As of 31 December 2018, the Company has overdue receivables totalling net DKK 32 million related to a project completed in 2018. There is uncertainty related to the recoverability of the receivables, as the contract partner have not fulfilled its payment obligation, resulting in the Company taking legal action. Court sessions took place during 2018, and the Court is expected to make a decision in 2019. The Company assesses that the recognised receivables are fairly measured and realisable and expects the court decision to be in favour of the Company. Further, the Company's lawyers support the assertion that the claim is well-founded.

Outlook

Management expects to report improved results for 2019 compared with 2018.

Based on our Lyngsoe LIVE Logistics™ software platform, in 2019 focus will be on delivering and selling more standard based products within Library, Post & Logistics, Healthcare and Airlines & Airport. This is also in line with the Groups strategic focus, and Lyngsoe Systems will continue to invest in market, product and organizational development in 2019.

Product Development

The Group has maintained product development at a high level in 2018. A major breakthrough was the introduction of Lyngsoe RTLS Portal™ to the market, a product-line that will strengthen Lyngsoe positions within the Postal and Logistic market as well as increasing market scope towards Retail.

We are also pleased that IATA have publicly announced its decision to mandate RFID to be integrated in airline baggage tags, thereby supporting Lyngsoe Systems product development within this vertical, latest shown by Lyngsoe getting a patent for the Lyngsoe Sortation Reader™.

Lyngsoe in 2018 also received its second in a row Platinum Modern Library Award for the Library Mate™ 2100 as well as Lyngsoe Tote Check-in Server. In 2019, our Library business will be further strengthened by the worldwide introduction of the unique software products IMMS (Intelligent Material Management System™) integrated with Sierra library system, which is one of the world's leading library systems. The development of IMMS is made in close corporation with a leading customer.

In addition, we continue to pursue development of concepts and products in our focus verticals to further support future growth.

Incurred costs for our own internal development are recorded in the annual accounts with due consideration to the expected future economic return on investment.

Management's review

Operating review

Corporate Social Responsibility

Lyngsoe Systems definition of corporate social sustainability is the creation of social, environmental, and economic value for both short- and long-term business success and responsible global development. In line with this definition, we aim to align our sustainability strategy with our corporate strategy.

This means that we are working to embed sustainability into our business practice, our solutions, our operations, and our social investment. Lyngsoe Systems believes that by conducting sustainable and social responsible business, we can benefit partners, employees, shareholder and society.

In short, we are working to embed sustainability into all our business.

The Group has drawn up a corporate social responsibility policy. The CSR can be found on www.lyngsoe.com

We are working with the 17 Sustainable Development Goals (SDG) and the Ten Principles of the United Nations Global Compact are the drivers of Lyngsoe Systems CSR policy. As an example on how Lyngsoe Systems works with SDG; the targets for SDG 4 cover the need for access to university-level education, vocational training, and entrepreneurship skills. This SDG targets a substantial increase the number of people who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship and is assessed by the proportion of individuals with ICT competencies.

Lyngsoe Systems work to increase the number of people with relevant, technical and vocational skills. At Lyngsoe Systems, we cooperate with universities and university students to bridge the gap between universities and business. Student-worker programs, as well as Master-thesis programs, is a part of our culture. Through these cooperation's, we seek to develop not only new and more sustainable solutions, while also creating possibilities for students to gain valuable working-knowledge and experience.

Employees

The Lyngsoe Systems Group is distinctly a knowledge-based company. We have succeeded in the continued development and growth by attracting and retaining competent and highly educated talents, including engineers with experience in developing advanced software solutions.

We continuously allocate considerable resources for process improvements aiming at increasing quality and efficiency. We invest considerable amounts in methods, processes as well as education and up-skilling of our employees. Thus, it is one of the goals of the Group to be and remain an attractive employer. During 2018, we conducted our annual Employee Satisfaction Survey. Areas for where we believe improvements can be made are being addressed with specific initiatives.

We recognise that our employees have made a great effort and acted with flexibility when required and this underlines the strength of the working environment. We remain thankful for this.

Human and Labor Rights

The Group recognises the international human and labor rights such as the right to education and the freedom of speech and secures that no discrimination based on race, religion or political opinion takes place. Management is not aware of any violation of the policy during 2018.

Management's review

Operating review

Environment

The Group recognises the need for maintaining a sustainable environment and is committed to obey and follow local environment laws and regulations of the countries in which we operate. Management is not aware of any violation of the environment laws and regulations during 2018.

