

# Lyngsoe Systems A/S

Lyngsø Alle 3  
DK-9600 Aars

CVR no. 17 70 27 85

## Annual report 2022

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

on \_\_\_\_\_ 20 \_\_\_\_

\_\_\_\_\_  
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
Group structure	6
Financial highlights	7
Operating review	8
Financial statements 1 January – 31 December	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Notes	15

## **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 2022.

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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022.

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, 11 April 2023  
Executive Board:

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Jens Villads Bjerregaard  
Thomsen  
CEO

Board of Directors:

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Carl Wilhelm Gustaf  
Fürstenbach  
Chairman

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David Anders Lowe  
Rehnberg

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Lars Christian Caspersen

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Jens Villads Bjerregaard  
Thomsen



## **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 2022 comprising income statement, balance sheet, statement of changes in equity 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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **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.

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'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, 11 April 2023

**KPMG**

Statsautoriseret Revisionspartnerselskab

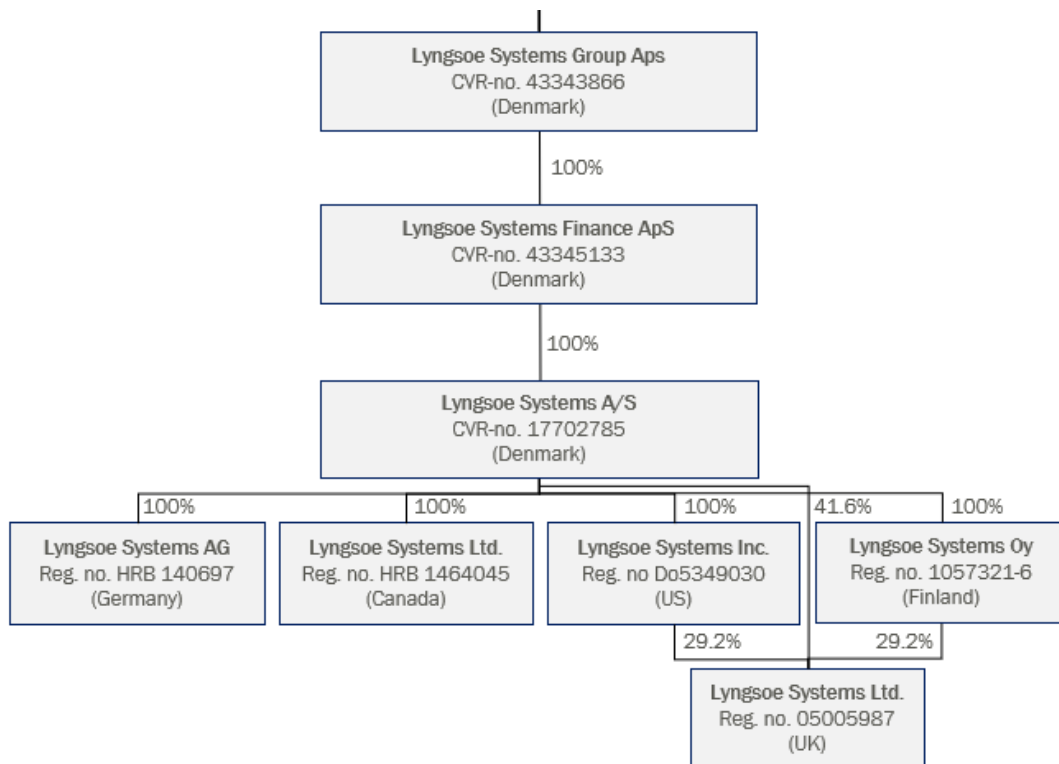
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Steffen S. Hansen  
State Authorised  
Public Accountant  
mne32737

## Management's review

### Group structure

The Group's legal structure at 31 December 2022 was as follows:



*\*) As of 30 December 2022, CC Track Invest ApS and Lyngsoe Systems Holding A/S were merged, with Lyngsoe Systems A/S as the continuing company.*

## Management's review

### Financial highlights

DKK'000	2022	2021	2020	2019	2018
Gross profit	109,000	100,016	100,724	105,801	109,111
EBITDA	17,263	16,436	16,039	16,705	15,644
Operating profit	7,426	7,358	6,269	8,516	9,601
Profit from group entities	22,234	10,468	5,558	4,633	5,257
Profit before tax	29,844	18,919	9,960	13,023	15,589
Profit for the year	27,277	16,878	8,659	10,808	13,524
Fixed assets	147,819	137,191	72,010	70,630	61,749
Current assets	128,542	130,802	111,800	126,881	115,565
Total assets	276,361	267,993	183,810	197,511	177,314
Equity	76,594	89,147	68,278	61,261	49,187
Provisions	17,325	17,735	17,736	19,088	16,447
Non-current liabilities other than provisions	62,382	65,386	19,969	11,654	12,555
Current liabilities other than provisions	119,873	95,725	77,827	105,508	99,125
Return on invested capital	4.7%	5.1%	9.8%	11.5%	15.6%
Solvency ratio	27.7%	33.3%	37.1%	31.0%	27.7%
Return on equity	32.9%	21.4%	13.4%	19.6%	31.6%
Average number of full-time employees	129	120	127	135	146

### Financial ratios

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

#### Main Activities of the Group

Lyngsoe Systems has been a world leader in the field of cutting-edge logistics visibility and automation for more than 40 years and holds a leading position within Radio Frequency Identification (RFID) technology and Bluetooth Low Energy (BLE). 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.

In our selected business areas, the Lyngsoe Systems value proposition is to offer best-in-class logistical visibility and automation solutions across the customer supply chain, improving our customer's operational efficiency and enabling their sustainable transformation and future readiness.

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, hardware, integration, service and maintenance. In addition, we offer complete project management and consultancy services in any local, regional or even global setting.

The Lyngsoe Systems Group is organised into two Business Units:

Logistics – Connecting physical flow to the digital landscape

Library – Solutions for smarter libraries.

#### Logistics

Logistics provides logistics visibility and automation solutions to a variety of market segments, specifically postal, retail, airports & airlines, healthcare, food as well as manufacturing applications across various industries. The majority being built on a common software platform – Lyngsoe LIVE Logistics™.

#### Library Solutions

Lyngsoe Systems 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 (IMMS). When Lyngsoe Systems solutions are used, 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 Systems 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.

#### Acquisition of the Company by the Swedish Private Equity Fund, Accent Equity

On 31 August 2022, CC Track Invest ApS and Lyngsoe Systems Holding A/S and all their subsidiaries, including Lyngsoe Systems A/S, were acquired by AE 2017 Clarity Bidco (now operating under the name of Lyngsoe Systems Finance ApS). Lyngsoe System Finance ApS is fully owned by Lyngsoe Systems Group ApS. Following the acquisition, CC Track Invest ApS and Lyngsoe Systems Holding A/S were merged with Lyngsoe Systems A/S as the continuing company.

## Management's review

### Operating review

#### Development in Activities and Finance during 2022

Lyngsoe Systems A/S is the main group entity and in charge of the majority of activities and shared services.

In 2022, the Company's revenue increased by more than 20% through organic growth.

Operating profit was negatively impacted by costs related to the change in ownership.

Profit from equity investments in subsidiaries came in at DKK 22.2 million and was positively impacted by an adjustment of an earn-out liability that was settled in 2022.

Regarding financial performance and development for the consolidated Lyngsoe Systems Group ApS, reference is made to the consolidated financial statements of Lyngsoe Systems Finance ApS, and the following is highlighted from group level:

- The reporting shows revenue for a four-month period on a twelve-month period that the Group has increased revenue by more than 20% through organic growth.
- Net interest-bearing debt (NIBD) end of 2022 amounted to DKK 146.0 million due to the acquisition of Lyngsoe Systems.
- Solvency ratio was 33.3% at year end.

#### Uncertainty regarding Measurement of Receivables

As of 31 December 2022, the Company has overdue receivables totalling net DKK 34.3 million (unchanged from 2021 except for currency development) related to one project. There is uncertainty related to the recoverability of the receivables, as the contract partner has not fulfilled its payment obligation, resulting in the Company taking legal action.

During 2020, the court ruled in favour of Lyngsoe Systems, and during 2021, the appeal court also ruled in favour of Lyngsoe Systems, and the case is now with the enforcement court.