Anti-corruption

The Group recognises the need to secure that we act according to high ethical standards and clearly forbid the participation in any kind of bribery or facility payments – both directly and indirectly. Furthermore, we provide guidance to employees on how to react if and when offered extraordinary gifts. Management is not aware of any violation of the anti-corruption policy during 2018.

Security

In addition to the Sustainable Development Goals, Lyngsoe Systems has a great focus on IT safety and security, which is part of being socially responsible when delivering IT based solutions for logistic improvements.

With the EU General Data Protection Regulation (GDPR) from May 25th 2018, IT security and “personal data” is very much at a focus both at Lyngsoe Systems and our customers, and with more than 30 years in the global market, it is important for us to work proactively with the security within our solutions.

Corporate Governance

Our Board and executive management constantly monitor the management structure and control systems of the Company and the Group to secure that they are appropriate and well-functioning.

The tasks of the management are based on the Danish Companies Act (selskabsloven), the Danish Financial Statements Act (årsregnskabsloven), the articles of association and the rules of procedure of the Board including guidelines for executive management. Further, the Group and the Company are, due to their status as a company partly owned by a Private Equity Fund, also subject to DVCA's code for responsible ownership and good corporate management. Based on this, a set of internal procedures have been developed and are continuously updated in order to secure active, safe and profitable governance.

Particular Risks

The Company, Board and executive management have a continuing dialogue about important circumstances in the Company and the Group, one element being risks with a potentially large influence on the Company. In the following, we state the important and identified risks that are being discussed and the corresponding mitigating measures initiated in the various areas.

Management's review

Operating review

Market Risk

The most important business related risk for the Company and the Group is still the ability to consistently and continuously deliver good service and produce high quality at competitive prices in the served markets. Partnerships are an integral part in accessing our customers and markets, and we strive to nurture these relations. Our high-end technological capabilities provides assurance for our competitiveness, and we continuously monitor new technologies to maintain a state-of-the art value offering for our customers,

Product Risk

The Company continues to produce to order in the field of customized, high technology logistics solutions, however we remain committed to develop more module-based solutions to be offered to a wider audience regarding both customers and markets, and we expect in 2019 much higher share of Sales from "off the shelf" standard products such as standard Library equipment and Lyngsoe RTLS RFID Portal™.

Credit Risk

The Company's credit risks relate to trade receivables included in the balance sheet. The Company has a majority of customers with a public background and as such the risk is deemed small. Currently, the Company has one large customer who is being monitored carefully by Management as the parties late 2017 became involved in a legal suit. The dispute is further described in note 2 to the financial statements, to which reference is made.

The Company's credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

IT Risk

We offer customers hosting and monitoring services and accordingly, high levels of IT security are paramount, and we continuously ensure policies and practises provides assurance for this. The Company has established a Security Board to oversee that standards are maintained to reduce IT risks to an acceptable level. The Company has taken out relevant insurance to mitigate the impact of hacking, etc.

Management's review

Operating review

Sourcing Risk

The Company sources hardware from different suppliers, and we are continuously screening the market for alternative suppliers in order to secure independence and competitive purchasing prices. During 2018, several tenders within selected procurement areas were conducted providing savings, while at the same time maintaining a strong supplier base.

Financial Risk

The Board and the executive management regularly evaluate whether the capital structure of the Company and the Group is in accordance with our overall targets and supports long term sustainable economic growth.

The Company is financed through its own capital with a solvency of over 30% at group level, as well as mortgage loans, overdraft facility, supplier credit, etc. Duration and interest risk are evaluated as appropriate for the Company and the Group. At the balance sheet date, net interest-bearing debt was DKK 30.7 million (2017: DKK 27.8 million), which is deemed to be an appropriate level in relation to the total balance (capital structure).

Foreign exchange and credit risks relating to commercial activities are either hedged or considered to be at an appropriately low level. Speculative foreign exchange positions are not concluded. The Company's activities are primarily carried out in the USA where currency risks are partly matched by sourcing hardware denominated in USD and in Europe where foreign exchange risks are evaluated at a low level.