A "no cure, no pay" agreement was made with the lawyers in 2021, resulting in a provision of DKK 4.3 million being made end of 2021, reducing the net receivable to DKK 30.0 million.

The Company's lawyer believes that a significant part of the receivable can be collected through initiated enforcement actions, and the Company assesses that the receivables are fairly measured and realisable.

Naturally, there is uncertainty related to the outcome of the enforcement process, and if not collected, this will have a negative impact on the Company's equity but no cash flow impact.

## Management's review

### Operating review

#### Outlook

Management expect to report revenue in line with 2022 and a higher operating profit.

#### 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.

#### Development Activities

In 2022, Lyngsoe Live Logistics™ platform was improved by updating of the backend platform to futureproof the entire platform. We have developed a new process reader as a complimentary product to our RTLS portals.

In Library a new interface between IMMS™ and Symphony has been developed, thereby significantly increasing the market potential for IMMS™. Symphony is one of the most commonly used Integrated Library Systems (ILS) globally. Lyngsoe has also invested in Library Clerk, which is a smart, mobile and ergonomically designed library tag reader to be used by library staff. Also in the coming years, the Company will focus on development activities in each of the two business units – with the aim of both delivering competitive and value-creating solutions for our customers as well as maintaining our platforms to improve efficient execution.

#### Human Knowledge Resources

The Lyngsoe Systems Group is a distinctly knowledge-based company. We have succeeded in continuous development and growth by attracting and retaining competent and highly educated talents, including engineers, developers, project managers, sales staff and administrative employees.

We continuously allocate considerable resources to process improvements aiming at increasing quality and efficiency. We invest in methods, processes as well as education of our employees. Accordingly, it is one of the goals of the Group to be and remain an attractive employer. During 2022, on a quarterly basis, we measured our employee satisfaction and engagement, and through our Lyngsoe United cultural initiative ensured that Lyngsoe Systems maintains and improves our attractiveness as an employer.

#### Environment

The Group recognises the need for maintaining a sustainable environment and is committed to comply with and follow local environment laws and regulations in the countries in which we operate. Management is not aware of any violation of the environment laws and regulations during 2022.

For further information, we refer to our CSR report that is available on [www.lyngsoesystems.com](http://www.lyngsoesystems.com).

## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2022	2021
<b>Gross profit</b>		109,000	100,016
Staff costs	3	-91,737	-83,580
Depreciation and amortisation of intangible and fixed assets		-9,837	-9,078
<b>Operating profit</b>		7,426	7,358
Profit from equity investments in subsidiaries	9	22,234	10,468
Financial income	4	1,973	1,896
Financial expenses		-1,789	-803
<b>Profit before tax</b>		29,844	18,919
Tax on profit for the year	5	-2,567	-2,041
<b>Profit for the year</b>	6	<u>27,277</u>	<u>16,878</u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2022	2021
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	7		
Development projects		22,860	24,158
<b>Property, plant and equipment</b>	8		
Land and buildings		21,693	16,432
Fixtures and fittings, tools and equipment		1,705	1,504
		23,398	17,936
<b>Investments</b>	9		
Equity investments in subsidiaries		101,561	95,097
<b>Total fixed assets</b>		147,819	137,191
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		12,197	5,498
<b>Receivables</b>			
Trade receivables		71,790	66,822
Contract work in progress	10	22,153	8,136
Receivables from group entities		12,315	21,277
Other receivables		1,566	5
Tax receivables		0	433
Prepayments		1,315	512
		109,139	97,185
<b>Cash</b>		7,206	28,119
<b>Total current assets</b>		128,542	130,802
<b>TOTAL ASSETS</b>		276,361	267,993

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2022	2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2,189	2,189
Reserve for net revaluation according to the equity method		20,271	13,807
Reserve for net revaluation on buildings		7,516	2,843
Reserve for development projects		17,765	18,778
Retained earnings		28,853	51,530
<b>Total equity</b>		<b>76,594</b>	<b>89,147</b>
<b>Provisions</b>			
Deferred tax	11	15,275	13,997
Warranty provisions		2,050	3,738
<b>Total provisions</b>		<b>17,325</b>	<b>17,735</b>
<b>Liabilities other than provisions</b>			
<b>Non-current liabilities other than provisions</b>			
Mortgage debt	12	0	9,712
Bank loans		0	10,000
Credit facility		52,477	
Lease liability		511	324
Other debt		9,394	15,350
Contingent consideration		0	30,000
		<b>62,382</b>	<b>65,386</b>
<b>Current liabilities other than provisions</b>			
Current portion of non-current liabilities other than provisions	12	187	5,997
Prepayments received from customers	10	33,385	22,482
Trade payables		18,332	15,328
Payables to group entities		38,759	12,103
Other payables		17,184	22,458
Deferred income	13	10,120	15,201
Corporation tax		2,093	2,156
		<b>119,873</b>	<b>95,725</b>
<b>Total liabilities other than provisions</b>		<b>182,442</b>	<b>161,111</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>276,361</b>	<b>267,993</b>
<b>Uncertainty regarding measurement of receivables</b>	2		
<b>Contractual obligations, contingencies, etc.</b>	14		
<b>Related party disclosures</b>	15		
<b>Events after the balance sheet date</b>	16		

## 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 2022	2,189	13,807	18,778	2,843	51,530	89,147
Addition of development projects during the year	0	0	5,110	0	-5,110	0
Revaluation of building	0	0	0	5,070	0	5,070
Transferred over the profit appropriation	0	15,290	-6,123	-397	18,507	27,277
Transfer related to received dividends	0	-10,811	0	0	10,811	0
Exchange rate adjustment, foreign subsidiary	0	1,985	0	0	0	1,985
Impact from merger with parent companies	0	0	0	0	-46,885	-46,885
<b>Equity at 31 December 2022</b>	<b>2,189</b>	<b>20,271</b>	<b>17,765</b>	<b>7,516</b>	<b>28,853</b>	<b>76,594</b>

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Lyngsoe Systems A/S for 2022 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 except use of possibility for showing gross profit and omission of cash flow statement.

#### 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 Group ApS, Lyngsø Alle 3 9600 Aars, CVR no. 43 34 38 66, and Lyngsoe Systems Finance ApS, Lyngsø Alle 3 9600 Aars, CVR no. 43 34 51 33.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent companies Lyngsoe Systems Group ApS, Lyngsø Alle 3 9600 Aars, CVR no. 43 34 38 66, and Lyngsoe Systems Finance ApS, Lyngsø Alle 3 9600 Aars, CVR no. 43 34 51 33.

#### 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.

#### Business combinations

When acquiring new entities, the acquisition method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquiree at the acquisition date that are not initiated as a part of the acquisition are included in the pre-acquisition balance sheet and thus the calculation of goodwill. Restructuring that is initiated by the acquirer is recognised in the acquirer's income statement. Deferred tax is recognized to the extent that temporary differences arise from the revaluations.



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life. Negative goodwill is recognised as income in the income statement at the acquisition date when the usual conditions for recognition of income are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

Intercompany mergers are recognised in accordance with the book value method.

#### 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 exchange 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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Income statement

###### Gross profit/ loss

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit/ loss in accordance with section 32 of the Danish Financial Statements Act.

###### Revenue

Revenue includes sales of logistics and library automation solutions, typically including engineering, software, licenses and hardware components.

Further revenue comprises service contracts.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, who has pricing latitude and who is also exposed to inventory and credit risks.

Logistic and library automation solutions meet the criteria for revenue to be recognised over time, on a percentage of completion basis. This is due to the customisation of components to customer specifications (selected options) which means that Lyngsoe Systems has no alternative use for the component once customisation commences and Lyngsoe Systems has a right to payment for work completed to date.

The Group's contracts with customers for the sale of logistic and library automation solutions, generally include two performance obligation. Used hours is recognised over time and hardware is recognised at time for delivery. Software licenses are also recognised at time for delivery.

Service work and contracts are recognised over time.

For logistic and library automation solutions payments are based on milestones, generally leading to prepayments in the first phase and assets in the ending period.

Trade receivables are non-interest bearing and are generally on terms of 14 to 60 days. Generally, normal standard warranty obligations apply.

###### Staff costs

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

###### 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)

Refunds from public authorities including Covid-19 payroll compensation have been deducted from staff costs.