Events after the Balance Sheet Date

No events have occurred after the balance sheet date to this date that would influence the assessment and evaluation of this annual report in any substantial way.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue		232,519	213,259
Direct costs		-98,575	-76,315
External costs		-24,833	-22,484
Gross profit		109,111	114,460
Staff costs	3	-93,467	-103,641
Amortisation and depreciation		-6,043	-5,526
Operating profit		9,601	5,293
Profit from investments in subsidiaries		5,257	8,420
Financial income	4	1,867	0
Financial expenses		-1,136	-3,262
Profit before tax		15,589	10,451
Tax on profit for the year	5	-2,065	-344
Profit for the year	6	13,524	10,107

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets	7		
Development projects		24,343	18,106
Property, plant and equipment	8		
Land and buildings		17,259	17,709
Fixtures and fittings, tools and equipment		2,074	2,058
		19,333	19,767
Investments	9		
Investments in subsidiaries		18,073	25,767
Total fixed assets		61,749	63,640
Current assets			
Inventories			
Raw materials and consumables		3,608	2,776
Receivables			
Trade receivables		83,754	74,901
Contract work in progress	10	9,049	14,099
Receivables from group entities		17,609	14,191
Other receivables		17	14
Tax receivables		519	514
Prepayments		1,009	1,002
		111,957	104,721
Total current assets		115,565	107,497
TOTAL ASSETS		177,314	171,137

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Share capital		2,189	2,189
Reserve for net revaluation according to the equity method		7,532	6,551
Reserve for net revaluation on buildings		4,034	4,431
Reserve for net revaluation on development projects		20,391	16,255
Retained earnings		15,041	6,997
Total equity		49,187	36,423
Provisions			
Deferred tax	11	11,660	9,595
Warranty provisions		4,787	4,457
Total provisions		16,447	14,052
Liabilities other than provisions			
Non-current liabilities other than provisions			
Mortgage debt	12	12,181	12,944
Lease liability		374	253
		12,555	13,197
Current liabilities other than provisions			
Current portion of non-current liabilities other than provisions	12	1,017	1,029
Bank loans and overdrafts		20,036	15,019
Prepayments received from customers	10	19,781	20,008
Trade payables		21,130	13,659
Payables to group entities		548	18,715
Other payables		24,490	27,536
Deferred income	13	12,123	11,499
		99,125	107,465
Total liabilities other than provisions		111,680	120,662
TOTAL EQUITY AND LIABILITIES		177,314	171,137
Contractual obligations, contingencies, etc.	15		
Related party disclosures	16		
Events after the balance sheet date	17		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Reserve for net revaluation on buildings	Retained earnings	Total equity
Equity at 1 January 2018	2,189	6,551	16,255	4,431	6,997	36,423
Addition of development projects during the year	0	-1,239	9,422	0	-8,183	0
Transferred over the profit appropriation/distribution of loss	0	2,925	-5,286	-397	16,282	13,524
Exchange rate adjustment, foreign subsidiary	0	-705	0	0	-55	-760
Equity at 31 December 2018	<u>2,189</u>	<u>7,532</u>	<u>20,391</u>	<u>4,034</u>	<u>15,041</u>	<u>49,187</u>

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2018	2017
Profit for the year		13,524	10,107
Amortisation and depreciation		6,043	5,526
Income from investments in subsidiaries		-5,257	-8,420
Financial income and expenses		-731	3,262
Tax on profit for the year		2,065	344
Exchange rate adjustments		12	0
Cash generated from operations before changes in working capital		15,656	10,819
Changes in working capital	14	506	12,245
Cash generated from operations		16,162	23,064
Financial income		1,867	0
Financial expenses		-1,136	-3,262
Received dividends from subsidiaries		12,180	5,302
Corporation tax received/payed		-5	800
Cash flows from operating activities		29,068	25,904
Capitalisation of development costs		-10,841	-6,763
Acquisition of property, plant and equipment		-1,005	-1,519
Disposal of property, plant and equipment		0	700
Cash flows from investing activities		-11,846	-7,582
Repayment of mortgage debt		-654	-814
New lease contract		0	327
Repayment of lease liabilities		0	-314
Loans to/from group entities		-21,585	-8,198
Cash flows from financing activities		-22,239	-8,999
Cash flows for the year		-5,017	9,323
Opening cash and cash equivalents, net		-15,019	-24,342
Cash and cash equivalents at year end		-20,036	-15,019

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Lyngsoe Systems A/S for 2018 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Lyngsoe Systems A/S and group entities are included in the consolidated financial statements of Lyngsoe Systems Holding A/S, Lyngsø Alle 3 9600 Aars, CVR no. 25 65 69 46 and CC Track Invest ApS, Lyngsø Alle 3 9600 Aars, CVR no. 25 65 68 06.