#### Profit/loss from equity 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.

#### Income tax and deferred tax

The Danish group companies are jointly taxed together with other Danish entities controlled by Accent Equity 2017 AB and are taxed under the on-account tax scheme. Current Danish tax is allocated between the jointly taxed Danish companies in proportion to their taxable incomes (full absorption).

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.

### Balance sheet

#### 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.

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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### 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.

##### 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

Equity 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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

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 equity 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 equity 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 20 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.

#### 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.

#### Contract work in progress

Contract work in progress is measured at the selling price of the work performed less progress billings and anticipated losses.

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

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 contract work in progress, the deficit is recognized under liabilities.

Prepayments from customers are recognised under liabilities.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

##### Equity

Net revaluation of equity 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 development 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.

##### *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 set-off 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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

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.

#### 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.

## Financial statements 1 January – 31 December

### Notes

#### 2 Uncertainty regarding measurement of receivables

As of 31 December 2022, the Company had overdue receivables totalling net DKK 34.3 million (unchanged from 2021 except for currency development) related to a project. There is uncertainty related to the recoverability of the receivables, as the contract partner has not fulfilled its payment obligation, resulting in the Company taking legal action.

During 2020, the court ruled in favour of Lyngsoe Systems, and during 2021, the appeal court also ruled in favour of Lyngsoe Systems, and the case is now with the enforcement court.

A “no cure, no pay” agreement was made with the lawyers in 2021, resulting in a provision of DKK 4.3 million being made end of 2021, reducing the net receivable to DKK 30.0 million.

The Company’s lawyer believes that a significant part of the receivable can be collected through initiated enforcement actions, and the Company assesses that the receivables are fairly measured and realisable.

Naturally, there is uncertainty related to the outcome of the enforcement process, and if not collected, this will have a negative impact on the Company’s equity but no cash flow impact.

#### 3 Staff costs

DKK'000	2022	2021
Wages and salaries	79,318	72,394
Pensions	9,911	9,446
Other social security costs	2,508	1,740
	<u>91,737</u>	<u>83,580</u>
Average number of full-time employees	<u>129</u>	<u>120</u>
Remuneration of the Board of Directors and Executive Board	<u>4,032</u>	<u>4,549</u>

From 1 September 2022, remuneration to Executive Board is part of management fee invoiced from the Parent Company.

#### 4 Financial income and expenses

Financial income from group entities totalled DKK 301 thousand (2021: An expense of DKK 274 thousand).



## Financial statements 1 January – 31 December

### Notes

DKK'000	2022	2021
<b>5 Tax on profit for the year</b>		
Current tax for the year	2,716	2,172
Deferred tax adjustment for the year	-152	394
Adjustment for tax prior year	3	-1,290
Acquisition tax	0	765
	<u>2,567</u>	<u>2,041</u>
<b>6 Profit appropriation</b>		
Reserve for net revaluation according to the equity method	15,290	15,703
Reserve for net revaluation on buildings	-397	-397
Reserve for development costs	-1,013	-3,994
Retained earnings	<u>13,397</u>	<u>5,566</u>
	<u>27,277</u>	<u>16,878</u>

## Financial statements 1 January – 31 December

### Notes

#### 7 Intangible assets

DKK'000	Goodwill	Finalised development projects	Development projects in progress	Total
Cost at 1 January 2022	740	39,299	2,217	42,256
Additions	0	1,053	5,499	6,552
Transfers	0	1,334	-1,334	0
Reversed	0	-184	0	-184
Cost at 31 December 2022	740	41,502	6,382	48,624
Amortisation and impairment losses at 1 January 2022	740	17,358	0	18,098
Amortisation	0	7,850	0	7,850
Reversed	0	-184	0	-184
Amortisation and impairment losses at 31 December 2022	740	25,024	0	25,764
<b>Carrying amount at 31 December 2022</b>	<b>0</b>	<b>16,478</b>	<b>6,382</b>	<b>22,860</b>