Recognition and measurement

Assets are recognised in the balance sheet when it is 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 balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

When assets and liabilities are recognised and measured, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Foreign currency translation

At initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets settled in foreign currencies are translated at the exchange rates at the transaction date.

All the Company's foreign subsidiaries are integral entities whose income statements are translated into Danish kroner at the average exchanges rate for the year and whose balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates ruling at the balance sheet date are recognised directly in equity.

Income statement

Revenue

Contract work in progress with a high degree of customisation are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage-of-completion method). When the selling price of a construction contract cannot be measured reliably, revenue is recognised to the extent costs incurred are deemed recoverable.

Operating costs

Operating costs are comprised by costs related to distribution, sales, advertising, administration, lease expenses, bad debts, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees.

Profit/loss from investments in subsidiaries

The proportionate share of the results of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, currency adjustments and amortisation of financial assets.

Tax on profit/loss for the year

The Company is jointly taxed with its parent company. Current Danish tax is allocated between the jointly taxed Danish companies in proportion to their taxable incomes (full absorption).

The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The recognised tax expense relating to the extraordinary profit/loss for the year is allocated to this item, whereas the remaining tax expense is allocated to profit/loss for the year from ordinary activities.

Balance sheet

Goodwill

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected economic life assessed at 10 years.

Development costs

Costs of development at the Company's own expense are capitalised if the projects are clearly defined and identifiable, where the technical utilisation degree and a potential future market or development potential in the Company are evidenced. It is also required that the Company intends to produce, market or use the outcome of the project.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The cost of such projects includes direct wages and a share of the Company's indirect costs.

Capitalised development costs are amortised upon completion of the development work on a straight-line basis over the estimated useful lives. The amortisation period represents 3-5 years.

Development costs incurred in connection with specific customer projects are expensed in the financial statements.

Gains and losses on the disposal of development costs are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as amortisation.

Property, plant and equipment

Land and buildings, plant and machinery fixtures and fittings, other plant and equipment are measured at cost, added net revaluations and less accumulated depreciation and impairment losses. The basis of depreciation is cost, added net revaluations and less any expected residual value after the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Buildings	30 years
Fixtures and fittings, tools and equipment	3-5 years
IT equipment and software	3 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Investments not exceeding DKK 13 thousand are recognised as an expense in the year of acquisition.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as depreciation.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments.

When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Investments in subsidiaries

Balance sheet

Investments in subsidiaries are measured on the balance sheet at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus unrealised intra-group profits and losses and with the addition or deduction of positive or negative goodwill calculated in accordance with the transfer method.

Subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the negative net asset value if the amount owed is considered irrecoverable. Where the negative net asset value exceeds the amount owed, the remaining amount is recognised under provisions if the parent company has a legal or constructive obligation to cover the entity's deficit.

Net revaluation of investments in subsidiaries is transferred to the reserve for net revaluation in equity according to the equity method to the extent that the carrying amount exceeds cost.

Positive balances (goodwill) between cost and fair value of the assets and liabilities taken over, including restructuring provisions, are recognised under investments in group entities and are amortised over their estimated useful lives, which are determined on the basis of the Management's experience within the individual business areas.

The amortisation period may not exceed 10 years and is longest for strategically acquired entities with strong market positions and long-term earnings profiles. The carrying amount of goodwill is regularly assessed and is written down in the income statement if the carrying amount exceeds projected future net income generated by the Company or the activity to which the goodwill relates.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in forecast sales price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Contracts work in progress

Contract work in progress are measured at the selling price of the work performed less progress billings and anticipated losses. Contract work in progress entail a significant degree of design customisation of produced goods. Moreover, before the work is commenced, a binding agreement must have been entered into to the effect that penalties covering at least costs incurred will be enforced if the contract is subsequently terminated.

Contract work in progress also comprise standard components manufactured covered by the contracts entered into.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is recognised as an expense and a provision immediately.

When income and expenses on a construction contract cannot be estimated reliably, the selling price is measured corresponding only to costs incurred to the extent that it is probable that they will be recovered.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Where the selling price of work performed exceeds progress billings on contract work in progress and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised under liabilities.

Prepayments from customers are recognised under liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

Transactions with treasury shares are recognised directly in the distributable reserves of equity. An amount corresponding to the cost of treasury shares is deducted from distributable reserves. The selling price on the disposal of treasury shares is added to distributable reserves.

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item in equity.

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividend, distribution or for the cover of losses. If recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established.

The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Revaluation reserve

The revaluation reserve under section 41 of the Danish Financial Statements Act to which fair value adjustments of property, plant and equipment and intangible assets are tied will be reduced by depreciation and amortisation.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a setoff against deferred tax liabilities in the same legal tax entity.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Warranty provisions

Provisions comprise anticipated costs related to warranties, losses on work in progress, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Warranties comprise obligations to make good any defects within the warranty period of 1-3 years. Provisions for warranties are measured and recognised on the basis of past experience.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provision is recognised as costs in the income statement.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid. Further dividends from subsidiaries are included in cash flows from operating activities if they related to earnings realised in the subsidiaries.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Financial statements 1 January – 31 December

Notes

2 Uncertainty regarding measurement of receivables

As of 31 December 2018, the Company has overdue receivables totalling net DKK 32 million related to a project completed in 2018. There is uncertainty related to the recoverability of the receivables, as the contract partner have not fulfilled its payment obligation, resulting in the Company taking legal action. Court sessions took place during 2018, and the Court is expected to make a decision in 2019. The Company assesses that the recognised receivables are fairly measured and realisable and expects the court decision to be in favour of the Company. Further, the Company's lawyers support the assertion that the claim is well-founded.

DKK'000	2018	2017
3 Staff costs		
Wages and salaries	81,472	92,140
Pensions	10,062	9,758
Other social security costs	1,933	1,743
	<u>93,467</u>	<u>103,641</u>
Average number of full-time employees	<u>146</u>	<u>158</u>
Remuneration of the Board of Directors and Executive Board	<u>3,027</u>	<u>2,955</u>

4 Financial income

Financial income from group entities totalled DKK 276 thousand (2017: DKK 0 thousand).

5 Tax on profit for the year

Deferred tax adjustment for the year	2,249	1,109
Adjustment for tax prior year	-184	-765
	<u>2,065</u>	<u>344</u>
Which is specified as follows:		
Tax on profit for the year	<u>2,065</u>	<u>344</u>
	<u>2,065</u>	<u>344</u>

Financial statements 1 January – 31 December

Notes

6 Profit appropriation

DKK'000	2018	2017
Reserve for net revaluation according to the equity method	2,925	-5,075
Reserve for net revaluation on buildings	-397	-397
Reserve for development costs	-5,286	-958
Retained earnings	16,282	16,537
	<u>13,524</u>	<u>10,107</u>

7 Intangible assets

DKK'000	Goodwill	Finalised development projects	Development projects in progress	Total
Cost at 1 January 2018	740	22,568	4,177	27,485
Additions	0	459	10,382	10,841
Transfers	0	0	0	0
Disposals	0	-3,516	0	-3,516
Cost at 31 December 2018	<u>740</u>	<u>19,511</u>	<u>14,559</u>	<u>34,810</u>
Amortisation and impairment losses at 1 January 2018	740	8,639	0	9,379
Amortisation	0	4,442	0	4,442
Divested	0	-3,354	0	-3,354
Amortisation and impairment losses at 31 December 2018	<u>740</u>	<u>9,727</u>	<u>0</u>	<u>10,467</u>
Carrying amount at 31 December 2018	<u>0</u>	<u>9,784</u>	<u>14,559</u>	<u>24,343</u>

Finalised development projects

Finalised development projects and development projects in progress relate mainly to the development of hardware for Library Solutions and development of software for Postal & Logistics solutions and Data Capture Solutions. The projects are amortised over five years. The projects in progress are expected to be completed within 1–2 years and to bring about considerable economic benefits.

Financial statements 1 January – 31 December

Notes

8 Property, plant and equipment

DKK'000	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2018	24,767	13,165	37,932
Additions	95	910	1,005
Disposals	0	0	0
Cost at 31 December 2018	24,862	14,075	38,937
Net revaluations at 1 January 2018	7,627	0	7,627
Net revaluations at 31 December 2018	7,627	0	7,627
Depreciation 1 January 2018	14,685	11,107	25,792
Depreciation	545	894	1,439
Disposals	0	0	0
Depreciation at 31 December 2018	15,230	12,001	27,231
Carrying amount at 31 December 2018	17,259	2,074	19,333
Assets held under finance leases		622	622

Carrying amount of net revaluations totals DKK 5,173 thousand.