#### 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 2022	27,075	15,782	42,857
Additions	134	815	949
Disposals	0	0	0
Cost at 31 December 2022	27,209	16,597	43,806
Net revaluations at 1 January 2022	7,627	0	7,627
Revaluation during the year	6,500	0	6,500
Net revaluations at 31 December 2022	14,127	0	14,127
Depreciation 1 January 2022	18,270	14,278	32,548
Depreciation	1,373	614	1,987
Disposals	0	0	0
Depreciation at 31 December 2022	19,643	14,892	34,535
<b>Carrying amount at 31 December 2022</b>	<b>21,693</b>	<b>1,705</b>	<b>23,398</b>
Assets held under finance leases	0	701	701

## Financial statements 1 January – 31 December

### Notes

#### 9 Investments

DKK'000	Equity investments in subsidiaries
Cost at 1 January 2022	81,290
Additions	0
Disposals	0
Cost at 31 December 2022	81,290
Value adjustments at 1 January 2022	13,808
Foreign exchange adjustment	1,984
Profit for the year	19,624
Goodwill and customer contracts, amortisation	-4,334
Received dividends from subsidiaries	-10,811
Value adjustments at 31 December 2022	20,271
<b>Carrying amount at 31 December 2022</b>	<b>101,561</b>

Goodwill amounting to DKK 16.5 million is recognised in investments and amortised over 10 years.

Intangible assets from customer contracts and relations amount to DKK 17.4 million and are amortised over the expected use full life of 5-10 years.

Development projects are capitalised as part of recognised results from subsidiaries.

Name and registered office	Stake	Share capital
		DKK'000
Lyngsoe Systems Inc., USA	100%	65
Lyngsoe Systems Ltd., Canada	100%	0
Lyngsoe Systems AG, Germany	100%	373
Lyngsoe Systems OY, Finland	100%	75
Lyngsoe Systems Ltd., United Kingdom	100%	451

## Financial statements 1 January – 31 December

### Notes

#### 10 Contract work in progress

DKK'000	2022	2021
Sales value of work performed	91,774	81,823
Progress billings	-103,006	-96,169
	<u>-11,232</u>	<u>-14,346</u>
Recognised as follows:		
Contract work in progress (assets)	22,153	8,136
Contract work in progress (liabilities)	-33,385	-22,482
	<u>-11,232</u>	<u>-14,346</u>

#### 11 Deferred tax

Deferred tax liabilities are attributable to deferred tax arising from net revaluation on buildings, contract work in progress, property, plant and equipment, provisions, prepayments, deferred income and tax loss carryforwards.

#### 12 Non-current liabilities

DKK'000	Total debt at 31/12 2022	Repayment, coming year	Unpaid balance after 5 years
Credit facility	52,477	0	52,477
Lease liability	698	187	0
Other debt	9,394	0	9,394
	<u>62,569</u>	<u>187</u>	<u>61,871</u>

#### 13 Deferred income

Deferred income of DKK 10,120 thousand (2021: DKK 15,201 thousand) comprises service agreements.

## Financial statements 1 January – 31 December

### Notes

#### 14 Contractual obligations, contingencies, etc.

A mortgage deed registered to the mortgagor of DKK 8,000 thousand secured on land and buildings with a carrying amount of DKK 21,963 thousand has been registered as collateral for balance with credit institution. 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 credit institution.

The shares in Lyngsoe Systems A/S have been pledged to credit institution as guarantee for the facility provided by credit institution to Lyngsoe Systems A/S.

The Company has provided payment and performance guarantees totalling DKK 7,206 thousand (2021: DKK 9,260 thousand) via its bank and other partners.

The Company is jointly taxed with other Danish group entities and entities controllers by ultimate parent company. 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 698 thousand, of which DKK 187 thousand falls due within a year.

#### 15 Related party disclosures

Accent Equity 2017 AB controls the majority of the share capital in the Lyngsoe Systems A/S through Lyngsoe Systems Finance ApS and Lyngsoe Systems Group ApS, Lyngsø Alle 3, 9600 Aars.

##### Related party transactions

DKK'000	2022
Sale of goods and services to a group company	73,672
Purchase of goods and services from a group company	-72,691
<b>Total</b>	<b>981</b>

Remuneration to the Company's Executive Board and Board of Directors is disclosed in note 3.

Receivables from group entities are disclosed in the balance sheet, and interest income is disclosed in note 4.

#### 16 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.