Financial statements 1 January – 31 December

Notes

9 Investments

DKK'000	Investments in subsidiaries
Cost at 1 January 2018	3,505
Disposals	-83
Cost at 31 December 2018	3,422
Value adjustments at 1 January 2018	22,264
Foreign exchange adjustment	-705
Profit for the year	4,595
Intra-group adjustments	677
Received dividends from subsidiaries	-12,180
Value adjustments at 31 December 2018	14,651
Carrying amount at 31 December 2018	18,073

Development projects are capitalized as a part of recognised results from subsidiaries. This is capitalised as development reserves under equity.

Name and registered office	Stake	Share capital	Equity	Profit/loss for the year	Carrying amount
		DKK'000	DKK'000	DKK'000	DKK'000
Lyngsoe Systems Inc., USA	100%	74	948	2,183	948
Lyngsoe Systems Ltd., Canada	100%	0	16,402	2,194	16,402
Lyngsoe Systems AG, Germany	100%	373	810	218	810
Intra-group profit/adjustments				662	-87
				<u>5,257</u>	<u>18,073</u>

Financial statements 1 January – 31 December

Notes

10 Contract work in progress

DKK'000	2018	2017
Sales value of work performed	138,765	121,065
Progress billings	-149,497	-126,974
	<u>-10,732</u>	<u>-5,909</u>
Recognised as follows:		
Contract work in progress (assets)	9,049	14,099
Contract work in progress (liabilities)	-19,781	-20,008
	<u>-10,732</u>	<u>-5,909</u>

11 Deferred tax

Deferred tax liabilities concern deferred tax regarding net revaluation on buildings, contract work in progress, property, plant and equipment, provisions, prepayments, deferred income and tax loss carryforwards.

12 Mortgage and credit institutions

DKK'000	Total debt at 31/12 2018	Repayment, coming year	Unpaid balance after 5 years
Mortgage debt	12,986	805	8,977
Lease liability	586	212	0
	<u>13,572</u>	<u>1,017</u>	<u>8,977</u>

13 Deferred income

Deferred income of DKK 12,123 thousand (2017: DKK 11,499 thousand) comprise payments received from customers that cannot be recognised until the subsequent financial year.

Financial statements 1 January – 31 December

Notes

14 Changes in working capital

DKK'000	2018	2017
Changes in contract work in progress, net	5,050	23,356
Changes in prepayments received	-228	9,072
Changes in inventories	-832	197
Changes in receivables	-8,863	-21,603
Changes in trade payables and other capital	5,049	1,970
Changes in warranty provisions	330	-747
	<u>506</u>	<u>12,245</u>

15 Contractual obligations, contingencies, etc.

Land and buildings with a carrying amount of DKK 17,259 thousand at 31 December 2018 have been provided as collateral for amounts owed to mortgage institutions of DKK 12,986 thousand.

A mortgage deed registered to the mortgagor of DKK 8,000 thousand secured on land and buildings has been registered as collateral for balance with Nordea Bank. The mortgage deed registered to the mortgagor is subordinated to mortgage debt.

A deed registered to the bank of DKK 25,000 thousand secured on pledged assets has been registered as collateral for balances with Nordea Bank. At 31 December 2018, pledged assets totalled DKK 98,485 thousand.

The Company has provided a negative pledge as collateral for all amounts owed to Nordea Bank by the Group.

The Company has provided payment and performance guarantees totalling DKK 10,143 thousand (2017: DKK 10,277 thousand) via its bank and other partners. The Company has provided joint and several guarantees at an amount of DKK 8,000 thousand for all amounts owed related to guarantees.

The Company is jointly taxed with other Danish companies in the Group. As a jointly taxed company, the Company has joint unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit. Any subsequent corrections of income subject to joint taxation or withholding taxes could result in an increased liability for the Company.

The Company has entered into leases totalling DKK 225 thousand that all fall due within the initial year.

Financial statements 1 January – 31 December

Notes

16 Related party disclosures

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the share capital:

Lyngsoe Systems Holding A/S, Lyngsø Alle 3, 9600 Aars

CataCap K/S controls the majority of the share capital in the Lyngsoe Systems Holding A/S through CC Track Invest ApS.

Related party transactions

The Company had no transactions in 2018 that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

17 Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the assessment and evaluation of this annual report in any material way.